DNB Asset Management AS

A company in the DNB-group

Annual Report 2022

Responsible Investments

DNB

Facts

DNB Asset Management

- Is a part of Wealth Management (WM), a business area in the DNB Group, Norway's largest bank.
- Has 149 full-time employees across three locations in Europe at the end of 2022.
- Managed NOK 809 billion by year-end in fixed income, equities, hedge funds, and private equity – on behalf of institutional and retail clients.

The DNB Group aims to promote sustainable value creation by integrating Environmental, Social and Governance (ESG) aspects into business operations.

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1 Report from the CEO

Looking ahead, further refining DNB AM's sustainable investments approach will be important across all asset classes. Central themes will focus on Net zero 2050, emission reduction targets aligned with science, the energy transition, nature positive, water targets and metrics, circularity, and human rights risk and mitigation across the entire supply chain.

> We expect ESG investing to continue to adapt, especially relating to clarity of the use of ESG metrics in company valuation and portfolio construction.

The overall global equity market was weak in 2022 due to fears of inflation and increased geopolitical uncertainty. Likewise, sustainability themed (ESG) investments also typically showed negative returns. The broader "ESG-indices" (MSCI World ESG index) performed roughly in line with the standard geographical indices in 2022, while the narrower "greentech" NEX-index fell more than 20 per cent in 2022 (in USD) for the second year in row. Note that the broader technology index Nasdaq performed even worse. On the fixed income side, inflation fears caused higher interest rates – making bond funds perform poorly.

After several years of steady growth, ESG assets under management (as defined by Morningstar) was down in 2022. In addition to a weak market, an intensified scrutiny of the problematic sides of ESG investments has probably contributed to a weaker funds flow. Contentious topics have been greenwashing, sustainability vs. politics, the "anti-ESG" movement, and the varying quality of ESG data and metrics. However, we expect ESG investing to continue to adapt, especially relating to clarity of the use of ESG metrics in company valuation and portfolio construction as well as improved quality of disclosers. On the fixed income side, there is a parallel ESG discussion to the equity debate about how to further refine the concept of sustainability themed investments.

The trends described contributed to continued high emphasis on advancing ESG integration from most global portfolio managers in 2022, including how to use ESG metrics in a more dynamic manner (i.e. ESG momentum). Another strong driver was regulatory requirements, such as the EU Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation, and the upcoming EU Sustainability Reporting Standards (ESRS). Thematically, climate issues remained centre stage, but several other topics received increased attention such as biodiversity, ethical artificial intelligence (AI), diversity, equity, and inclusion (DEI), and human capital. Furthermore, there was in creasing attention on considering all ESG factors throughout the whole value chain – not the least social issues.

The trends above are also evident in the Responsible Investments (RI) efforts of DNB Asset Management (DNB AM). In addition to having a dedicated RI team of six, there are several ESG specialists among our portfolio managers, supporting the ESG integration in portfolio management and contributing to the broad offering of thematic funds – such as DNB Fund Renewable Energy and DNB Fund Future Waves, as well as green transition funds covering the Norwegian and Nordic equity markets respectively. Furthermore, the DNB AM work on acquiring and processing ESG data has been intensified on a broad front, supporting ESG integration, meeting regulatory requirements, and enhancing reporting. DNB AM has also continued the multi-year effort of collecting ESG data from large Norwegian issuers of debt, contributing to increased attention on sustainability in the domestic market and in our own organisation.

As before, DNB AM's work on responsible investments rests on four main pillars: Standard setting, active ownership, exclusions, and integration of material ESG factors into the investment process. Our series of expectations documents are often the starting point for engagement with companies and sets the standard of what we consider to be best practice. In 2022, we have updated several of our expectation documents. We have also updated DNB AM's global voting guidelines. In updating the global voting guidelines, we were mindful of the changing best practice related to DEI and we have tightened the minimum requirements related to gender diversity.

Active ownership encompasses both dialogues and voting, and DNB AM often leverages engagements through collaborations with other investors. These may be PRI led working groups, FAIRR, Access to Medicine, Climate Action 100+ initiatives, collaboration through our service provider on company engagments, specialised sector engagements, or joint TCFD-engagements with large Norwegian companies. In total, 309 reactive and proactive dialogues were conducted in 2022. We define goals and milestones for each engagement, and our engagements showed a total progress of 104 milestones last year.

We continue to increase our voting efforts, voting at 1267 meetings in 2022 on behalf of our clients (a near four-fold increase from 2021). DNB AM had also a comprehensive approach to shareholder resolutions in 2022, voting on 819 proposals. Some central topics that we emphasised in the 2022 voting include climate change, social issues (including DEI), lobbying, board composition, and executive compensation. Finally, DNB AM increased the transparency of voting efforts by launching a public searchable proxy voting dashboard[1].

Supporting the active ownership process are our long-term focus areas and our shorter-term thematic focus areas. Starting in 2023, biodiversity will be upgraded to a long-term focus area. DNB AM has already stepped up the nature risk efforts in the last two years including releasing an expectation document, signing the Finance for Biodiversity Pledge, conducting engagements, preparing for regulatory requirements (including SFDR), and working on aligning our efforts with the emerging TNFD framework. Another change for 2023 is defining human capital as a shorter-term thematic focus area, encompassing elements of activities with considerable focus already in 2022 such as DEI and ethical artificial intelligence.

Exclusions and screening of ESG criteria are still important tools in our risk management work. DNB AM prefers to promote best practice (and considerations for the energy and climate transitions) over exclusions. However, when active ownership does not lead to an acceptable solution, a company may be excluded from our investment universe. If the company implements adequate measures to remedy the situation, it will be reincluded.

The last pillar, ESG integration, centres on the systematic integration of ESG factors into the portfolio managers' financial models and investment decisions. Key Portfolio Management teams each have one dedicated ESG analyst from the RI team that follows the fund closely, and DNB AM has in place a long-term effort to ramp up ESG-expertise in the various portfolio management teams, both on the equity and the fixed income side. As mentioned above, the work with ESG-data collection and processing has been further intensified in 2022 – supporting the portfolio management.

Looking ahead, further refining DNB AM's sustainable investments approach will be important across all asset classes. Central themes will focus on Net zero 2050, emission reduction targets aligned with science, the energy transition, nature positive, water targets and metrics, circularity, and human rights risk and mitigation across the entire supply chain. The quest for more and better data and metrics will be key to ESG integration, high quality reporting, and meeting the expectations of customers and regulators.

Ola Melgård
CEO DNB Asset Management

1) Link: https://vds.issgovernance.com/vds/#/OTY1Nw==

2 Highlights 2022

2022 has been another year of great progress for the work with responsible investments in DNB AM - with new focus areas, engagements, partnerships, and investor collaborations.

Key figures

AUM in sustainability themed funds:

NOK 27.5 billion

Target for AUM in sustainability themed funds:

NOK 200 billion

and 50 per cent of net inflow by 2025,
as part of the DNB Group's net zero ambition

Focus areas

Thematic
We have concluded the thematic focus area **Product quality and safety**, intergrated **Emerging Markets Supply Chains** into **Human Rights**, and introduced the thematic focus area **Human Capital** for 2023

Long term
We have promoted **Biodiversity** to become a long-term focus area for DNB AM.

Active ownership

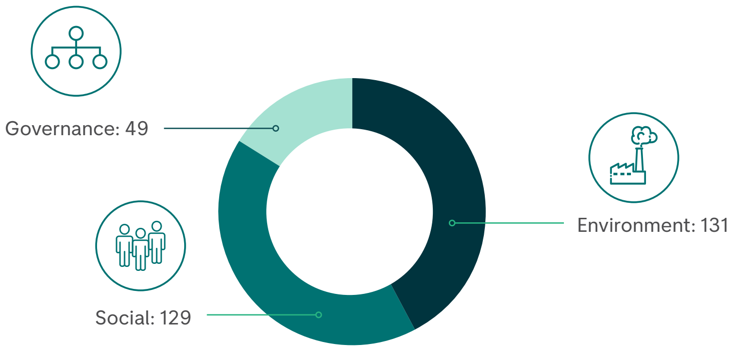
1 267

In 2022, we voted at 1267 annual general meetings (including 819 shareholder resolutions), up from 324 meetings in 2021.

309

We conducted 309 dialogues with 208 companies, both individually and in collaboration with other investors. This does not include the dialogues that portfolio managers have conducted with companies on ESG issues.

Figure 2.1: Distribution of number of dialogues by E, S and G



Data and ratings

- We gathered data and rated over 100 bond issuers within the banking, utilities, real estate, logistics and transportation, food and food production and diversified chemicals sectors.
- We have further developed our internal database and analysis tool, ESG Lab, to improve availability and analysis for sustainability data. Several new databases have been integrated for regulatory reporting purposes.
- DNB Fund Renewable Energy published, for the third time, an assessment of the fund's potential avoided emissions. Avoided emissions data is developed in collaboration with ISS and the report can be found here.

Initiatives and partnerships

The FAIRR Initiative is a collaborative ESG investor network that DNB AM has participated actively in the past year on issues and opportunities brought about by Intensive livestock production. We have participated in six different engagement initiatives, pertaining to working conditions, sustainable aquaculture, meat sourcing, animal pharma, sustainable proteins as well as waste and pollution. More information on these initiatives can be found in the chapter on biodiversity, health and sustainable food systems, and human rights.

We have signed and joined the **PRI Advance** initiative that launched in December 2022. PRI Advance is a group of 220 investors, representing more than $30 trillion USD in AUM of endorsed investors. The initiative is a human and labour rights oriented investor initiative and it is expected the agenda-setting nature of the initiative will be formative for DNB AM's work going forward. Meetings with companies enabling the green transition will begin in Q1 2023. More details on this and other human rights related initiatives can be found in our chapter on human rights.

Our work through the investor initiative Climate Action 100+ continued in 2022 and has proven to be an effective investor collaboration. We are a supporting investor on engagements with Equinor ASA and A.P. Moller - Maersk A/S.

As part of our efforts on biodiversity we signed the Finance for Biodiversity Pledge in 2021. The Pledge now stands at 75 signatories with more than €12 trillion in AUM. By signing the Finance for Biodiversity Pledge, we commit to collaborate, engage, set targets and report on biodiversity.

Product safety and the environmental impact of chemicals remains an important area of engagement for DNB AM, and we have recommitted to Chemsec for a renewed series on chemical engagments in 2023. More details on the Chemsec initiative for chemical safety can be found in our chapter on product quality and safety.

We also signed a business call for a legally binding **UN Treaty** on plastic pollution to foster collaboration for addressing global plastic pollution and developing a systemic solution to contribute to the transition towards a circular economy.

RI credentials

6 team members with experience within ESG, finance, climate change, international relations, and human rights, in addition to almost 25 years of combined portfolio management experience.

European ESG labels

DNB Fund Renewable Energy received the Eurosif Transparency Code for the fifth year running.

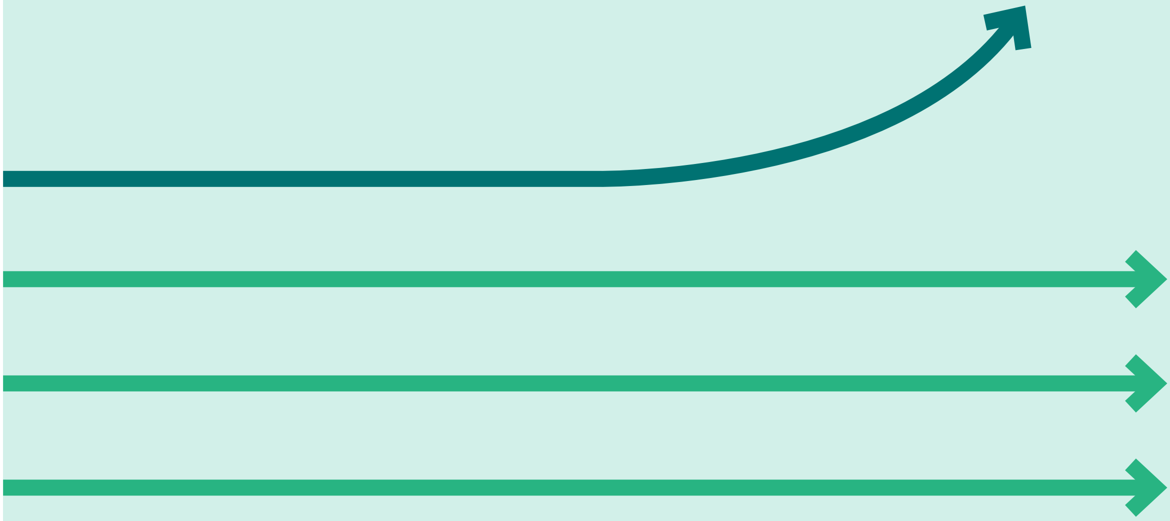
DNB Fund Renewable Energy received the LuxFLAG Environment Label for the fourth year running.

DNB Fund Renewable Energy received the German FNG Label with the highest possible rating of three stars for the fifth year running.

DNB Nordic Equities received the Towards Sustainability label for the second year running.

3 Regulations and Trends

2022 was another busy year for ESG related regulation in Norway and internationally. For the year ahead, we expect to see increasing development of the trend towards regulatory requirements on climate targets as well as the emerging topic of biodiversity.



Regulations

DNB AM supports efforts to improve the quality and increased standardisation within sustainability reporting.

The Norwegian Transparency Act and the EU

The Norwegian Transparency Act (NTA) is intended to promote enterprises' respect for fundamental human rights and decent working conditions and ensure that the general public has access to information about how enterprises address adverse impacts on human rights and working conditions. The NTA came into effect on July 1st 2022, and DNB AM must report in line with the regulations before the 30th of June 2023. DNB AM has developed internal screening tools and updated governing documents in accordance with the requirements of the act. DNB AM will monitor requests through the reporting channel of the DNB Group and report on this in line with regulation going forward. The DNB Group will report in detail on the impact and assessment of the NTA later this year. Details on DNB AM disclosure relating to investments, can be found in our chapter on human rights.

The NTA is part of a wider regulatory movement within European countries. France has since 2017, had The Duty of Vigilance Law as one of the first European states to adopt legislation addressing the human rights impacts of businesses as well as demanding the creation of a "vigilance plan" for risk assessment. The German Supply Chain Due Diligence Act, came into force on January 1st of 2023 with both similar language and scope to the NTA and the French legislation. These acts are based on the UN Guiding Principles on Business and Human Rights and will be adapted to adhere to any emerging European legislation, but their presence is already shaping trends within the higher regulatory bodies of the EU.

In the beginning of 2022, the European Commission published its long-awaited proposal for a directive on Corporate Sustainability Due Diligence (CSDD) with the general aim of motivating companies to inspect their supply chains for human rights and environmental breaches in line with the existing legislation of its member states and the NTA. It clearly presents a shift in the way the business of certain companies is conducted and is the first time such a scheme is proposed at the level of the European Union. The directive is still awaiting approval by the European Parliament and the Council, and once adopted countries will have two years to transpose the directive into national law similar to those of Germany, France, and Norway[1].

SFDR and EU regulations

At a higher level, 2022 marked another busy year for EU regulations with further integration of the EU taxonomy and the continued integration of the SFDR. The regulation requires financial institutions offering financial products and services to disclose how they integrate ESG in their risk management. For financial market participants and financial advisors, this meant increased requirements of disclosure on website, and in pre-contractual documents and reporting. Since it came into effect last year, DNB AM has diversified and worked to ensure compliance with the regulations for all of our funds. For a detailed explanation of this process, please read the chapter on our product portfolio and sustainability.

The European Union Emissions Trading Scheme (ETS) is also changing. The scheme is being revised to help further accelerate the transition to climate neutrality within 2050, in line with the EU's 2030 decarbonisation targets. Sectors currently covered by ETS will need to cut their emissions by 43 per cent compared to 2030 levels. Free allocations of the emissions allowances within the scheme will continue until 2030, with some high intensity having this allocation removed from 2026. In order to avoid offshoring of production activities, also known as "carbon leakage", the EU have introduced and enacted the Carbon Border Adjustment Mechanism (CBAM). The CBAM aims to prevent 'carbon leakage' by subjecting the import of certain groups of products from third (non-EU and non-EFTA) countries to a carbon levy linked to the carbon price payable under the ETS when the same goods are produced within the EU[2]. Iron and steel, cement, fertilisers, aluminium, electricity, and hydrogen are the relevant goods effected during the current transition period before the levies must be paid by im porters of these goods from third countries starting in 2027.

Norwegian context

At the end of the final quarter of 2022, the Norwegian Ministry of Finance announced that Norwegian-registered funds would also be required to comply with the Norwegian SFDR regulation (Offentliggjøringsforordningen) within January 1st, 2023. After considerable work to ensure compliance, DNB AM was in compliance with the new legislation both on product and entity level within the regulatory deadline.

1) https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en
2) https://www2.deloitte.com/nl/nl/pages/tax/articles/eu-carbon-border-adjustment-mechanism-cbam.html

TCFD and TNFD

DNB AM are supporters of the Task Force on Climate Related Financial Disclosure (TCFD) and have continued working to promote disclosure from Norwegian companies in line with these standards. For more information, please see the section on Climate Change as well as our dedicated TCFD table in the annex of this report. Furthermore, we support the continued work of CDP in promoting disclosure on climate change, water security and deforestation. In 2022, the DNB Group received an A score from the CDP on our climate reporting. We are also a part of the CDP's Science Based Targets (SBTs) Campaign, requesting companies set Science-based emission reduction targets.

Furthermore, DNB AM is supporting the TNFD, a parallel emerging framework to the TCFD covering the issue of nature risk and biodiversity. Alignment with this framework will be aided by the DNB Group being a member of Partnership for Biodiversity Accounting Financials (PBAF). For more information, please see the section on biodiversity.

> DNB AM supports efforts to improve the quality and increase standardisation within sustainability reporting.

Market trends

Biodiversity and climate increasingly on the investor agenda

Governments reached an agreement on the Global Biodiversity Framework (GBF) at the United Nations Biodiversity Conference COP 15 in Montreal, Canada towards the end of 2022. The short-term targets included protection of 30 per cent of terrestrial inland and coastal areas by 2030. There is also a call for this protection to be ecologically representative. The Montreal agreement illustrates the increased attention and acknowledgement of the symbiotic and integral role of nature and biodiversity in combatting climate change in a sustainable manner.

The United Nations Climate Change Conference COP 27 in Sharm el-Sheikh, Egypt, also resulted in an agreement, to among other things provide a "loss and damage" funding for vulnerable countries hit hard by climate disasters. In addition, the summit represented considerable progress on adaptation, with governments agreeing on the way to move forward on the Global Goal on Adaptation, which will conclude at COP28 to be held in Dubai in November and December 2023. The decision plan for transition highlights that a global transformation to a low-carbon economy is expected to require investments of at least USD 4-6 trillion a year. DNB AM is well positioned to play a significant role in helping the transition to a low carbon economy with several sustainability themed funds including DNB Nordic Equities and DNB Fund Renewable Energy.

Beyond the regulatory movements, large investors are also increasing their ambitions and requirements regarding climate action and disclosure. Norges Bank Investment Management (NBIM) launched their new 2025 Climate Action Plan in September of this year which represents a significant increase in the funds ambition for climate. The plan outlines the Government Pension Fund Global's (GPFG) strategy for driving portfolio companies to net zero emissions by 2050 through credible targets and transition plans for reducing their scope 1, scope 2, and material scope 3 emissions. This is also in line with goals set by the DNB Group and covered by DNB AM in our expectation document on climate change. DNB AM welcome GPFG's strategy and DNB AM hope to see this further drive the adoption of net zero targets in global capital markets.

Advancing ESG integration for global asset managers

There is a high emphasis on advancing ESG integration from most global portfolio managers in 2022, including how to use ESG metrics in a more dynamic manner (i.e. ESG momentum). In Morgan Stanley's 2023 outlook and trends, the degree of ESG momentum was the primary trend to watch in the new year. ESG metric improvements and implementation of strategies, as well as further scrutiny of company greenwashing will be on DNB AM's agenda going forward.

Anti-ESG movement in the United States

The integration of ESG in asset management has not passed without criticism. The ongoing critique of responsible and ESG investing was an important story in 2022 and will be important to follow going forward. In the United States, state legislators in several states have previously challenged the ESG investment policies of large asset managers and accused financial institutions of hostility to fossil fuel financing. In December, Vanguard decided to comply with Texas legislature and abandon the Net Zero Asset Managers initiative, which requires a commitment to cut emissions to Net zero by 2050. However, the growth in global sustainable and ESG AUM is expected to continue, with estimates that the category will represent over 22 per cent of total global AUM in less than five years, according to PWC[3)]. Despite challenges we expect ESG investing to continue to adapt, especially relating to clarity of the role of ESG in a specific investment process (ESG integration) as well as improved company disclosure.

Despite pushback on ESG in many states, the passing of the Inflation Reduction Act of 2022 (IRA) included a historic commitment to energy and climate adaptation. The IRA directs that more than $380 billion is to be invested in energy and climate reform; this is short of the $555 billion that Democrats had originally proposed, but still represents t he largest federal clean energy investment in U.S. history. Christian Rom, portfolio manager for DNB Fund Renewable Energy, expressed optimism regarding the accelerating trend towards greener energy in the U.S. market which can b e read here.

3) https://www.pwc.com/gx/en/news-room/press-releases/2022/awm-revolution-2022-report.html (DOA: 05.01.2023)

Transition pathway planning in competing jurisdictions

Climate reporting and transition pathway planning is also an increasing financial regulatory requirement beyond the SFDR and the EU taxonomy. On the federal level in the United States, there is a transition pathway pilot being launched in partnership with the six largest U.S. banks and the Federal Reserve which will analyse the impact of scenarios for both physical and transition risks related to climate change on specific assets in the portfolios of participating institutions[4]. From a regulatory perspective, the SEC proposed new regulations for disclosure of climate metrics for U.S. registered and listed companies. The proposal received some pushback given the politicised nature of particularly environmental metrics in U.S. financial regulations and requirements. The proposal is still under review, with a renewed proposal expected to be launched in April 2023. The Singapore Exchange (SGX) launched mandatory climate and diversity disclosure of listed companies in 2022. In Norway, the UNGC also seeks to include the development of a standard around transition for companies going forward. Furthermore, the United Nations High Level Expert Group (UN HLEG) on the Net Zero Emissions Commitments of Non-State Entities works to ensure the robustness of the myriad of net zero commitments around the world. There indeed seems to be a standard setting race between different jurisdictions with multiple levels of actors involved. The EU is currently leading the way, but the market trend towards improved robustness and regulations on company transition pathways is a resilient and meaningful trend to watch in the years ahead.

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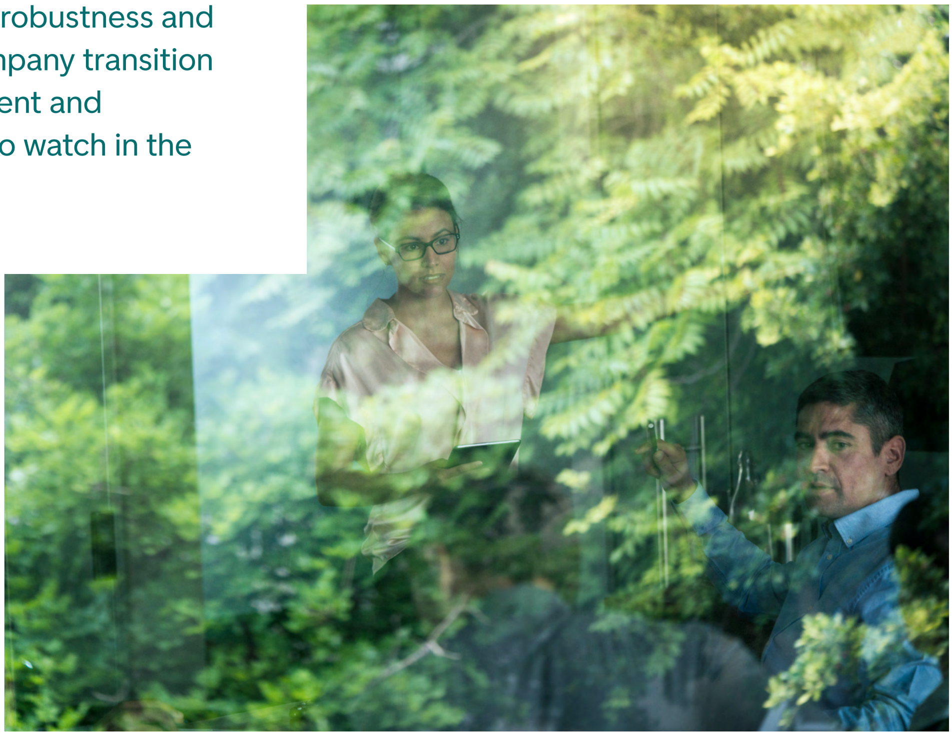
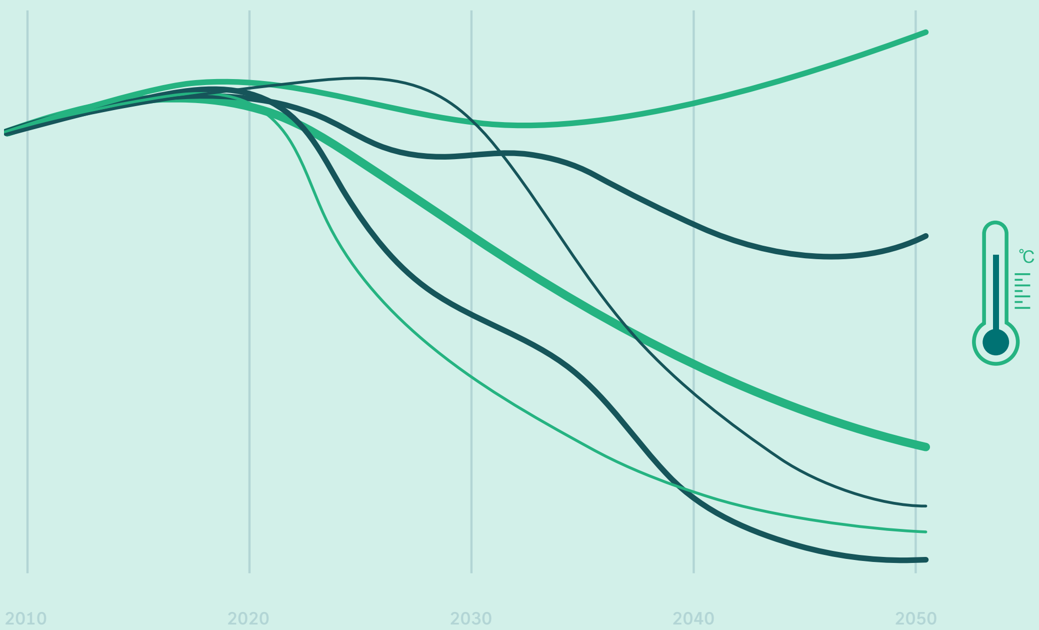


4) Federal Reserve Board - Federal Reserve Board provides additional details on how its pilot climate scenario analysis exercise will be conducted and the information on risk management practices that will be gathered over the course of the exercise

4 Net zero 2050

DNB AM has long followed developments in the climate space, and we plan to prepare and publish a transition plan during 2023. The plan will be based on our existing objectives and strategy, but will clarify which steps we want to take to achieve our net zero ambition.



Global greenhouse gas emissions (GHG) have continued to increase in 2022, despite the hope that global emissions had peaked in 2019 following the significant drop at the start of the COVID19 pandemic, and the relative levelling off in the years prior. At current emissions rates, the world is set to exceed carbon budgets equated with 1.5 and 2 degrees of warming in 2032 and 2050 respectively.

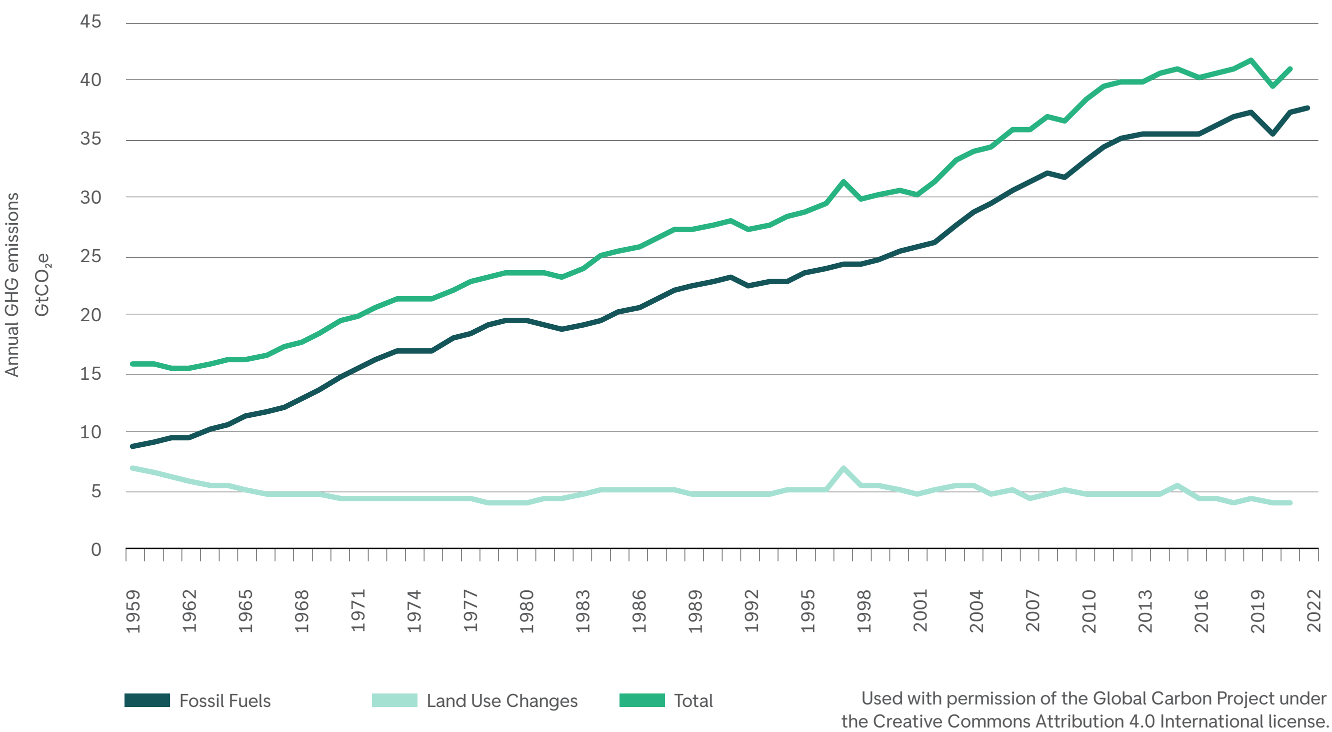
The associated levels of warming will impact both natural and human systems and the Intergovernmental Panel on Climate Change (IPCC) projects in the short term will lead to biodiversity loss, water supply issues, and shortages of energy and other services in cities. These impacts will have considerable regional variations, impacting groups differently. In the longer term, the IPCC predicts this will include further and more severe biodiversity loss, more severe water shortages, issues related to food production and access, increased ill health and premature deaths, and increased occurrences of flood, tropical cyclones, drought and sea level rises[1)]. The concern beyond the reality of facing these impacts is the knowledge that these impacts will likely be magnified at an unknown point, as human induced changes in these systems lead to the breaching of "tipping points" whereby damage become irreversible and may cascade impacts and worsen impacts in other systems.

Both the risks and opportunities resulting from climate change will impact companies[2)]. Companies must prepare for and manage risks associated with climate change, which may include:

- transition risks including market risks such as changes in consumer demands for products, policy and legal implications, and reputational risks
- physical risks including both acute (extreme weather events) and chronic risks (longer term changes in weather patterns), which may lead to implications on operations.

Yet, there are and will continue to be significant opportunities for companies' due actions to combat climate change, namely the shift to a low carbon energy system. We are witnessing significant action from the global energy system with regards to growth in renewables. This optimism is reflected in the IEAs Renewables 2022 report, which saw a 76 per cent increase in the projection of renewables penetration compared with the 2020 report – an adjustment made because of the addition of significant renewable capacity in 2020 and 2021. This development is likely to continue with forecasts showing global installed capacity from solar will overtake that from coal in 2027[3)].

Figure 4.1 Global emissions from fossil and land use changes.



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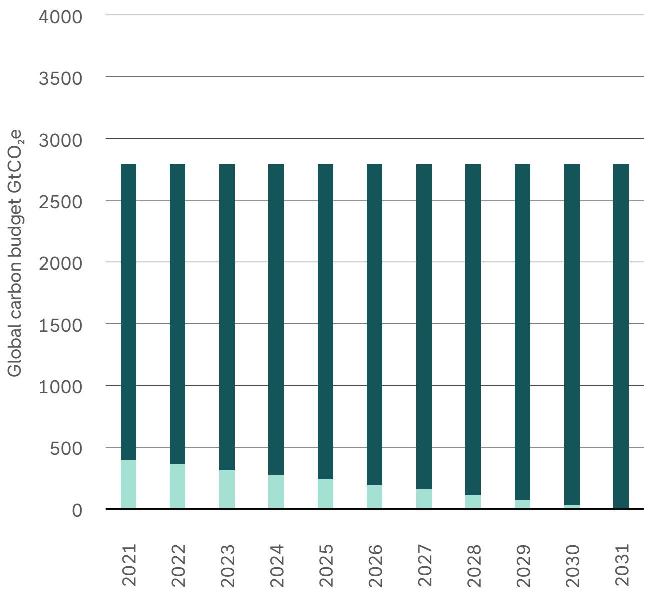
1) IPCC, 2022: Summary for Policymakers, AR6 WGII
2) TCFD, 2017: Recommendations of the Task Force on Climate-related Financial Disclosures
3) https://www.iea.org/reports/renewables-2022

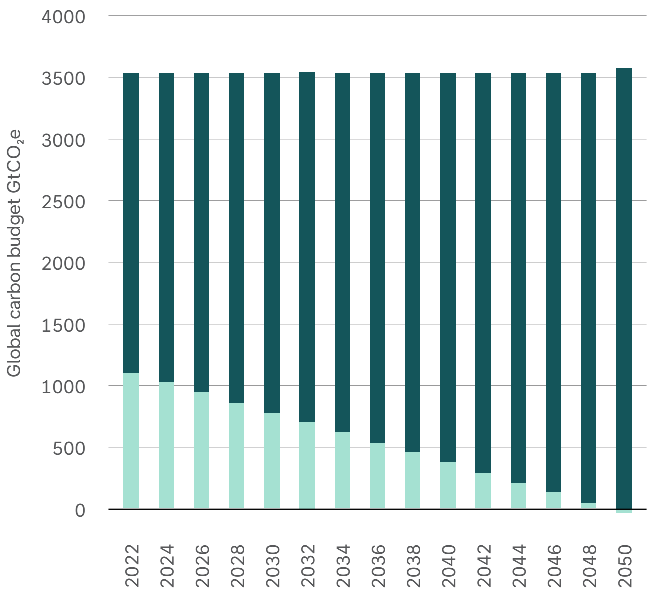
Figure 4.2 1.5 degree carbon budget exceeded in 2032 based on projected emissions[4].



Historical Cumulative CO_2e Emissions from 1850 to 2019 ($GtCO_2e$)

Estimated remaining CO_2 budget from beginning of 2022 ($GtCO_2e$)

Figure 4.3 2 degree carbon budget exceeded 2050 based on projected emissions[5].



Historical Cumulative CO_2e Emissions from 1850 to 2019 ($GtCO_2e$)

Estimated remaining CO_2 budget from beginning of 2022 ($GtCO_2e$) - 2 degrees

Financial industry actions

As investors in companies, the asset management and asset owner/pension fund industries also face risks related to climate change – through ownership in companies. There have been significant actions taken to improve risk management, not least from improved transparency and scenario analysis in line with the recommendations from the TCFD. Additionally, many within these industries recognise that they must play a role in delivering on the goals of the Paris Agreement, in helping to accelerate the transition to net zero emissions. This has led to the establishment of the Net Zero Asset Managers Initiative (NZAMI) and Net Zero Asset Owner Alliance (NZAOA), for the asset management and asset owner industries, respectively. These initiatives continue to signal an increasing desire to work together within the financial sector to find a solution.

Current position

In an assessment of DNB AM holdings as of 31 December 2022, we calculated the percentage of each sector's overall weighted average carbon intensity with emission reduction targets which aligned with Net zero 2050. For DNB AM, the utilities sector had the largest commitment to net zero with commitments covering more than 90 per cent of the sectors' emissions. The materials and energy sectors, the largest contributors to DNB AM's total weighted average carbon intensity (scope 1 and 2), had commitments covering 43 and 68 per cent of the sectors' emissions, respectively. Of companies having set emission reduction targets, 54 per cent are aligned with Net zero 2050, according to MSCI.

4) Calculation based on data under IPCC 1.5 C scenario with 67 per cent likelihood. IPCC AR6 WG1, 2021, Friedlingstein et al 2022 and Global Carbon Budget 2022

5) Calculation based on data under IPCC 2°C scenario with 67 per cent likelihood. IPCC AR6 WG1, 2021, Friedlingstein et al 2022 and Global Carbon Budget 2022

We would highlight that compared with 2021 there have been considerable increases in sectoral emissions with emission reduction targets aligned with Net zero 2050. While there has been significant increase in commitments in the market from companies regarding Net zero 2050, these increases may also be impacted by improved disclosure by companies.

DNB Group target Net zero 2050

In 2021, the DNB Group announced the ambition to have net zero emissions from financing and investment activities by 2050. To achieve this, sub-targets have been set for reducing financed emissions by 2030, as well as financing targets for sustainable activities. These targets are intended to reduce the level of climate risk for DNB. They are dynamic and will follow developments in society and the market.

Shorter term (2025) targets have also been set for DNB AM, which include:

- Increasing total AUM in sustainability themed funds to NOK 200 billion by 2025
- In 2025, 50 per cent of net flows aim to go into sustainability themed funds

To achieve the DNB objectives and achieve real world impact, it will require utilising active ownership and working with companies to reduce their emissions and target Net zer o by 2050 within a recognised, scientifically developed carb on budget. At the same time, decisions regarding investability by the fund managers are made on an ongoing basis through selection decision, while formal exclusion may also be utilised where necessary.

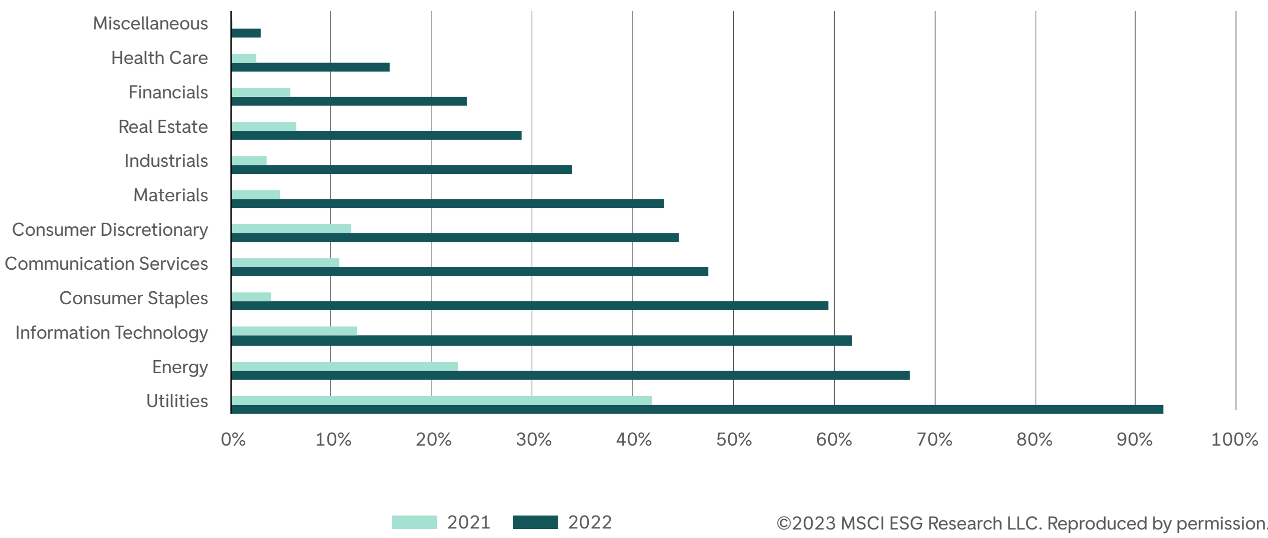
DNB AM is continuing our work with climate change and Net zero 2050 targets. This will include:

- Continued active ownership with focus on largest holdings in the most carbon intense sectors, regarding emission reduction and target setting, both in direct operations and in supply chains.
- Continued collaborations with investor groups for greater impact.
- Increased reporting of emissions, and utilisation of forward-looking metrics in assessment of companies' trajectories.
- Discussions with our customers (both large institutions and retail customers) to provide product solutions which suit their preferences and ambitions for carbon emissions.

Our approach to monitoring and managing climate risk is constantly evolving. We are increasingly looking beyond backwards-looking data such as carbon emissions, towards forward looking metrics (including scenario analysis, target setting and capital allocation), which allow us to have greater insight into the future transition of companies.

We continually work to strengthen our approach to this area, and it will remain a topic of key focus in 2023.

Figure 4.4 Percentage of sectoral emissions with emission reduction targets committed to Net zero 2050



5 Our Responsible Investment Team

DNB AM's RI team has strong competency within ESG, finance, climate change, international relations, and human rights, in addition to almost 25 years of combined portfolio management experience. We believe a broad background combined with portfolio management experience and working closely with the portfolio management teams are important to succeed with ESG integration. Our work is backed by external providers, consultants, and collaboration with other investors as well as portfolio managers across all asset classes.

Team profiles

Lise Børresen
Head of
Responsible Investments

Lise took over as head of Responsible Investments in the fall of 2022, after working as an analyst in the team since 2021. Her main focus areas have been related to water, oceans, climate change and our work with the TCFD. Lise has also supported the integration of ESG into our fixed income portfolio and been working with ESG data integration through internal projects relating to customer and regulatory demand.

Lise holds an MSc in Finance from the Norwegian School of Economics. She has previously worked as an Investment Analyst at the Gjensidige Foundation.

Karl G. Høgtun
Senior Analyst

Karl is recognised in active ownership and governance including proxy voting. He is also responsible for our work wi th biodiversity and sustainable oceans.

Karl holds an MBA and MA of International Management, and he has worked with Norwegian and global capital markets since 1990 in several roles including previously being a portfolio manager and head of the Nordic Equities team in DNB AM.

Henry Repard
Senior Analyst

Henry leads our work and company dialogues on climate (i ncluding TCFD and Net zero 2050) and water. Henry also s upports the DNB Group and WM on their transition strategies as an advisor.

Henry holds an MSc from University College London. He has experience as an analyst from KLP Asset Management and the Carbon Disclosure Project before joining the team in 2018.

Ingrid Aashildrød
Analyst

Ingrid works with human rights, supply chains and health and sustainable food systems. Ingrid also supports our engagement work and screening as well as coordinating investor collaborations.

Ingrid holds a double master's degree from Norwegian School of Economics and the University of Sydney Business School. She has previously worked as an analyst at Nordea before joining the team in 2021.

Peder Heiberg Sverdrup
Analyst

Peder works with screening, analysis of fixed income and reporting. He is also involved in our work on human rights with a particular focus on emerging markets supply chains as well as issues relating to human capital.

He holds an MA (Hons) from the University of St Andrews. He has previously worked in Norfund before joining the team in 2022.

Olav Midtveit Bertelsen
Analyst

Olav works with ESG-data related to regulatory frameworks and reporting. He also supports the work on water sustainability and the integration of ESG for fixed income.

He holds a MSc in Finance from Grenoble Ecole de Management. He has previous experience from economic research and fixed income investment strategy with Allianz.

6 Our Responsible Investment Principles and Governance

DNB AM's work is anchored in our Instruction for Responsible Investments. DNB AM is an active participant in several investor collaborations and initiativies. We are also an important contributor to the implementation of the strategies of the DNB Group.

DNB Group Instruction for Responsible Investments seeks to ensure that companies safeguard:

INITIATIVES AND STANDARDS

Table 6.1 **The following principles and standards are applied to our work:**

Organisation	Topic
OECD Guidelines for Multinational Enterprises	Promotes corporate social responsibility
The G20/OCED Principles of Corporate Governance	Corporate Governance
The UN Guiding Principles on Business and Human Rights	Outline the corporate responsibility to respect human rights
UN Global Compact	International principles
The Norwegian Corporate Governance Boards (NUES) recommendation on corporate governance	Recommendation on corporate governance for companies listed in Norway

In addition to those mentioned above, we have also signed the following principles and initiatives:

Organisation	Description
Principles for Responsible Investment (PRI)	International Principles
CDP (formerly Carbon Disclosure Project)	Environmental reporting initiative
Montreal Carbon Pledge	A commitment to report carbon footprint
NORSIF	Norwegian responsible and sustainable investment forum
Task Force on Climate-Related Financial Disclosure (TCFD)	International principles and recommendations
UN Global Compact Action Platform on Sustainable Ocean Business	Multi-stakeholder initiative for ocean sustainability
United Nations Environment Programme Finance Initiative (UNEP FI)	Multi-stakeholder initiative for sustainable finance
The UN Sustainable Development Goals (SDG)	Global Framework for sustainable development
The Global Reporting Initiative (GRI)	Reporting sustainability information
Finance for Biodiversity Pledge	Multi-stakeholder initiative for reversing nature loss
FAIRR	Multi-stakeholder initiative, with collaborative platform
Partnership for Carbon Accounting Financials (PCAF)	Standard and tool to assess and disclose GHG
Partnership for Biodiversity Accounting Financials (PBAF)	Standard and tool for biodiversity disclosures

GOVERNANCE

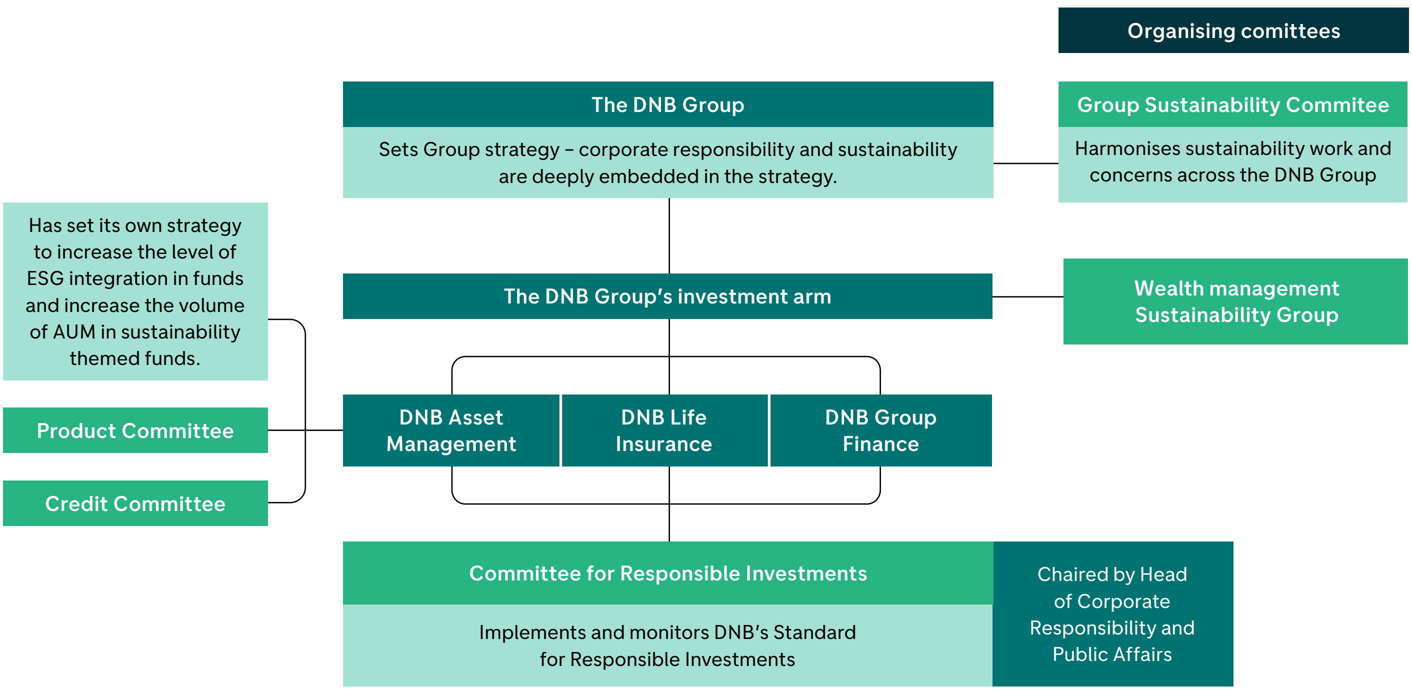
The DNB Group has a well-established governance structure that is led by the Board, see figure 6.2. DNB AM, a separate legal entity under the DNB ASA umbrella, has also revisited its strategy during 2022. Through this strategy and DNB's governance structure, the Board, relevant Committees and senior management further integrate climate-related risks and opportunities and other ESG considerations into decision making and business processes.

As a signatory to the Principles for Responsible Investments (PRI), implementing the TCFD recommendations is also a high priority for DNB AM. DNB AM understands that integrating ESG issues and opportunities into our investment decision-making process is strategically important from a sustainability perspective and for longterm financial value creation. TCFD-alignment at DNB AM is addressed at senior management level through Ola Melgård (CEO), Lise Børresen (Head of Responsible Investments), Knut Johan Hellandsvik (CIO Equity) and Svein Aage Aanes (CIO Fixed Income).

Climate-related risks and opportunities are also addressed through participation in several Committees:

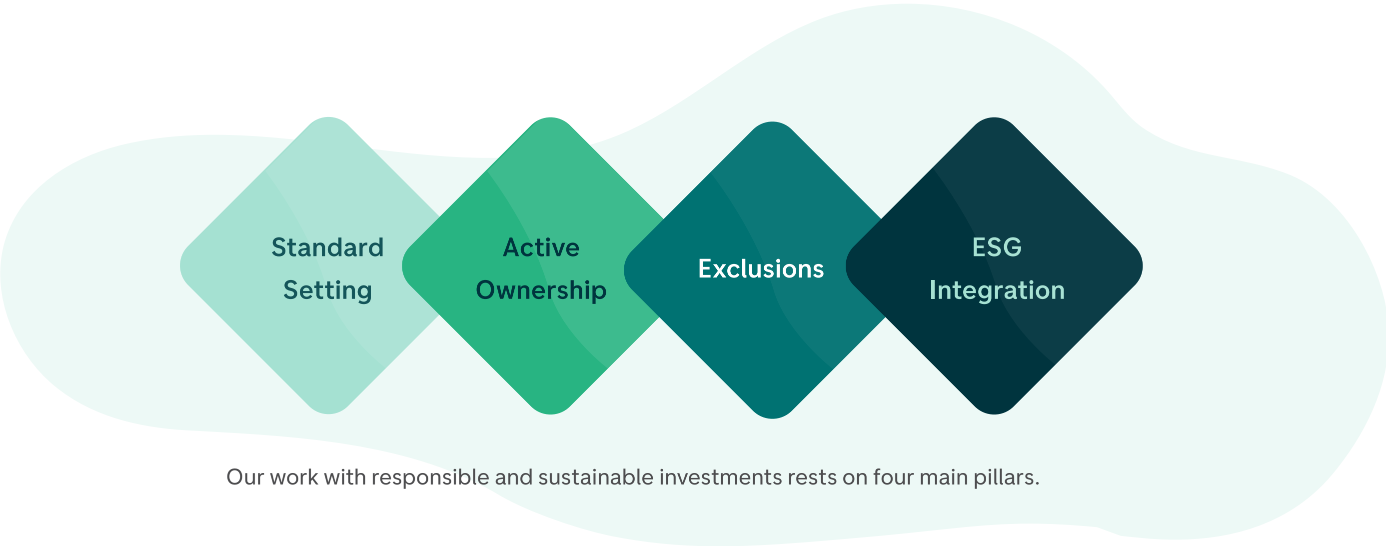
- **DNB's Committee for Responsible Investments:** The committee meets five times a year and reports to DNB's Executive Vice President of Communications. The Committee is chaired by the Head of Corporate Responsibility and Public Affairs. Representatives from DNB AM, Group Investments and DNB Life Insurance AS are also represented in the Committee. The Committee is responsible for implementing and monitoring DNB's Instruction for Responsible Investments.
- **DNB Wealth Management Sustainability Group:** The RI team is represented in the governing body for sustainability of the investment arm of the DNB group, which is a sub-committee of the Group Sustainability Committee at DNB. The WM group adopts sustainability strategy of the investment entities of the DNB group and informs the work of the Group Sustainability Committee.
- **DNB Asset Management's Product Committee:** The RI team have been represented in Committee meetings since fall 2018 to provide input on ESG considerations into fund product development.
- **DNB Asset Management's Credit Committee:** The RI team have been represented in Committee meetings since October 2019 to secure the approach to integrating ESG risks and opportunities into fixed income strategies.

Figure 6.2 Governance



7 Responsible Investment Approach: Four pillars

Our work with responsible and sustainable investments rests on four main pillars: standard setting, active ownership through voting and dialogue, exclusions, and ESG-integration.



Our work with responsible and sustainable investments rests on four main pillars.

Standard Setting

Developing and publishing expectations documents is an important part of our standard setting work[1]. These documents are the basis for communicating our expectations to companies regarding best practice in terms of sustainability. In addition, the expectations documents are often the starting point for our dialogues with companies about relevant topics.

In 2022, we updated several of the expectation documents: Human Rights, Anti-corruption, Responsible Tax Practices, and Diversity and Inclusion. The last document changed the title from Gender Equality and Diversity to signal a broader focus on various aspects of diversity and inclusion. We aim to work further on this expectation document in 2023, focusing on capturing the dynamic aspect of best practice related to DEI, just transition, and human capital.

Our voting guidelines are also part of DNB AM's standard setting. We updated the Global Voting Guidelines in 2022. In updating the voting guidelines, we were mindful of the changing best practice related to DEI and we have tightened the minimum requirements related to gender diversity.

We will continue to develop and publish new expectations documents when needed going forward – and update our existing ones as necessary in accordance with best practices.

Summary of the expectations documents published in the last years:

2017: Human Rights, Serious Environmental Harm, and Guidelines for Voting in Norway.
2018: Climate Change, Anti-corruption, and Responsible Tax Practices.
2019: Gender Equality and Diversity, Global Voting Guidelines, and updated Guidelines for Voting in Norway.
2020: Sustainable Oceans and Water, updated Human Rights, updated Serious Environmental Harm, and updated Climate Change.
2021: Biodiversity Including Deforestation, and updated Guidelines for Voting in Norway.
2022: Updated Human Rights, updated Anti-corruption, updated Responsible Tax Practices, updated Diversity and Inclusion (changed the title from Gender Equality and Diversity), and updated Global Voting Guidelines.

1) https://dnbam.com/en/responsible-investments/guidelines-and-exclusions

Standardising sustainability reporting
DNB AM supports efforts to improve the quality and increase standardisation within sustainability reporting. On the climate side, we are supporters of the TCFD and have continued working to promote disclosure from Norwegian companies in line with these standards. In addition, we support the continued work of CDP in promoting disclosure on climate change, water security and deforestation, and we are also a part of the CDP's Science Based Targets (SBTs) Campaign. For more information, please see the section on Climate Change.

Furthermore, to advance the rapidly changing field of biodiversity, we support the TNFD[2]. DNB AM has also signed the Finance for Biodiversity Pledge, joined the UNEP FI Sustainable Blue Economy Initiative, and the whole DNB Group has become a partner of PBAF in 2022. For more information, please see the section on the focus area Biodiversity.

Lastly, the expanding EU regulations have also been a key focus area. Previously, we have contributed to consultation processes coordinated by the Norwegian Fund and Asset Management Association (VFF) and Finance Norway (Finans Norge). We have also worked on suggesting guidelines for the implementation of the SFDR and the EU taxonomy in Norway (through VFF, Finance Norway, and Norsif) and we are part of a collaborative effort to create a Norwegian standard for the reporting of carbon. In 2022, we have also contributed to a guidance document on nature risk for the finance sector in Norway coordinated by Finance Norway, WWF, and Deloitte[3].

DNB AM will continue to support standard setting related to several ESG topics including climate issues and biodiversity. For more information, please refer to chapter on our investment principles.

> " The expectations documents are often the starting point for our dialogues with companies about relevant topics – both proactively and reactively.

2) https://tnfd.global/
3) The report is only available in Norwegian: https://www.finansnorge.no/siteassets/nyheter/2022/2022_11_naturrisiko-i-finansnaringen_final_pages.pdf

Active Ownership

We practice active ownership through voting and engagement with companies our funds invest in. Our overarching aim is to influence companies to improve their practices, thereby securing long-term shareholder value and mitigating ESG risks in the best interest of our clients, as required as part of our fiduciary duty[4)].

ENGAGEMENTS

Engagements are a key tool in delivering on our mandate as an investor and an important tool as a responsible investor. We engage with companies on specific ESG incidents, or to improve companies' general sustainability-related practices, which may otherwise lead to underperformance. Engagements may either take place directly with companies, through our external service provider for engagements, or in collaboration with other investors. See the chapter on engagement strategy for how we have been working with engagements in 2022 and our goals for next year.

Two main types of engagements

DNB AM divide engagement activities into incident-based (reactive) engagements and proactive engagements. All company engagements are shared with investor professionals in DNB AM through our internal database to inform investment decisions.

It is DNB AM's priority to ensure that the companies we invest in adhere to our Group Instruction on Responsible Investments. Reactive engagement takes place when a company is reported (where allegedly or confirmed) to be in breach of the DNB Group Instruction. To prioritise which reactive incidents to engage on, we assess the severity of the suspected breach, our ownership status in the company, and the probability that our engagement will have a positive impact on the situation. In general, incident-based engagement processes should aim to not exceed two years.

Proactive engagements are conducted with the aim of encouraging companies to mitigate ESG risks before they materialise, or to take advantage of ESG opportunities that are not being sufficiently addressed at the present time. Proactive engagement may also be conducted as part of a fact-finding exercise. The dialogues may revolve around a specific issue or to raise the company's general level of awareness around sustainability issues, without the company being suspected of being in breach of the DNB Group Instructions for Responsible Investments. Proactive engagements are also important inputs to the in vestment decision-making process.

Progress is measured using milestones

Milestone 1
Issuer acknowledges issue and commits to mitigation and management.

Milestone 2
Issuer establishes a strategy to address the issue.

Milestone 3
Strategy is well formed and has moved into early stages of implementation.

Milestone 4
Implementation of strategy has advanced meaningfully, and related issuer disclosures are maturing.

Milestone 5
Issuer has implemented all aspects of its strategy that are reasonable to expect and the Change Objective is considered fulfilled.

4) https://www.sasb.org/blog/double-and-dynamic-understanding-the-changing-perspectives-on-materiality/

We measure progress and outcomes of our engagement work using milestones. In 2022, we have updated the milestones we use to better reflect best practice and align with our service provider on company engagements. The engagement process is considered successful if the following criteria are met:

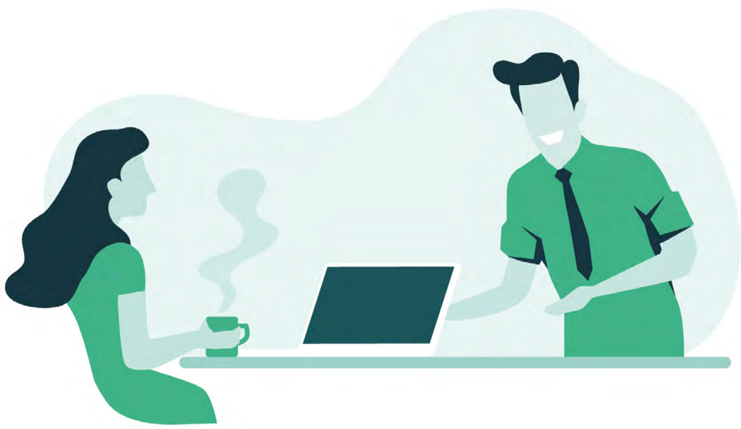
- The violation has ceased
- The company has taken a responsible course of action
- The company has taken a proactive and precautionary approach to improve its policies, routines, and practices to prevent future violations
- The company's action is verifiable (where relevant)

If the desired outcome of an engagment is not achieved, the engagement process will be evaluated and could be terminated if significant progress has not been made. Several points of action will be considered at such a point, amongst which is the renewal of the objectives for engagement, intensification of the engagement or the exclusion of the relevant company from DNB AM's investment universe. For proactive engagements, the aim of our dialogue is continuous improvement, and the engagement periods may therefore be more flexible and long-term.

In 2022 we had 309 dialogues with companies, both directly and in collaboration with our external service provider, to address various ESG and sustainability issues. This number also include engagement dialogues we have had through investor initiatives where we together with other investors have engaged companies on specific issues and themes. In some of these investor initiatives we have served as lead investors and in others we have been in the role as supporting investor. Dialogues conducted by fund management teams are not included in these statistics but are recorded within our internal company meeting database.

Table 7.1 Dialogues per topic in 2022

Topic	Number of dialogues
Climate change/greenhouse gas emissions	53
Water and oceans	22
Biodiversity and deforestation	30
Other environmental issues	24
Human rights, child labour, labour rights, local communities/indigenous rights	113
Health and Sustainable Food Systems	9
Other social issues	9
Board structure and independence	6
Remuneration	8
Other governance issues (Including tax and corruption)	35
Total	**309**



Milestone progression

Figure 7.2 Number of milestones progressed during 2022

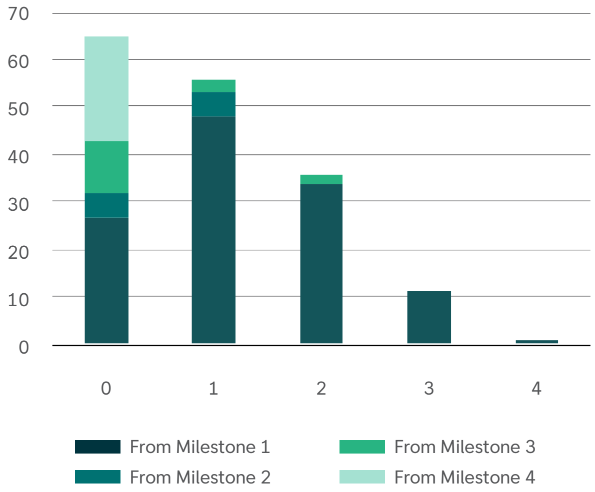
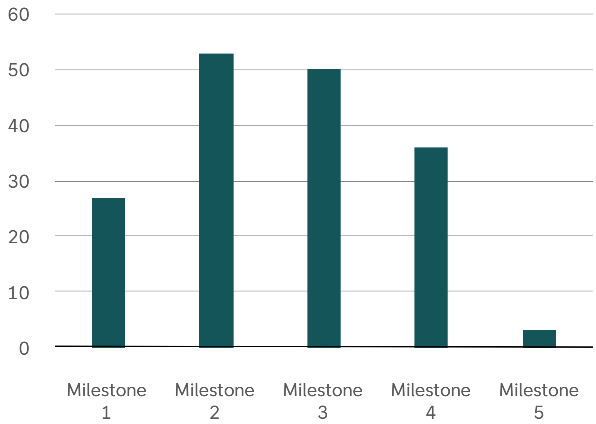


Figure 7.3 Milestone status at last meeting for engagements in 2022



The figures above counts progress in milestones for the companies we have engaged with in 2022 and end milestones for our 2022 engagements at 31st of December. We can see that most of our engagements stands at milestone 2-4 and that even through over 60 of our engagements have not progressed in 2022, the rest have moved one, two and three milestones. Theres is even one engagement that have moved four engagements going from milestone one to milestone 5 which indicates that the company dialogue is closed.

In addition to company dialogues, we have signed statements and sent letters, both individually and in collaboration with other investors, calling for companies to improve their ESG practices. Though dialogues with companies are quite resource intensive, academic research show it can be an effective tool to influence companies and it will continue to be an important tool for DNB AM as a responsible and active asset owner.

Prioritisation of engagement opportunities

How we prioritise our engagements is also determined by our long-term and thematic focus areas and dependent on the type of fund that have exposure to companies and/or sectors. We prioritise proactive engagements with companies that are part of actively managed funds, companies that DNB AM has a large holding in, or which DNB AM may have a large holding in in the future. Some funds have specific targets for company dialogues. One example is DNB Fund Renewable Energy, who have set targets on how many companies in the fund they should engage on setting science-based net zero targets yearly. For both passively and actively managed funds, incident-based engagements are conducted, when necessary, for example in connection to controversies.

DNB AM does not always have to be a current holder of the companies addressed in our engagements. All companies in key benchmarks are potential holdings of DNB AM, and active portfolio managers often buy in and out of these companies. You can read more about our engagement strategy and long-term and thematic focus areas in section 8.

VOTING

Table 7.4 Voting in 2022

General meetings	**1 267**
Management proposals	**17 454**
Shareholder proposals	**819**
Share of proposals voted against management's recommendation	**9%**

Figure 7.5 Votes Cast by Proposal Category

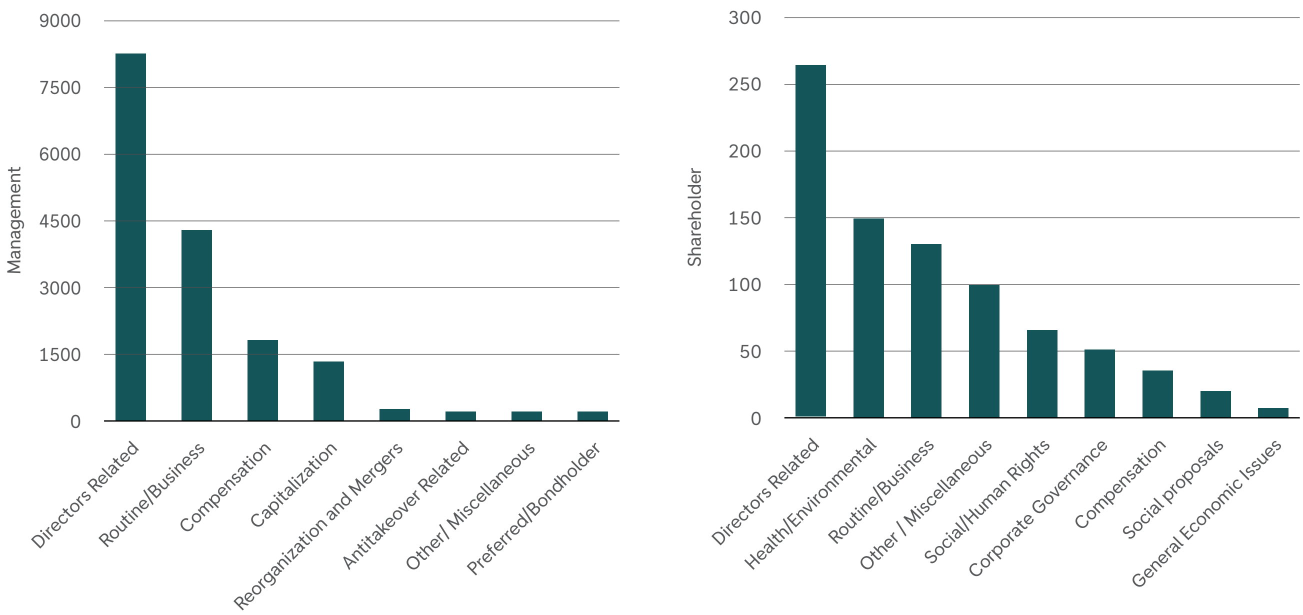
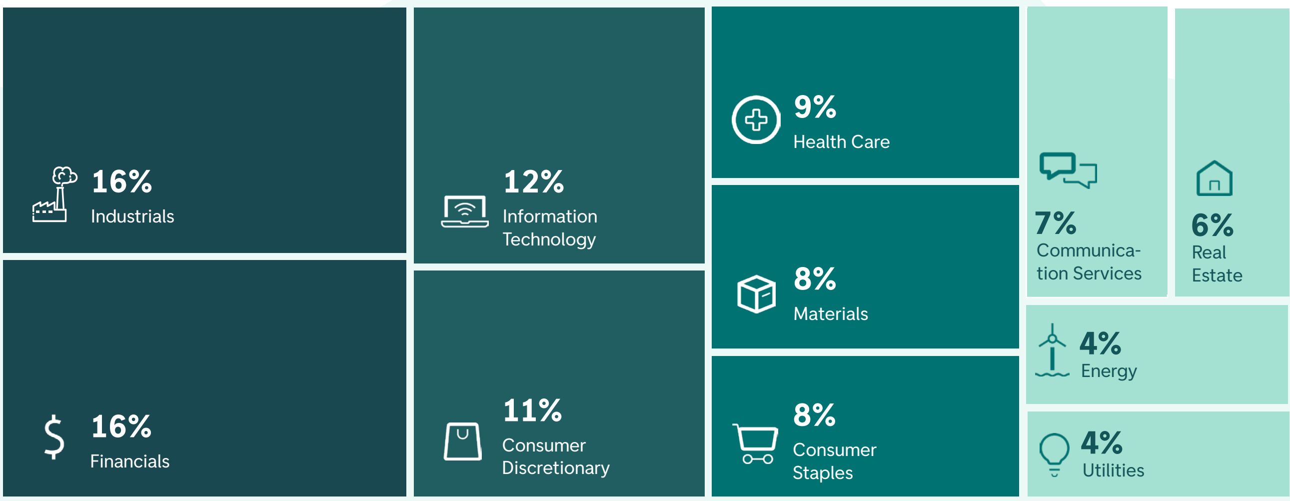


Figure 7.6 Meetings by Sector



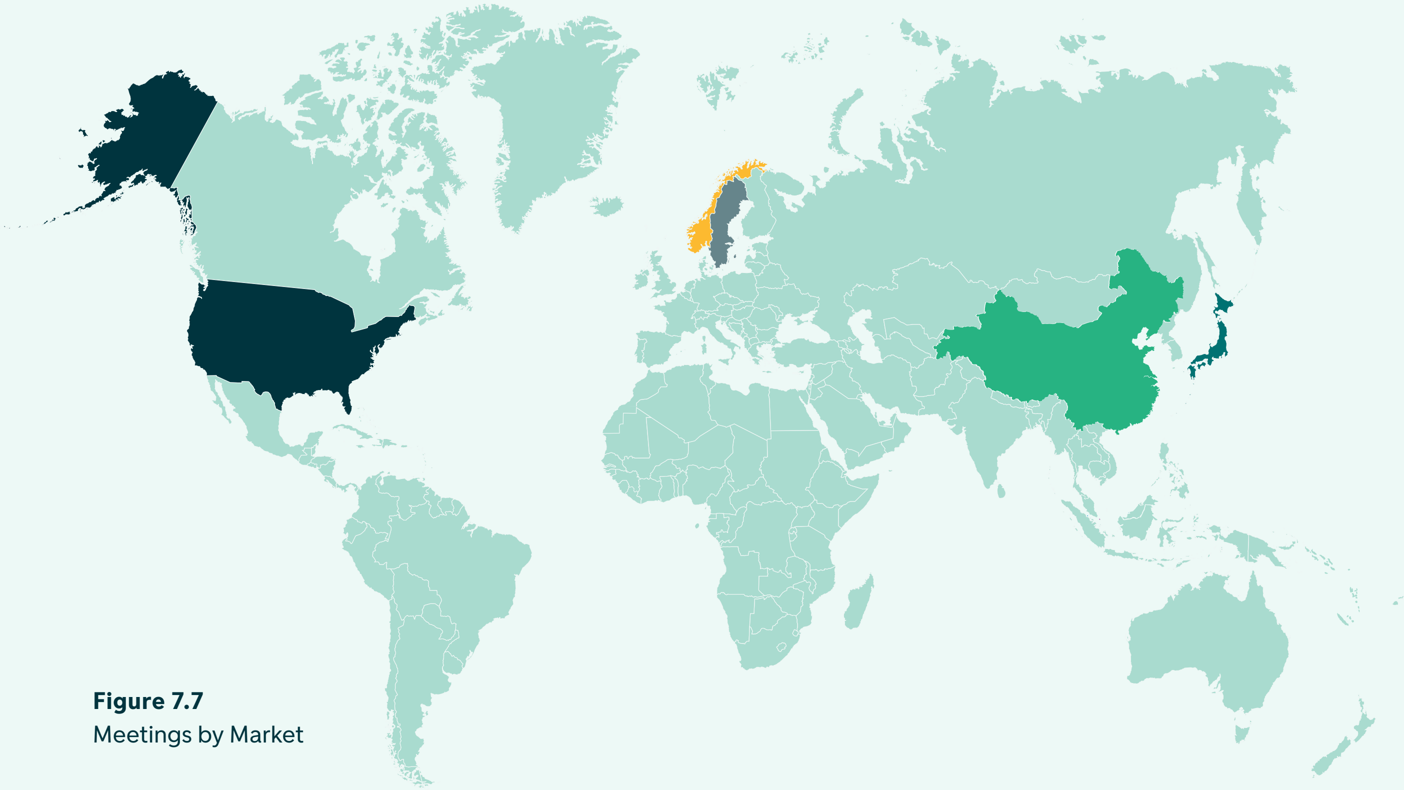


Figure 7.7
Meetings by Market

DNB AM's aim is to vote for all holdings in actively managed funds as well as vote at all Norwegian general meetings. In addition, we seek to vote at all general meetings with shareholder resolutions on the agenda. Furthermore, we engage with boards, management, and nomination committees prior to such meetings, or follow up the meetings – to create changes over time. Our proxy voting is also made publicly available. Through informed proxy voting we endeavor to secure long-term shareholder value and ensure that companies act sustainably. It is also important to evaluate voting decisions together with what we achieve through engagements and other investor initiatives.

In 2022, we increased our voting activity substantially, DNB AM voted at more than 1200 general meetings (a near four-fold increase from 2021). We have voted contrary to management's recommendations 9 per cent of items, on issues such as board composition, remuneration (executive management/board), capital structure, and shareholder resolutions. Furthermore, we launched a searchable voting disclosure site (VDS) – available at the websites of both DNB AM and the DNB group[1)].

DNB AM has also taken a more comprehensive approach to shareholder resolutions in 2022, seeing many credible proposals related to ESG. We have voted on more than 800 shareholder resolutions at over 300 meetings, and about half the resolutions were related to environmental and social issues, while the rest were related to governance. Across all the voting, some central topics that were emphasised in 2022 were climate change, energy transition, plastics/circularity, social issues (including human capital/DEI), lobbying/political contributions, board composition, and executive compensation.

Also, worth highlighting is the considerable importance of DEI in shareholder resolutions, and DEI is also an important consideration in numerous votes on board composition (under ordinary voting items). These shareholder resolutions are typically asking for more transparency on issues such as diversity in the workplace, gender/racial pay gap, and efforts to prevent discrimination, abuse, and harassment. This is an area we will be developing further within the focus area of human capital, that is a new thematic focus area for 2023. Examples of these types of shareholder resolutions which we supported in 2022, and which gained majority, were:

1) https://vds.issgovernance.com/vds/#/OTY1Nw==

DEI (Diversity, Equity & Inclusion) – disclosures

Report on median gender/racial pay gap Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's DEI initiatives.	**The Walt Disney Company**	60% voted in favor.	Item 7, March 9th
	Lowes Companies Inc.	58% voted in favor.	Item 5, May 27th
Report on racial diversity in the workplace Shareholders could benefit from a racial diversity report, it would allow them to better assess the effectiveness of the company's management of related risks.	**Constellation Software Inc.**	63% voted in favor.	Item 5, May 5th
Report on effectiveness of efforts to prevent abuse, harassment, and discrimination Shareholders request the board to oversee the preperation of an annual public report describing and quantifying the effectiveness and outcomes of Company efforts to prevent abuse, harassment and discrimination against protected classes of employees.	**Activision Blizzard Inc.**	69% voted in favor.	Item 5, June 21st
Report on civil rights audit Shareholders could benefit from a report on an independent audit analysing the adverse impacts of the company's business practices on the civil rights, it would allow them to better understand how the company is managing related risks.	**Waste Management Inc.**	55% voted in favor.	Item 4, May 10th
Oversee and report a racial equity audit A report on an independent racial equity audit could help shareholders better assess the effectiveness of Home Depot's efforts to address the adverse impacts of its policies and practices related to racial issues - and how the company manages related risks.	**The Home Depot Inc.**	63% voted in favor.	Item 10, May 19th

Exclusions

DNB AM prefers to promote best practice and prefer active ow nership over exclusions, but companies may be excluded from the DNB AM investment universe if they are found to be in breach of our DNB Instruction for Responsible Investment such as our product-based criteria or international norms and standards. When it comes to international norms and standards this action is reserved for severe issues and we will evaluate whether we are able to influence a company's behavior through engagement, and exclusion is always the last resort. The RI team present companies that are deemed to be in breach of the DNB Group Instruction for Responsible Investments as exclusion recommendations to the DNB Committee for Responsible Investments. This committee makes final recommendations, and these are then sent to the heads of the three investment divisions at DNB for final approval. Exclusions from the investment universe apply to all DNB AM funds and mandates.

Divesting an already established position is a decision made with the greatest care. Following an approved recommendation for exclusion, a notice will be sent out stating that affected DNB AM portfolio managers should sell the excluded position(s) as soon as possible and at least within 14 days. Exceptions to this rule include situations where there are regulatory restrictions related to transacting in the relevant securities. The DNB AM portfolio managers will give notice to the RI team when they have divested their positions. After the sell period of 14 days, a block will be added in our systems so that the security cannot be traded.

We make our exclusion lists publicly available on the DNB AM website after every update, and as of 31.12.2022, we have excluded 210 companies from the investment universe.

The exclusions made in 2022 were based on unacceptable risk that the companies in question contributed to environmental harm, human rights violations, recreational cannabis production and coal processing in excess of our thresholds.

One example of a company involved with coal processing in excess of our thresholds is Adani Power Ltd, an India-based power company that receive most[1)] of their revenues from more than 12,000 MW of generation capacity produced thermal coal-powered plants. This exceeds both our threshold of 30 per cent of revenues from thermal coal, as well as the absolute threshold for power generating capacity from combustion of thermal coal set at 10 000 MW.

Adjustments to the DNB investment universe in 2022.

Table 7.8 Companies excluded in 2022

Product criteria

Cannabis production

- Aurora Cannabis Inc
- Canopy Growth Corp
- Cronos Group Inc
- Tilray Brands Inc

Coal production criterion

- Jizhong Energy Resources Company Limited
- Inner Mongolia Dian Tou Energy Corporation Limited
- Adani Power Ltd
- Pingdingshan Tianan Coal Mining Company Limited
- Shan Xi Hua Yang Group New Energy Company Limited

Norms based exclusions

Environmental harm

- NHPC Ltd
- Young Poong Corp
- Yunnan Baiyao Group Co Ltd

Human rights

- Li-Ning Company Limited
- Cognyte Software Limited
- PTT PCL
- PTT Oil and Retail Business PCL

Table 7.9 Re-inclusions 2022

Company name

- IJM Corporation
- San Leon Energy Plc
- Incitec Pivot (Australia)
- Haci Omer Sabanci Holdings AS

1) MSCI ESG Research ESG Manager - Accessed 1th June 2022

Exclusions made in 2022 also comprise of three companies deemed to have unacceptable risk of contributing to environmental harm, including Korea-based Young Poong Corporation, which according to studies had a long record of polluting the Nakdong River in South Korea[2)]. Based on these harmful activities, the company has also been sanctioned and shut down on several occasions by local Korean authorities.

Finally, late in 2022, we also excluded four companies due to unacceptable risk that they are contributing to human rights violations. Two examples of these were PTT PCL and their subsidiary PTT Oil & Retail Business PCL (PTTOR), which are partners with the state-owned oil company Myanmar Oil and Gas Enterprise (MOGE) in three offshore gas fields in Myanmar. PTTOR is also a partner in a joint venture with the military-owned conglomerate Myanmar Economic Corporation (MEC) on the construction and operation of an oil terminal and liquefied natural gas filling plant[3)]. Given the well documented violations of humanitarian law and human rights conducted by the Military regime in Myanmar towards its citizens, the companies' economic ties to the regime constitute an unacceptable risk of contributing to serious violations of individual's rights.

It is important to note that companies may be reintroduced into DNB AM's investment universe, provided they have ceased the activity which led to the original exclusion and have sufficiently improved their practices. We regularly screen the entire investment universe, benchmarks, new companies when the benchmarks are rebalanced, and portfolios – for companies in potential breach of our guidelines. Screening of previously excluded companies is done quarterly as part of the broader check of all holdings related to rebalancing of the major indices, and annually reviewed and updated. In 2022, we have revoked the exclusions of four companies. This included Malaysia-based IJM Corporation, a company that had recently divested a company called IJM Plantations which had been deemed to have unacceptable risk of contributing to the destruction of rainforest related to palm oil production. Since IJM Corporation is no longer involved with this business, the exclusion criteria were no longer met.

Note on Russian holdings following the invasion of Ukraine

Following the Russian invasion of Ukraine in February 2022, sanctions were imposed against Russian companies directly and against companies doing business with Russia or Russian companies. At the same time, Russian companies were dropped from broadly used indices, and thus both actively managed funds and index funds would be encouraged or mandated to sell their Russian securities immediately. However, since the Russian authorities responded to the sanctions by nationalising all foreign investments, effectively barring international investors from selling Russian securities, this presented challenges to fund managers. The scope of this issue was limited, as DNB AM had relatively low exposure to Russian securities before sanctions were imposed. The limited remaining Russian assets held by DNB AM are currently frozen in accordance with industry best practice.

2) Young Poong Corp – Council on Ethics (etikkradet.no)
3) https://etikkradet.no/ptt-pcl/

ESG Integration

All active funds managed by DNB AM utilise integration of ESG risks, although the process may differ between teams with different mandates. One example is DNB Fund Renewable Energy, one of DNB AM's article 9 funds, that publishes a yearly report and provide examples on how they have integrated ESG in portfolio decision making. The RI team works closely with all portfolio managers and key portfolio manageme nt teams have their own dedicated ESG analyst.

We screen companies prior to inclusion into our investment universe, quarterly for benchmark rebalancing, and on a weekly and daily basis for changes to ESG-ratings/ factors or alerts on potential and/or realised breaches in international norms and standards. The purpose is to uncover potential product violations, breaches of international norms and standards and/or material ESG risks and opportunities. Based on the screening, and in-house research, we highlight potential ESG risks and opportunities to the portfolio managers in addition to the portfolio managers receiving alerts on controversial issues. You can read more about screening in the previous chapter covering exclusions.

ESG data is incorporated into DNB AM's portfolio management and information systems and is available to all investment professionals. Portfolio managers use this data in their company risk assessments, financial modelling, and investment decision making. The availability of this data in the front office system also often acts a flag for the portfolio managers, triggering further investigation and discussion with the RI team regarding potential risks and opportunities and the financial effect from this. These discussions may trigger actions such as further investigation, engagement in dialogue with the company, or impact on the investment decision.

EU Taxonomy

As part of the SFDR requirements and adaption to best practice, EU Taxonomy eligibility and alignment is measured for all our funds. DNB AM also manages funds that have an enhanced focus on environmental goals of the EU Taxonomy and where EU Taxonomy alignment is an integral part of portfolio decisions. You can read more about this group of funds in Overview of Product Portfolio and Sustainability.

> " As an asset manager, DNB AM must consider how we can contribute to achieving the SDGs through our investments, both from a risk and an opportunity perspective.

Integrating ESG in Norwegian Fixed income
2022 marked our third year sending out questionnaires to fixed income issuers in Norway. This is an important part of our work to improve the relatively low ESG data coverage for this geographical region and sectors. Through this project we also aim to understand material ESG risks that may impact credit assessments and investment decision making in a more systematic way than before. In 2022 we scored companies in the banking, utilities, real estate, logistics and transportation, food and food production, and the diversified chemical sector. We are working to continuously increase the number of dialogues with issuers, score more companies across additional sectors and influence companies in a positive direction through follow-up discussions and engagements.

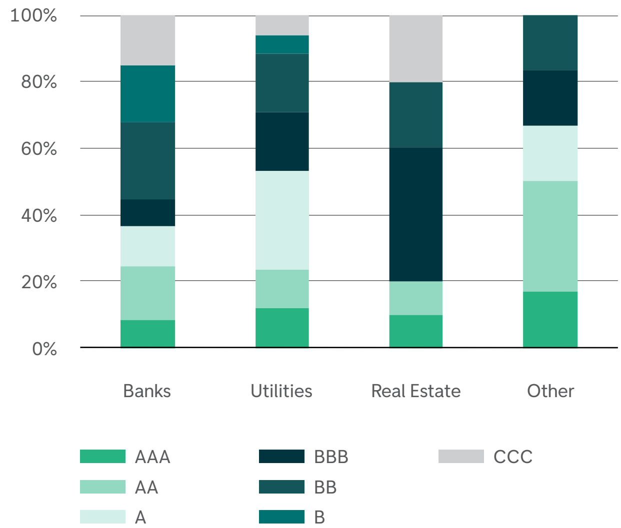
A majority of the companies sampled are in the banking sector, with utilities and real estate making out the remaining independent categories. Logistics and transportation, food and food production, as well as chemicals are categorised as "Other" given the smaller data sample. The questionnaire has been modified and expanded over time as regulatory as best practice has evolved and regulatory requirements have increased.

Figure 7.10, shows the non normalised average score for the sectors for the past three years, showing a steady increase in the scores in the banking sector, and more significant increases for utilities in 2022. The scores are normalised based on the sectoral average and given a rating. The rating distribution of the sectors for 2022 can be seen in figure 7.11.

Given the increasing complexity of the scoring criteria in the questionnaire, the data shows improvement for all, with smaller banks in particular showing increased commitment and development of ESG metrics for their operations. Size is a predictor of degree of ESG integration, but some smaller companies within banking and utilities sector are outperforming their size on many metrics. The results from this years' analysis have been integrated into our systems and we are following up with companies that are flagged due to their performance.

Figure 7.10 Sectorial average normalised ESG score for Norwegian fixed income

Figure 7.11 ESG rating distribution by sector in 2022



UN SDG Integration

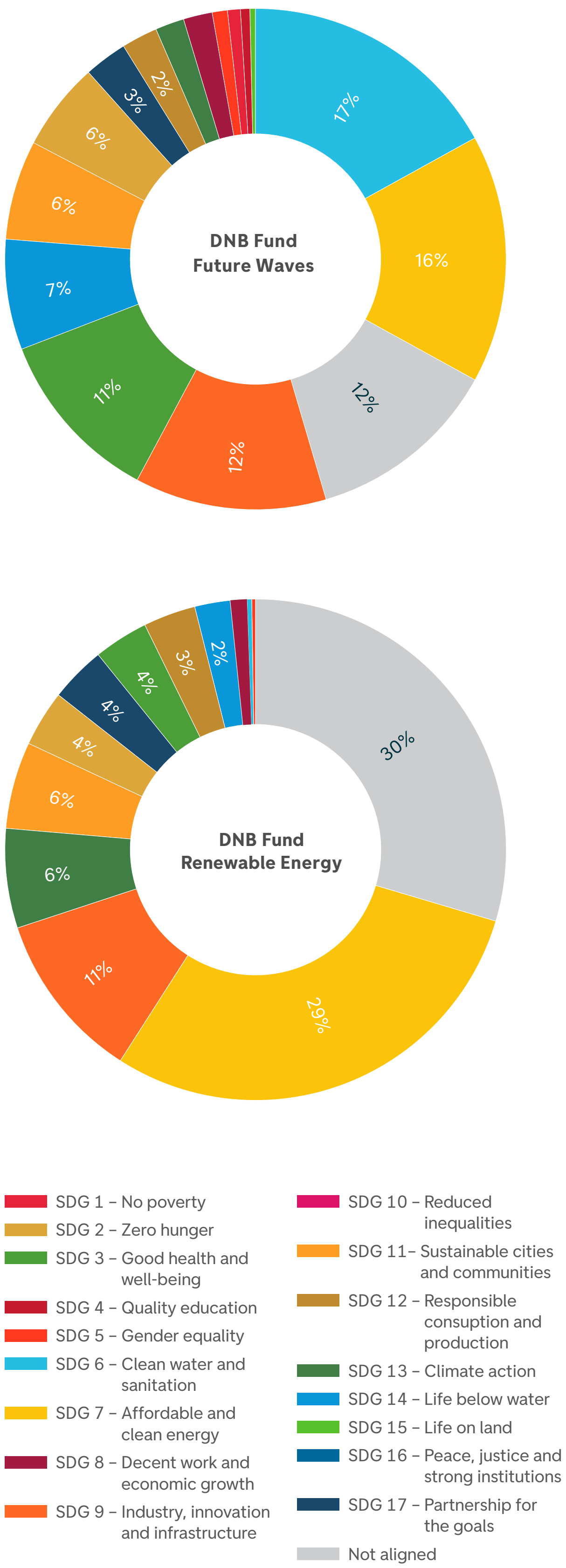
As an asset manager, DNB AM must consider how we can contribute to achieving the UN SDGs through our investments, both from a risk and an opportunity perspective. We believe that considering these goals in a collective manner will help to increase the resilience of our portfolios. The SDGs are therefore critical input to our standard setting and active ownership activities, and we strive to identify how companies' business models align with the SDGs.

In 2022 we have done considerable work on SDG mapping and measuring our funds' alignment to the SDGs. This work also includes filling data gaps for the companies in our portfolio where mapping is not available through our service providers. Though this is a continuous effort, it is an important part in our work on developing more fund strategies that incorporate the SDGs as an additional tool in the investment process and the SFDR requirements where SDG alignment is used as a part of determining positive contribution. Below is a snapshot of how our two actively managed article 9 funds, DNB Fund Future Waves and DNB Fund Renewable Energy perform on SDG alignment as of 31.12.2022.

DNB Fund Future Waves uses alignment to the SDGs as one of its main sustainability indicators. The fund utilises most of the 17 SDGs, both those categorised as "Environmental" and the ones deemed to be of a "Social" nat ure, in accordance with the SFDR. All of the companies held i n DNB Fund Future Waves have at least 20 per cent of their r evenues aligned with one or more of the SDGs, and thus the fund has a high weighted average SDG alignment of 88 per c ent. Not surprisingly, the funds main contributor to SDG align ment is its focus on SDG 6 and SDG 7, which is in line with th e fund's focus areas. Together with SDG 9 and SDG 3, they make up more than 50 per cent of the total weighted average revenue alignment for the fund.

DNB Fund Renewable Energy also uses alignment to the SDGs as one of its main sustainability indicators. The fund utilises most of the SDGs but measures alignment solely to those of an "Environmental" nature. The team complements the alignment to the SDGs with EU Taxonomy alignment as well as alignment to companies that provide products and services that aim to reduce the current level of emissions for their customers – Potentially avoided emissions. As a result, the overall alignment to the SDGs is usually lower than that o f DNB Fund Future Waves, but the fund still has a weighted a verage alignment above 70 per cent. Given the mandate an d nature of the fund, it is not surprisingly alignment to SDG 7 that makes up most of this alignment. Notable contribution also stems from SDG 9.

Figure 7.12 Percentage alignment to SDGs



8 Engagement Strategy

Active ownership through engagement seeks to influence companies to improve their practices, or to take advantage of ESG opportunities. Our engagement strategy is based on incident-based (reactive) and proactive engagements, coordinated with our voting activities.

LONG-TERM AND SHORT-TERM THEMATIC FOCUS AREAS

Our engagement strategy centres on long-term and shorter-term, thematic focus areas. Our long-term focus areas rarely change as they are fully integrated into our way of working. Thematic focus areas, on the other hand, involves engagement with companies within defined areas of concern, that are more topical. Inputs to determining such focus areas include:

- SDGs: The SDGs were launched in 2015 and call on the private sector, amongst other players, to solve some of the most urgent problems the world is facing. As an asset manager, DNB AM must consider how we can align to the SDGs through our investment decisions and through active ownership towards companies, both from a risk and an opportunity perspective. We believe that considering these in a collective manner will help to increase the resilience of our portfolios. The SDGs are therefore a critical input to our standard setting and active ownership activities.
- International initiatives: We follow investor initiatives (new and ongoing) where we can have an impact – these may inform how we select our thematic focus areas.
- Media/NGOs: We follow which sustainability topics are receiving attention from media and NGOs and assess the relevance of these to us as investors.
- Clients' interests: Client interest in certain topics guides how we develop our engagement strategy. For example, over last years we have observed client demand for quantifying the outcome or impact of ESG work or documenting progress through milestones with company engagements. These inputs have been considered and inform our work and processes.
- Regulation (upcoming or existing): Important regulation includes the EU Action Plan for Sustainable Finance and the European Green Deal. Read more about relevant Regulations and Trends.

> "Our long-term focus areas are fully integrated into our way of working. Thematic focus areas, on the other hand, involves engagements with companies within defined areas of concern, that are more topical.

9 Focus Areas

Supporting the active ownership process are our long-term and thematic focus areas. These are the backdrop of our engagement activities, and we set goals and measure achievements for each of the areas.

Long Term Focus Areas

We have engaged with companies within our long-term focus areas for many years with the aim of encouraging companies to mitigate ESG risks before they materialise or take advantage of ESG opportunities. These focus areas have been identified as areas of concern within responsible investments in the coming years and are inherently connected to various other key ESG challenges.

Long Term Focus Areas

Climate change

Relevance to the SDGs

SDG 2: Zero hunger
Strengthened capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters that progressively improve land and soil quality" are necessary to ensure sustainable food production systems and resilient agricultural practices that increase productivity and production by 2030.

SDG 3: Good health and well-being
Aims to substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination, all of which can be associated with climate change.

SDG 7: Affordable and Clean Energy
Dependence on fossil fuels is a key driver of climate change. Renewable energy can reduce carbon emissions and have a lower impact on the environment. It is a natural point of connection with national climate plans.

SDG 11: Sustainable Cities and Communities
Includes a target to reduce per capita adverse environmental impact of cities by 2030. It also states that the growth of cities and human settlements must consider mitigation and adaptation to climate change.

SDG 13: Climate action
Climate change is directly addressed by this SDG, which focuses on mitigation, adaptation, and integration into policies and impact reduction.

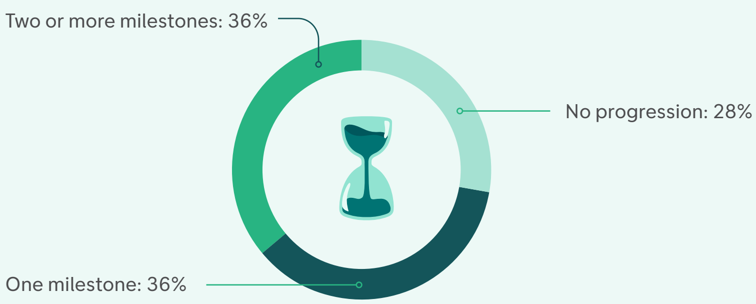
Goals in 2022

- Continue engaging with companies using climate change expectations document as a starting point. Focus on setting targets for emissions reduction, net zero, both within business operations and within supply chains.
- Continue work through TCFD working group with Norwegian investors, engaging Norwegian companies. In 2023, continue to broaden the scope to include Biodiversity.
- Continue work with other Norwegian financial institutions around a common market practice for carbon reporting.

Progress achieved in 2022

- DNB AM continued the collaborative engagement activities on TCFD with Norwegian companies. The ambition to encourage best in class practice regarding climate in Norway. In 2022, the scope of engagements expanded to include biodiversity.
- DNB AM joined a Finance Norway initiated group of financial institutions to develop a market standard regarding GHG reporting in lending and investment portfolios in Norway. This work continued throughout 2022 and will continue into 2023.

Milestone progress on the topic



Initiatives and collaborations

Results

- Climate action 100+: With the conclusion of the 2nd iteration of the initiative, research by Bloomberg demonstrated companies engaged had taken significant action regarding their climate impacts, including setting quantifiable targets.
- CDP: 2022 was again a record year for disclosure with nearly 20,000 companies reporting information. DNB AM again took part in the non-disclosure engagement campaign. The highest impact was had on companies targeted in the transportation services, manufacturing, and apparel sectors.
- Investor Expectations Statement on Cimate Change for Airlines and Aerospace companies was signed and supported by DNB AM.

Company engagements

53

Key engagements in 2022

NOKIA

Themes and goals

- Emission reduction targets including supply chain emissions
- Net zero targets

Key remaining gaps to reach milestone 5

- Demonstrate supply chain emissions management accounting for emissions not already committed to net zero.

Results

- The company have made significant steps with regards to their emissions reduction activities. They have a net zero target (and SBTi approved target) and there is potential they may reach net zero earlier than 2050. A key focus of the discussion was regarding supply chain emissions, and how they are going to work with the remaining 40 per cent of supplier emissions not already committed to net zero. They provided details of their approach which align with our expectations, and we will continue to follow and engage with the company on thesetargets in the coming years.
- In the dialogues, we encouraged continued efforts to meet emissions reduction targets, aligned with best market practice. DNB AM assess Nokia to be at milestone 4 for our dialogue on climate change. We will continue to follow up with the company in the coming years regarding their progress.

Scatec

Themes and goals

- Emission reduction targets including supply chain emissions
- Net zero targets

Key remaining gaps to reach milestone 5

- Deliver emission reductions in line with Science based reduction target.
- Demonstrate continued engagement with suppliers regarding emissions management and reduction target setting.

Results

- Scatec have developed a comprehensive approach to carbon emission reporting and target setting, basing the net zero strategy on the framework from the SBTi.
- The company engage suppliers on carbon emissions and make strategic decision on sourcing regarding the embedded emissions in the polysilicate production in the supply chain. In the dialogues, we encouraged continued action to reduce scope 3 emissions associated with electricity use in component manufacturing.
- The company are continuing to work with this with their suppliers. DNB AM assess Scatec to be at milestone 4 for our dialogue on climate change. We will continue to follow this topic with the company.

Western Digital

Themes and goals

- Emission reduction targets including supply chain emissions
- Net zero targets

Key remaining gaps to reach milestone 5

- Set SBTi or other Science-based emission reduction targets, and deliver emission reductions in line with these targets.
- Demonstrate supply chain emissions management beyond Tier 1 suppliers.

Results

- The company indicated they are continuing to work to align with the net zero ambition of the company. They expect to transition to SBTi approved Net zero 2050 targets, from the current short-term targets within the next 5 years, but no new target had been set as of December 2022.
- On supply chain emissions they have engaged their tier 1 suppliers, and are in the process of implementing a data venture aimed a moving beyond this. DNB AM assesses the company to be at milestone 2 for our dialogue on climate change.
- In the dialogues, we encouraged setting science- based emission reduction targets, and continued engagement beyond Tier 1 suppliers regarding these embedded emissions.

Climate change has been a long-term focus area for many years. It is an indisputably complex challenge, and arguably one of the most critical facing humanity. The IPCC highlight that "it is unequivocal that human influence has warmed the atmosphere, ocean and land…[and] Human-induced climate change is already affecting many weather and climate extremes in every region across the globe."[1)] The interconnectedness and uncertainty of the impacts of climate change, along with the seemingly limitless factors with the potential to impact the outcomes, make developing a solution appear near impossible. To limit future climate change, the IPCC provide unambiguous direction "limiting human-induced global warming to a specific level requires limiting cumulative CO_2 emissions, reaching at least net zero CO_2 emissions"[2)]. In practice, this means that human produced GHG emissions, must balance with those removed from the atmosphere as part of the global carbon cycle. This represents an enormous challenge for humanity, a challenge in which asset managers have a key role not only in the management of climate-related risks but also in the opportunities to contribute to and take advantage of the transition to the low carbon economy.

DNB AM recognise that climate change can impact value through transition- and physical- risks and opportunities associated with the low carbon transition, and these can impact both negatively and positively. DNB AM therefore strives to make a meaningful contribution towards the goals of the Paris Agreement and the SDGs by taking a long-term view and effectively managing the risks and opportunities associated with the transition towards a low-carbon economy.

Activities in 2022

Throughout 2022, DNB AM had 53 engagements with companies on the topic of climate change – reflecting a near doubling of engagement on the topic compared to 2021. A key discussion point was TCFD's recommendations and companies' actions to align with the market standard. In line with the DNB group's ambition for Net zero 2050, engagement regarding emission reduction target setting has been a key discussion point with companies throughout the year.

> "Climate change is an indisputably complex challenge, and arguably one of the most critical facing humanity.

1) IPCC, 2021: Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change
2) IPCC, 2021: Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change

Further, in combination with the management team responsible for the DNB Miljøinvest and DNB Renewable Energy funds, we have developed a framework for assessing the quality of emission reduction targets, to measure and understand company progress over time. The framework was developed based on CA100+'s framework, and inputs from other sources including the CDP, TCFD, and the SBTi. The results of these engagements are discussed in further detail in the DNB Renewable Energy Report 2022, and the ambition is to monitor progress for these companies in 2023, while also expanding the scope to include DNB AM's largest holdings in the most carbon intense sectors. In assessing the emissions reduction targets, the framework assists in understanding the preparedness of companies to the transition and physical risks of climate change. The framework will undergo improvements in line with market best practice regarding emission reduction pathways. Details regarding some developments in market practice on transition frameworks for companies are outlined in our chapter on Regulations and Trends, as well as Net zero 2050.

DNB AM continued to support the CA100+, which aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The latest update on company progress from October 2022, highlighted that while focus companies continued to make progress on net zero commitments, it is not matched by the development and implementation of credible decarbonisation strategies – which is a key requirement for DNB AM and other investors involved. With the CA100+ entering into it's second phase in 2023, DNB AM will join the initiative with the ambition to continue to push companies to align with the "three asks" of the initiative:

- Implement a strong governance framework
- Take action to reduce greenhouse gas emissions across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase
- Provide enhanced corporate disclosure in line with the TCFD recommendations

DNB AM continued to engage Norwegian companies regarding the implementation of the TCFD recommendations, in collaboration with a group of Norwegian investors. The scope of these engagements expanded in 2022 to include biodiversity and focused on Norwegian companies within sectors highly exposed to climate-related risks and opportunities, namely energy, materials and transport. As part of the work, we have also encouraged companies to set emission reduction targets aligned with science. All companies we have engaged with have all considered the TCFD framework in connection with climate-related strategy and reporting.

Through this work we seek to understand how companies are performing regarding climate-related governance, strategy, and reporting. Improvements in reporting will flow through and enhance our assessments of companies, and ultimately ensure we have the best available data to hand when making investment decisions.

Focus for 2023

In 2023, increased engagement activity regarding climate change is a key focus for the year. This will include discussion regarding management of risks and opportunities, emissions reduction targets and activities, scenario analysis and reporting. The scope for these discussion include both companies' direct activities as well as operations in their supply chains. We also intend to continue our standard setting work and continue to increase transparency with regards to our own climate emissions in DNB AM.

Goals for 2023

- Continued active ownership with special focus on engaging the largest holdings in the most carbon intense sectors as well as the companies with the largest carbon footprint, regarding emission reduction and target setting, both in direct operations and in supply chains.
- Continue work as part of Finance Norway working group developing a market standard regarding GHG emissions reporting in lending and investment portfolios in Norway.
- Continued collaborations with investors groups for greater impact.
- Participate in Climate Action 100+ in the second phase in 2023.
- Increased reporting of DNB AM's own emissions, and utilisation of forward-looking metrics in assessment of companies' trajectories.
- Continue to investigate tools for forward-looking metrics and climate risk identification.

Long Term Focus Areas

Water

Relevance to the SDGs

SDG 6: Clean water and sanitation
Water management integrated into business strategies, risk management and measuring are essential in order to meet the SDG goal on water. Water is an essential input factor for many businesses. Therefore, we expect companies in high-risk sectors to manage these risks, while we look for business models with opportunities related to SDG 6. Working towards companies to encourage conservation, restoration and sustainable use of terrestrial and freshwater ecosystem is crucial for a sustainable development.

SDG 11: Sustainable Cities and Communities
Includes a target to reduce per capita adverse environmental impact of cities by 2030. It also states that the growth of cities and human settlements must consider mitigation and adaptation to climate change.

SDG 12: Responsible consumption and production
Includes targets to achieve the sustainable management and efficient use of natural resources, and substantially reduce waste generation through prevention, reduction, recycling, and reuse

SDG 15: Life on land
Working towards companies to encourage conservation, restoration and sustainable use of terrestrial and freshwater ecosystem is crucial for sustainable development.

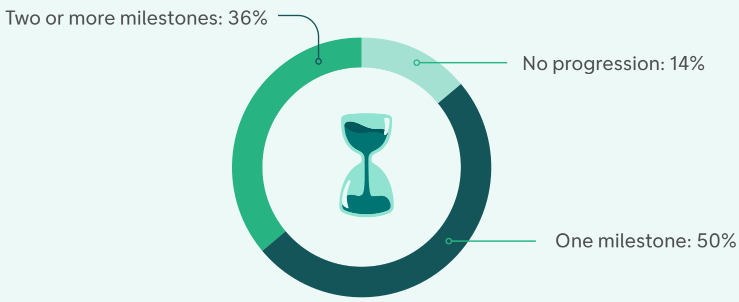
Goals in 2022

- Combine engagement on water with the ongoing human rights engagements with the textile industry.
- Continue to support 2030 Investor Agenda for Mining Sector, in addition to the work completed on the Mining and Tailings Safety Initiative.
- Continue to support collaborative engagements on water, including FAIRR.

Progress achieved in 2022

- Engaged with companies such as H&M Group, Renewcell AB and Spinnova Oyj on water related issues for the textile industry.
- Participation in the Mining and Tailings Safety Initiative. The Initiative has been expanded to also cover biodiversity which is closely linked to the topic of water. The investor collaboration have developed engagement guides in 2022 and mapped further engagements for 2023.
- Engaged with companies through FAIRR working groups relating to meat sourcing and sustainable

Milestone progress on the topic



Initiatives and collaborations

Mining 2030

Results

- FAIRR - Sustainable aquaculture: Engaged eight companies in two phases, with seven companies having taken at least some of the actions requested by investors.
- FAIRR - meat sourcing: While the companies recognise the materiality of water to their business. None have set enterprise-level targets to measurably reduce water pollution or consumption across their supply chains.
- Business Coalition for a Global Plastic Treaty - Signed investor letter that signaled the support of a global treaty ahead of UNEA in 2022.

Company engagements

14

Key engagements in 2022

Desert Control

Themes and goals

- Water, Climate, Biodiversity, Health and Sustainable Food Systems

Key remaining gaps to reach milestone 5

- Water: Develop metrics and report annually, with additional company-defined metrics included. Demonstrate net positive water contribution in markets over time.
- Climate: Net zero GHG target verified by SBTi with scope 1-3 covered, reported annually in a sustainability report or equivalent with no further significant gaps to best practice.
- Biodiversity: Develop and implement a biodiversity policy and report on relevant metrics in line with TNFD recommendations or similar.
- Health and Sustainable food systems: Report on more metrics to demonstrate resource efficiency and higher yield and quality.

Results

- Water, and particularly water savings, is a core element of the company's business model and they are developing it as a one of their three reporting pillars in 2023 alongside fertiliser saved and energy saved. DNB AM encouraged expanding this.
- The company have started looking at measuring and target setting for their GHG emissions.
- 2023 will see an increase of reporting on water, fertilisers and energy which will be expanded and finalised in an annual sustainability report, first one is expected Q1 2025.
- Already measuring some soil samples for biodiversity, but were positive to developing stand-alone policy document which DNB AM encouraged as well as suggested impact metrics.
- DNB AM assesses Desert Control to be at milestone 2 for our dialogue on water.

Spinnova

Themes and goals

- Water, Climate and Biodiversity

Key remaining gaps to reach milestone 5

- Water: Increased granularity in reporting, including their value chain, set goals for water usage and handeling of waste water and develop a strategy to follow up on water consumption in their value chain with a special focus to partners operating in areas with high water stress.
- Climate: Reporting in line with TCFD recommendations, set goals for emissions reduction, including scope 3 emissions – preferable science based, and develop a strategy for managing emissions from own operations and their value chain.
- Biodiversity: Develop a stand-alone policy on biodiversity, make zero deforestation commitment publicly available, develop a strategy to handle deforestation related risks in their value chain with a special focus to high-risk areas such as Brazil, report in line with the TNFD recommendations or similar.

Results

- Water is used by supplier of wood pulp in the production process and water usage will likely increase when they scale production. The company receives primary data relating to water usage directly from the supplier and all calculations are made with third party certifications. Water is extracted from the baseproduct in their own production processes.
- The company has started to measure and report on scope 1 and 2 emissions. In 2023 they will start to calculate scope 3 and their carbon footprint. DNB AM encouraged the company to set carbon reduction targets and reporting in line with best practice including all elements of scope 3.
- The company is working to have all raw material fully traceable. They have a procurement policy for protecting forests but no stand-alone biodiversity policy. One of the company's suppliers have faced some controversy in relation to their practices in Brazil, Spinnova is in dialogue with the company about these controversies.
- DNB AM assesses the company to be at milestone 2 for our dialogue on water.

RENEWCELL

Themes and goals
- Water and Climate

Key remaining gaps to reach milestone 5
- Water: Develop a policy covering water and implement high quality reporting on water related metrics.
- Climate: Make their environmental policy publicly available, set science-based targets and implement high quality reporting.

Results
- The company use just under 1 cubic meter of water per kg mass produced. The water comes from a nearby stream and is released into the Baltic Sea after it has gone through a water treatment plant on the production site. The company are using chemicals in their recycling and production of circulose sheets, but they are investing to find alternatives that are biodegradable for the ciculose production.
- The compay has an environmental policy covering most of their operations and have started to measure scope 1-3 emissions. They are looking to verify data before reporting. DNB AM encourged the company to report in line with the TCFD. The company is looking to set science based targets in line with the Paris Agreement.
- DNB AM assesses Renewcell to be at milestone 2 for our dialogue on water.

Activities in 2022

DNB AM have had water as a long-term focus are for many years and according to CDP's High and Dry Report published in 2022, there are likely to be more water-stranding events as resource majors are not acting to protect freshwater resources[1]. Sectors that are particularly water intensive such as extractive and mineral processing, infrastructure and energy have long been a focus for DNB AM, but new regulations and trends have also adjusted the view to other sectors and issues beyond water usage such as pollution and recycling.

In 2022, DNB AM have had 14 engagements with companies on water related issues. We have continued our work through the collaborative engagement on tailings under the Investor Mining and Tailings Safety Initiative and the initiative has also been expanded to cover biodiversity as a theme that goes hand in hand with water. In addition, we have continued the proactive engagements through FAIRR working groups such as meat sourcing and sustainable aquaculture. FAIRRs initiative on sustainable aquaculture has entered into phase two of the engagements targeting salmon producers to steer towards more sustainable feed alternatives. Fish feed ingredients often include soy which is a highly water intensive ingredient to grow. FAIRRs initiative on meat sourcing has entered into phase three of engagements targeting six of the world's largest quick-service restaurant brands to urge them to reduce their water usage and improve water quality in areas where they operate. You can read more about these initiatives in the section on biodiversity.

1) https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/321/original/High_and_Dry_Report_Final.pdf?1651652748

In the past year we have also engaged with multiple companies directly on water related issues, such as the engagements we have had with the Swedish textile recycling company Renewcell AB og Finnish textile material producer Spinnova Oyj. For Renewcell, water use is a key issue as their production of cellulose from recycled fabric is water intensive and requires re-use and DNB AM encouraged formalising policies on climate and water to accompany their innovative technology. For Spinnova Oyj, the company relies on raw material from forests to produce their fibres for textile productions. In contrast to Renewcell AB, their water use is minimal in production, but this is likely to increase as they scale operations and DNB AM encouraged close monitoring on this going forward. These engagements show the importance of water monitoring across the value chain and how companies must adapt to their sector and company specific issues to better manage water related risks.

Another important part of the work DNB AM have done on water in 2022 is the endorsement of the Business Coalition for a Global Plastic Treaty. We first signed the original statement in 2021 and after it was decided to develop a global treaty in the UNEA conference in Nairobi in February and March 2022, the coalition has been further formalised against working for a legally binding and ambitious treaty. The treaty seeks to reduce plastic production through circular economy methods, circulate all plastics that cannot be eliminated, and finally prevent and remediate the hard to abate micro plastics leakage into the environment. Though the investor collaboration to a large extent focus on the issue of plastic pollution in the ocean, the issue is just as important for other parts of the environment, such as water streams, and that the pollution of water sources affect people and life in both surrounding areas and in downstream regions.

Focus in 2023

In 2023, we aim to further encourage companies to improve in line with our expectations document on water. We will continue to work on the Global Investor Mining and Tailings Safety Initiative, and any water-relevant initiatives as part of the 2030 Investor Agenda for Mining Sector. We will also continue to support collaborative engagements on water, including the FAIRR initiative. We intend to systematically continue to identify and engage companies on water, targeting industries and companies we have identified as facing high water related risks and/or opportunities.

Goals for 2023

- Continued participation collaborative engagements such as FAIRR and the Mining and Tailings Safety Initiative.
- Engage with companies on the alignment to the ambitions of the Global Plastic Treaty coalition.
- Engage with companies in the food and agricultural sector on water related issues.

Human rights

Long Term Focus Areas

Human rights

Relevance to the SDGs

SDG 1: No poverty
We expect companies to ensure compliance with human rights and labour rights in accordance with international labour standards through their operations, including supply chain

SDG 4: Quality education
Children are entitled to the same human rights and fundamental freedoms as all individuals but have been given special status and protection within the UN framework which recognises their special needs and vulnerabilities. Companies should demonstrate their responsibility in their strategies, policies, procurement, risk management and reporting in regard to children's rights in their operations and supply chain.

SDG 5: Gender equality
Companies with good diversity across their business may benefit from more varied perspectives and skills, resulting in deeper consideration when making decisions, better anticipation of challenges and obstacles, and heightened innovation.

SDG 8: Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Companies should be compliant with human rights and labour rights in accordance with international labour standards through their operations.

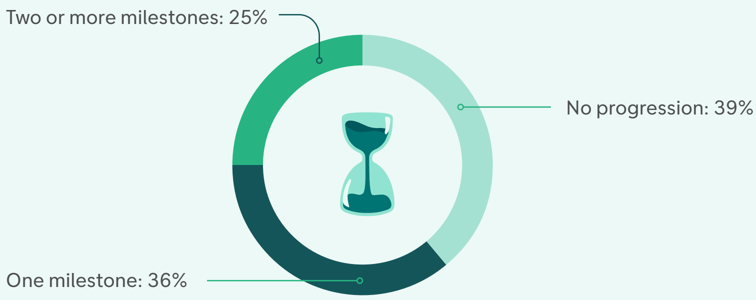
Goals in 2022

- Continue engaging with companies on human rights, labour rights and children's rights, with special emphasis on sectors impacted by the Covid-19 pandemic.
- Continue working through proactive engagements with companies operating in high-risk areas, and within complex supply chains in high-risk areas.
- Continue proactive engagement towards companies within soft commodities, textile, information and technology, and marketing of formula milk.
- Continue working with UN PRI on social issues and human rights.
- Collaborate with other investors on human rights issues in solar sector supply chains.

Progress achieved in 2022

- Continued our engagement with companies operating in high-risk areas, including China, Belarus, and the Middle East and North African region.
- Participated in investor collaborations on paid sick leave and repercussions of the pandemic on workforce.
- Expanded our engagements with PRI and signed up as an early member of PRI Advance.
- Fully integrated emerging markets supply chain into the human rights area with particular focus on high-risk sectors such as textile, tech, and solar.

Milestone progress on the topic



Initiatives and collaborations

advance — A stewardship initiative for human rights and social issues

FAIRR — A COLLER INITIATIVE

KNOWTHECHAIN

GLOBAL CHILD FORUM

Results

- FAIRR: Meetings with multiple initiatives. The second phase of the Working Conditions series of engagements will commence in early 2023.
- KnowTheChain has further developed with the wrap-up of the cocoa sector on child labour and we have also signed up for a new round on textile and apparel engagements for 2023.
- Signed up for PRI Advance with investor calls scheduled for 2023.
- Signed up as a signatory for the Global Child Forum benchmark.

Company engagements

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Key engagements in 2022

YARA

Themes and goals

- Presence in Belarus and high-risk markets
- Preparations for the NTA

Key remaining gaps to reach milestone 5

- No remaining gaps on this topic.

Results

- Yara reached milestone 5, indicating that their gap of NTA compliance had been reached with respect to fertiliser sourcing.
- Suppliers have been mapped based on corruption risk and risk of human rights violations in the country they are based.
- Yara reports publically on risk assessments, challenges and mitigating actions taken by the company.

H&M Group

Themes and goals

- Emerging market supply chains and previous controversies related to sourcing and sustainable labour management.

Key remaining gaps to reach milestone 5

- Close the gaps to best practice, including disclose risk assessment and audit findings from country risk assessment.
- Commit to rectification of adverse impacts of labour sourcing.
- Institute living wage requirements in supplier code of conduct.

Results

- Improved insight into tiered country risk rating system for E&S matters.
- Significant improvements to CBA rate in suppliers.
- Living wage enforcement remains a key issue.
- DNB AM assesses H&M Group to have reached milestone 3 on the topic of human rights.

telenor

Themes and goals

- Follow up on the company's exit process from Myanmar.
- Safekeeping of customer and employee data in high risk markets.

Key remaining gaps to reach milestone 5

- Ensure that Telenor has done everything it can to protect its customers data from being wrongfully shared with the authorities who may utilise it to access certain people's whereabouts.

Results

- Telenor's management of its exit from Myanmar represents remains a key challenge for the company. Their ownership of data centres located in an area of martial law, may carry severe repercussions for employees and customers of Telenor.
- DNB AM was pleased to see Telenor working with NGOs to establish a way forward in mitigating further risk associated with the Myanmar exit.
- DNB AM will follow up in 2023 on the issue of customer data in Myanmar.
- DNB AM assesses Telenor to have reached milestone 3 on the topic of human rights.

Business enterprises have a responsibility to respect human rights in their businesses, including in their supply chain. International norms and standards, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles for Business and Human Rights provide a basis for what is expected from business enterprises when it comes to human rights. These responsibilities extend beyond companies' own employees to include stakeholders such as contract workers, workers in supply chains, families, communities, and customers.

DNB AM's expectations to companies on human rights are outlined in our expectations document on human rights. We expect companies to understand their responsibility and risks regarding the consequences of their business operations by carrying out human rights due diligence processes. Furthermore, we expect companies to integrate human rights considerations into business strategies, policies, procurement, and risk management. Specific criteria are outlined for children's rights, labour rights and with special considerations for the rights of indigenous people's and migrant workers. Companies are expected to disclose material information to investors. Without adequately accounting for the potential operational, legal, regulatory, and reputational risks posed by human rights issues, the long-term credibility of sectors, markets and companies, and their supply chains, may be at risk.

Activities in 2022

Activities in the supply chains of companies are no longer considered as a separate activity, but rather an integral role of understanding how companies and their consumers are impacting the places in which their company operates, and the people the company impacts. This is a view that is increasingly shared by Norwegian, European and other international legislators. The NTA, and similar legislation in Germany, France, the EU, and the United States, form a broad international push for increased transparency, disclosure and accountability for how companies operate at home and abroad. More details on this trend can be found in our chapter on regulations and trends.

Supply chains, and particularly emerging markets supply chains, have been an integrated focus area for DNB AM for a number of years. Yet 2022 was a landmark year in putting this topic on the agenda for both asset managers and the media consideration. The geographic location of company revenue generation received scrutiny, and in response, we have developed internal tools to more accurately capture company activities which has already been integrated into our work on human and labour rights.

The 2022 FIFA World Cup in Qatar became one such case through which the issue of labour rights and human rights risk, and the involvement became visible. DNB AM engaged three companies in relation to their activities in Qatar. The origin for this series of engagements were the findings from the Fair Finance report which can be read here. The companies' activities in Qatar became a useful starting point for a wider discussion on human rights due diligence related to expansion strategies. The three cases also illustrate different challenges to improve supply chain oversight on human rights and labour issues.

Our engagement with Accor SA, the French multinational hospitality group, focused on disclosure of findings of audits and details on recruitment management. Accor was the official hospitality partner for the FIFA World Cup and with over 60 000 rooms in the country. They are also a substantial operator in the MENA region. DNB AM encouraged increased transparency on labour sourcing and audits in company reporting. Similarly, our meeting with the British hospitality group, InterContinental Hotels Group, concerned their asset-light business model and how they are working to mitigate the risk of human rights violations in opaque and complex supply chains. Their exposure to the MENA region is more limited when compared to Accor, yet transparency on these matters were encouraged from DNB AM.

The last company in our series on Qatar engagements was the Singaporean property group, City Developments Limited. The company acquired Millennium & Copthorne Hotels Plc in 2019, which has properties in the MENA region. City Developments Limited has very strong internal controls and HSE management, however, there is a lag in harmonising the policies of the hospitality operations with the Singaporean parent company. We encouraged the acceleration of policy and operations harmonisation efforts with increased disclosure. DNB AM will continue to integrate the country risk assessments and human rights due diligence requirements in our company engagements going forward and will follow up on the engaged companies in 2023 to assess new reporting and disclosure on the matter.

KnowTheChain investor collaboration also continued in 2022, with the benchmark now updated for both textile and apparel as well as technology sectors. Benchmarks and initiatives like KnowTheChain help guide our own engagements with companies as the initiative develops metrics for company performance, as well as facilitating engagements with companies defined as having high risk of being in breach of international norms and standards in collaboration with other investors. 2022 also saw the conclusion of our collaborative engagement through Sustainalytics on child labour in the cocoa supply chain in West Africa. The series strengthened company policies and harmonisation among the largest confectionary producers sourcing from the area, but a high risk remains of violations on the precarity of child labour. Finally, towards the end of the year, we entered into a partnership with Global Child Forum and their benchmark for protection of children's rights and opportunities for care in the workplace. This will be used in engagements on both human rights and under our new area of human capital.

In April 2022, conglomerate company Orkla ASA announced a new CEO. The changes he made to the executive management group resulted in a solely male team, despite an announced target of 50 per cent female leaders on all levels by 2025. DNB AM had a meeting with the new CEO and other senior management staff to express our expectations towards companies on diversity and inclusion, as outlined in our expectations document, and to learn how the company aims to reach their goal of 50 per cent female leaders on all levels by 2025. Orkla demonstrated ongoing work on diversity and inclusion. We encouraged Orkla to prioritise work on diversity and inclusion in the whole organisation to build competency among leaders and a pipeline of diverse future leader candidates. In September, the company announced a new management team, with a significant increase of women in senior positions within the group.

Furthermore, we updated the scope of our expectation document on Gender and Equality to Diversity and Inclusion. The updated scope also refocuses the topic to consider the important value of human capital in driving practices in corporate governance. We are also launching human capital as a thematic focus area for DNB AM in 2023.

Focus for 2023

Ensuring respect for human rights, children's rights and labour rights will continue to be an important topic in our engagements in 2023 as in previous years. Ensuring further integration of country risk assessments and supply chain issues due diligence will be a particular focus for 2023. Given growing regulatory pressures in Norway and beyond, it is expected that this will also be on the agenda of engaged companies, allowing DNB AM to advice and guide companies towards best practice. We will also seek to increase our participation in investor initiatives and monitor regulatory movements in the EU and other markets.

Goals for 2023

- Participate in PRI Advance
- Develop country risk assessment tool to guide engagements with companies operating in high-risk markets
- Further expand engagements on human and labour rights supply chain due diligence
- Continue engagements with the investor collaboration KnowTheChain
- Engage with technologies regarding ethical AI and disinformation on platforms
- Utilise Global Child Forum data in company engagements on human rights.

Norwegian Transparency Act Disclosure

The NTA entered into force in July 2022. In the autumn of 2021, as part of the preparations, the DNB group conducted a mapping of existing practice in relation to the new act. The result showed that the DNB group was well prepared, but that there was also room for improvement. Based on the mapping, all part of the group have improved internal processes and parts of the management system related to sustainability in the supply chain, including DNB AM.

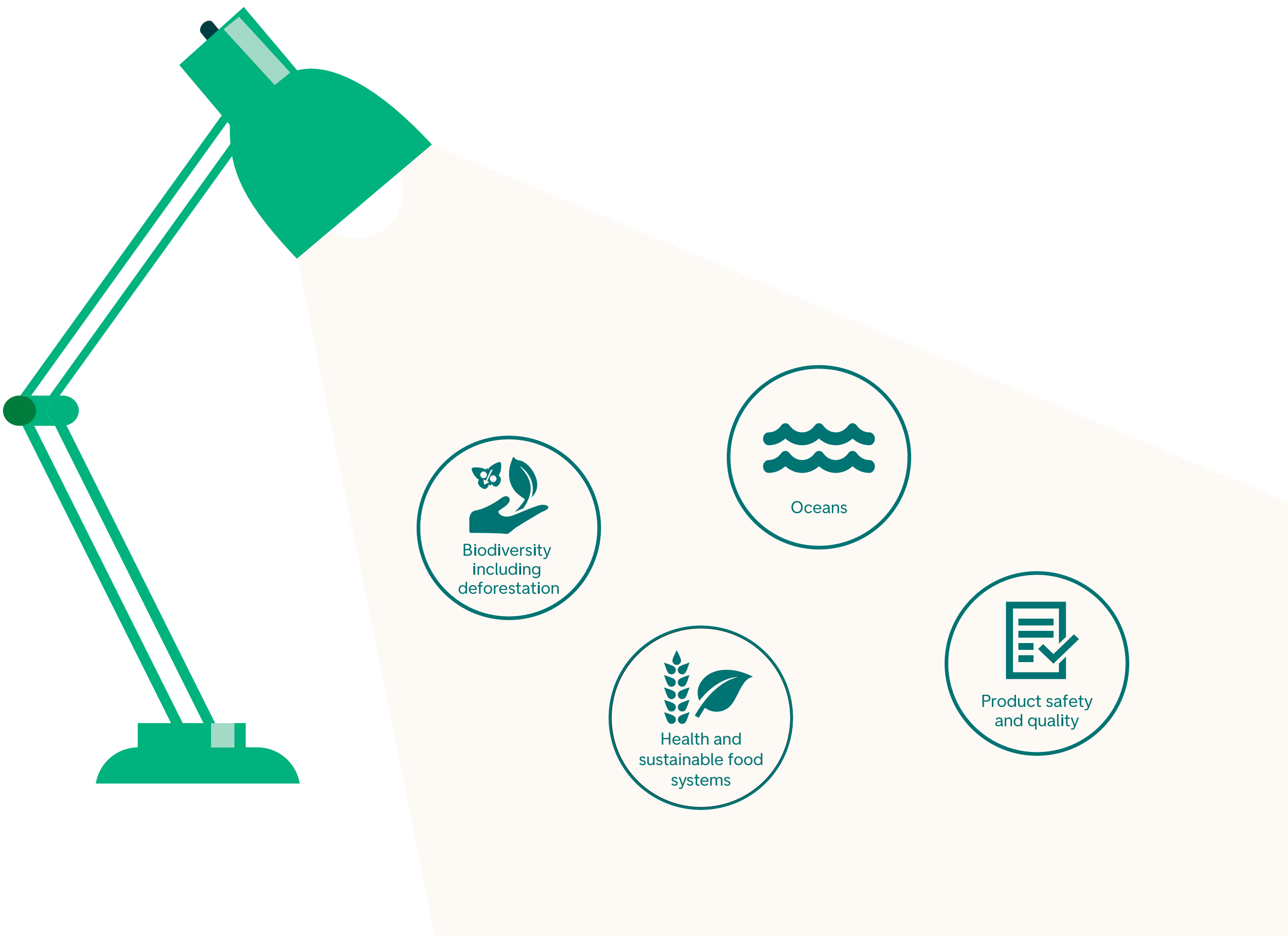
DNB AM, as a separate legal entity under the DNB ASA umbrella, cannot disclose information on behalf of the DNB Group with regards to human and labour rights in supply chains. The DNB Group will issue a report on the NTA within the required dates of the act. The following disclosure is strictly related to DNB AM and our investments, and should not be taken to represent the disclosure of DNB ASA in accordance with the NTA.

Requirement	DNB AM fulfilment in 2022
General description of the organisation, operational area, guidelines and routines for dealing with actual and potential negative consequences for fundamental human rights and decent working conditions	Please see the section on Governance for details on organisational structure at DNB AM. Please see the section on ESG Integration for details on screening procedure. We have defined high risk areas where we view an increased risk of violations of human and labour rights and have developed tools, including but not limited to, country revenue share of companies to more accurately map company activity and risk. Further details on this process and identification of high risk sectors can be found in our expectation document on human rights. Process is outlined and anchored in the following documentation: • Group Instruction for Responsible Investments • Principle Adverse Impact Statement • Expectation document on Human Rights
Information on actual negative consequences and significant risk of negative consequences that DNB AM has uncovered through its due diligence.	DNB AM reports on exclusions and engagement with companies on human and labour rights in our quarterly reporting available on the DNB AM website. All exclusions are publicly available and categorised by the cause on the DNB AM website.
Measures taken or plans to be implemented by DNB AM in order to stop actual negative consequences or limit the material risk of negative consequences, and the result or expected results of those measures	See section on Exclusions for details on measures taken. All exclusions are publicly available and categorised by the cause on the DNB AM website. We have also developed tools for revenue mapping of company activities as stated above, and are using this to track and engage companies who are operating in the identified high risk regions and areas. • Exclusions on the basis of violations of human rights in 2022: 3 • Exclusions on the basis of violations of labour rights in 2022: 1 See section on Engagements and Human rights for details on relevant company engagements in the past year. • 113 engagements • 63 per cent of engagements with milestone progression

Thematic Focus Areas

In addition to the long-term focus areas, our engagement strategy consists of selected shorter-term thematic focus areas. In 2022, our thematic engagements have consisted of: biodiversity (including deforestation), product safety and quality, health and sustainable food systems, and oceans. These focus areas are determined based on their significance, possibility to engage with companies on these topics, and potential to make a difference in terms of sustainability and returns. For 2023, we will make three changes to the thematic focus areas:

- Biodiversity (including deforestation) will be promoted to a long term focus area.
- We will introduce human capital as a new thematic focus area.
- The focus area product quality and safety will be concluded as a separate thematic focus area.



Thematic Focus Areas

Biodiversity (including deforestation)

Relevance to the SDGs

SDG 13: Climate action
It has been suggested that biodiversity underpins the delivery of more than 80 per cent of the SDGs – including climate related issues. And climate changes are, in itself, a large driver for loss of nature.

SDG 14: Life below water
Marine biodiversity unpins all economic activities that depend on the sea, from aquaculture & fisheries to tourism. Working to encourage companies to protecting and conserve marine biodiversity is essential to achieving sustainable use of oceans, seas, and marine resources.

SDG 15: Life on land
Working towards companies to encourage conservation, restoration and sustainable use of terrestrial and freshwater ecosystem is crucial for sustainable development.

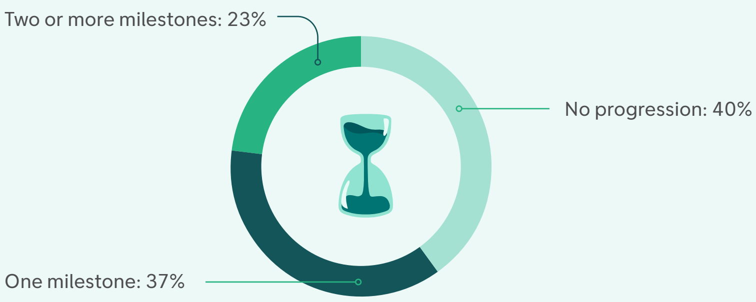
Goals in 2022

- Continue the systematic engagements on biodiversity using the newly developed expectations document.
- Continue engaging with companies in collaboration with other investors (through FAIRR and PRI).
- Consider joining Nature Action 100 (already indirectly involved through the Finance for Biodiversity Pledge).
- Follow up the Finance for Biodiversity Pledge.

Progress achieved in 2022

- Extensive engagements conducted, both alone and in investor collaborations (FAIRR-four initiatives, Responsible Mining, Mining & Tailings Safety Initiative, the Investor Working Group for a Deforestation-free Automotive Industry).
- The Finance for Biodiversity Pledge, have been an active member of the initiative (especially regarding engagements and knowledge sharing).
- Joined the UNEP FI Sustainable Blue Economy Initiative.
- Became a partner of Partnership for Biodiversity Accounting Financials (PBAF).
- Nature Action 100: Intention to participate in the company engagements, the active part of the engagement will take place in 2023.

Milestone progress on the topic



Initiatives and collaborations

- UNEP FI Sustainable Blue Economy Initiative.
- Partnership for Biodiversity Accounting Financials (PBAF).
- Responsible Mining
- The Investor Working Group for a Deforestation-free Automotive Industry

Results

- Impactful collaborative engagements, moving companies towards best practice (see the description of the FAIRR engagements below).
- Knowledge sharing and contribution to the development of standards and best practice.

Company engagements

30

Key engagements in 2022

FAIRR A COLLER INITIATIVE

Sustainable Aquaculture

Themes

- The engagement targets eight global salmon companies (Norway, Chile, Faroes Islands).
- Encourages the development of a strategic, science-based approach to diversifying feed ingredient (away from fishmeal and fish oil (FMFO) and soy).
- Goal: Steer towards more sustainable feed alternatives – including enable production growth and reduce climate risk exposure.

Results

- Engaged eight companies in two phases (letters and meeting).
- Seven out of eight companies have now actioned investor recommendations from phase 1, ranging from disclosure to changes in company policy.
- Of the companies FAIRR rates, a third of pure-play aquaculture companies are now investing in, or have exposure to, alternative proteins.

FAIRR A COLLER INITIATIVE

Sustainable Proteins

Themes

- The engagement targets twenty-three global food companies.
- Encourages the development of a global, evidence-based approach to protein diversification.
- Goal: Diversify their protein sources to drive growth and reduce risk exposure - while improving their ability to compete and innovate in an increasingly resource-constrained world.

Results

- Engaged several of the largest global food manufacturers and retailers in six phases.
- Been a catalyst to lead companies to act on a challenging topic not previously considered a corporate sustainability priority.
- Today, portfolio diversification is recognised as a material business issue, 35 per cent of the engagement companies have committed to increasing the volume or sales of meat and/or dairy alternatives – up from none in 2019.

FAIRR A COLLER INITIATIVE

Meat Sourcing

Themes

- The engagement targets six of the world's biggest quick-service restaurant brands.
- Urged the companies to analyse and reduce their vulnerability to the impacts of climate change, water scarcity, and pervasive threats to water quality - driven by animal protein production.
- Goal: Make the companies accountable for the commitments they have made to protect the sustainability of their agricultural supply chains.

Results

- In three phases, institutional investors have steadily increased the pressure on quick-service restaurants to address climate and water risks in their animal protein supply chains.
- All six target companies have now publicly stated they have already set, or will set, global GHG reduction targets approved by the SBTi.
- The companies recognise the materiality of water to their business. (However, none of them have set enterprise-level targets to measurably reduce water pollution or consumption across their supply chains).

FAIRR A COLLER INITIATIVE

Biodiversity Loss from Waste & Pollution

Themes

- The engagement targets ten chicken & pork providers and two agrochemical companies.
- Promotes the optimal management of manure (and nutrient pollution) throughout the whole value chain.
- Goal: Minimise the negative impacts of nutrient pollution on biodiversity and ecosystems.

Results

- This engagement was started in late 2022, only in its initial phase (letter writing) that year.

Biodiversity describes the variety of all life on earth, including plants, bacteria, animals, and humans - and their interaction within ecosystems. Unfortunately, due to human interference and climate change, nature itself is threatened. Loss of biodiversity is often caused by human activity, through fires started by human actions in rainforests, agriculture that spreads across ever larger land areas in all parts of the world, and cities that are expanding in line with population growth. Furthermore, WWF points to food production as the biggest driver of deforestation, overuse of water, loss of biodiversity, and soil degradation[1].

Climate change and loss of biodiversity are closely interconnected. Nature absorbs large amounts of greenhouse gases and mitigates the harmful effects of climate change[2]. Promoting biodiversity is therefore an important part of the solution to the climate challenges we face, and a prerequisite for achieving the SDGs.

Protecting nature and biodiversity is also important for the value creation for companies. According to the World Economic Forum (WEF), loss of biodiversity is one of the most serious risks facing the world economy in the next ten years, and WEF has estimated that half of the world's total GDP is at risk due to the business sector's dependence on nature and its services[3]. Companies should therefore assess the risks and opportunities associated with their impacts and dependencies on nature, and they should seek to transition from a linear to a circular business model.

The global community has searched for a solution to the biodiversity challenge for decades, and a key foundation for the efforts is the UN Convention on Biological Diversity (CBD) from 1992. The CBD has been followed up by several protocols, and the Strategic Plan for Biodiversity 2011–2020 (including the Aichi Biodiversity Targets). Unfortunately, the Aichi targets were not met, and the biodiversity challenge continues to become more acute. This is the background for renewed efforts from the UN, labelled the Post-2020 Biodiversity Framework.

The aim of the framework is to reverse the negative trend towards 2030 by establishing a set of action targets and milestones, the longer-term vision of the CBD is "living in harmony with nature by 2050". COP 15 in late 2022 marked an important milestone for this work. Governments from around the world agreed to a new set of goals for nature over the next decade. This framework will later be integrated into national plans, and the goals from COP 15 will also inform further legislation and the biodiversity work of DNB AM.

Some of the challenges for investors and companies in fighting biodiversity loss have been the local nature of biodiversity challenges, the lack of good data/metrics, no broadly accepted assessment tools, and no globally accepted reporting standards. One key initiative might help, the TNFD[4]. The TNFD will complement the TCFD climate-related framework, to give companies and financial institutions a more complete picture of their environmental risks and opportunities. The final launch date is 2023, and DNB AM is working on how to use this framework optimally.

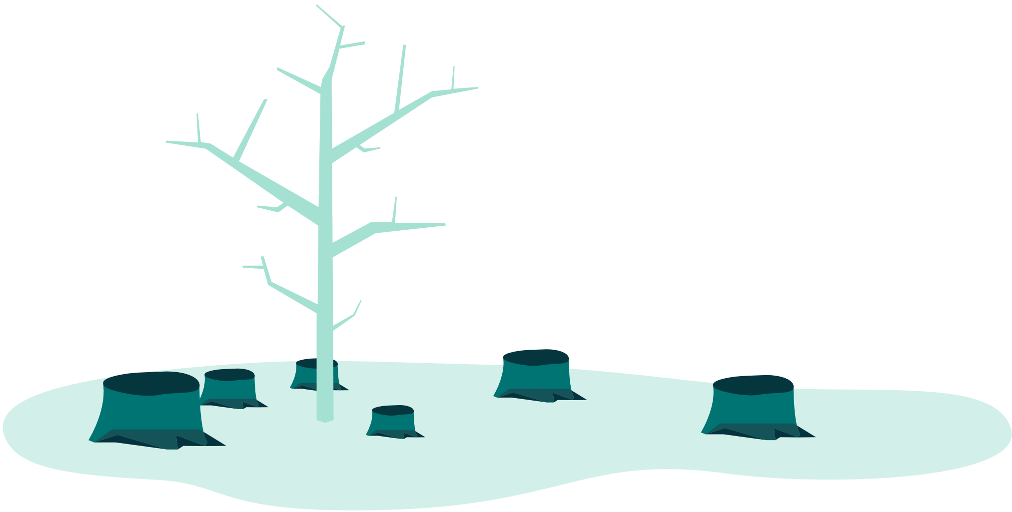
Biodiversity was defined as a thematic focus area for DNB AM back in 2020, and DNB AM has also been working on related topics such as sustainable oceans, water, deforestation, and land use for a long time. The work has focused, among other things, on sustainable agriculture and aquaculture, sourcing of meat, palm oil and soy, mining, and deforestation in the automotive industry

Activities in 2022

Managing biodiversity risk is an important part of our work on responsible investments. In 2021, DNB AM signed the Finance for Biodiversity Pledge, a multiyear global initiative. As part of this initiative, we are committed to work on many aspects of biodiversity including goal setting, development of metrics, engagements, collaboration, and progress reporting. To complement this work, we joined the UNEP FI Sustainable Blue Economy Initiative in 2022. Here, the focus is on promoting healthy "blue" economy/ocean-related activities. The whole DNB Group also became a member of Partnership for Biodiversity Accounting Financials (PBAF) in 2022. The PBAF will help DNB AM assess and disclose impact and dependencies on biodiversity related to investments.

Several of the European Union's regulatory initiatives, including the Taxonomy, CSRD and the SFDR, also contain biodiversity elements and metrics. Considerable energy has been spent in DNB AM on producing relevant data, supporting the sustainability profile of key funds such as DNB Fund Renewable Energy, DNB Fund Future Waves and DNB Nordic Equities funds where biodiversity elements are all included.

1) https://wwf.panda.org/wwf_news/?2660466/nature-finance-risk-and-agriculture
2) https://ipbes.net/events/ipbes-ipcc-co-sponsored-workshop-biodiversity-and-climate-change
3) https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf?_gl=1*n2ptxz*_up*MQ..&gclid=EAIaIQobChMIxoOz4qz7-gIVlfh3Ch0b-WQ7LEAAYASAAEgIw6PD_BwE
4) https://tnfd.global/



DNB AM also launched an expectation document for biodiversity in 2021, promoting best practice, and supporting our biodiversity engagement activities[5]. Based on the expectation document, we conducted 30 dialogues focusing on biodiversity (including deforestation) in 2022. At the meetings with companies, we often ask for feedback on the relevance of the expectation document, as well as any deviations in the companies' practices (see also the quarterly and annual reports published by DNB AM).

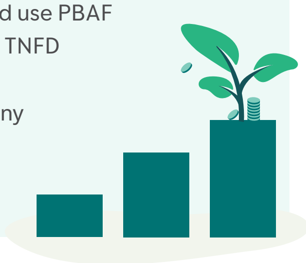
We conducted the dialogues both individually and in various investor collaborations and initiatives, including the FAIRR Initiative[6]. The cooperation with FAIRR includes sustainable proteins, meat sourcing, and sustainable aquaculture. In late 2022, "Biodiversity Loss from Waste & Pollution" was added, an engagement with pork and chicken producers as well as fertiliser companies. The focus here is on better management of manure and minimising the negative impacts of nutrient pollution on biodiversity and ecosystems. Other examples of collaborative engagements are our two mining related engagements (Responsible Mining, Mining & Tailings Safety Initiative) as well as the investor working group for a deforestation-free automotive industry.

Focus in 2023

We expect 2023 to be a significant year towards the fulfilment of DNB AM's commitments in signing the Finance for Biodiversity Pledge. Key elements will be the use of the TNFD framework, better biodiversity metrics and data, and engagement – including Nature 100. In addition, better alignment of biodiversity with climate frameworks will also be explored.

Goals for 2023

- Further progress on the commitments (goals, metrics, engagements, reporting, knowledge sharing) through the Finance for Biodiversity Pledge.
- Work to further integrate the reporting requirements and standards in line with best practice according to the TNFD framework.
- Participate in work groups and use PBAF as an aid in implementing the TNFD framework.
- Take active part in the company engagements organised through NA 100.



5) https://dnb-asset-management.s3.amazonaws.com/Biodiversity_expectations_2021.pdf
6) https://www.fairr.org/

Oceans

Thematic Focus Areas

Oceans

Relevance to the SDGs

SDG 11: Sustainable Cities and Communities
Includes a target to reduce per capita adverse environmental impact of cities by 2030. It also states that the growth of cities and human settlements must consider mitigation and adaptation to climate change.

SDG 12: Responsible consumption and production
Includes targets to achieve the sustainable management and efficient use of natural resources, and substantially reduce waste generation through prevention, reduction, recycling, and reuse

SDG 13: Climate action
It has been suggested that biodiversity underpins the delivery of more than 80 per cent of the SDGs – including climate related issues. And climate changes are, in itself, a large driver for loss of nature.

SDG 14: Life below water
Marine biodiversity unpins all economic activities that depend on the sea, from aquaculture & fisheries to tourism. Working to encourage companies to protecting and conserve marine biodiversity is essential to achieving sustainable use of oceans, seas, and marine resources.

Goals in 2022

- Continue the proactive engagement on sustainable oceans, focusing on key sectors/themes.
- Continue the cooperation with FAIRR regarding sustainable aquaculture (and other relevant collaborative engagements on ocean issues).

Initiatives and collaborations

- UNEP FI Sustainable Blue Economy Initiative
- Investor collaboration with other leading Norwegian institutions centering on climate issues and the TCFD

Progress achieved in 2022

- Systematic proactive engagements covering the following key sectors:
  - > Fishing and aquaculture (seafood)
  - > Offshore oil and gas
  - > Renewable marine energy
  - > Marine transport
  - > Biotechnology (marine)
  - > Land-based activities with significant influence on the oceans
- Impactful collaborative engagements with FAIRR (Sustainable Aquaculture, Biodiversity Loss from Waste & Pollution) as well as with other leading Norwegian institution.
- Joined the UNEP FI Sustainable Blue Economy Initiative.

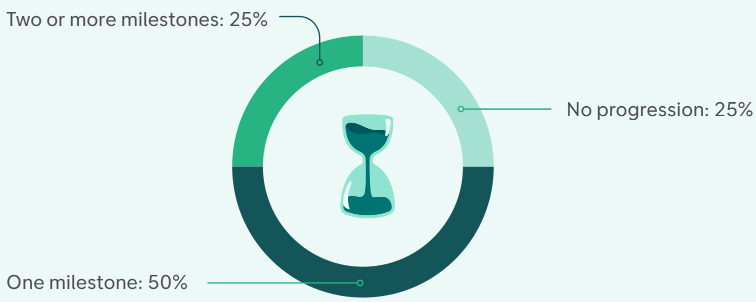
Results

- Impactful collaborative engagements (see the description of the engagements together with other leading Norwegian institution below).
- Knowledge sharing and contribution to the development of standards and best practice.

Company engagements

8

Milestone progress on the topic



Key engagements in 2022

GOLDEN OCEAN

Themes and goals

- Promote best practice on key issues for sustainable oceans - climate related (TCFD-aligned, net zero 2050), biodiversity, and other oceans issues.

Key remaining gaps to reach milestone 5

- Oceans and climate: Commitment to Net zero 2050 (through the best framework available for the sector). Also report according to best practice (TCFD or similar).
- Oceans and biodiversity: Have a comprehensive approach in place including a stand-alone biodiversity policy.
- Other ocean issues: Have no significant gaps to best practice (including strong reporting).

Results

- DNB AM assess that the Golden Ocean has reached milestone 2 on the topic of oceans.
- Oceans and climate issues: A strong commitment to decarbonisation, and we expect to see new concrete measures in several steps (we encouraged an SBTi approach).
- Oceans and biodiversity: The company seems to have several policies/measures implemented for handling biodiversity issues, but do not appear to have a comprehensive approach in place. Improvements suggested were having a separate biodiversity policy as well as pay adherence to the upcoming TNFD and SBTN.
- Other ocean issues: Several good elements in place regarding the environmental policy, oil spills, ballast water treatment, noise, and protected areas. However, need to follow up how comprehensive the approach is.

Wallenius Wilhelmsen

Themes and goals

- Promote best practice on key issues for sustainable oceans - climate related (TCFD-aligned, net zero 2050), biodiversity, and sustainable ship breaking.

Key remaining gaps to reach milestone 5

- Oceans and climate: Commitment to Net zero 2050 (through the best framework available for the sector).
- Oceans and biodiversity: Developing a stand-alone biodiversity policy, further develop metrics, and have more extensive reporting.
- Sustainable ship breaking: Have no significant gaps to best practice (HK convention, the EU standard).

Results

- DNB AM assesses that Wallenius Wilhelmsen has reaced milestone 4 on the topic of oceans.
- Oceans and climate issues: The company has made substantial progress in the use, and reporting, of the TCFD framework since the meeting in 2019. Wallenius Wilhelmsen. is also exploring the possibility of setting SBT-targets (net zero, including scope 3), but the timeline for this is uncertain.
- Oceans and biodiversity: Biodiversity has been on the company's agenda for several years, but more work were encouraged. Suggested improvements were a stand-alone biodiversity policy, further develop metrics, and more extensive reporting. The company will consider.
- Sustainable ship breaking: The company has worked on positive measures for several years. We encouraged fully adhering to the EU-list of approved shipyards (or similar standard).

Global oceans cover 71 per cent of the planet's surface and are an essential part of the biosphere, regulating the global climate by mediating temperature and driving weather changes[1]. Ocean issues are also of importance for many other major global challenges including biodiversity, food security, human rights, pollution, urban development, and energy supply. In addition, a critical issue to consider is how the oceans theme fits into the broader focus on promoting a circular economy (including how to handle marine plastics waste). Threats and opportunities related to global oceans are a key focus for the whole DNB Group.

1) https://www.worldwildlife.org/stories/how-climate-change-relates-to-oceans

Our engagements are aimed both at companies with activities directly linked to the ocean, and at those with land-based activities that are materially dependent on the oceans, or which affect oceans significantly. The following sectors/activities are therefore especially relevant: Seafood, offshore oil/gas, renewable marine energy, marine transport, deep sea mining, biotechnology, and marine/coastal tourism.

Activities in 2022

DNB AM published an expectations document regarding sustainable oceans in 2020 that is an important basis for our engagement activities. In 2022, we continued the proactive engagements on sustainable oceans, focusing on the same key sectors/themes as in the previous two years. In addition, this work has increasingly been coordinated with the overlapping engagement on biodiversity and climate issues.

In these overlapping engagements, we have in 2022 reached out to companies within fishing and aquaculture, offshore oil & gas, renewable marine energy, marine transport, biotechnology, and land-based activities influencing the oceans. For example, within the growing segment marine energy of offshore wind/floating wind, we have continued the dialogue with Vestas Wind Systems A/S and Ørsted A/S as well as initiated an engagement with Bonheur ASA. We believe this form of renewable energy is an important contributor to the energy transition, but we want to make sure that the companies are proactive regarding biodiversity issue, for example minimise the impact on fish and mammals.

We also collaborate with other investors, for example on aquaculture and shipping. In 2021 we started a collaboration, through FAIRR, on sustainable aquaculture. The engagement targeted eight global salmon companies, asking them to diversify feed ingredient sources to better manage ESG risks associated with sourcing wild forage fish and soy – phase II was completed in 2022. The newly started FAIRR engagement "Biodiversity Waste & Pollution" is also highly relevant for sustainable oceans, fighting the threat of dead oceans from land based nutrient pollution (see more information under the section on biodiversity about these engagements).

Examples of engagements targeting marine transport were Golden Ocean Group Ltd and Wallenius Wilhelmsen ASA, meetings conducted through the multiyear investor collaboration with other leading Norwegian institution centering on climate issues/TCFD. In these meetings, we discussed a range of issues such as the climate transition, sustainable fuel, biodiversity and responsible shipbreaking.

In addition to the various sector engagements, we also continue to support the Plastic Pollution Treaty, a global business call for a UN treaty on plastic pollution[2]. Every year, millions of tons of plastic leak into the environment, and this problem will continue to grow unless we fundamentally rethink the way we produce, use, reuse, and dispose of plastic. This is therefore a key issue for ocean sustainability as well as promoting a circular economy.

Focus for 2023

We will continue to participate in collaborative engagements including the FAIRR-led engagements described above. Furthermore, 2023 will be the second year of DNB AM working through the membership in the Sustainable Blue Economy Finance Initiative - promoting a sustainable blue economy. (See further description under the section on biodiversity. See also UN Global Compact Sustainable Ocean Principles, signed by the DNB Group).

Goals for 2023

- Continue the proactive engagements on sustainable oceans, focusing on key sectors including deep sea mining.
- Continue the cooperation with FAIRR (and other relevant collaborative engagements on ocean issues).
- Promoting a sustainable blue economy through the membership in the Sustainable Blue Economy Finance Initiative.

2) https://www.plasticpollutiontreaty.org

Thematic Focus Areas

Health and Sustainable Food Systems

Relevance to the SDGs

SDG 2: Zero hunger
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

SDG 3: Good health and well-being
Ensure healthy lives and promote well-being for all at all ages.

SDG 12: Responsible consumption and production
Includes targets to achieve the sustainable management and efficient use of natural resources, and substantially reduce waste generation through prevention, reduction, recycling, and reuse.

SDG 14: Life below water
Marine biodiversity unpins all economic activities that depend on the sea, from aquaculture and fisheries, to tourism. Working to encourage companies to protecting and conserve marine biodiversity is essential to achieving sustainable use of oceans, seas and marine resources.

SDG 15: Life on land
Working towards companies to encourage conservation, restoration and sustainable use of terrestrial and freshwater ecosystem is crucial for sustainable development.

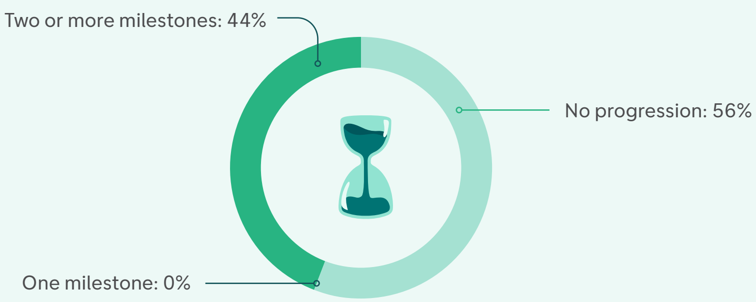
Goals in 2022

- Continue engaging with companies through investor collaborations like FAIRR within Sustainable Proteins, Sustainable Aquaculture and Meat Sourcing.
- Continue engaging with companies in the pharmaceutical industry through Access to Medicine to advance access to medicine in low-and middle-income countries.
- Engage on unethical marketing of formula milk in collaboration with other investors.

Progress achieved in 2022

- Continued impactful collaborative engagements with FAIRR (Sustainable Proteins, Animal Pharma and overuse of antibiotics and microbials).
- Impactful engagements with several global pharma companies made in collaboration with the Access to Medicine Foundation (ATM), related to access to antibiotics and other medicines in lower income areas.
- Continued the engagements around nutrition for younger people, collaborating with Access to Nutrition Initiative (ATNI) on marketing on baby formula and other related topics.

Milestone progress on the topic



Initiatives and collaborations

Results

- Strong collaboration with FAIRR which in the latest update of their FAIRR Protein Producer Index show that considerably more of the larger food producers are responding to assessments and are implementing changes.
- Impactful collaboration also with the Access to Medicine Foundation which in its newest Access to Medicine Index shows strong progress in the number of R&D projects with plan to promote access and new products covered by an access strategy.

Company engagements

Key engagements in 2022

Merck

Themes and goals

- Access to Medicine, promote best practice.

Key remaining gaps to reach milestone 5

- Establishing and publishing an expansion plan for vaccine manufacturing and expanding access for cancer treatment in lower-income areas.
- Defining, monitoring and reporting on the impact of the expansion and affordability projects, according to best industry practice.

Results

- The investor group encouraged even greater focus on access and affordability in lower-middle income areas and countries, but praised the company for its industry leading equitable pricing policies already in place.
- The company is working on several improvements to the framework for equitable access, and this is slowly being rolled out to more and more areas. The company aims to apply access planning to all R&D projects
- DNB AM assesses that Merck has reached milestone 4 on the topic of Health and Sustainable Food systems.

Arca Continental

Themes and goals

- Diversification of product range and strategies to reducing high calorie drinks in core markets.

Key remaining gaps to reach milestone 5

- Increase their volume in low or no-caloric options to facilitate healthy and sustainable economic growth.
- Establish a strategy to work around the regulatory sugar tax in the different markets according to best industry practice.
- Adapt their portfolio to consumer trends to offer quality products and the characteristic flavor of their beverages to increase their sales.

Results

- Arca Continental is already showing a strong portfolio, with more than 60 per cent being low or no-caloric options in 2021.
- From the sales in Mexico, 12 per cent is in low or no-caloric options, 31 per cent in the US, 33 per cent in Ecuador, 63 per cent in Peru and 22 per cent in Argentina.
- DNB AM assesses that the company has reached milestone 3 on the topic of Health and Sustainable Food systems.

Health and sustainable food systems was a new focus area in 2021 and covers a range of topics from food-related issues to preparedness and prevention of disease outbreaks. The coronavirus pandemic has put health and wellness higher on the global agenda by making the links between global health and the environment more visible, and the global demand for COVID-19 vaccines revealed severe geographic inequities in the accessibility of the vaccines. Even though this demand has subsided, the work for a fairer distribution of future vaccines will continue. But with the lowered emphasis on COVID-19 and vaccines, the focus has again shifted towards the broader effects of the large, predicted population growth.

Furthermore, the global food system has shown severe vulnerabilities in 2022, partially caused by the disruption of grain shipments from Ukraine due to the Russian invasion, and higher global inflation has increased the stress on an already fragile system. More notable changes are likely to happen over the next 30 years in order to provide sufficient, low-carbon, healthy and sustainable food, and distribute this in a more equitable way than today.

Global regulatory support is increasing with particularly US and European countries applying pressure on the global food systems to continue the transformation towards achieving the SDGs by 2030. The UN Food Systems Summit in 2021 and the formal session on nutrition at the COP27 in Egypt in November 2022 were both indications of the topics increasing relevance to both regulators and investors.

Activities in 2022

We have continued to increase the scope and depth of our involvement in this important space in 2022. This includes engaging with healthcare and pharmaceutical companies in collaboration with other large investors through ATM, where the main focus has been on improving access to antibiotics and other critical medicines for people in lower-middle income areas. Our involvement with other organisations such as the FAIRR initiative and the ATNI have also deepened during 2022.

Through our collaboration with ATM, we engaged with several global pharma companies, including GlaxoSmithKline, Novartis and Merck on the issues related to broadening access and improving affordability of critical medicines in lower-middle income areas and countries. GlaxoSmithKline scores particularly well in the ATM Foundation's proprietary Access To Medicine Index, and the other two also receive praise for policies and initiatives related to this issue. Several of the larger companies ranked in this index are responding to the ratings and engagements by increasing focus on transparency related to their efforts, and the percentage of companies implementing plans to promote access after product launch has increased to 77 per cent in 2022 from 40 per cent in 2021[1)]. That said, the industry still has notable improvement potential, as production and R&D efforts in underserved areas are still limited. The three companies mentioned are no exceptions, and DNB AM will continue to engage with relevant companies to further push for increased scope and transparency of company policies related to access, and also to encourage additional global affordability efforts.

1) 2022-access-to-medicine-index-1668514482.pdf (accesstomedicinefoundation.org)

For the FAIRR Sustainable Proteins engagement, all the 20+ companies included in the initiative are now investing in the development of plant-based products, and this has become one of the fastest-growing categories. Changing consumption habits from animal-based protein consumption towards more plant-based ones is a critical dimension in reaching more sustainable levels of environmental impact, as plant-based meat emits 30-90 per cent less GHG than conventional meat and uses 47-99 per cent less land[2]. DNB AM supported the FAIRR initiative by signing letters to the companies and by engaging with Wal-Mart, the largest retailer in the world with more than 2 million employees worldwide. DNB AM will continue to engage with FAIRR on this topic, as well as selectively support this initiative through engagement with relevant companies.

DNB AM also deepened the relationship with the FAIRR initiative related to their efforts to lower the use of antibiotics in the animal industry. This engagement is still getting off the ground, as the industry is hesitant to making the drastic changes needed, and also struggles to define and get access to alternatives to microbials. That said, the trends are positive, as indicated by the latest report from the European Medicines Agency which suggested that for the 25 countries providing sales data continuously between 2011 and 2021, sales fell by 47 per cent over this period[3]. DNB AM will continue the work with FAIRR on this important topic and support this initiative through engagement with relevant companies.

In 2022, we also continued the engagements around nutrition for younger people, including the marketing of breast-milk substitutes and baby formula products. Specifically, we partnered with the Access to Nutrition Initiative (ATNI) and supported their involvement in advocacy around this topic, as well as their broader efforts to make sustainable alternatives to animal-based nutrition available and affordable. As part of this initiative, DNB AM participated in a collaborative engagement with Nestlé in December 2022 and aim to continue to engage with companies on this topic in the future.

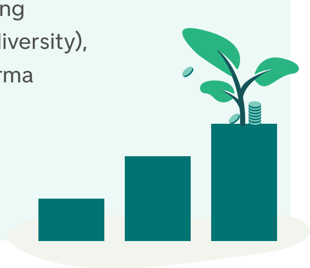
Finally, there were also important regulatory changes taking place in 2022, with EU imposing regulations around sustainable sourcing and biodiversity, including agreeing on a law to fight global deforestation and forest degradation driven by EU production and consumption, in December 2022[4]. The new regulation sets strong mandatory due diligence rules for related companies, and we aim to continue our engagements with selected companies.

Focus for 2023

Our work on this thematic focus area will continue to be relevant to sectors such as food production, agricultural chemicals, consumer staples and health care. In 2023, we aim to further deepen our partnerships with the FAIRR initiative and ATNI, as well as with ATF and other relevant catalysts for change towards increased sustainability in the global nutrition systems.

Goals for 2023

- Continue the relationship with the Access to Medicine Foundation and the proactive engagements, focusing on critical medicine development and distribution related to lower and middle-income areas.
- Further deepen our cooperation with FAIRR around Sustainable Proteins, Sustainable Aquaculture and Meat Sourcing (overlapping topics with Biodiversity), as well as around Animal Pharma and use of antibiotics.



2) https://gfi.org/resource/environmental-impact-of-meat-vs-plant-based-meat/
3) European Surveillance of Veterinary Antimicrobial Consumption (ESVAC) | European Medicines Agency (europa.eu)
4) Law to fight global deforestation and forest degradation (europa.eu)

Product safety and quality

Thematic Focus Areas

Product Quality and Safety

Relevance to the SDGs

SDG 2: Zero hunger
The SDG aims to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture

SDG 12: Responsible consumption and production
The SDG aims to ensure sustainable consumption and production patterns.

SDG 3: Good health and well-being
The SDG aims to ensure healthy lives and promote well-being for all at all ages

Goals in 2022

- Continue using systematic approach for engaging with companies on this topic across a range of industries and products.

Progress achieved in 2022

- Continued engagements related to a wide range of issues including product safety, cyber security and data protection, marketing practices, and harmful gambling.
- Expanded topic for discussions regarding privacy and joined a broad initiative to address ethical use of artificial intelligence.
- Increased focus on issues related to hazardous chemicals.

Initiatives and collaborations

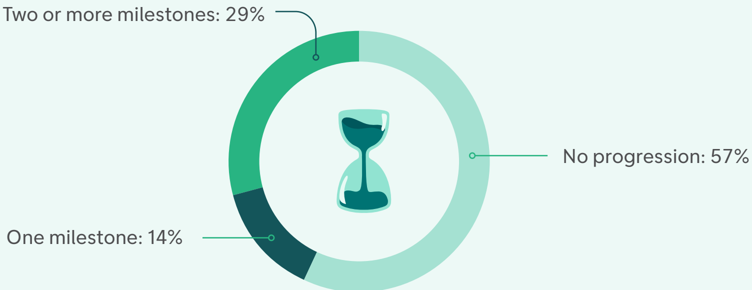
World Benchmarking Alliance

chemsec INTERNATIONAL CHEMICAL SECRETARIAT

Results

- Impactful collaboration with World Benchmarking Alliance (WBA) regarding an initiative to promote ethical use of AI through stronger and more transparent policies, more uniform and improved internal processes and tougher regulatory oversight.
- Supported the ChemSec Investor Initiative on Hazardous Chemicals by signing an investor letter to several companies in this industry, including 3M, Covestro, AirLiquide and PPG.

Milestone progress on the topic



Company engagements

Key engagements in 2022

PELOTON

Themes and goals

- Improved dislcoure of industry standards compliance. The company has been flagged for poor perfomance on disclosure and implementation of industry reporting and safety standards.
- Improved packaging and strategy to increase use of recycled materials.

Key remaining gaps to reach milestone 5

- Implement and disclose international product quality & safety standards as well as processes for monitoring and audits of these (in line with best practice).

Results

- The company has taken a number of steps to improve the processes related to Product Quality & Safety, including independent Product Safety Committee, partnering with external safety standards organisations and introduced mandatory safety training and instruction. DNB AM encouraged increased disclosure and adaptation of industry best practice.
- DNB AM assesses that Peloton has reached milestone 2 on Product Quality and Safety.

kindred

Themes and goals

- Responsible gambling and how Kindred is working towards goal of zero revenues from harmful gambling.
- Privacy and security with regards to client rights to data and sufficient training in data management.

Key remaining gaps to reach milestone 5

- The revenues from harmful gambling to dip below 1 per cent (see the 2023 target/vision), or potentially achieving an adequate but more realistic goal/timeline.

Results

- Target of zero revenue by 2023 was critiqued but DNB AM were reassured by internal tool development for capturing problem gamblers, especially for capturing younger players.
- Kindred has resolved most of the issues raised by MSCI ESG regarding use and lack of training regarding management of client data.
- DNB AM assesses that Kindred has reached milestone 4 on Product Quality and Safety.

The effect that companies' products have on society is an important element of product stewardship. Companies must ensure that their products are safe, or risk legal action. DNB AM's interpretation of product quality and safety is that this encompasses a range of issues including chemical safety, cyber security and data protection, marketing practices, and gambling, amongst others. These issues are widely discussed in the media and have, in some cases, led to significant stock market reactions, thus harming returns, damaging company reputations, and attracting the attention of regulators globally. In determining a company's ability to ensure long-term value creation, we must therefore consider how companies manage the risk of such issues occurring, and how they respond to such issues if they occur.

Activities in 2022

We continued our broad focus on the potentially harmful effects of companies' products and services, with dialogues on topics ranging from injuries and deaths related to widely used products via harmful effects from gambling to privacy and data security issues in technology and financial firms. One example of the first category is our engagement with Peloton Interactive following several reports about injuries from the use of their products, including the death of a child related to use of one of their treadmills. In our dialogue, the company reiterated that their initial refusal to recall the treadmills in question was a mistake, and outlined several safety steps they had implemented, including partnering with external safety standards organisations and introducing mandatory training and instruction. DNB AM encouraged the company to increase transparency on these topics, particularly related to public disclosures in-line with industry best practice.

In 2022, we also continued our focus on the effects of harmful gambling. Engagements with companies such as Kindred and Bettson were very helpful in understanding the efforts this industry is making with regards to recognising higher risk behaviour among their customers, and processes related to setting restrictions and limitations for clients deemed to be of high risk to engage in harmful gambling. Kindred is widely recognised as being an industry leader in client research and have set a very ambitious target of eliminating revenue from harmful gambling. In our dialogue with Kindred, we encouraged the company to set realistic goals and to keep improving the transparency related to processes around the management and use of the extensive range of data they have collected.

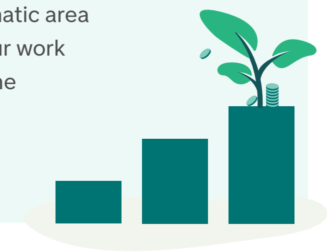
The issues around privacy and data security issues also extended to other engagement areas, including our dialogues with financial firms regarding practices related to financial risk management. The balance between collecting enough information to recognise money laundering and other illegal activities and ensuring clients' rights related to privacy and data security is quite delicate. In collaboration with our service provider, we engaged with Citigroup on this topic, as they had been widely criticised and sanctioned by the US government for their risk management practices. The company is well under way to implement a strategy to transform the risk-management culture of the entire company by securing and streamlining data flow processes, improving training for all employees, and including specific risk and control targets in performance management. DNB AM and the rest of the investor group collaborating on this engagement encouraged the company to continue focusing on this important topic, but also to improve transparency by publicly disclosing results from internal and external evaluations that a corporate culture change is taking place in accordance with the Transformation Execution Plan.

In 2022, we increasingly deepened our focus on ethical use of AI, including its impacts on privacy issues related to facial recognition and surveillance, development of weapon systems, advertising and social media, as well as a wide range of products and services from large banks to search engine companies and autonomous vehicles. We joined a collaborative effort with the World Benchmarking Alliance (WBA) to address the low levels of awareness and transparency concerning ethical approaches to AI in the digital economy and among tech companies. According to WBA, it has been noted that of 150 companies measured in 2021, only 20 had evidenced a public commitment to ethical AI practices, whereas 130 companies measured had not yet done so. The broad coalition of investors involved in this initiative have engaged with the majority of these companies and DNB AM is lead engager for Bytedance (owner of TikTok) and we are also joining Fidelity International in engaging with NVIDIA. The initiative is still in its early stages and the main collaboration is expected to develop throughout 2023.

Finally, in 2022, we continued the efforts to identify areas of concern within industries and engaging with companies on issues related to Hazardous Chemicals. In addition to including this important topic in the dialogues with companies such as Arrow Electronics, we also supported the ChemSec Investor Initiative on Hazardous Chemicals by signing an investor letter to several companies in this industry, including 3M, Covestro, AirLiquide and PPG. This initiative is expected to develop through 2023, and we also aim to include chemical safety issues in a wide variety of engagements.

Conclusion of thematic area

DNB AM has decided to conclude the thematic area of "Product Safety and Quality" after 2022. The thematic area will be integrated into both our work on human rights, water, and the forthcoming topic of human capital.

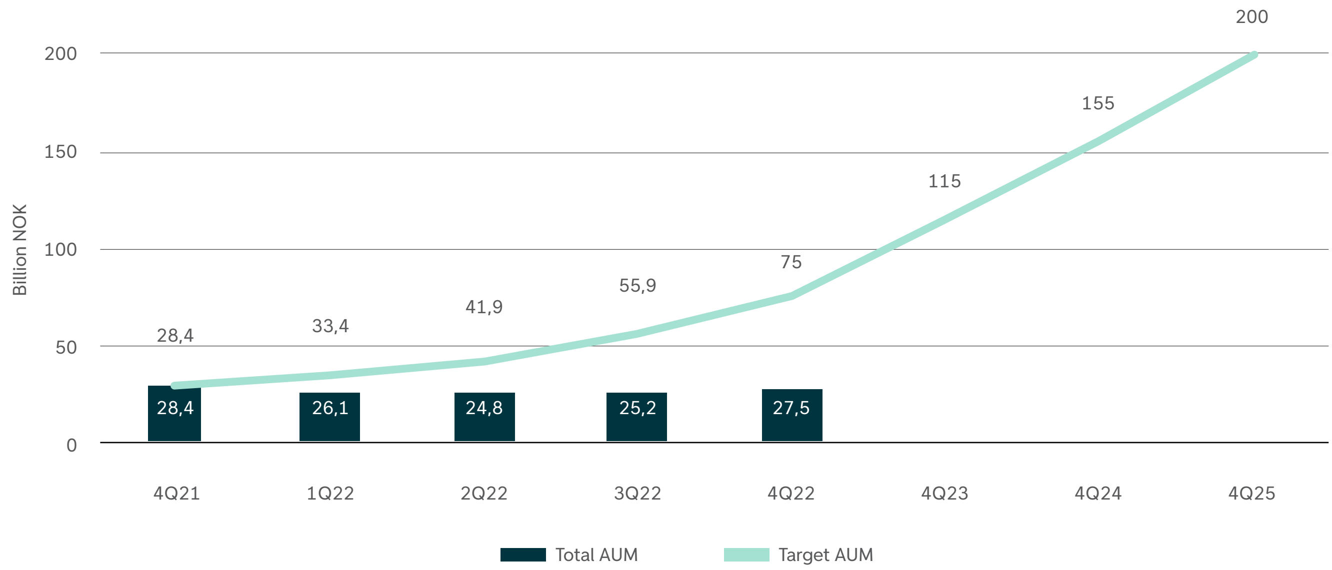


10 Overview product portfolio and sustainability

After the DNB group launched a Net zero 2050 strategy in 2021, DNB AM have made significant changes to the product portfolio. In 2022, we have also increased our target from NOK 100 bn to NOK 200 bn in sustainability themed funds in 2025.

Last year, The DNB Group launched a revitalised sustainability strategy, outlining goals for 2025, 2030 and 2050. The overall aim is to become a bank with net zero emissions by 2050, which includes both DNB's lending and investments portfolios as well as the group's operations. The group's strategy set expectations and outlines clear sub-goals and targets for DNB AM. DNB AM aim to increase total assets in sustainability themed funds to NOK 200 billion by 2025, which is an increase from the previously stated target of NOK 100 billion by 2025, and in 2025 the goal is that at least 50 per cent of net flows will go to sustainability themed funds.

Figure 10.1 AUM in sustainability themed funds relative to group target (NOK bn)



Given the risk of greenwashing in descriptions of sustainability themed financing, we have taken a conservative approach in our labelling of sustainability themed investments at DNB AM. The AUM in sustainability themed funds only includes the AUM of funds classified as article 8 and 9 under the SFDR framework. Due to this methodology, it is expected that the annual AUM in this category will increase significantly with classification of other DNB funds in 2023 and beyond.

Furthermore, in the backdrop of strong upward pressure to inflation, global monetary tightening, deterioration of growth outlooks and market corrections, funds labeled as sustainable have also been subject to net outflows in 2022. While the market context has been unfavourable to achieving our targets for AUM, our sustainability themed funds have rebounded towards the end of the year, reaching levels close to the start of the year.

DNB AM have classified each of our funds in line with the graphic display below. All our funds invest and align with the principles set out in the DNB Group Instructions for Responsible Investments. Some of our funds have additional criteria relating to additional exclusions of companies that are involved in the production of weapons, alcohol or that derive income from gambling. Another criterion is additional exclusion of companies with high carbon emissions. Further, we offer a group of thematic funds and sustainability themed funds that have added criteria or specific investment depending on what category they fall under.

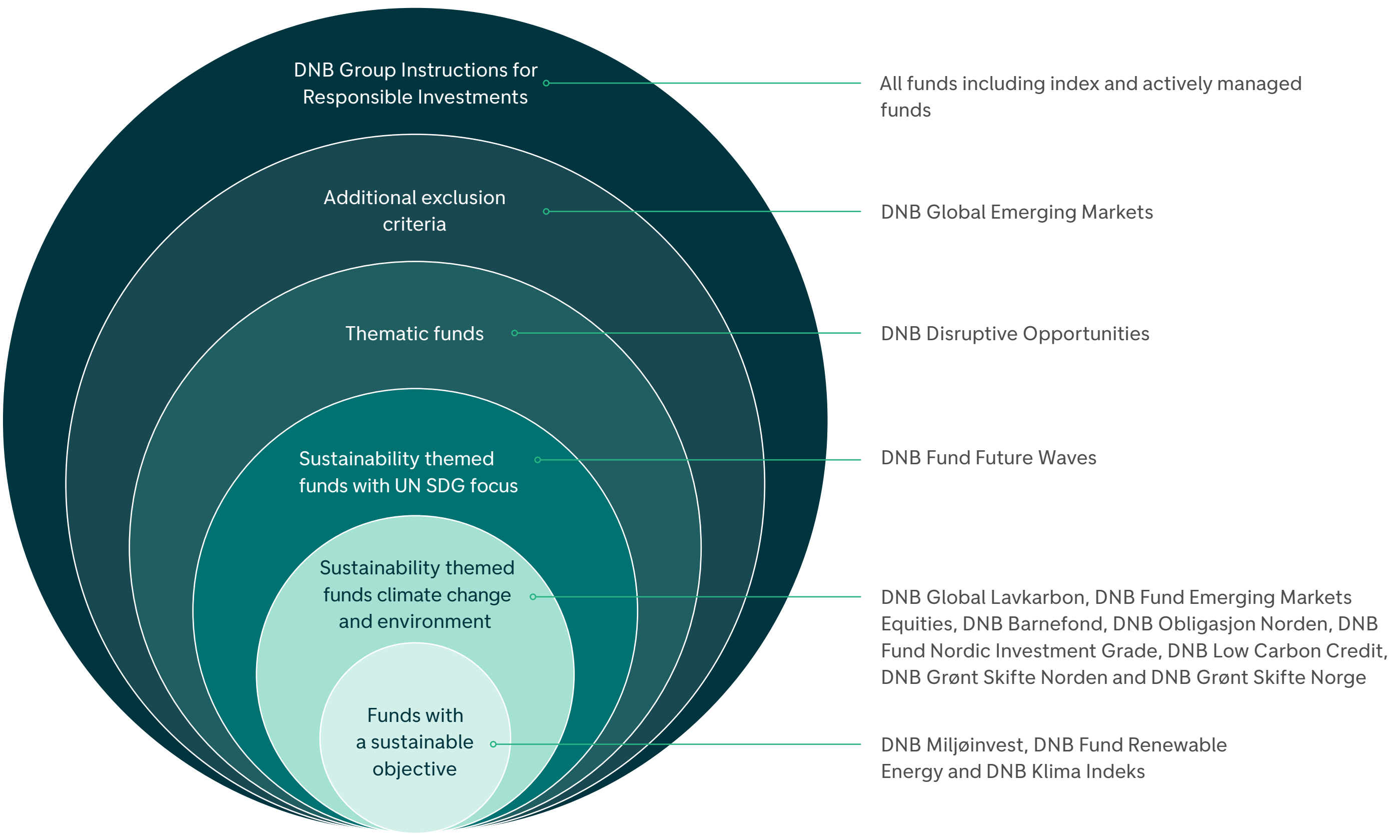
In 2022, DNB AM has also worked towards aligning the sustainability strategy for our products with the sustainability strategy of the DNB Group. This involves placing our sustainability themed funds into groups based on their focus areas within the sustainable transition.

One of these groups consists of funds that have an enhanced focus on the six environmental goals of the EU Taxonomy. These funds invest in companies that offer solutions to various climate and environmental challenges and/or that are well-positioned for the green transition. One example is the Norwegian equity fund DNB Grønt Skifte Norge, which was launched in 2022. The EU Taxonomy will be an important part of the investment strategy of both this fun d, as well as other environmentally focused funds such as DNB Grønt Skifte Norden and DNB Nordic Equities and DNB Miljøinvest and DNB Fund Renewable Energy. In addition, our index fund DNB Klima Indeks follows a Paris aligned benchmark.

Another product group of funds are focusing on environmental and social goals among the UN SDGs. As an example, DNB Fund Future Waves has a broad focus on sustainability through the investment themes blue economy, green economy, climate, and quality of life. From 2023 this fund will also have a sustainable investment objective in line with SFDR article 9. We will continue to enhance the focus on UN SDGs in the investment strategies of additional funds during 2023.

SFDR has also this year influenced our work on our product portfolio and sustainability. In line with increased requirements on transparency and reporting on sustainability information, we have been working on enhancing practices within each specific fund, and we are preparing to report on both sustainability indicators and our products' share of sustainable investments in 2023.

Figure 10.2 Responsible investments and sustainability themed funds



11 Appendix

Climate related risk management

Climate related risks fall broadly into two categories: transition risks and physical risks. The TCFD define these in their formative *Final recommendations* report[1] as:

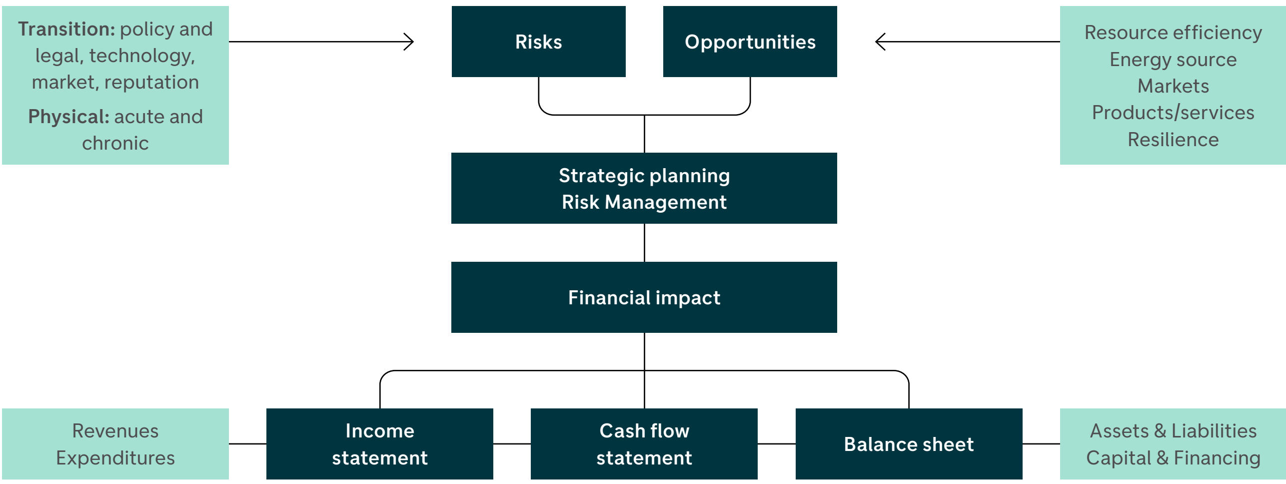
- **Transition risks** - risks related to the transition to a lower-carbon economy. Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.
- **Physical risks** - risks related to the physical impacts of climate change. Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

DNB AM utilise several metrics and tools to measure, monitor and manage climate-related risks and opportunities and their financial impact. Our approach includes:

- **Scenario analysis**, at company and portfolio level, is undertaken to understand and assess how climate-related physical and transition risks and opportunities might impact our investments under different scenarios over time.
- **Portfolio carbon footprinting**, the transient climate response to cumulative emissions of carbon dioxide (TCRE) provides the direct relationship between CO_2e emitted and increasing global temperatures[2]. DNB AM's assessment of carbon emissions from investments utilises a range of metrics to quantify the climate impact from investments, including WACI, financed emissions, and exposure to carbon intensive sectors.

These assessments are undertaken on an ongoing basis to better inform investment decision making, investment advice, and strategic product development.

Figure 11.1 Climate-related risks and opportunities have a financial impact (TCFD, 2017)



1) TCFD, 2017: Recommendations of the Task Force on Climate-related Financial Disclosures
2) IPCC, 2022: AR6 WG1. https://www.ipcc.ch/assessment-report/ar6/

Scenario Analysis

DNB AM began work on climate-related scenario analysis in 2018 through participating in the UN Environment Programme Finance Initiative (UNEP FI) TCFD Investor Pilot Project. The pilot developed scenarios, models and metrics to enable scenario-based, forward-looking assessments of climate-related physical and transition risks and opportunities for equities, corporate bonds and real estate. The methodology, an assessment of existing methodologies and case studies from investors were included in the pilot project report, Changing Course, which was published in May 2019. This tool was bought by MSCI ESG Research in 2019 and was expanded on, we have since this time been utilising the tool as part of our internal analysis regarding scenario analysis, to understand the transition and physical risks and opportunities which may be experienced by companies in DNB AM's funds, and the associated potential financial impacts.

The MSCI ESG approach assesses the transition risk and opportunities separately from the physical risk and opportunities, producing a forward-looking Climate Value-at-Risk (CVaR) metric combining an assessment of policy risk, transition opportunities, and physical risks. The CVaR assessment aims to "measure the potential impact of different climate scenarios on individual securities' valuation"[1], and provides a percentage value of the potential impact resulting from climate change under each scenario. Security level results are then aggregated up to the fund level to provide a fund level CVaR. A positive Climate Value-at-Risk (CVaR) implies that the overall portfolio-level impact will result in profits under the scenario, whereas a negative CVaR implies that there will be portfolio-level costs associated with the scenario.

As part of this report, we have assessed our sustainability linked funds, under a range of scenarios.

Scenarios

Scenarios are produced using climate models and the selection of scenarios is a key consideration when assessing funds under scenario analysis. There exists a significant range of models available for use publically, with many developed by different academic research groups. Each model is built on a range of inputs and assumptions in the attempt to represent the earth's climate. For our purposes, we are reliant on a subset of climate models, known as Integrated Assessment Models (IAMs). The IAMs in addition to the physical earth systems also include considerations for human systems, including economic/GDP growth, energy, and population growth. The IAMs are utilised to produce scenarios with varying levels of carbon emissions. When selecting the IAM and the scenarios under which to assess companies, an understanding for the inputs and assumptions must accompany the viewing of the results. For this reason, inputs and assumption to the model are part of our internal discussions regarding the results of the scenarios analyses

In 2022, DNB AM utilised the NGFS scenarios framework which has increasingly become a standard for scenario analysis within the financial system. Figure 11.2 provides an overview of a selection of underlying characteristics of the six key scenarios provided by NGFS. The NGFS have in addition, colour coded the characteristics regarding the impact of the factors from a financial risk perspective.

The NGFS scenarios include six scenarios (outlined in figure 11.2) and are broadly grouped into three categories based on the level of risks presenting as either transition or physical risk. These groupings are outlined in the NGFS framework[2]:

- **Orderly scenarios** - assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- **Disorderly scenarios** - explore higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.
- **Hothouse world scenarios** - assume that some climate policies are implemented in some jurisdictions but that globally, efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk, including irreversible impacts like sea-level rise. Note, that this includes both the Current Policies and Nationally Determined Commitment scenarios.

1) From MSCI ESG Report, Managing Climate Risk in Investment Portfolios
2) NGFS framework

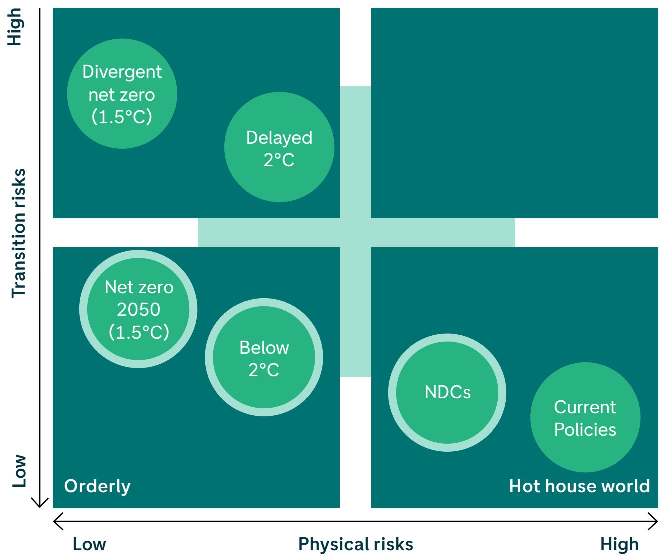
Figure 11.2 NGFS Scenario Snapshot

			Physical risk	Transition risk			
Category	**Scenario**	**Scenario Narratives**	**Policy ambition**	**Policy reaction**	**Technology change**	**Carbon dioxide removal**	**Regional policy variation**
Orderly	**Net Zero 2050**	limits global warming to 1.5°C through stringent climate policies and innovatoin, reaching global net zero CO^2 emissions around 2050. Some jurisdictions such as the US, UK, EU, Canada, Australia, and Japan reach net zero for all GHGs.	1.4°C	Pleas	Fast change	Medium-high use	Medium-high use
	Below 2°C	gradually increases the stringency of climte policies, giving a 67% change of limiting global warming to below 2°C	1.6°C	Immediate and smooth	Moderate change	Medium-high use	Low variation
Disorderly	**Divergent Net Zero**	reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors' leading to a quicker phase out of oil use.	1.4°C	Immediate but divergent across sectors	Fast change	Low-medium use	Medium variation
	Delayed Transition	assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.	1.6°C	Delayed	Slow/fast change	Low-medium use	High variation
Hot house world	**Nationally Determined Contributions (NDCs)**	includes all pledged targets even if not yet backed up by implemented effective policies	2.6°C	NDCs	Slow change	Low-medium use	Medium variation
	Current Policies	assumes that only current implemented policies are preserved, leading to high physical costs.	3°C+	Non-current policies	Slow change	Low use	Low variation

Lower risk Moderate risk Higher risk

Colour coding indicates whether the characteristic makes scenario more or less severe from a macro-financial risk perspective.

Figure 11.3 NGFS scenarios framework



While all scenarios are utilised in internal assessments, the circled scenarios feature as part of our public reporting.

To undertake the scenario analysis, DNB AM use the MSCI ESG CVaR assessment tool. The output is a forward-looking CVaR metric comprised of an assessment of policy risk, transition opportunities, and physical risks. The CVaR assessment aims to "measure the potential impact of different climate scenarios on individual securities' valuation"[3], and provides a percentage value of the potential impact resulting from climate change under each scenario. These security level results are then aggregated up to the fund level to provide a fund level CVaR. A positive CVaR implies that the overall portfolio-level impact will result in profits under the scenario, whereas a negative CVaR implies that there will be portfolio-level costs associated with the scenario.

3) From MSCI ESG Report, Managing Climate Risk in Investment Portfolios

Outcomes of scenario analysis

We can see from the results of scenario analysis that all sectors and funds are impacted by a low carbon transition. Within DNB AM's holdings, the sectors with the largest negative impact on average under the assessed NGFS scenarios are the materials and energy sectors. These are also the sectors with the largest transition risks within DNB AM's holdings. However, when considering physical risk, the utilities and consumer staples sectors have the largest exposure to physical risks associated with a low carbon transition.

In addition to the scenarios presented in the report, the funds were assessed under the Disorderly scenarios outlined above. As is the case with these scenarios, the higher transition risks resulting from higher policy risks were evident in the results, for almost all of DNB sustainability linked funds, the MSCI world, and DNB AM's 'All holdings' portfolio, the disorderly scenarios produced more significantly negative CVaR than under the orderly scenarios. One fund, DNB Fund Renewable Energy, did not follow this trend for the Delayed 2°C scenario, and instead experienced significant levels of transition opportunity offsetting the transition risks to finish with a positive CVaR.

We see that with specific reference to the DNB Grønt Skifte Norge fund, the fund looks to have the largest negative CVaR with regards to transition risk under the Net zero 2050 scenario – despite the third largest level of transition opportunities of the funds assessed. This fund intends to identify and invest in transition companies, so this high level of transition opportunities is a positive result. That said, the overall result for the fund while unexpected, may be the result of the tool's use of countries nationally defined contributions (NDC)'s in allocating carbon emissions to sectors and companies, resulting in a higher level of policy risk.

We highlight that DNB's sustainability linked funds have lower Transition CVaR than the MSCI World benchmark, under the Net zero 2050 and Below 2°C scenarios. The exception to this is the DNB Grønt Norge Skifte fund, which for the reasons outlined above are experiencing larger levels of negative CVaR under these scenarios.

The physical risks resulting from climate change can be "event driven (acute) or longer-term (chronic) changes in climate patterns". Examples of acute physical risks can include flooding, wildfires or severe storms, while chronic risks can include sea level rises and heat waves. MSCI ESG provides an assessment of both average and aggressive physical risk scenarios. We present both scenario for our funds in figure 11.6. Both scenarios utilise a BAU approach in modelling physical impacts due to lag within the climate system, the IAM and scenario selected does not impact the physical risks and opportunity results.

Figure 11.4 Transition risks and opportunities under NGFS Net zero 2050 scenario

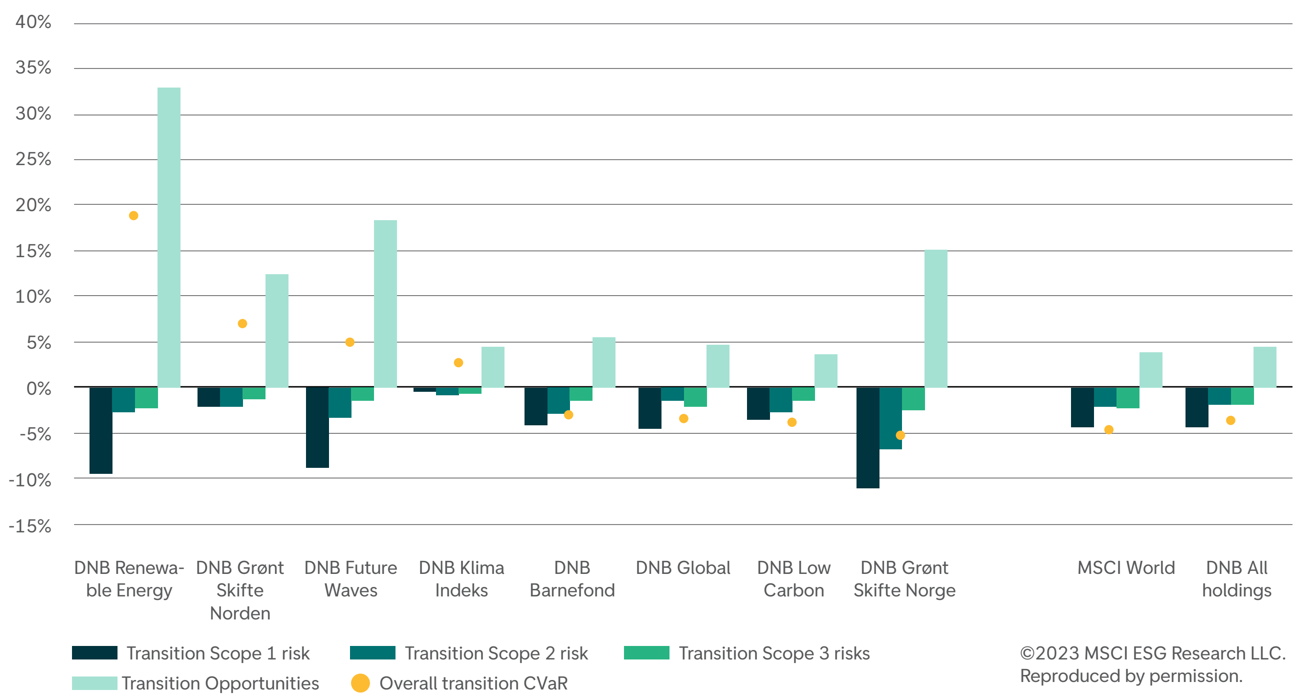


Figure 11.5 Aggregate Transition risks and opportunities under NGFS climate scenarios

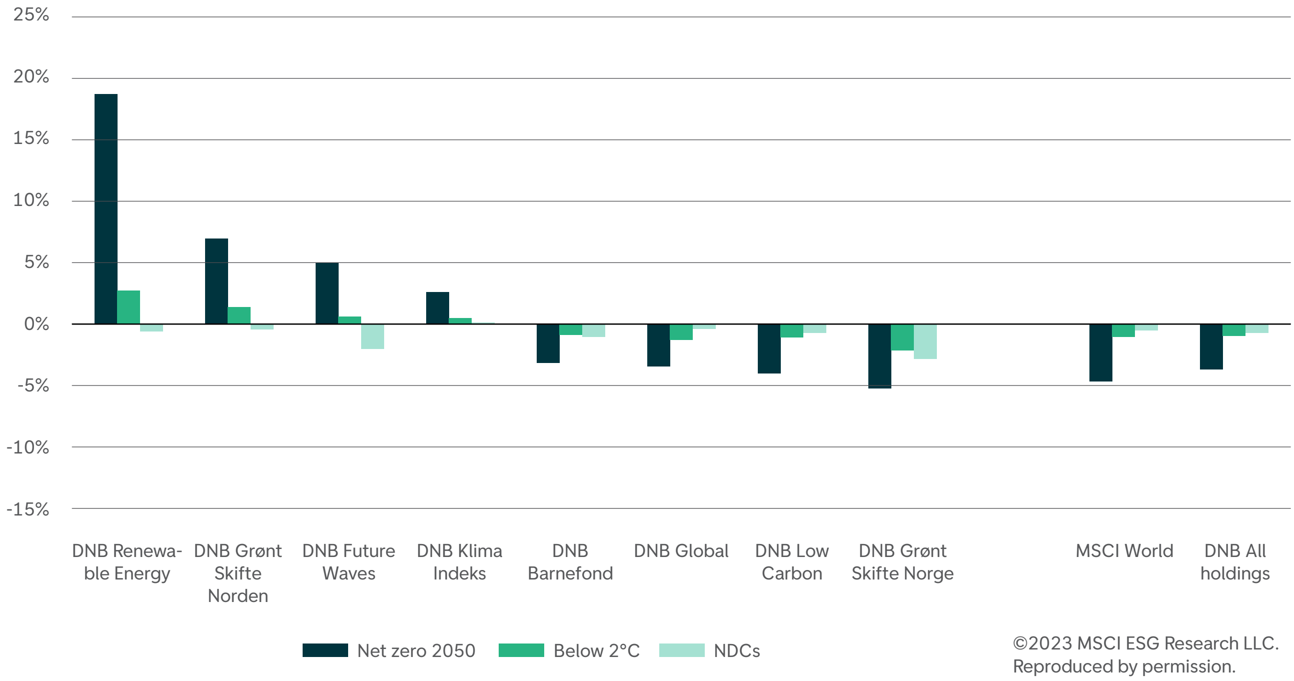
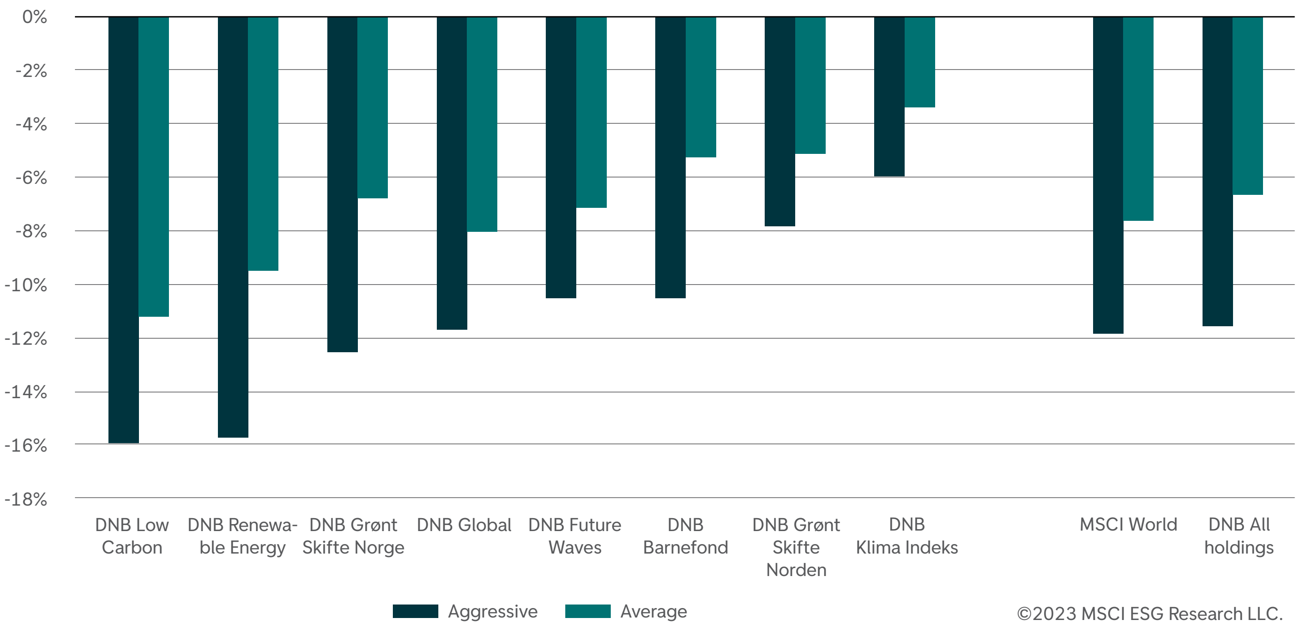


Figure 11.6 Aggregate CVaR Physical Risks and Opportunities – comparison of results per fund under average and aggressive scenarios



The results for DNB AM's sustainability themed funds highlighted results which reflected the sectoral allocations within these funds. The funds with greater physical climate risks than the MSCI World, were all relatively overweight in sectors with the largest physical climate risks.

We see these results as important starting points for discussion with companies, to understand how they are managing these risks. In many instances, we see that companies already have robust plans and strategies to address these potential risks.

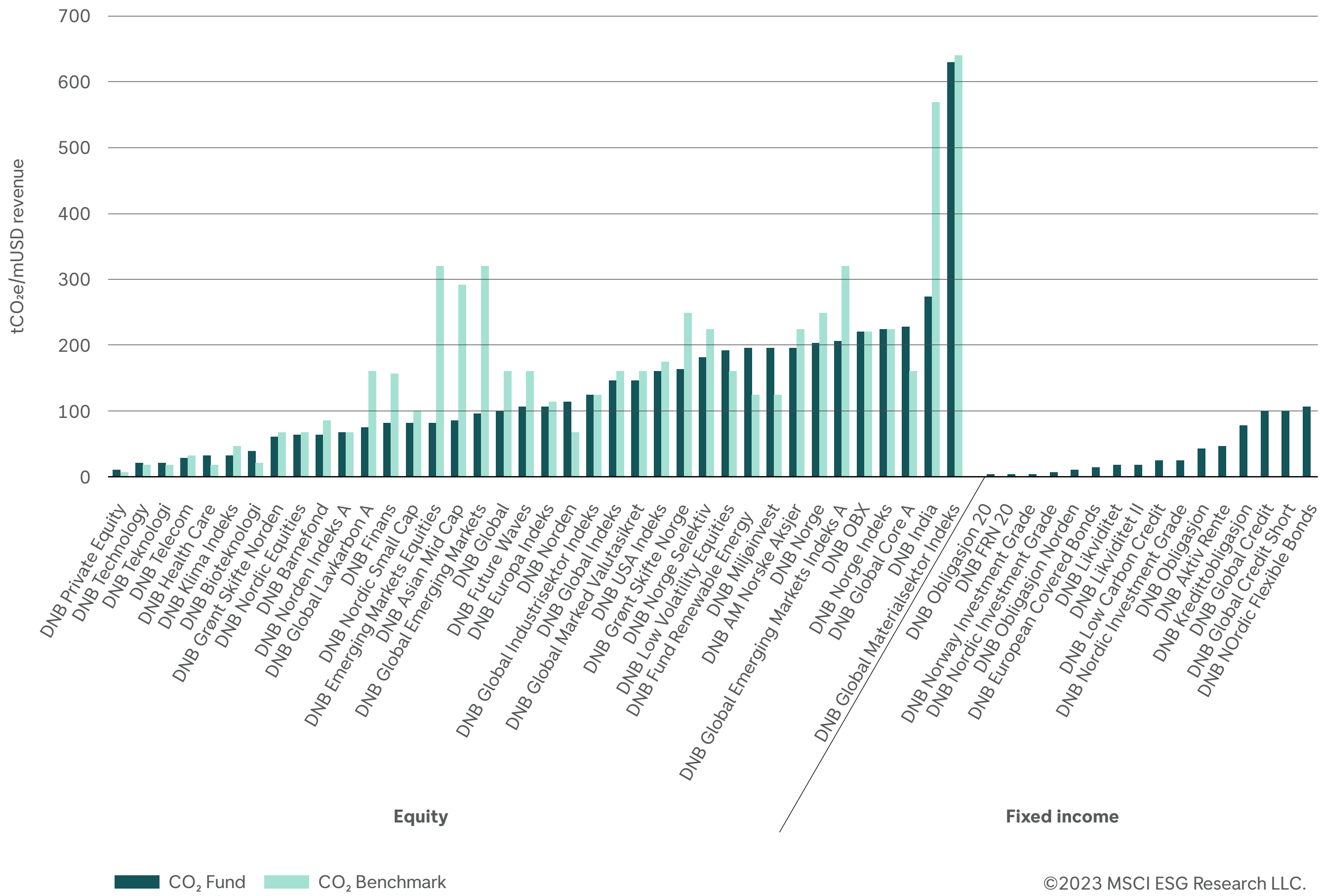
Carbon emissions data

A carbon footprint is a measurement of the CO_2 and equivalents, released which can be attributed to a particular activity, company, country, or in this case, to our investment funds. The term can be used to describe a range of approaches where the carbon emissions are reported either in absolute terms or by normalising using some other factor. The measurement of CO_2 or equivalents released by the particular activities of a company, country or an investment fund, is one of several factors that can provide insight into a company's climate risk and impact. Measurement is a crucial first step, but companies must also take further steps to manage the associated risks created by their emissions across different scopes.

As part of our efforts to measure and reduce exposure to companies with high climate risk DNB AM started to measure the carbon footprint of all equity funds in 2016, and in 2019 we also begun disclosing the carbon footprint on fixed income funds where sufficient carbon data is available. Since 2022, DNB AM have been part of a Finance Norway led initiative along with other financial participants, looking to develop a Norwegian standard regarding carbon emissions and financed emission reporting, DNB group and DNB AM are also part of the Nordic PCAF group.

Unfortunately, carbon emissions data coverage for the Nordic fixed income universe remains low. This has led to our efforts with Nordic fixed income, under which we have worked actively to gather data from issuers to increase the coverage in our Nordic fixed income portfolios. For more information on this, read our section on ESG integration. The companies' carbon footprint is weighted by the respective holding in the portfolios and the same is done for the index. In the calculations, any cash in the portfolios is distributed proportionally between the other companies.

Figure 11.7 Greenhouse gas emissions from DNB's mutual funds relative to reference indices
Tonnes of CO_2 equivalent for every USD 1 million of revenue



For companies without reported emission data, MSCI ESG Research produce modelled estimates which have been used in the calculation. In addition, some companies do not have either reported or estimated data, in such instances the calculation will prorate the calculation based on companies with available data.

DNB AM reports the carbon footprint in CO_2 equivalents, as defined by the Greenhouse Gas Protocol (see figure 11.8 for details on emission Scopes). Scope 3 data is something we are tracking for internal use, and often forms discussions with companies about their supply chain. For avoided emissions, methodological- and data gaps have prevented the widespread inclusion as part of the carbon footprint process. The method for reporting greenhouse gas emissions is under development and may be subject to change.

Figure 11.7 is a snapshot of the portfolio as of 30 December 2022 and shows that compared with the respective benchmarks, most of the funds had a lower or equal carbon footprint.

In terms of future improvements of this assessment, we continue to track Scope 3 emissions on a fund basis internally and these findings are important inputs in engagements with companies regarding the full life cycle approach to carbon in their products and services. It is our hope that quantity and quality of disclosure of this data will continue to increase so we can have a more complete picture of the carbon risk in our funds. The importance of collecting this information is evident, particularly when considering the scale and contribution of Scope 3 emissions r elative to sectors' total emissions in figure 11.11. This chart is based on DNB AM's equity and fixed income holdings from 30 December 2022, utilising MSCI ESG's carbon emissions data, including estimated Scope 3 data, and reflects that Scope 3 plays a significant part in emissions not currently being fully recognised.

Figure 11.8 Categories of greenhouse gas emissions

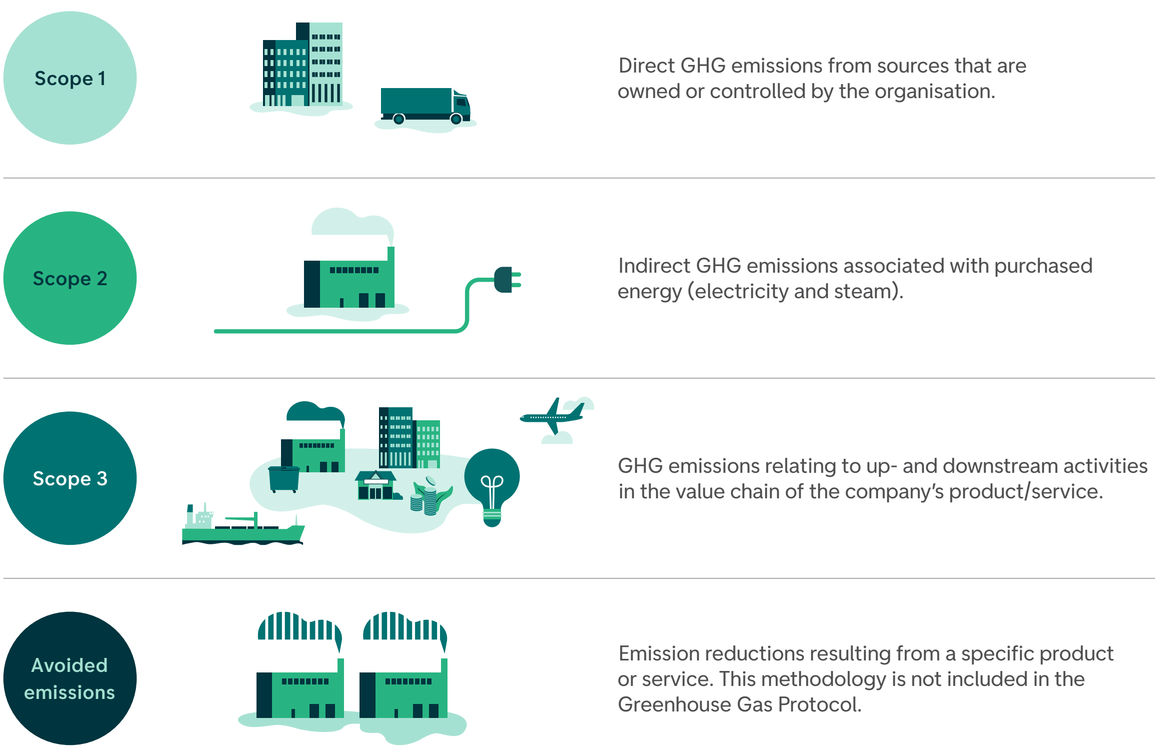


Table 11.9 Carbon metrics 2022

			2022	2021	Δ Y-O-Y
Total financed carbon emissions	tCO_2e	Scope 1 and 2	2 324 493	2 831 180	-18%
	tCO_2e	Scope 3	15 991 641	18 207 985	-12%
Financed carbon emissions	tCO_2e/mUSD invested	Scope 1 and 2	51	50	2%
	tCO_2e/mUSD invested	Scope 3	351	322	9%
Weighted Average Carbon Intensity (WACI)	tCO_2e/mUSD revenue	Scope 1 and 2	105	101	4%
Implied Temperature Rise (ITR)	°C	Scope 1 and 2	2.5	2.4	

In 2022 the CDP saw 18,700 companies reporting climate change data through their platform, up from 13,000 in 2021 and 5,800 in 2016. As the pressure for companies to report on this information and set emission reduction targets increases, public scrutiny of this data is only likely to get more intense and DNB AM are supporters of public and transparent standards such as the TCFD and CDP.

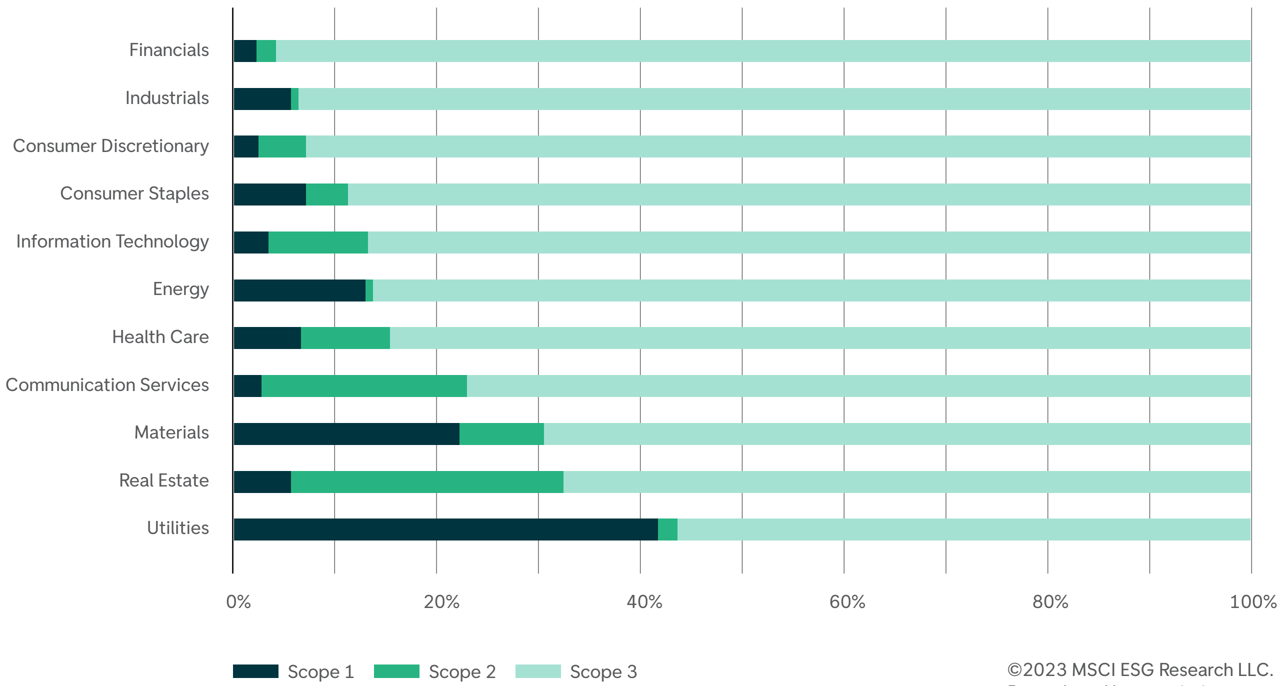
Table 11.9 presents the DNB AM carbon reporting for 2022, for all holdings within scope. The results varied compared with 2021, across the different carbon metrics, with the most positive change being the reduction in financed emissions when compared with 2021. DNB AM observed the ITR for the holdings within scope reach 2.5°C in 2022 - an increase from 2021. This is likely a result of a decrease in the percentage of holdings with SBTi approved targets from 27.6 to 24.6, on an AUM basis. This is attributable in part to an increase in overall sectoral weight in energy, for which companies are unable to receive SBTi approved targets. There is an expectation that given the significant increase in sectoral emissions which are committed to Net zero 2050 compared with 2021 (Figure 4.4 in Net zero 2050 chapter), this will result in increased SBTi target coverage.

Table 11.10 Carbon data quality score
Weighted average

Asset type	Scope 1	Scope 2	Scope 3
Listed equities	2.1	2.2	2.5
Corporate Bonds	3.5	3.5	3.7

Table 11.10 presents the results of an assessment of the carbon data for DNB AM's holdings within scope. The number is a weighted average score, utilising the PCAF data quality scale of 1 to 5. The assessment results reflect the challenges with data coverage we experience within Norwegian bond, specifically where there is especially low coverage, see figure 11.7. In order to provide a more complete picture for these funds, the carbon assessment is conducted on companies with data and then reweighted to 100 per cent. For this reason, companies without data will receive category 5 data quality, and as a result worsening the score. It is our intention to improve the quality of the data used in the future and aim to see an improvement in this number. To ensure we have best in class knowledge on carbon accounting practices, DNB AM are involved with the Nordic PCAF group.

Figure 11.11 Sectoral breakdown of emissions by scope. DNB holdings 30.12.22 (percentage of total sectoral emissions)



Forward looking metrics

There are a range of tools and products available on the market intended to assist investors in the assessment of the companies for climate risks, as well as alignment with the Paris Agreement. There has historically been challenges in communicating the results of several tools, as many lack the relative simplicity of a carbon footprint. There are however well-acknowledged weaknesses associated with the carbon footprint, not least that the assessment is based on backwards-looking data. For this reason, we are increasingly looking for means by which to assess companies on their current performance, their targets, and the performance relative to those targets. To do this, we are continually exploring different tools, data sources, and prodcts that allow us to do so. With many providing innovative outputs for use in analysis and investment decision making.

Carbon emission reduction targets, in line with science

A transition to a lower carbon economy will require companies reduce the quantity of emissions they produce directly (Scope 1) and those they are responsible for (Scope 2 and 3), as determined by the Greenhouse Gas Protocol standard. A company's targets for reduction can provide an indication regarding preparedness and allows investors and other stakeholders to hold companies accountable for the emissions they produce in an increasingly carbon budget constrained world.

For this reason, DNB AM have company expectations regarding target setting. Specifically, we expect that companies should disclose targets/benchmarks used to manage climate-related risks in their direct operations and supply chain and report their performance against these targets/benchmarks, including the baseline used. Ideally, these targets should be science based. A target is science based when aligned with limiting warming, based on the allocation of a carbon budget using climate science. The SBTi is one standard for carbon emission reduction target setting, allowing for comparability using a standardised approach.

Figure 11.12 Percentage of DNB AM's WACI by sector, and percentage of sectoral emissions, covered by a Science Based committed or approved Target.

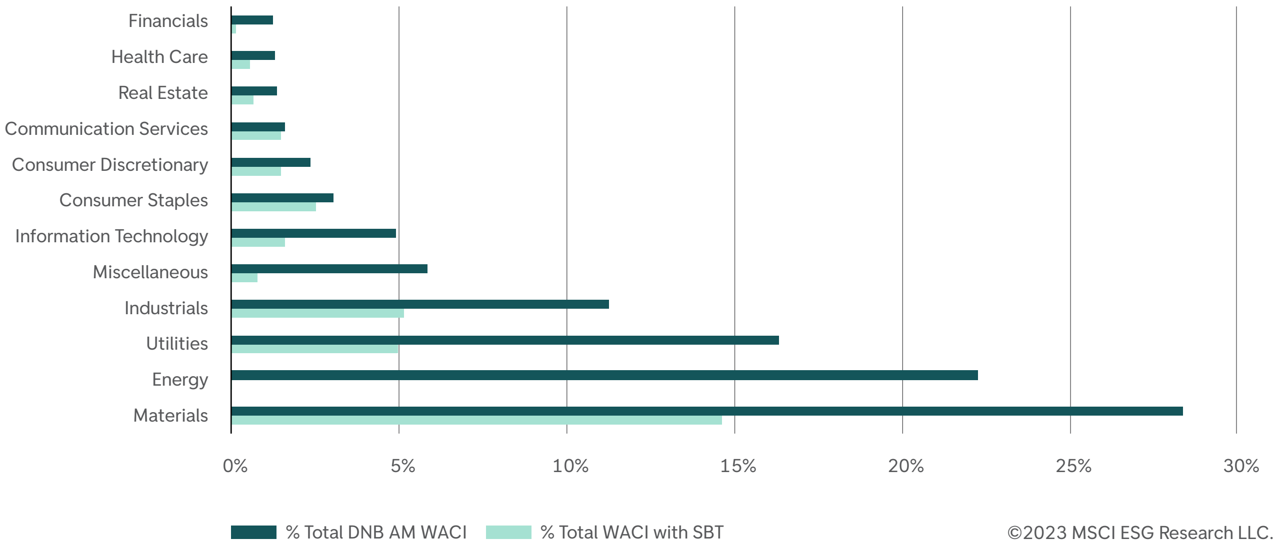


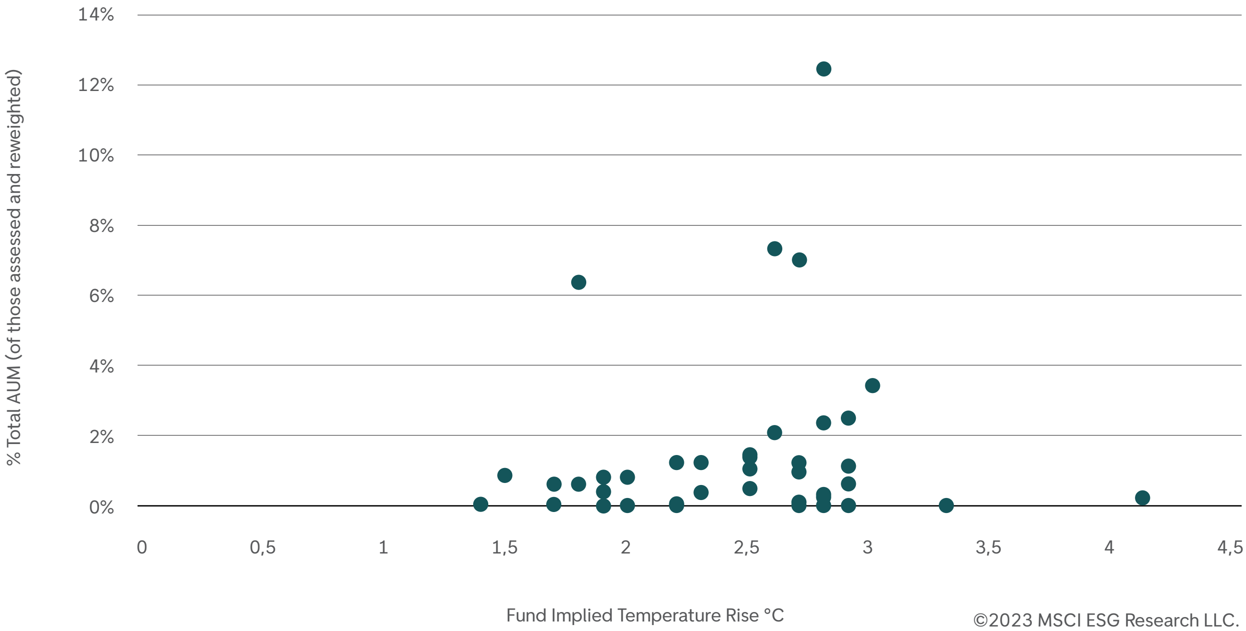
Figure 11.11 provides details of an assessment of DNB AM holdings, and the percentage of each sector's emissions that are covered by an emission reduction target accredited Science Based Target (either committed or approved). The sector with the greatest proportion setting targets is as with 2021, the material sector – this is a positive sign as the material sectors is the largest contributor to DNB AM's overall carbon footprint. The next largest contributor, the energy sector, has their SBTi methodology still in draft form so are not currently possible to receive SBTi approved targets. In total, 34.5 per cent per cent of DNB AM's carbon footprint is covered by Science Based Targets (or 24.6 per cent on an AUM basis). Going forward, increasing the proportion of DNB's carbon intensive companies with emission reduction targets will be a key focus of our company engagements on climate.

An Implied Temperature Rise (ITR) or Temperature score is an easily understandable, forward-looking metric, which can quantify whether a portfolio is aligned with the Paris Agreement, indicating the level of warming associated with a company or investment fund. We continue to see increasing interest in demonstrating the temperature trajectory of funds.

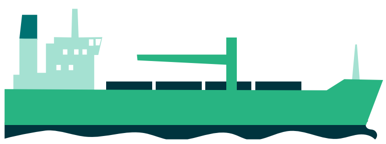
We have conducted an analysis of the DNB AM funds, using the MSCI ESG ITR approach. The MSCI ESG metric aims to provide an indication of how companies and investment portfolios align to global targets. Figure 11.13 presents all DNB fund ITR and includes the percentage of total DNB AM AUM the fund represents, demonstrating the size of the AUM aligned with different ITR. In addition we are reporting the total ITR for DNB AM's eligible assets, in figure 11.1.

As with other tools, the ITR is reliant on data and the coverage is lacking in parts. In order to assess the ITR for a fund, we require a minimum of 65 per cent of holdings to have ESG data. While we see positives with the metric, we believe it is important to separate company and fund temperature alignment from impact.

Figure 11.13 Fund implied temperature rise (°C)



Other challenges with an ITR or Temperature score metrics include the differences in approaches implemented by different actors in the market. From the approaches we have seen, there look to be considerable differences in methodology, as well as in the allocation of the remaining global "carbon budget" to different sectors and companies under different IAM and scenarios. The Cambridge Institute for Sustainable Leadership (CISL) in their report – Understanding the climate performance of investment funds. Part 2: a universal temperature score method – call for a universal, simple, transparent and robust approach to provide clarity for investors and their customers regarding temperature warming alignment. We see standardisation as important in the road forward for the metric, to ensure results are easily comparable for companies, investors and investment fund customers. With regards to MSCI ESG's ITR metric specifically, we are unsure about whether the methodology captures the emissions avoiding capability of companies in the methodology – which are important considerations for several of our funds. We will continue to follow the development of this metrics and we are hopeful that companies' emissions-avoiding capabilities will be better captured in future iterations of the methodology as it develops over time.



Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

Recommendation	Disclosure
Governance: Disclose the organisation's governance around climate-related risks and opportunities	
• Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	• DNB Group Sustainability Policy
• Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	• DNB 2022 CDP response, C1.2 • DNB Instructions for Responsible Investments • DNB Sustainability Risk Integration Policy
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	
• Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	• Section on ESG-consideration in the DNB Group Annual report • DNB 2022 CDP response, C2.1a, C.2.3, C2.3a, C2.4a
• Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	• Section on ESG-consideration in the DNB Group Annual report • DNB 2022 CDP response, C2.3a, C2.4a,C3,1, C3.2a, C3.3. C3.4, C-F3.7.
• Describe the resilience of the organizations strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Section on Scenario Analysis • Chapter on ESG-consideration in the DNB Group Annual report • DNB 2022 CDP response C3.2a, C3.2b
Risk management: Disclose how the organization identifies, assesses, and manages climate-related risks	
• Describe the organization's processes for identifying and assessing climate-related risk	• Section on ESG-consideration in the DNB Group Annual report • DNB 2022 CDP response, C2.1, C-F2.2 a-e
• Describe the organization's processes for managing climate-related risks	• Section on ESG-consideration in the DNB Group Annual report • DNB 2022 CDP response C.2.1,C2.2, C-F2.2 d-e
• Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organizations' overall risk management	• Section on Scenario Analysis • Section on Carbon Data • Section on ESG-consideration in the DNB Group Annual report • DNB 2022 CDP response, C2.2

Metric and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

• Disclose the metrics used by the organisation's to assess climate related risks and opportunities in line with its strategy and risk management process	• Section on reduction of carbon emissions in the DNB Group Annual report • DNB 2022 CDP response. C4.2 a-b,
• Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	• Section on carbon emission in Appendix • Section on reduction of carbon emissions in the DNB Group Annual report • DNB 2022 CDP response C6.1, C6.3, C6.5+a, C9.1, C-F14.0- 1.b
• Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• Section on financing the climate transition through sustainable activities in DNB Group Annual report • Section on Reducing greenhouse gas emissions in the investment portfolio in DNB Group Annual report • Section on reduction of carbon emissions in the DNB Group Annual report • Section on analysis of climate risk in the loan and investment portfolio in the DNB Group Annual report • DNB 2022 CDP response, C4.2 a-b,

External Resources

As part of the DNB AM responsible investment approach, we utilise external ESG research and data providers as inputs to our own company assessments. With the implementation of frameworks for SFDR-reporting, the scope of external data use has been vastly extended, particularly with respect to the relationships with MSCI ESG Research, S&P Global TruCost and Bloomberg:

- MSCI ESG Research for ESG reports, scores, data, business involvement screening research, carbon metrics and controversies, climate value at risk, UN SDGs alignment amongst other data points. In 2022, this was extended to include what we believe is the most complete set of data available related to Principal Adverse Impact (PAI) indicators aimed at evaluating the Do No Significant Harm (DNSH) dimensionof SFDR reporting.
- S&P Global TruCost data for carbon and environmental data and risk analysis, including complementary data points for DNSH and SDG alignment.
- Sustainalytics for UN Global Compact compliance and controversy assessments, norms-based screening and engagement services.
- ISS for proxy voting and voting statistics (based on DNB AM's own guidelines) as well as data used for estimation of Potential Avoided Emissions (PAE).
- Bloomberg (including data related to EU Taxonomy eligibility and alignment, as well as general ESG-data and screening related to government sanctions.)
- SASB Framework and database
- Sell-side research
- Media
- Industry reports
- Non-Governmental Organisation (NGO) reports and meetings
- CDP for data on climate, water and forestry, in addition to initiatives to enhance company disclosures including Science Based Targets

Disclaimers

Fund Performance

Historic performance is no guarantee of future returns. Future returns depend on a number of factors such as market developments, the skills of the asset manager(s), the fund's risk profile and costs associated with purchasing and redeeming fund units and managing the fund. In periods the return may be negative due to declines in the prices of the fund's holdings.

MSCI ESG

Although DNB Asset Management's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

European SRI Transparency Logo

The European SRI Transparency logo signifies that DNB Asset Management commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Socially Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Guidelines can be found on www.eurosif.org, and information of the SRI policies and practices of the DNB Asset Management can be found at: DNB Sustainability library. The Transparency Guidelines are managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual. Eurosif is not responsible for the completeness or the accuracy of the disclosure in this documentation.

FNG Label

The FNG-Label is the quality standard for sustainable investments on the German-speaking financial market. It was launched in 2015 after a three-year development process involving key stakeholders. The sustainability certification must be renewed annually.

The FNG-Label gives the German-speaking countries a quality standard for sustainable mutual funds. The holistic methodology of the FNG-Label is based on a minimum standard. This includes transparency criteria and the consideration of labour & human rights, environmental protection and anti-corruption as summarised in the globally recognised UN Global Compact. In addition, all companies in the respective fund must be explicitly analysed in terms of sustainability criteria. Investments in nuclear power, coal mining, significant coal-fired power generation, fracking, oil sands, weapons and armaments are taboo.

High-quality sustainability themed funds that excel in the areas of "institutional credibility", "product standards" and "impact" (title selection, engagement and KPIs) are awarded up to three stars. The FNG-Label goes far beyond a mere portfolio assessment and is holistic and meaningful. With more than 80 questions, the Label analyses and evaluates, for example, the sustainable investment style, the associated investment process, the associated ESG research capacities and a possibly accompanying engagement process. In addition, elements such as reporting, the investment company as such, an external sustainability advisory board and issues of good corporate governance play an important role.

The auditor of the FNG-Label is the University of Hamburg. The Qualitätssicherungsgesellschaft Nachhaltiger Geldanlagen (QNG) bears overall responsibility, especially for coordination, awarding and marketing. An independent committee with interdisciplinary expertise also accompanies the audit process. The FNG-Label has been awarded the title "highly recommended" by the consumer portal www.label-online.de and has been added to the shopping basket of the German Council for Sustainable Development. The EU, together with the other national, governmental label systems, has also invited it to join a working group within the framework of the EU Action Plan for financing sustainable growth.

Detailed information on the methodology can be found in the rules of procedure. Further information on the FNG-Label: www.fng-siegel.org.

Towards Sustainability Label

In 2021, DNB Nordic Equities was granted the Towards Sustainability label, meaning that the fund adhere to the highest quality standards for sustainable and socially responsible financial products. The label is awarded and administered by the Central Labeling Agency (CLA) of Belgian SRI label. The Towards Sustainability quality standard and label were developed on the initiative of Febelfin. Please see the website www.towardssustainability.be for more information on the Towards Sustainability initiative.

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ACRONYMS

ASK: Share savings accounts
AUM: Assets under Management
BNEF: Bloomberg New Energy Finance
CA100+: Climate Action 100+
CBD: Convention on Biological Diversity
CISL: Cambridge Institute for Sustainable Leadership
CLMRS: Child labour monitor and remediation
CO_2: Carbon dioxide
COP26: UN's 26th climate summit
CVaR: Climate Value-at-Risk
CWC: Columbia Water Centre
DNB AM: DNB Asset Management
DNSH: Do no significant harm
ESG: Environmental, social and governance
ETS: Emissions Trading System
EWER: ESG, Water and Emerging Risks Network
FAIRR: Farm Animal Investment Risk & Return
GDP: Gross Domestic Product
GHG: Greenhouse Gas Emissions
IAM: Integrated Assessment Models
IEA: International Energy Agency
ILO: International Labour Organization
IPBES: Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC: Intergovernmental Panel on Climate Change
IPCC AR6: IPSS Sixth Assessment Report
IPSES: Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services
ITR: Implied Temperature Rise
NAV: Net Asset Value
NBIM: Norges Bank Investment Management
NGO: Non-governmental organisation
NORSIF: Norwegian responsible and sustainable investment forum
NTA: Norwegian Transparency Act
NUES: The Norwegian corporate governance board (i.e. NCGB)
PAE: Potential Avoided Emissions
PACTA: Paris Agreement Capital Transition
PRI: Principles for Responsible Investments
RI: Responsible Investments
SBTi: Science Based Targets institute
SBTN: Science Based Targets for Nature
SDG: Sustainable Development Goals
SEC: Securities and Exchange Commission
SFDR: Sustainable Finance Disclosure Regulation (i.e. European Union SFDR)
SGX: Singapore Exchange
SSP: Shared Socioeconomic Pathway
TCFD: Task Force on Climate Related Financial Disclosure
TNFD: Taskforce on Nature-Related Financial Disclosure
UN: United Nations
UNEP FI: United Nations Environment Program Finance Initiative
UN HLEG: United Nations High Level Expert Group
UNGP: UN Guiding Principles on Business and Human Rights
UNICEF: United Nations Children's Fund
WCF: World Cocoa Foundation
WEF: World Economic Forum
WHO: The World Health Organization
WRI: World Resource Institute
WSRW: Western Sahara Resource Watch
WWF: World Wide Fund for Nature

RELEVANT REPORTS AND LINKS

DNB Renewable Energy report on avoided emissions 2022
DNB Group Report
Montreal Pledge
DNB 2022 CDP Response

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