



DNB Asset Management

Sustainability Risk Integration Guidelines



Summary

These guidelines are applicable to DNB Asset Management (DNB AM).

The aim of this document is to describe how DNB AM integrate sustainability risks into investment decision processes, as per Article 3 of the Sustainable Finance Disclosure Regulation (SFDR)¹.

SFDR defines sustainability risk as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment”.

Integration of environmental, social and governance risk factors into the investment decision making process is a part of our fiduciary duty towards customers and stakeholders. As a responsible investor with a long-term view, we aim to provide high, long-term returns, at an acceptable level of risk.

Sustainability risk is managed by several measures:

- Integration into policies, procedures and expectation documents, including [the Group Instruction for Responsible Investments](#) which applies to all funds and portfolios managed by DNB AM.
- Regular screening to uncover potential product violations, breaches of international norms and standards and/or material sustainability risks.
- Standard setting to highlight best practice for managing sustainability risks, including developing expectations documents.
- Active ownership through dialogues and voting to prevent breaches of the Group Instruction, mitigate sustainability risks and encourage companies to take advantage of sustainability-related opportunities.
- Integration of quantitative and qualitative sustainability data into portfolio management systems to ensure that analysts and portfolio managers have access to relevant information about sustainability risks enabling them to take these risks into account in the investment decision making process.
- Monitoring by the Independent Risk department on relevant metrics such as sustainability indicators and requirements that are mandate specific.

The guidelines prescribed in this document apply, in principle, to the entire asset management in DNB AM. Nevertheless, there are some specific and divergent guidelines for certain product types, which are further detailed under the heading “Particularities of certain product types”.

This version of the document (5.0) applies as of February 2025. It will be reviewed annually.

DNB Group Instruction for Responsible Investments

The [DNB Group Instruction for Responsible Investments](#) (Group Instruction) seeks to ensure that assessments of sustainability risk factors are integrated into investment decision-making processes. The Group Instruction is based on international norms and standards, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. The Group Instruction covers all asset classes and financial investments throughout the Group, including companies established under

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

DNB AM. Some specific and divergent guidelines for certain product types are further described under the heading “Particularities of certain product types”.

Based on the Group Instruction, companies will be excluded from DNB AM’s investment universe and portfolios if they themselves or through the entities they control:

- produce weapons² which through normal use violate basic humanitarian principles;
- produce tobacco;
- produce cannabis for recreational use, or
- produce pornography.

Companies which derive 30 per cent or more of their income from oil sands extraction, as well as 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 also be excluded from the investment universe. In addition, companies which either extract more than 20 million tonnes of thermal coal or have a power generating capacity of more than 10 000 MW from the combustion of thermal coal, may be excluded from the investment universe or placed under observation. In addition, emphasis will be placed on forward-looking assessments of the companies, including any plans which will change either the level of thermal coal extraction or the level of power generating capacity derived with thermal coal, and/or reduce the share of their income or operations derived from oil sands or thermal coal, and/or increase the share of their income or operations derived from renewable energy sources.

Further, companies may be excluded from the investment universe if there is an unacceptable risk that a company contributes to or is responsible for:

- serious or systematic violations of human rights;
- grave violations of individual rights in wars or conflict situations;
- the sale of weapons to states engaged in armed conflict that use the weapons in ways that constitute serious and systematic violations of international rules on the conduct of hostilities;
- the sale of weapons or military materiel to states that are subject to investment restrictions on government bonds from countries subject to sanctions imposed by the UN Security Council;³
- serious violations of basic labour rights;
- grave harm to the environment;
- acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions;
- serious corruption, or
- other particularly critical violations of basic ethical norms.

DNB AM will also not invest in government/sovereign bonds from countries subject to sanctions imposed by the UN Security Council. In addition, for all financial investments, DNB AM will respect sanctions (from the UN, EU, US (OFAC), UK, Japan, Australia, Canada and other local sanctions regulations if they are relevant) applicable to financial investments in DNB AM.

² DNB must not invest in companies that are involved in anti-personnel mines and cluster munitions, as described in the Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions, or in companies that develop and produce key components for weapons of mass destruction. Weapons of mass destruction are defined as NBC weapons (nuclear or atomic, biological and chemical weapons).

³ May also include other international measures of particularly large scale aimed at a specific country where Norway has supported the measures.

The responsible investment team gathers, processes, reviews, and presents ESG assessments and analyses for DNB's Committee for Responsible Investments. The Committee adopts recommendations on exclusion and re-inclusion based on the exclusion criteria in the Group Instruction. Decisions on exclusion and re-inclusion are made by the CEOs of DNB AM and DNB Liv. The Group Instruction for Responsible Investments is owned by the Head of Group Finance Sustainability.

Responsible Investment Approach

Standard setting

Developing and publishing expectations documents is an important part of our standard setting work. These documents outline how various sustainability issues are interpreted and are the basis for communicating our expectations to companies regarding best practice. In addition to this, the expectations documents are often the starting point for engagement with companies about relevant sustainability risks and opportunities, both proactively and reactively. We make all our expectation documents publicly available through our [website](#).

Screening

The investment universe is carefully screened, considering the DNB Group Instruction for Responsible Investments, seeking to identify and manage sustainability risks and opportunities. The funds and portfolio investments are screened on social, environmental and ethical criteria based on the following internationally recognised guidelines and principles:

- the UN Global Compact
- the OECD Guidelines for Multinational Enterprises
- the United Nations Guiding Principles on Business and Human Rights
- the Ottawa Convention (international agreement on the prohibition of anti-personnel mines)
- the Convention on Cluster Munitions.

We screen companies prior to inclusion into our investment universe, quarterly for benchmark rebalancing, and on a daily basis for changes to ESG ratings/factors or alerts on potential and/or realized breaches in international norms and standards. The purpose is to uncover potential product violations, breaches of international norms and standards and/or other parameters for material sustainability risks. Based on the screening, and in-house research (which is based on additional sources of information), we highlight potential sustainability risks and opportunities to the portfolio managers in addition to alerts on controversial issues. This way, screening functions as a foundation for the other pillars of our responsible investment approach, such as active ownership.

Active ownership

Company engagement and proxy voting are key elements of DNB AM's active ownership approach. We engage with companies both on specific incidents and to improve companies' general performance on sustainability-related issues, which may otherwise lead to financial underperformance. Engagements may either take place directly with companies, through our external service provider on engagements or in collaboration with other investors. Company dialogues, both reactive (incident-based) and proactive (risk mitigation) are top priorities to ensure that companies we invest in do not breach our Group Instruction.

To prioritize which incidents to engage on, we assess the severity of the potential breach, our ownership status in the company and the probability that our engagement will contribute to improve the situation.

We utilise different sources of data, alerts, and research from external consultants, brokerage firms and NGOs, and supplement this with our own research to make a final, informed decision.

The DNB AM voting guidelines state that we aim to vote at all Norwegian general meetings for listed companies we have ownership in, all annual general meetings for companies we have in our listed funds and all annual general meetings where a shareholder proposal is on the docket. Refer to specific product types under the heading “Particularities of certain product types”.

Voting will primarily happen by proxy, but we will physically attend shareholder meetings in certain cases. Our proxy voting service provider facilitates the voting process by providing both standard voting recommendations, and tailored recommendations based on our own voting guidelines. We supplement this with internal research and perform quality checks of service providers recommendations to make sure we vote in accordance with our guidelines. We share detailed information on our voting activity, including voting per fund, through an interactive voting dashboard, available [here](#).

Integration of ESG risk

All active funds managed by DNB AM utilise integration of ESG risks in investment decisions, although the process may differ between teams with different mandates. The Responsible Investments team works closely with portfolio managers, and key management teams have their own dedicated ESG analyst. ESG data is incorporated into DNB AM’s portfolio management and information systems and is available to all our investment professionals. Portfolio managers use this data in their company risk assessments and investment decision making. The availability of data in the front office system also often acts a flag for the portfolio managers, triggering further investigation and discussion with the responsible investment team regarding potential risks and the financial effect of these. These discussions may in turn trigger actions such as additional investigation or engagement with the company and it might impact the investment decision.

When evaluating which company to invest in, the portfolio managers evaluate traditional factors such as financial statements and projections, business model, peer group analysis, competitive positioning, management and industry trends. In addition, the portfolio managers conducts a sustainability assessment by evaluating several E, S and G factors and how these presents potentially risks and opportunities for the particular company. The sustainability assessment is based on a double materiality assessment and includes factors such as the relevant PAI-indicators in line with the fund’s SFDR requirements, CO₂ intensity/emissions of the company, ESG-scores from data providers and sell-side research.

Exclusions

Please see the chapter on the DNB Group Instruction on Responsible Investments for information about our exclusion criteria. Some funds have additional criteria beyond the Group Instruction and do not invest in companies with a significant portion of revenues coming from fossil fuels, conventional weapons, gambling, or alcohol production.

Before norms-based exclusions are decided, we aim to influence companies by actively exercising ownership rights as a first step. If the outcome of such activities is not satisfactory or the engagement period extends over two years with no change or progress in the company’s activities, we might also exclude that company on these grounds. The list of excluded companies is publicly available at our [webpages](#).

Transparency and Reporting

DNB AM strives to be transparent on our continuous work to manage sustainability risk. We report regularly on excluded companies, dialogues, voting activity and carbon footprint.

More information about our work in this area can be found in:

- DNB Group Annual Report 2023
- DNB AM Annual Report for Responsible Investments 2023
- Quarterly reports
- Principal Adverse Impact Statement
- PRI reporting framework
- Expectations documents
- List of excluded companies
- Active ownership section on our website

In addition, we regularly share updates on activities and news relating to our work on responsible investments on www.DNBAM.com.

Particularities of certain product types

Based on the characteristics of some product types offered by DNB Asset Management, there are certain exceptions to the principles presented above:

- **Individual portfolio management agreements**
DNB AM exercises exclusions, voting rights, and other ownership powers based on what is stipulated in each specific management agreement.
- **Private Equity (PE)**
A sustainability risk assessment is performed both for investments in PE fund vehicles and for direct investments, though the process differs from investments in listed fixed income and equity. A full description of screening and monitoring activities as well as information about the PE ESG assessment framework and how exclusion criteria is exercised for DNB AMs PE funds, please refer to the DNB Asset Management Private Equity ESG Guidelines.

Change log

Date	Version number	Comments / changes
March 2021	Version 1.0	First Sustainable Investment Policy created
June 2022	Version 2.0	Summary added, format changed, and general updates implemented
December 2022	Version 3.0	Name changed from Sustainable Investment Policy to Sustainability Risk Integration Policy. Minor adjustments to the text.
December 2023	Version 4.0	Updates in accordance with SFDR to cover all business areas. Changed name from "Policy" to "Guidelines".
February 2025	Version 5.0	Updates in links and minor adjustments to the text.

DNB