



DNB Asset Management

Engagement Guidelines



DNB Asset Management's Engagement Guidelines

DNB Asset Management (DNB AM) is responsible for exercising ownership rights through dialogue, meetings and other measures. DNB AM will seek to influence companies positively, and in cases where companies are suspected of acting contrary to the DNB Group Instruction for Responsible Investments and internationally recognised standards and conventions, encourage them to correct their actions. Furthermore, assessments of risks and opportunities related to ESG factors will be an integral part of the investment management and a starting point for active exercise of ownership rights.'

Active ownership through engagement seeks to ensure that our investment universe is in compliance with the Group Instruction for Responsible Investments. 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

Our engagement strategy is based on incident-based (reactive) and proactive engagements, which may be conducted individually or collaboratively. Additionally, informed proxy voting is a key component of our approach.

Incident-based (reactive) engagements

Incident-based (reactive) engagements are DNB AM's top priority to ensure that the companies we invest in adhere to our Group Instruction for Responsible Investments. Reactive engagements take place in cases where there are suspicions that companies may be in breach of the Group Instruction for Responsible Investments or of international norms and conventions.

The incident in question should be deemed systematic in nature and/ or as leading to severe, negative consequences. In order 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.

Proactive engagements

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 present. Proactive engagement may also be conducted as part of a fact-finding exercise where the team may, for example, double check research/data with the engagement company. This means that companies we proactively engage with are not suspected to be in breach of the Group Instruction for Responsible Investments. Companies that DNB AM has a large holding in, or which DNB AM may have a large holding in in the future, are typically targeted for this type of engagement. Such dialogue may revolve around a specific issue or to raise the company's general level of awareness around sustainability issues. These are important inputs to the investment decision-making process.

DNB AM does not always necessarily have to be a current holder of the companies addressed in our engagements. All companies within an industry in a given index are potential holdings of DNB AM, and active portfolio managers often buy in and out of companies. We measure progress and outcomes of our engagement work using milestones. 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 in order to prevent future violations
- The company's action is verifiable (where relevant)

Collaborative engagements

DNB AM may leverage engagements through collaborations with investors and initiatives. The type of dialogue that is most effective for achieving influence varies. For international companies where we lack significant ownership or local expertise, we may collaborate with other investors to increase our influence, typically through an external service provider. For engagements related to specific themes, we may collaborate with other investors through targeted initiatives, such as PRI led working groups.

Voting

The DNB Asset Management voting guidelines aim to vote at all Norwegian general meetings for listed companies our funds are shareholders in, all annual general meetings for companies we have in our listed funds and all annual general meetings where there are shareholder proposals. We engage with Boards, Management and Nomination Committees in relation to AGMs and will explain our voting decisions to companies when we have voted against the company's recommendation. Through informed proxy voting we endeavour to secure long-term shareholder value and ensure that companies act sustainably.

DNB AM's voting guidelines are applied on a case-by-case basis to cater to the specific circumstances of individual companies. DNB AM's voting guidelines builds on best practice within active ownership, and the Group Instruction for Responsible Investments forms the basis for our approach to voting at General Meetings globally. DNB AM also follows established international norms and standards including the G20's/OECD's Principles of Corporate Governance, the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights, the UN Principles for Responsible Investment (PRI), and the OECD Guidelines for Multinational Enterprises. Moreover, DNB AM has published a series of expectations documents which also help to inform voting decisions.

We share detailed information on our voting activity, including voting per fund, through an interactive voting dashboard, available [here](#).

Engagement process

In general, incident-based engagement processes should aim to not exceed two years. If the desired outcome 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 or the exclusion of the relevant company/companies from our portfolios. For proactive engagements, the aim of our dialogue is continuous improvement and the engagement periods may therefore be more flexible and long-term.

Focus areas

Our engagement strategy centers on long-term and shorter term, thematic engagements. Our long-term engagements do not change year-to-year. Thematic engagement, on the other hand, involves

engagement with companies within defined areas of concern, identified mainly by way of relevant ESG risks and opportunities. Inputs to determining such focus areas include:

UN Sustainable Development Goals (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 engagements.

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 the 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. The European Green Deal is Europe's new growth strategy, which considers sustainability and competitiveness together.

Monitoring

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 based on additional sources of information, the RI-team can highlight potential ESG risks and opportunities to the PMs in addition to alerts on controversial issues. Furthermore, the RI-team will also provide input/ recommendations about divesting or investing in securities.

ESG data is incorporated into DNB AM's portfolio management and information systems and is available to all of our investment professionals. Our PMs 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 DNB AM 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.

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.

- MSCI ESG Research for ESG reports, scores, data, business involvement screening research, carbon metrics and controversies, amongst other data points
- Sustainalytics (formerly GES) for norms based screening and engagement services
- ISS for proxy voting based on DNB AM's own guidelines
- Sell-side research
- Media
- Industry reports
- Non-Governmental Organisation (NGO) reports and meetings
- CDP for data on climate, water and forest

Managing conflicts of interest

DNB AM shall adapt and organise its business operations in such a manner that there is a minimal risk of conflicts of interest between the company and its customers or between the company's customers. The same applies to conflicts of interest between the company and its employees, and between employees and the company's customers.

DNB AM has in place satisfactory arrangements and procedures to identify conflicts of interest which may arise in its operations and which may be unfavourable for its customers. Risk-mitigating measures are implemented to counter the risk of conflicts of interest in the different areas of operation.

Communication

DNB AM's updated Engagement Guidelines is available on the following webpages:

www.dnbam.com

www.dnb.no

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