ANNUAL REPORT RESPONSIBLE INVESTMENTS

2016

DNB

DNB Asset Management

Responsible Investments

Directors' report

Following a mixed year in 2015, 2016 turned out to be better for the global financial markets. The equity market dropped in the beginning of the year due to fear of weak economic development in China and sluggish earnings development for listed companies. The stock market picked up, but was later temporarily hit by two unexpected political events: Brexit and the outcome of the US presidential election. Global equity markets ended 2016 on a positive note driven by signals of improved global economic growth. Global equities ended up 5 % for the year and the Norwegian stock market gained 12 %.

The new team for responsible investments in DNB Asset Management (DAM) was put in place in late 2015/early 2016, and was further strengthened in the fall of 2016. To ensure ESG integration in investment decisions, the team works closely with the portfolio managers.

DAM, as asset manager, has three main policy instruments it can use to be a responsible investor: Exclusion, positive screening and inclusion, and active ownership. DAM intensified its work on active ownership in 2016 through company dialogue and voting at annual general meetings (AGMs). During the year, more than 70 company dialogues were conducted by the team and 113 together with our external consultant.

During 2016, DAM has focused on a broad range of Environmental, Social and Governance (ESG) issues. These include, for example, controversial weapons, corruption, climate and greenhouse gases, child labour, labour rights in the shipbreaking industry, banks operating in occupied Palestinian territory, the practices of the palm oil industry, and the development of companies operating in Western Sahara.

The interest in climate-related issues has grown over the past year, and in the wake of the Paris Agreement and the UN's Sustainable Development Goals, customers expect that sustainability is part of a company's profile. DAM has long had two environmental mutual funds: DNB Grønt Norden and DNB Miljøinvest. The first fund actively excludes companies with direct exposure to fossil energy and actively includes companies with an environmental profile. DNB Miljøinvest invests globally in renewable energy and energy efficiency. Furthermore, as part of efforts to reduce exposure to companies with high climate risk, DNB started to measure the carbon footprint of all equity funds in 2016.

A key element in reaching the climate goals of the Paris agreement is a significant reduction in the use of thermal coal. A number of companies were excluded from the investment universe of DNB in 2016 based on the coal criterion, and the job continues in 2017.

To further the work in the environmental, social and governance area in 2017, three long-term focus areas have been defined: climate change, water and human rights. In addition, in the 2017 engagement strategy, certain thematic engagements will be prioritised: corruption, fracking, supply chains in emerging markets and sustainable shipbreaking.

Torkild Varran
CEO
DNB Asset Management

FACTS

DNB Asset Management

DNB Asset Management (DAM) is part of Wealth Management (WM), a business area in the DNB Group.

DAM employed 114 people (FTEs) across four offices in Europe at the end of 2016. DAM managed NOK 531 billion in fixed income, equities, hedge funds, and private equity on behalf of institutional and retail clients.

The DNB Group, as Norway's largest bank, aims to promote sustainable value creation by integrating ESG (environmental, social and governance) aspects into all business areas.

DNB's work with responsible investments – guidelines and strategies

DNB is a long-term investor which aims to safeguard customers' investments in a long term perspective. DNB has chosen, in addition to following Norwegian standards, to support and participate in a number of global initiatives and international guidelines to ensure shareholder value in a long-term perspective. The Group supports internationally recognised standards and initiatives such as UN global Compact, the UN guiding Principles for Business and Human Rights, the OECD's Principles for Corporate Governance, and the OECD Guidelines for Multinational Enterprises. These standards and initiatives form the basis for the Group's work.

DNB has adopted high ethical standards for all investments. DNB's Responsible Investment Guidelines specify that DNB Asset Management will exercise special care with respect to certain transactions and acts, especially those which represent a risk of involvement in unethical conduct, infringement of human or labour rights, corruption or harm to the environment. These are standards that our clients attach great importance to and therefore apply to all investments made by DNB Asset Management and not only to specific responsible funds. In addition, all externally managed funds offered by DAM to its clients are screened, and DAM has an active dialogue with fund managers whose mutual fund portfolios include companies which DAM itself has excluded from its investment universe. The aim is to influence the funds to adopt a more sustainable and responsible investment practice. DAM shall not invest in or distribute external funds which include companies which themselves, or through units they control, produce weapons which, by normal use, breach fundamental humanitarian principles.

The investment considerations DAM makes are based on international conventions/norms for the environment, human rights, labour rights and corruption. DAM will not invest in companies that are involved in the production of anti-personnel landmines, cluster weapons, nuclear weapons or the production of tobacco or pornography. As from January 2016, mining companies and power producers which themselves, or through entities they control, derive 30 per cent or more of their income from thermal coal, or base 30 per cent or more of their operations on thermal coal, may be excluded from the investment universe. In addition, emphasis shall be placed on forward-looking assessments of the companies, including any plans which will reduce the share of their income or operations derived from thermal coal and/or increase the share of their income or operations derived from renewable energy sources. DAM has also developed specific guidelines for government bonds.

DNB has a Committee for Responsible Investments that implements and monitors the guidelines for responsible investments. If a company has been identified as being involved in controversial weapons, tobacco or pornography, as mentioned above, all holdings will be sold and the company will be excluded as a possible investment. If companies are considered to violate other parts of the guidelines, we primarily try to influence the companies by actively exercising ownership rights, but we also exclude companies on these grounds.

DAM's ambition is to offer its customers equity funds investing in companies which excel within environmental and social performance and corporate governance. In DNB Asset Management, we have products for clients who wish to have further exclusionary screening, among others **DNB Global Etisk** and **DNB Barnefond**. These funds also exclude companies that are involved in the production of alcohol, weapons or gambling. Furthermore, **DNB Renewable Energy** and **DNB ECO Absolute Return** invest in companies that can provide solutions to the challenges of climate change. The funds invest in companies involved in solar, water and wind power, but also in companies that promote more efficient use of electricity, such as more efficient power transmission and electrical batteries. We also offer funds that exclude direct exposure to fossil energy and have a clear sustainability focus, so **DNB Grønt Norden** focuses on Nordic companies with a positive environmental profile.

DAM puts considerable resources into ensuring that the responsible investments are of high quality. The work is undertaken by a team consisting of a manager and two analysts who work closely with both portfolio managers and the companies. Their assessments are supported by two external consulting firms which monitor companies in the portfolio, prepare sustainability analyses and engage in dialogue with companies in cooperation with and on behalf of DAM and its clients. The purpose of the dialogue is to influence the companies in a sustainable direction. The contact with the companies is often triggered by special issues related to environmental and social aspects and ownership administration, but may also reflect a wish to improve the companies' general sustainability performance.

Highlights from 2016

Q1 COAL CRITERION IMPLEMENTED

In January, the group management team approved the introduction of climate and coal criteria in the Group Guidelines for Responsible Investments. Mining companies and power producers which themselves, or through entities they control, derive 30 per cent or more of their income from thermal coal, or base 30 per cent or more of their operations on thermal coal, may be excluded from the investment universe. Emphasis shall be placed on forward-looking assessments of the companies, including any plans which will reduce the share of their income or operations derived from thermal coal and/or increase the share of their income or operations derived from renewable energy sources. In 2016, 55 companies were excluded as a consequence of the new coal criterion.

Q2 ACTIVE ENGAGEMENT THROUGH VOTING

Q2 is the high season for annual general meetings and voting. We aim to vote at all the Norwegian annual general meetings of listed companies in which DNB Asset Management (DAM) invests on behalf of its clients. During 2016, DAM voted at 110 AGMs in the Norwegian listed companies we have invested in. DAM exercises its voting rights in order to secure the funds' assets in a long-term perspective. Our voting practice is in line with The Norwegian Code of Practice for Corporate Governance and the OECD Principles of Corporate Governance. In 2016, we improved our voting practice and since then the portfolio managers, together with the ESG team, carry out more comprehensive analyses and publish our voting comments on dnb.no

Q3 DNB ASSET MANAGEMENT RESPONSIBLE INVESTMENT TEAM

In 2016 Q3, our second analyst joined the Responsible Investment team in DNB Asset Management. The team consists of Janicke Scheele team manager and two analysts: Karl Høgtun and Hanne Rasch Rognmo. They have different academic and professional backgrounds which strengthen their ability to shift from the traditional practice of social responsible investment to ESG integration in portfolio management. With a new organisational structure in place, the responsible investment team will continue to work closely with ESG integration in portfolio management. A new engagement strategy is now in place and we aim to further integrate ESG in investment decisions.

Q4 INTEGRATION OF CARBON INTENSITY AND ESG FACTORS IN OUR PORTFOLIO MANAGER SYSTEMS

ESG factors and carbon intensity measurements are integrated in our portfolio manager systems. Portfolio managers can track carbon footprints and ESG scores for their portfolio and down to a company level. Moving towards ESG integration in investment decisions, we believe that companies which score better on material ESG factors will outperform their peers.

Active ownership engagement in DNB Asset Management

Active ownership engagement is one of the bearing principles in the UN-backed Principles for Responsible Investment (PRI), which DNB Asset Management has committed to by signing the principles as early as 2006. Active ownership is one of the most important approaches in our work in responsible investments to ensure the long-term shareholder value for our investments. The main tools we use in our engagement with companies are voting, dialogue and screening in order to safeguard DNB's guidelines for responsible investments.

The specific companies DNB Asset Management chooses to engage with are chosen based on our engagement strategy. The level of engagement is decided by the severity of the suspected breach, our ownership status in the company and the likelihood that our engagement will have a positive impact on the situation. Qualitative dialogue with companies are very resource and time-consuming, but in our experience, this type of engagement is effective and will continue to be a priority for DNB. We use external service providers to carry out a norm-based screening of our investment universe. We regularly receive alerts containing new information or updates on companies in our investment universe that are or might be in violation with our guidelines.

In 2016, DNB's sustainability analysts held 72 company meetings with the primary aim to discuss various sustainability issues. Through GES Investment Services, our external engagement service provider, DNB has been in dialogue with 86 companies concerning suspected breaches of international conventions or otherwise ethically doubtful actions. These dialogues follow structured processes with clear targets for the desired outcome.

VOTING

In certain situations, in cases with significant public interest or of special interest to fund unit holders, DNB announces its decisions regarding voting at companies' annual general meetings. Voting records are published on dnb.no [1]. In 2016, we voted at 122 AGMs or extraordinary shareholders meetings. We voted against management on at least one item at about 20 per cent of the AGMs. We also served on the board nomination committee of a Norwegian company.

SCREENING OF EXTERNALLY MANAGED FUNDS

In 2016, DNB screened more than 100 externally managed funds in order to ensure that all funds we offer to clients are compliant with DNB's Guidelines for Responsible Investments. We were also engaged in dialogue with several fund management companies to discuss their practices within responsible investments.

CORPORATE DIALOGUE IN 2016

Responsible and sustainable investment activity implies exerting influence on companies as a shareholder to promote responsible business practices. DNB exercises active ownership primarily through dialogue with individual companies and by using its voting rights. During 2016, DNB's responsible and sustainable investment analysts had 167 meeting with companies to discuss various ESG and sustainability issues. We also participate in collaborative engagements with other investors in the UN PRI, for example within fracking and arctic drilling. We are member of the PRI Investor Working group on Sustainable Palm Oil.

1) https://www.dnb.no/privat/sparing-og-investering/fond/aktivt-eierskap.html

MEASURING PROGRESS OF COMPANY DIALOGUES

Our priorities for starting a company dialogue are described in our engagement strategy. When we start a company dialogue, it is usually in connection with a specific incident. We log company interactions in either internal systems or in our service providers system. Each dialogue has an objective and a set of milestones to ensure that the dialogue achieves a result. Progress is measured and registered, and in those cases where there is a lack of progression we may exclude or divest the company.

Corporate dialouge per topic in 2016

(more than one topic may be raised in one meeting)

Topic	No. of dialogues
Climate change/greenhouse gas emissions	4
Other environmental issues	27
Local communities/indigenous rights	6
Corruption	17
Human rights and labour standards	89
Other social issues	3
Structure and independence of the Board of Directors etc.	8
Remuneration	7
Other CSR issues	28

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EXCLUDED COMPANIES IN 2016

Companies that are in breach of DNB's Guidelines for responsible investments and show no willingness to change their practices can be excluded from our investment universe. As at 31 December 2016, DNB had excluded 129 companies that were deemed to be in breach of the Group's guidelines.[3]

Exclusion criterion	No. of companies
Anti-personnel mines (land mines)	0
Cluster weapons	6
Nuclear weapons	17
Environment	21
Labour standards	2
Human rights	12
Corruption	1
Pornography	1
Tobacco	25
Coal	44
Total number of excluded companies	129

2) Table externally verified by EY as part of DNB's Annual Report (including CSR) 2016. https://www.dnb.no/portalfront/nedlast/no/om-oss/resultater/2016/konsern-aarsrapport-dnb-2016.pdf
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Engagement strategy and priorities

To ensure compliance with the DNB Responsible Investment Guidelines, DNB acts as an active owner and regularly engages in dialogue with companies we invest in. The objective of engagement is to influence companies to improve their practices thereby securing long-term shareholder value and mitigate risk in the best interest of our clients and in accordance with our mandate. The cause for engagement is often specific concerns related to environmental, social and governance matters, but could also be in order to improve companies' general performance or sustainability related processes, which may otherwise lead to underperformance.

Our engagement strategy is divided into four major types of engagement activities that define what is valuable for our investments as a long-term investor. Companies that do not necessarily fall under our engagement strategy may be placed on our observation list.

Incident-based engagement is DNB's top priority in order to ensure that the companies we invest in adhere to DNB's Responsible Investment Guidelines. Incident-based engagement is employed in cases where companies are reported to be in breach of our Responsible Investment Guidelines or in breach of international norms and conventions. The incident in question should be deemed to be systematic in nature and/or to give severe negative consequences.

Informed proxy voting and explanation why is DNB Asset Management's policy. DAM seeks to vote at all Norwegian annual general or extraordinary meetings of those listed companies in which DAM has ownership. We explain our voting decisions and engage with nomination committees prior to annual general meetings. The objective of informed proxy voting is that the long-term effects of voting will secure shareholder value and ensure that the company acts in a sustainable way. From 2017, we will implement proxy voting for selected global companies and publish the proxy voting record.

We also work with **proactive long-term engagements** and **focus areas** to improve sustainability operations in investee companies where DNB has larger holdings or might have holdings in the future. Such dialogue can revolve around a specific issue or take place to raise the general level of awareness around sustainability issues. Companies we engage proactively with are typically not suspected of breaching DNB's Responsible Investment Guidelines, but have been identified to have an elevated ESG risk which we believe has not been sufficiently addressed. We have identified three focus areas we consider to be areas of concern within responsible investments in coming years. All three focus areas are inherently connected to various other key challenges.

Thematic engagement and industry- specific engagements[4]. Thematic engagement means engagement with companies within defined areas of concern, identified mainly by way of international initiatives, investor coalitions and clients' interests. We can also approach several companies within a specific industry to discuss an industry specific topic. The objective of having thematic and industry-specific engagements has been to increase knowledge internally in DNB about the environmental, social and governance matters in these industries in order to obtain a better basis for our investment decisions and to influence companies operating in these industries in a more sustainable direction to increase long-term shareholder value. In addition, thematic and proactive engagements aim to encourage companies to consider how they can manage these risks while preserving and increasing shareholder value.

DNB does not necessarily have to be current holders of the companies addressed in these engagements. All companies within an industry in a given index are potential holdings of DNB AM, and portfolio managers often buy in and out of companies. Investors in DNB's actively managed funds will indirectly benefit from the industry's improved sustainability efforts, and holders of DNB index funds will directly benefit from increased shareholder value in index companies. For 2017, our specific thematic engagements are corruption, fracking, supply chain in emerging markets and sustainable shipbreaking.

4) NB, the world is constantly shifting and this means that a topic or issue that has not been on our radar at the beginning of a calendar year can suddenly become critical, and an area that once seemed important can soon become obsolete.

Focus areas

In line with our long-term engagement, DNB Asset Management has identified three important focus areas which we consider to be areas of concern within responsible investments that provide us with a basis for continued work over a long-term perspective. We will continue intensifying our focus on three topics: climate change, water and human rights. All three focus areas are inherently connected to various other key challenges.

CLIMATE CHANGE

Climate Change has been a focus area in DNB Asset Management for years and is considered to be one of the major global threats. Climate change and its impacts may comprise a risk and an opportunity for businesses and with its long-term investment horizon this is a topic which has a high priority for us. We engage with companies which we identify to be exposed to climate risks, for example carbon pricing, regulatory risks and breaches of international norms and regulations. We also look at companies where climate change may result in improved business opportunities.

WATER

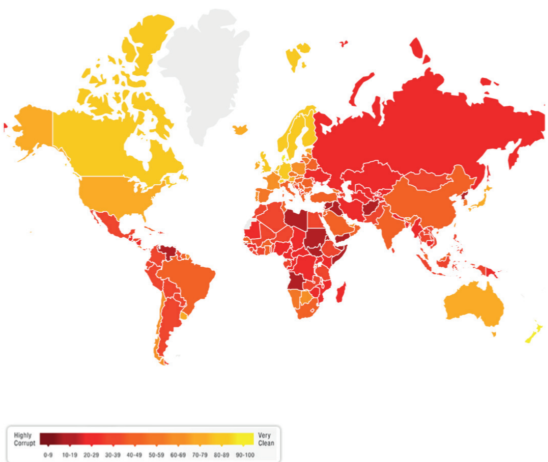
Identified by the World Economic Forum and the UN's 2030 Sustainable Development Goals, access to clean water and sanitation represent one of the top global challenges for the next decade. Water is an important input factor in a number of processes for many sectors. We expect to see an increase in water management being incorporated into business strategies, risk management and measuring and valuing water impact. We will broaden our knowledge of water management within relevant sectors and markets. Our goal for 2017 is to continue to focus on engaging with relevant companies and sectors to make them report their water management to internationally recognised initiatives, which will lead to better integration of water data in our ESG integrated analysis at portfolio level.

HUMAN RIGHTS

The long-term credibility of sectors, markets and companies may be dependent on the level of respect for human rights in their operations and products. Companies which ignore human rights factors in their business may bear operational, legal, regulatory and reputational risk. We expect companies to respect human rights in agreement with international 'hard and soft laws', norms and standards. We expect companies to incorporate human right in their strategic planning, risk management and reporting, in line with the UN Guiding Principles for Business and Human Rights.

Corruption and ESG integration

Corruption is widespread, and it is costly for society as a whole, for individual companies and for shareholders. The global map showing the Corruption Perception Index 2016 (from Transparency International) is quite illustrative. A large part of the world is painted in dark orange to red colors indicating medium to high levels of corruption. Corruption has very high costs for society, including a negative impact on freedom, money, and health, and at worst, it costs lives. There is a strong link between corruption and inequality[5] and corruption is an obstacle to fighting dangerous changes in the climate system[6].



Visit www.transparency.org/cpi2016 for more information.

Corruption can be very costly for individual companies. For example, fines and legal costs incurred by companies affected by the US Foreign Corrupt Practices Act (FCPA) can run into billions of Norwegian kroner. Often these direct costs of corruption are just the tip of the iceberg. Companies can also be exposed to many other costs, including loss of market access and reputational damage.

From a shareholder/investor point of view, corruption is a material ESG factor to consider across all main global industries. The hotspots are telecommunications, oil and gas, healthcare and construction and engineering. These are industries where many significant share price reactions due to corruption incidents have been observed. There is also emerging empirical evidence that corruption as part of a broader governance focus can enhance portfolio return. Recently in a report by J.P. Morgan, governance was found to be a particularly relevant ESG factor for companies listed in Europe[7].

DNB Asset Management (DAM) has had a significant focus on corruption for years. The aim is to be proactive, promote best practices and integrate the corruption variable into investment decisions. An important basis for the work includes the United Nations Convention against Corruption (2005), the UN Global Compact (10th principle), as well as several OECD conventions. A leading guideline for our focus on this topic in 2017 will be a PwC report on corruption presented to the Norwegian Ministry of Trade, industry and Fisheries in 2016[8]. We will also apply the ISO 37001:2016 Anti-bribery management systems[9].

DAM also uses external service providers to engage with companies internationally as teaming up with other investors through service providers increases the impact we can have. Our main global service provider for engagement has currently a corruption list of approximately 50 companies either on an evaluation list or in active engagement.

In many cases, corruption scandals serve as a catalyst for major reforms to a company's anti-corruption programmes. For example, in Norway, we have observed significant improvements by Telenor and Statoil following corruption incidents, however, some listed companies are repeat offenders. This is most common in cases where the initial fine is small and fails to serve as a strong deterrent. In 2016, the Chinese company ZTE Corp was excluded from DNB's investment universe due to its past history of corruption and the unacceptable risk of further corruption. Looking ahead, DAM will continue to focus on corruption.

5) http://www.transparency.org/news/feature/corruption_and_inequality_how_populists_mislead_people
6) https://www.transparency.org/whatwedo/publication/global_corruption_report_climate_change
7) ESG – Environmental, Social & Governance Investing", J.P. Morgan, 14 Dec 2016
8) https://www.regjeringen.no/contentassets/1e258223629a4b69999cab9b82ccd35f/rapport-narings--og-fiskeridepartementet-01.09.2016.pdf
9) https://www.iso.org/standard/65034.html

Company dialogue and other stories from 2016

In January 2016, DNB finalised the **new criteria for climate and coal** in its guidelines for responsible investments. Mining companies and power producers which derive 30% or more of their income from thermal coal (or base 30% or more of their operations on thermal coal) may be excluded from the investment universe. Our new criteria are in line with the Government Pension Fund Global.

Since 2008, DNB has not published the names of excluded companies. **In February**, DNB decided to change this policy and started publishing the names of the companies which are excluded from investment universe and disclosing more details on its company dialogue. Transparency is an important value for DNB and openness regarding exclusions and dialogue is seen as an important factor to create credibility and trust with our stakeholders.

In February, two companies associated with nuclear weapons were excluded from our investment universe. **BAE Systems** which is engaged in global defence, aerospace and security has been in and out of exclusion lists due to issues related to nuclear weapons. BAE Systems is involved with the US Navy Trident and US Air Force Minuteman missile programmes. Our guidelines do not allow companies to be included in DNB's investment universe which "develop and produce main components of nuclear weapons" (including "infrastructure for the maintenance of nuclear weapons"). BAE Systems is in violation with our guidelines. **Finmeccanica** has also been excluded by DAM for similar reasons. The company is a global player in the high-tech sector and a major operator worldwide in the aerospace, defence and security sectors. Finmeccanica is involved in the design, development and delivery of Transporter Erector Replacement Vehicles to support the US Minuteman III fleet. It is also involved in the joint venture (MBDA Systems) which supplies medium-range air-to-surface missiles for the French arsenal.

In March, DNO ASA was put on our engagement list after indications of breach with their own CSR policy. DNO is alleged for deterioration of security conditions. Corruption continues to be a large topic. **Petroleo Brasileiro SA (Petrobras)** is the largest listed company in Latin America and engages in activities relating to the production and refining of oil and gas. The company has been implicated in a large corruption scandal in Brazil ("Lava Jato"), and the US authorities have also started to investigate allegations of corruption. DAM has joined engagement activities with the company.

In April, 52 coal companies were excluded from our investment universe for the breach of the coal criterion in our guidelines for responsible investments.

Duke Energy Corp with subsidiaries was in September excluded due to repeatedly discharging environmentally harmfully substances to air, land and water. The companies were excluded due to the grave harm caused to the environment.

The challenges facing supply chains in **palm oil** production have been well known for years for both investors and the buyers of palm oil. As part of our engagement activities within palm oil, we are a member of the PRI Investor Working Group on Sustainable palm oil. In 2016, we have had dialogues with major companies such as Nestle, Procter & Gamble, Wilmar and Unilever regarding the serious issues related to palm oil.

A highlight within positive climate initiatives in 2016 was **the entry into force of the Paris Agreements** on 4 November. The first session of the conference of the Parties serving as the Meeting of the Parties to the Paris Agreement took place in Marrakech in November 2016.

Singapore Technologies Engineering Ltd. has been excluded from DNB's investment universe over a long period of time due to its production of anti-personnel landmines. This production has now ceased and the company was in November included in DNB's investment universe. By the end of 2016, 139 companies were excluded from DNB's investment universe.

In December, **The Task Force on Climate-related Financial Disclosure** published a report including **recommendations** for **effective disclosure of climate-related financial risks**, in response to a G20 request to consider the financial stability risks. The purpose of the recommendations is to develop voluntary, consistent disclosures to help investors, lenders and insurance underwrites mange material climate risks. Investors need the right information to allocate capital to manage risks and seize new opportunities in order to drive a shift towards a low-carbon economy.

Measuring the greenhouse gas emissions of mutual funds relative to reference indices

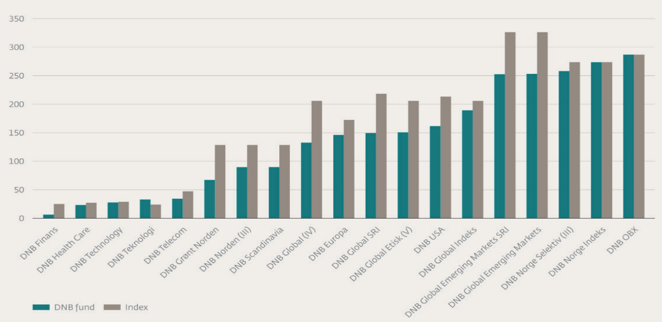
As part of efforts to reduce exposure to companies with high climate risk, in 2016, DNB started to measure the carbon footprint of all equity funds. Carbon footprint, also called carbon intensity, is the measurement of a company's greenhouse gas emissions relative to a company's turnover and is one of several factors that says something about a company's climate impact. After identifying the carbon risk in the portfolios, there are several ways to reducing the risk.

DNB uses information from MSCI ESG Research about companies' greenhouse gas emissions. 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. For companies without emission data, the average figure for companies in the portfolio with emission data has been used in the calculation. DNB reports CO_2 equivalents that include Scope 1 and Scope 2 emissions, as defined by the Greenhouse Gas Protocol. Scope 1 includes direct emissions from sources that are owned or controlled by the organisation, Scope 2 includes indirect emissions associated with purchased energy, while indirect emissions associated with purchased goods and services that fall in under Scope 3 are not included. The method for reporting greenhouse gas emissions is under development and could be subject to change.

The graph shows 19 equity funds and their respective indices where data on greenhouse gas emissions for more than 90 per cent of the funds' investments are specified. These funds represent about 83 per cent of the total market value of all of DNB's equity funds. Some funds are not included due to the lack of emission data. The graph is a snapshot of the portfolios as at 31 December 2016 and shows that compared with the respective indices, the majority of the funds had a lower or equal carbon footprint.

There is great uncertainty surrounding data on greenhouse gas emissions. Firstly, practices for the reporting of such emissions vary considerably, while some companies do not report their emissions, and estimated figures are used where data is missing. Despite the uncertainty, DNB is of the opinion that greenhouse gas emissions are an important factor to include in the analyses of companies' climate risk and impact.

Tonnes of CO_2 equivalent for every USD 1 million of revenue



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DNB Asset Management AS
Mailing address:
P.O.Box 1600 Sentrum
N-0021 Oslo

Visiting address:
Dronning Eufemias gate 30
Bjørvika, Oslo

dnb.no