

EU Action Plan on Sustainable Finance

Bård Bringedal, Chief Investment Officer
Storebrand Asset Management





Key market developments - sustainable investments

End investors

- Increased awareness and knowledge
- Increased demand for sustainable products
- Higher demand for product insight

Asset Managers

- Key competitive focus area
- Increased integration and product development
- More emphasis on investee company output

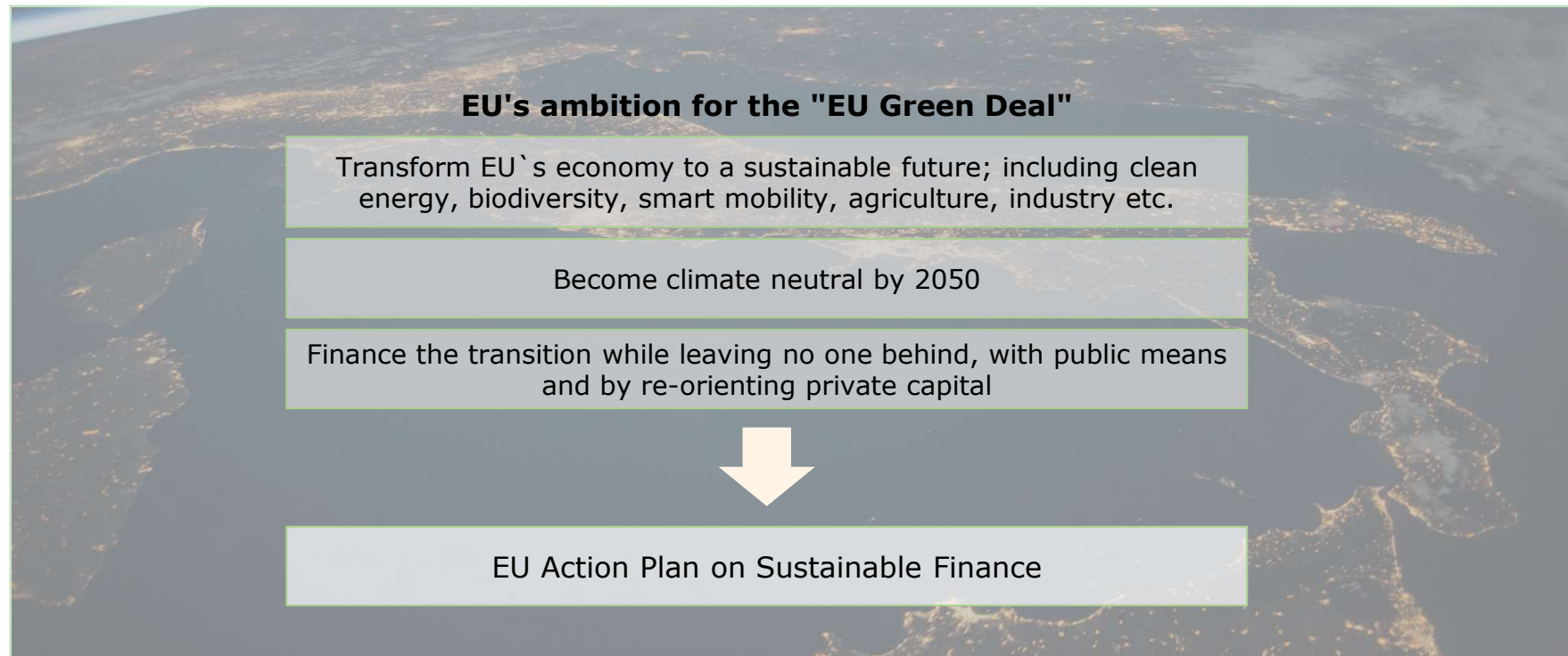
Governments

- More regulation to prevent greenwashing, and willingness to re-orient private and public capital

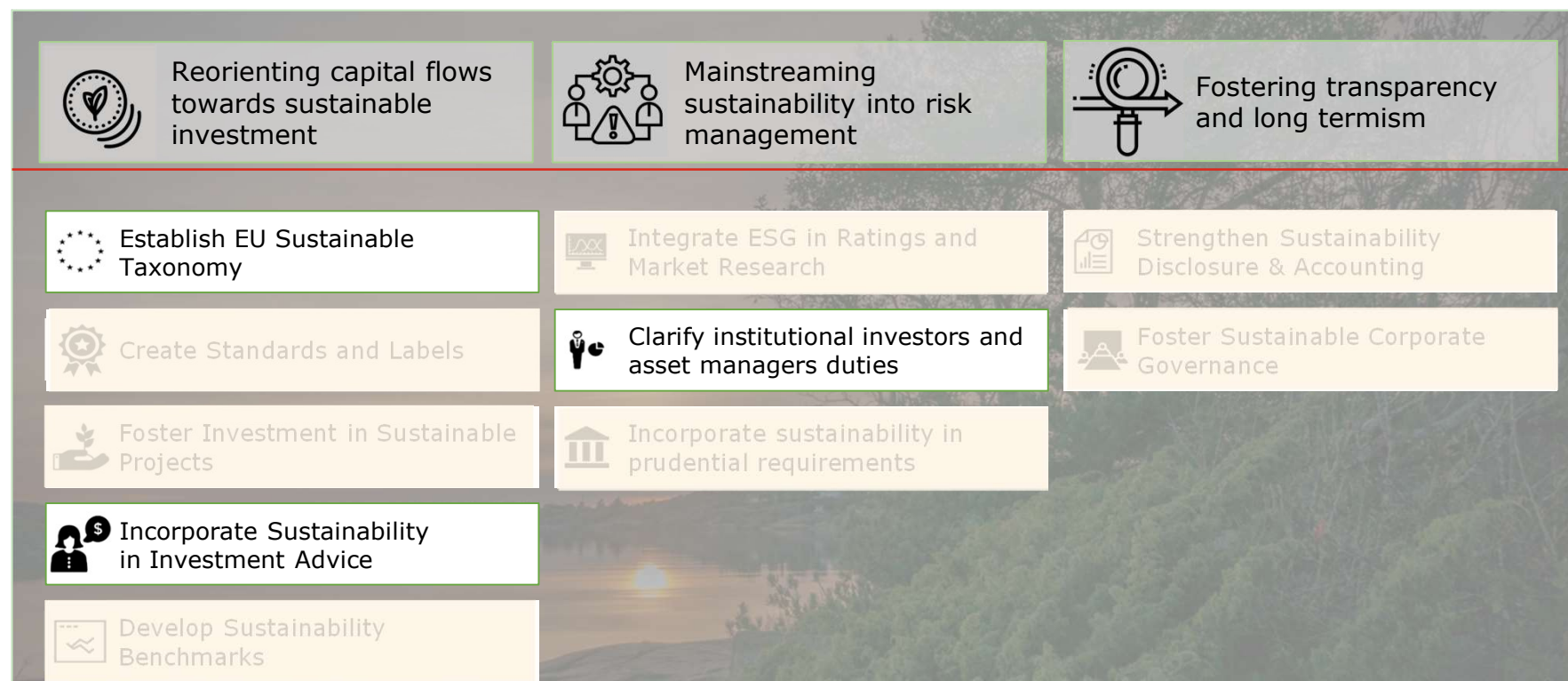
Storebrand has defined intermediate targets towards net zero in 2050, starting with 2025 targets

	Sub Portfolio targets	-32% reduction in scope 1-2 GHG emissions of Storebrand Group's total equity, corporate bond and real estate investments by 2025 with 2018 as the baseline
	Sector targets	Storebrand will set climate reductions targets for high-emitting sectors during the first half of 2021
	Be an active owner	In line with Storebrand Asset Managements strategy for active ownership, a special emphasis will be placed on the 20 largest emitters based on our owned emissions
	Solution targets	15% of our total investments to be invested in solutions ¹ by 2025.
	Customer engagement	Make it simple for clients to understand and contribute to a low carbon future

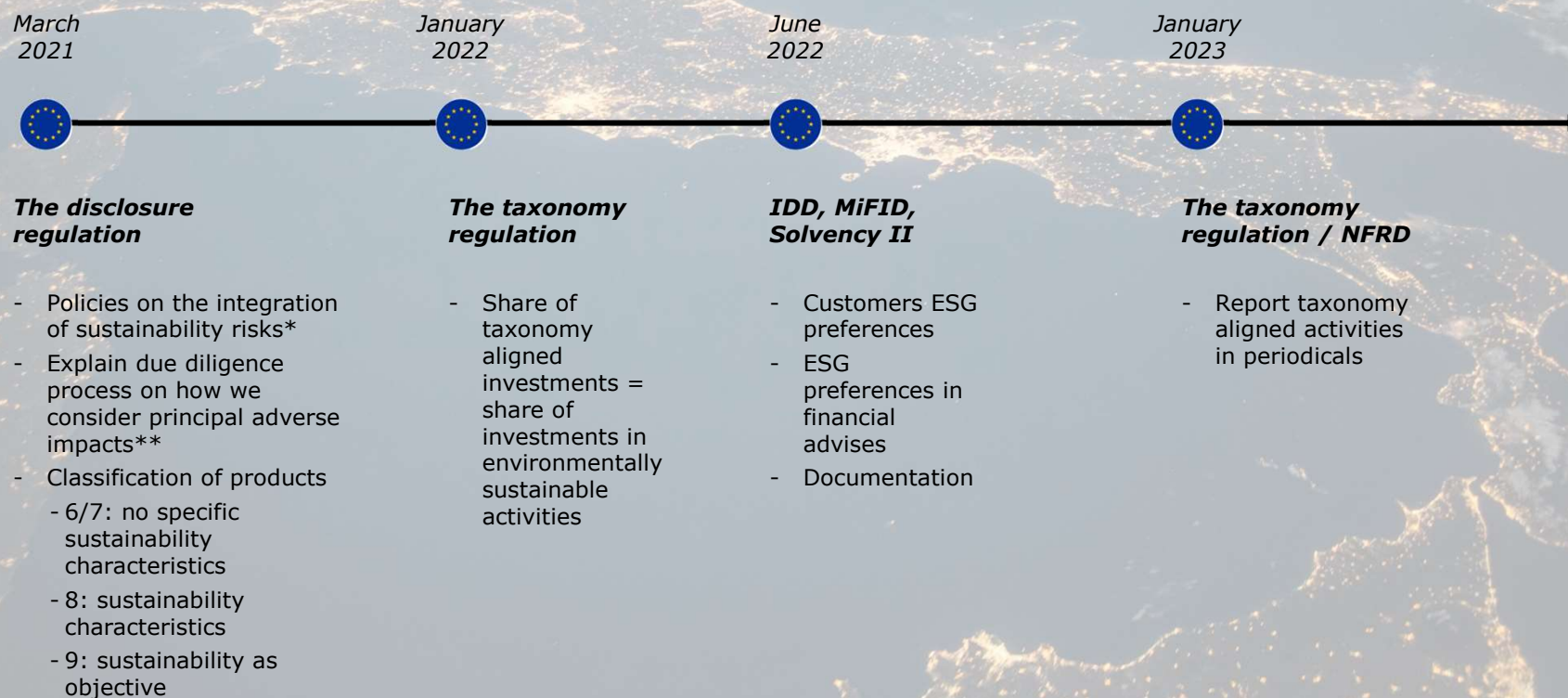
EU's ambition is to become carbon neutral by 2050 and re-orient capital flows towards a more sustainable economy



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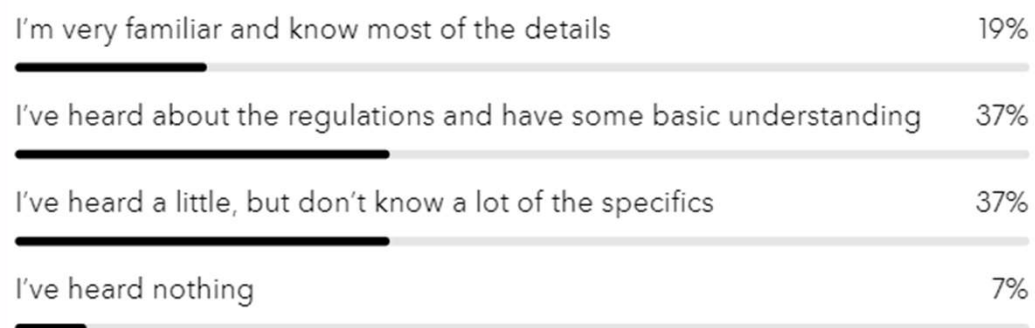


EU Sustainable Finance Action Plan Deadlines



Preparedness and knowledge about the impact of the EU Action Plan is still scarce

How familiar are you with the upcoming European Sustainable Investment regulations, going into effect starting 2021?



Source: Bloomberg poll, March 2021

EU introduces 3 new regulations to improve ESG transparency

	1) Sustainable Financial Disclosure Regulation (SFDR)	2) The EU Taxonomy	3) Non-Financial Reporting Disclosure (NFRD)
EU Action	Clarify institutional investors and asset managers duties	Establish EU classification system for sustainable activities	Strengthen sustainability disclosure
Goal	<ul style="list-style-type: none"> Strengthen protection for end investors by improving transparency on how financial market participants integrate sustainability (risks) into their investment decisions/recommendations 	<ul style="list-style-type: none"> Establish a unified classification system for sustainable activities to underpin the shift of capital flows towards more sustainable activities 	<ul style="list-style-type: none"> Improve non-financial information/ESG data disclosure by investee companies to support implementation of EU taxonomy and SFDR
Scope	<ul style="list-style-type: none"> Financial market participants 	<ul style="list-style-type: none"> Financial market participants Companies falling under the NFDR Member States and EU legislative measures 	<ul style="list-style-type: none"> Large public interest entities with over 500 employees
Criteria/requirements	Classify all products based on ESG level	Establish criteria for determining whether an economic activity/product is environmentally sustainable	Revise requirement to include non-financial statements in annual reports in line with EU Taxonomy and SFDR
Timelines	SFDR level 1 (classification): 10. March 2021 SFDR level 2 (technical details): released 2. Feb 2021, implemented 01.01.2022	Climate-related objectives: 31. December 2021 Other objectives: 31 December 2022	EU will revise NFRD



The Taxonomy Regulation links the two other regulations in a limited way by requiring corporates to disclose environmental data under the NFRD that investment firms must use for their environmental disclosures under the SFDR. There is no equivalent social or governance taxonomy, but these have been proposed.

01 - Disclosure proposal

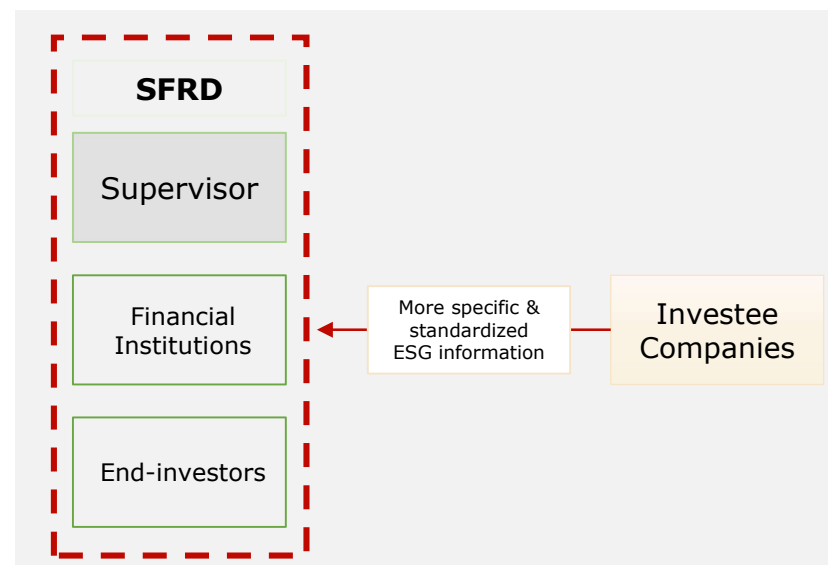
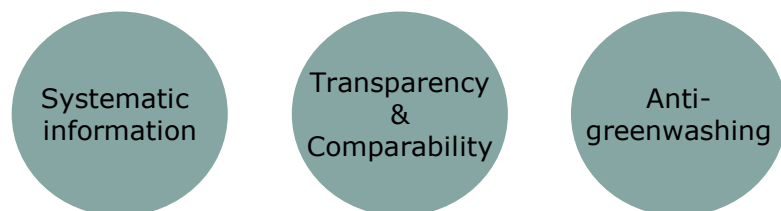
Disclosure requirements related to sustainable investments and sustainability risks built around three main pillars; **elimination of greenwashing, regulatory neutrality** and **level playing field**.



What is the Sustainable Finance Disclosure Regulation (SFDR)

The SFDR aims to protect end investors by allowing them to make informed decisions about their investments. It does so by demanding that organizations in the financial sector be transparent about:


- how they integrate sustainability risks in their investment decision and advisory processes
- how they consider the adverse sustainability impacts of their investments
- how sustainable their financial products are



Clarify institutional investors and asset managers duties


EU Action Plan on Sustainable Finance


 Establish EU Sustainable Taxonomy

 Create Standards and Labels

 Incorporate Sustainability in Investment Advice

 Develop Sustainability Benchmarks

 Clarify institutional investors and asset managers duties

 Strengthen Sustainability Disclosure & Accounting

The ambition of the product determines the requirements:

Top Tier (Article 9) - Dark Green

- ESG Focused products "with the objective of sustainable investments"

Middle Tier (Article 8) - Light Green

- Some degree of ESG adaption "promoting environmental or social characteristics"

Bottom Tier (Article 6/7)

- Sustainability may still be a part of the managers' process (i.e. considering sustainability risks) **or** the manager needs to explain why ESG risks are not relevant

WHICH TIER WILL OUR FUNDS BELONG TO?



Definition of Sustainable Investments, according to the SFDR

*Sustainable investment' means an investment in an economic activity that contributes to an **environmental objective**, as measured, for example, by key resource efficiency indicators on the **use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions**, or on its **impact on biodiversity and the circular economy**, or an investment in an economic activity that contributes to a **social objective**, in particular an investment that contributes to tackling **inequality** or that **fosters social cohesion, social integration and labour relations**, or an investment in **human capital** or **economically or socially disadvantaged communities**, provided that such investments **do not significantly harm** any of those objectives and that the investee companies **follow good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.*



Transparency and Principal Adverse Impact Indicators (PAI)

- applicable for article 8 & 9

Greenhouse gas emissions

1. GHG emissions (broken down by scope 1, 2 and 3 GHG emissions)
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of nonrenewable energy consumption and production
6. Energy consumption intensity per high impact climate sector

Biodiversity

7. Activities negatively affecting biodiversity-sensitive areas

Water

8. Emissions to water

Waste

9. Hazardous waste ratio

Social and employee matters

10. Violations of UN Global Compact principles and OECD
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

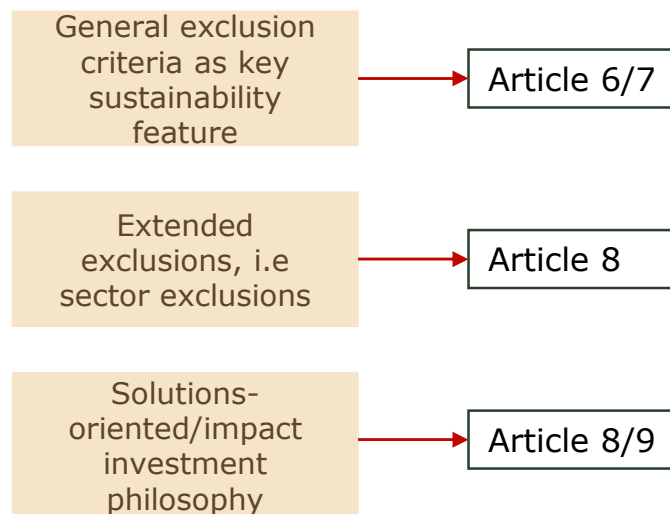
Indicators applicable to investments in sovereigns and supranationals

15. GHG intensity
16. Investee countries subject to social violations

Indicators applicable to investments in real estate assets

17. Exposure to fossil fuels through real estate assets
18. Exposure to energy-inefficient real estate assets

Storebrand guidelines for product classification



Reasoning:

- The Storebrand Sustainability Policy, incl the Storebrand Standard for exclusions, does not allow for article 8/9-classification in itself
 - It does not impact specific KPI's sufficiently
 - Engagement is not an element in the classification
- All funds that are "fossil-free" could be tied to the environmental objectives, and hence argue a sustainable characteristic
 - 'use of greenhouse gas emissions' could be promoted, linking to the taxonomy environmental objective 'climate change mitigation'
 - Note: fossil-free is not a guarantee for low Co2-intensity
- Solutions-oriented products have investment strategies directly linked to one or more of the "18 Key Performance Indicators"
 - If KPI-goals are specified in product mandate, we can argue article 9
 - "Do no Harm", the Adverse Impact restrictions, may impact investable universe

UCITS Category Suggestion for 10th of March 2021

Storebrand	
Product	Suggestion 10.03.2021
Fornybar Energi	⑨
Global ESG Plus Valutasikret	8
Global ESG Plus	8
Global Solutions	⑨
Global ESG	8
Norge Fossilfri	8
Norsk Kreditt IG 20	8
Likviditet	8
Korte Renter SII	8
Global Obligasjon	8
Global Kreditt IG	8
Verdi	7
Norge	7
Nordic High Yield	7
Stat	7
Kreditt	7
Vekst	7

Storebrand	
Product	Suggestion 10.03.2021
Kort Kreditt IG	7
Indeks - Nye Markeder	7
Indeks - Norge	7
Indeks - Alle Markeder	7
Global Value	7
Norsk Kreditt IG	7
Global Multifaktor Valutasikret	7
Global Multifactor	7
Norge I	7
Global Indeks Valutasikret	7
Global Indeks	7
Fremtid 80	7
Fremtid 50	7
Fremtid 30	7
Fremtid 100	7
Fremtid 10	7
Aksje Innland	7

Storebrand Lux	
Product	Suggestion 10.03.2021
Global Solutions LUX	⑨
Global ESG PLUS LUX	8
Global Multifactor LUX	7

SAM Other	
Product	Suggestion 10.03.2021
SEB NOK Liquidity Fund	7
FO Norsk Likviditet	7
FO Norsk Kreditt	7

Delphi	
Product	Suggestion 10.03.2021
Green Trends	⑨
Norge	7
Nordic	7
Kombinasjon	7
Global	7
Global Valutasikret	7
Europe	7

UCITS Category Suggestion for 10th of March 2021

SPP Fonder	
Product	Suggestion 10.03.2021
Grön Obligationsfond	9
Sverige Småbolag Plus	8
Sverige Plus	8
Global Solutions	9
Global Plus	8
Europa Plus	8
Emerging Markets Plus	8
Obligationsfond	8
Mix 100	8
Mix 80	8
Mix 50	8
Mix 20	8
Korträntefond	8
High Yield Företagsobligation	8
Global Multifactor Plus	8

SPP Fonder	
Product	Suggestion 10.03.2021
Global Företagsobligation Plus	8
Generation 80-tal	8
Generation 70-tal	8
Generation 60-tal	8
Generation 50-tal	8
Generation 40-tal	8
FRN Företagsobligationsfond	8
Emerging Markets SRI	8
Aktiefond USA	8
Aktiefond Sverige	8
Aktiefond Stabil	8
Aktiefond Japan	8
Aktiefond Global	8
Aktiefond Europa	8
GodFond Sverige & Världen	8

SKAGEN	
Product	Suggestion 10.03.2021
Vekst	7
Tellus	7
M2	7
Kon-Tiki	7
Høyrente	7
Global	7
Focus	7
Avkastning	7
Select 15-100	7

SKAGEN Lux	
Product	Suggestion 10.03.2021
m2 LUX	7
Kon-Tiki LUX	7
Global LUX	7
Focus LUX	7

What will be the impact of the EU Action Plan for Sustainable Finance?

End investors

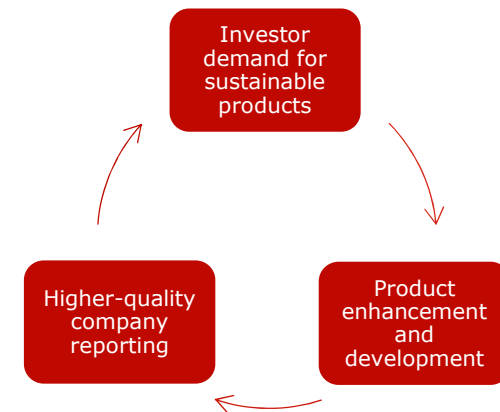
- More transparent financial products, and easier to compare products
- More demand for article 8 or 9 financial products (sustainable products)?

Asset Managers

- Level playing field, less green-washing – need to document your position on sustainability
- Client demand will drive product development
- Increased demand for non-financial, material company reporting

What's in it for investee companies?

- Companies that can demonstrate their risk control and positive environmental and societal impact will attract more investors



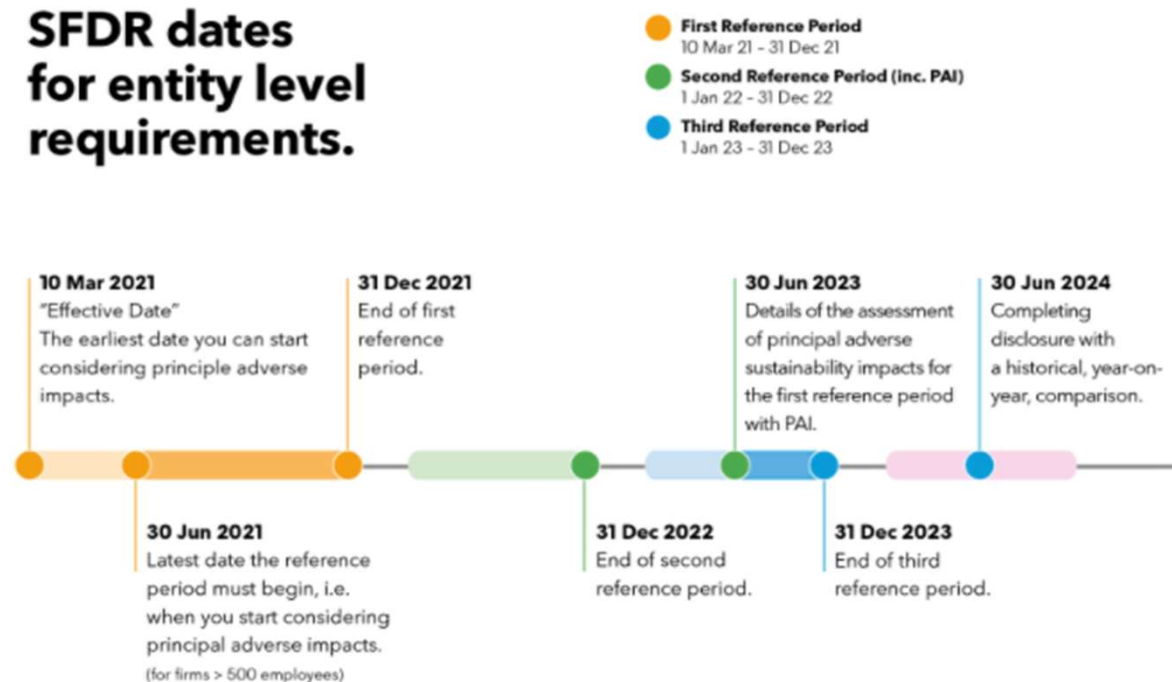
The positive feedback-loop

Appendix



Updated timeline for SFDR implementation

SFDR dates for entity level requirements.



Source: Bloomberg

Principal adverse impacts

Adverse sustainability indicator		Metric	In
Indicators applicable to investments in investee companies			
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions From 1 January 2023, Scope 3 GHG emissions Total GHG emissions Carbon footprint GHG intensity of investee companies	
	2. Carbon footprint	Share of investments in companies active in the fossil fuel sector	
	3. GHG intensity of investee companies	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	
	4. Exposure to companies active in the fossil fuel sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	
	5. Share of non-renewable energy consumption and production	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	
	6. Energy consumption intensity per high impact climate sector		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas		
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS			
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	
	13. Board gender diversity	Average ratio of female to male board members in investee companies	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	
Indicators applicable to investments in sovereigns and supranationals			
Environmental	15. GHG intensity	GHG intensity of investee countries	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	
Indicators applicable to investments in real estate assets			
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	

What's new in level 2 information?

More transparent how to assess fund-of-funds, platforms, multiple-choice products, etc

- Products in which clients has a choice will be categorized as §8 if there are products to choose from categorized as either §8 or §9
- To be categorized as an §9 all underlying products must be §9
- The client must be informed that the sustainability level depends on the clients choice
- Periodical report must be based on the actual investments – how is still unclear

"The financial product promotes environmental or social characteristics and the attainment of those characteristics is subject to investing in at least one investment option in the list attached"

18 rather than 32 PAI – must be reported on entity level and for §9-products

- From June 30th 2022 market participants need to disclose 18 PAIs + minimum of 2 optional KPIs
- Should be available on a dedicated section on entity website: "Principal adverse sustainability impacts statement"
- 'Do no significant harm' apply for §9 but not a requirement for §8 – PAI may however be one way of promoting sustainable characteristics(§8)

"DNSH is particularly important for financial products that have sustainable investment as their objective as it is a necessary criterion to justify that an investment delivers the sustainable investment objective"

Exclusion may imply §8 – but must be material

- §8 covers several strategies – incl "best-in-class", sector-exclusions to PAIs
- Exclusions without material impact on a product may not be marketed as sustainable. Must be transparent on implications for investable universe

"Considering that many financial products currently rely on exclusion strategies based on environmental or social criteria, end investors should be provided with the necessary information to assess the materiality of such criteria on investment decisions"

§8 does not mean that all investments must be sustainable

- Investments that do not comply may be due to: hedging, diversification, cash or missing-data
- "Minimum safeguards" may still apply across all investments
- Transparency needed on level of investments compliant with categorization



Suggested understanding of SFDR Classification

6. HOW DOES THE SFDR CLASSIFICATION APPLY TO RECOGNISED ESG/SRI STRATEGIES?



Eurosif classification of Sustainable and Responsible Investment – Eurosif Transparency Code

Strategy	Sustainability Themed Investment	Best-in-Class Investment Selection	Norms-Based Screening	Exclusion of Holdings from Investment Universe	Integration of ESG Factors into Financial Analysis	Impact Investing
Description	Investment in themes or assets linked to the development of sustainability.	Approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria.	Screening of investments according to their compliance with international standards and norms.	An approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries.	The explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions.	Investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return.
Art 6 SFDR		X (if based on ESG integration)		X (if at firm level)	X	
Art 8 SFDR	X (if part of portfolio)	X	X	X (if at fund level)		X (if part of portfolio)
Art 9 SFDR	X (if entire portfolio)					X (if entire portfolio)

Engagement and Voting – although identified as separate strategy in the Eurosif Transparency code, engagement and stewardship is an implicit requirement for Article 8 and 9 products, as products also have to demonstrate that the portfolio is invested in companies following good governance practices
Carbon Emission Reduction – if a product has this as binding objective, it will likely be an Art 9 product, required to use a EU Climate Transition or EU Paris-aligned Benchmark