DNB Asset Management

Responsible and Sustainable Investments

DNB Asset Management exercises special care with respect to transactions and acts which represent a risk of being involved in:

- unethical conduct,
- the infringement of human or labour rights,
- corruption
- causing harm to the environment.

Our Group Standard for Responsible Investments also states that DNB will not invest in companies that are involved in the production, storing or trading of anti-personnel landmines, cluster weapons or nuclear weapons or the production of tobacco or pornography. The Standard builds on international norms and standards including the UN Global Compact, UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. In addition, companies which derive 30% or more of their revenues from oil sands, or mining companies and power producers which themselves or through entities they control 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 DNBs investment universe. Furthermore, companies which either extract more than 20 million tons of thermal coal or with power generating capacity of more than 10000 MW from the combustion of thermal coal, may be excluded from the investment universe or placed under observation. Emphasis shall be placed on forward-looking assessments of the companies 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.

DNB is also a supporter of investor initiatives including:

The United Nations (UN) supported Principles for Responsible Investment (PRI), is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact and sets forth six principles for how to invest responsibly. DNB has been a signatory since 2006.

The UN Environment Programme Finance Initiative (UNEP FI) is a global partnership between the UN and the financial sector and seeks to improve the understanding of the impact of environmental and social considerations on financial performance.

Resources and Processes

DNB Asset Management has a dedicated responsible investment (RI) team consisting of five full time employees, who work closely with the portfolio managers and the companies we invest in. The team analyses companies using research from external consultants as well as performing in-house research.

DNB's Committee for Responsible Investments has been established to administer and follow up the Group Standard for Responsible Investments. The RI team gathers, processes, reviews and presents ESG research to the Committee for updates, discussion, and/or decision.

Active Owners

The RI team's work is focused around four pillars: active ownership (using tools such as screening, dialogue, engagement, and voting), exclusions, standard setting and ESG integration of material risks and opportunities. Where active ownership does not lead to an acceptable solution, the company will be excluded from further investment until it has implemented adequate measures to remedy the situation.

Sustainability-themed Funds

Additional exclusion criteria and/or positive selection criteria are utilised for our sustainability-themed funds, thereby extending beyond the scope of the Group Standard for Responsible Investments.

More information, including annual reports, quarterly reports and expectations documents can be found on our website.

Meet the Team

Janicke Scheele, Head of Responsible Investments
Janicke has worked in Norwegian and global capital markets since 1989. She has experience with analysis, portfolio management, and strategic and tactical asset allocation. She has led the Responsible Investments team since 2015.

Karl Høgtun, Senior Analyst
Karl has an MBA and an MIM. He has worked in Norwegian and global capital markets since 1990. He has experience as an Analyst, Portfolio Manager, Head of Equities and Head of Nordic Equities (where he managed an environmentally-themed fund).

Henry Repard, Analyst
Henry has an MSc in Environmental and Sustainable Development from the University College London and has previous experience as an Analyst at CDP and KLP Asset Management.

Ingrid Aashildrød, Analyst
Has an MSc and a CEMS MIM from The Norwegian School of Economics and The University of Sydney Business school. Previously worked as an ESG analyst at Nordea. Joined the ESG team in 2021.

Lise Børresen, Analyst
Has an MSc in Finance from The Norwegian School of Economics. Previously worked as an Investment Analyst at Gjensidigestiftelsen. Joined the ESG Team in 2021.

Q2 2021

Company engagements - Highlights

In Q2, we met twice with the energy company **Equinor** in connection with the annual general meeting (AGM) in May and capital markets day (CMD) in June. The focus of the dialogues has been on governance issues and key strategic challenges, decarbonisation, and the energy transition. In April, we also met with Equinor's Chairman where he highlighted the main pathways for the company to follow. Within oil and gas, the company's global operations have been the main challenge. In the last year, Equinor has narrowed down its geographical focus significantly, enabling a stronger regional focus. A key topic in the discussions has been the Net Zero 2050 commitment and implications for goals and measures in the short and medium term, both in connection with the AGM and CMD. As part of the company's net zero strategy by 2050, Equinor will accelerate the investments in renewables, and seek new opportunities in hydrogen and CCS. We promote the alignment with the Paris agreement and a forceful energy transition, while being mindful that the considerable investments planned within renewable energy also must create shareholder value. In summary, regarding decarbonisation/energy transitions, Equinor and the whole industry have made progress, but is still working on finding the best path forward.

In June, together with 80 international investors, we signed an **investor statement on human rights and business activities in Myanmar. A**ddressing human rights risks in our portfolios is an important part of our responsible investment work in general, and specifically in the case of conflict-affected Myanmar. We expect companies to uphold their corporate responsibility to respect human rights by undertaking enhanced due diligence to address and prevent human rights harms and in so doing, mitigate risks associated with such violations.

We also met twice with the telecom company **Telenor** to discuss the coup d'état by the military in Myanmar and the risks of the company being implicated in human rights issues. Telenor underlined that they had three key priorities in Myanmar: 1) Employee safety, 2) keep the mobile network running, and 3) being transparent. Telenor have appeared to handle the situation orderly with respect to their employees and have done what is in their power to keep the mobile network (voice/SMS) up and running. The company believes it has not contributed to any human rights breaches, but later media reports suggest that the pressure from the government has increased lately. They categorically expressed that getting the wireless network (internet access) up and running has high priority as the circumstances are demanding for their systems. Telenor also stressed that this is in the interest of most people to ensure future growth. Yet, they had no indications of when they can fully open the network access to their customers. The whole situation undoubtedly presents a considerable dilemma for the company. Through our discussions with them, we have seen they have been working hard to manage a difficult situation and to find a workable solution. We will continue engaging with Telenor on the subject of human rights issues, and more broadly on the topic of data security and privacy.

Further on the topic of Human rights, we had an engagement with Facebook in June, in collaboration with other large investors. This was the first call we have had with Facebook on the topic and the ambition of the call was to understand the extent and scope of Facebook's new human rights policy, and their human rights practices in a range of at-risk countries. It was positive to hear about Facebook's policy and approach to protecting human rights. There were some areas unable to be addressed due to time constraints, which will be discussed in planned upcoming meetings with the company.

As part of our work on **sustainable oceans** and **biodiversity**, we met with two Chilean salmon farmers, **Salmones Camanchaca SA** and **Multiexport Foods SA** through our investor collaboration on **Sustainable Aquaculture** (representing USD 5.3 trillion AUM). The purpose of the engagement is to encourage global salmon farmers to manage ESG risks in their feed supply chains. Today, feed used in the production of farmed salmon remain reliant on fishmeal and fish oil (FMFO), which is produced from wild catch. While salmon producers have made clear progress on reducing FMFO use over the long term – marine ingredients made up around 80% in the 1990s to ~20-30% today, flat supply is forecast to increase costs and constrain growth for producers. At the same time, as FMFO use has declined, the inclusion of soy in salmon feed has increased. However, all three ingredients are vulnerable to climate risk. Steep price rises in marine and soy ingredients will increase pressure on producers' margins. If the industry is to continue growing, it requires increased quantities of feed, meaning marine ingredients must be supplemented with novel alternatives. Through the engagement, we encouraged the Chilean farmers to establish a science-based strategy to develop and scale alternatives to marine and soy feed ingredients. As long-term investors in the salmon industry, we believe that a research-led, comprehensive strategy to reduce dependency on feed sources such as soy and FMFO is fundamental to protecting biodiversity, reducing climate risks, and ensuring the future resiliency of the industry. In both meetings, we set out recommendations to disclose more information on R&D projects related to novel feed ingredients, including results of trials and percentage of total R&D spend that goes towards novel feed ingredients. Besides, we would like to see the companies report on absolute volumes of FMFO sourced through feed and the breakdown of FMFO sourced from whole fish and by-products. For Multiexport, we suggested conducting a risk assessment on the impact of continued dependence on marine and soy feed ingredients and disclose its commitment to source 100% certified soy by 2023.

Voting

We have voted at **270 company general meetings** by the end of June, which ends the primary voting season. We **voted against companies' recommendations at 119 meetings** on issues such as board composition, remuneration (executive management/board), capital structure, and shareholder resolutions. Voting is an important tool in our active ownership. DNB AM has increased its attention on shareholder resolutions and will take a more comprehensive approach going forward. In 2021, we have voted on **shareholder resolutions in 82 general meetings** (a total of 187 resolutions). We intend to vote (for or against) on all shareholder resolutions related to key topics such as:

- Climate change
- Biodiversity

- Relevant “social” shareholder resolutions (within labor/human capital management, human rights, board diversity, and workplace diversity)
- Lobbying in general

Standard Setting

Following the success of our participation in Climate Action 100+, we signed an **Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies**. This statement is an **investor collaboration** coordinated by the PRI via Climate Action 100+. The letter outlines climate-related transition risks, physical risks and expectations for airliners and aerospace companies, and encourage them to take key actions to manage and proactively position themselves for the transition to a low-carbon economy. To fulfil the goals of the Paris agreement it is especially important for carbon intensive sectors to shift their focus and manage emissions and the transition to net zero.

International News

In mid-May, the **International Energy Agency (IEA)**, released the report Net Zero by 2050 – A Roadmap for the Global Energy Sector which include the call for energy groups to stop all new oil and gas exploration projects and new field developments from 2021 if global warming is to be kept in check. While the report has attracted much attention and enthusiasm due to its high ambitions, not all countries welcome the IEA’s findings. Japanese, Philippine, and Australian energy officials have disputed the call for no new oil, natural gas, and coal investments. They argue that there are several ways to reach net zero, and that there is no ‘one size fits all’.

At his first **G7 leader’s summit**, president Joe Biden assured that ‘America is back at the table’. This was evident in the G7 communique which included a climate change commitment to a “green revolution” that would keep the 1.5 Celsius global warming threshold within reach by halving carbon emissions by 2030, reaching net-zero by 2050, and conserve or protect at least 30% of land and oceans by 2030. The G7 also promised to raise climate finance contributions to meeting the overdue annual spending pledge of USD 100 billion to help emerging economies cut carbon emissions and cope with global warming. However, the pledges have faced criticism for lacking detailed actions on how to manage the cut in emissions.

In June, the Norwegian government presented a white paper called **Energy for Work**. The paper describes how Norway can use its energy resources to create new jobs through added growth and ensure long-term value creation. The report builds on the government's climate plan and shows how Norway can further develop its position as an energy nation through investments in renewable energy and the electricity grid to lay the foundation for electrification and phasing out of fossil energy.

The European Climate Law has jumped its last hurdles and will make the European Union’s greenhouse gas emissions targets legally binding. At the end of June, the European Parliament voted in favor with almost two third’s majority, and the 27 member states have now formally approved the law. The bill sets targets to reduce net EU emissions by 55% by 2030, from 1990 levels, and eliminate net emissions by 2050. The first package of policies designed to cut emissions faster will be proposed on 14 July. The new law seeks to limit its reliance on carbon capture by capping the amount to 225 megatons of carbon. It will also seek to become a negative carbon economy. This will put the EU on a pathway that would limit global temperature increases to 1.5 degree Celsius, if followed globally. The next move from the **European Commission's legislators** will arrive on **14 July** with proposals which will cover a wide range of policies that aim to deliver the revised 2030 target.

In France, there has been a change to the **2015 Law on Energy Transition for Green Growth**. Under new biodiversity reporting rules, French investors are required to publish alignment to long-term biodiversity protection goals based on the Convention on Biological Diversity signed at the 1992 Rio Earth Summit. This must align with a 2030 time-horizon followed by updates every five years after that. Further, investors must analyse their investments’ contribution to reduce biodiversity impacts, as outlined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPSES) and demonstrate indicators of their biodiversity footprint based on international guidelines. The changes are said to align French investors with EU’s Sustainable Finance Disclosure Regulation (SFDR). The clarification of the climate law tightens the requirements by French policy makers and highlights expectations of significant contributions from French investors to the EU Green Deal, with the target of becoming carbon neutral by 2050.