



## Responsible and Sustainable Investments

DNB Asset Management (DNB AM) 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 AM 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, Senior 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.



### Lise Børresen, Analyst

Has an MSc in Finance from The Norwegian School of Economics. Previously worked as an Investment Analyst at Gjensidigestiftelsen.



## Q1 2022

### Company engagements – Highlights

Our first engagement of the year was a follow-up meeting with electrical equipment company **Schneider Electric SE**. The topic of the meeting was biodiversity, and related climate issues. The company seems to be quite well aligned with DAM's expectations on biodiversity (and on the related expectations on climate issues). Schneider has worked a lot with foot printing (KPIs) and disclosure. DNB AM nudged the company to increase disclosures, also the frequency, for example in the quarterly reports or on their website. Although Schneider has already set targets to deal with the biodiversity pressures in the company's footprint, further work is needed on metrics for the supply chain.

The aquaculture company **Andfjord Salmon** reached out regarding their upcoming materiality analysis. The company and DNB AM seems to have similar views about materiality. DNB AM suggested using the framework and KPIs from FAIRR as a starting point, and the company was interested in exploring this. Through the FAIRR initiative, DNB AM collaborate on engagements within sustainable aquaculture. We also suggested for the company to prioritise topics like climate issues, biodiversity, sustainable oceans, sustainable feed, and fish welfare as a basis for the materiality analysis and development of strategies and policies. The engagement will be continued in the spring to discuss the 2021 reporting and the implications for further sustainability work.

Further, we have met with media and entertainment company **Activision Blizzard Inc.** to discuss the lawsuits involving allegations of sexual harassment and discrimination at the company. Activision Blizzard does not believe that it has systemic workplace issues, but that it rather has challenges with employee relations caused by a public statement by the company. The statement is calling the allegations against the company "inaccurate" and "distorted". The company demonstrated that it is addressing the issues. It referred to numerous initiatives in the area, including a workplace Responsibility Committee to oversee implementation of initiatives. In addition, we encouraged the company to report in line with GRI regarding pay gap and gender split in different levels of the business (including pay gaps). We also encouraged transparency on board diversity, and bonuses contingent on diversity and inclusion. The company responded positively to this. We will follow up when the upcoming ESG report is published.

We engage with nomination committees, management, or the board - before or after the general meeting. The aim is both to ensure that the items proposed at the AGMs/EGMs are aligned with best practices for corporate governance as well as providing a better basis for voting decisions. In Q1 we have engaged with five companies related to AGM 2022, including energy company **Equinor ASA**. The meeting was concentrated on the upcoming Energy Transition Plan (ETP) that will be a voting item at the AGM 2022. DNB AM communicated that there are many positive elements

in the plan. However, the company's capex guidance for the medium term (50/50 oil & gas/renewables) has been under criticism by CA 100+ for not being ambitious enough. Equinor stressed that especially the natural gas may be made "greener" (decarbonized) by linking it to CCS/hydrogen. We will follow up with the company.

Further, we have held several collaborative meetings on climate and TCFD, also covering biodiversity and sustainable oceans. One of the companies we met with was shipping company **Wallenius Wilhelmsen ASA**. The company has made substantial progress in the use, and reporting, in line with the TCFD framework since the meeting in 2019. Wallenius Wilhelmsen has also started reporting to the CDP. We encouraged target setting in line with SBTi recommendations. The company is exploring the possibility of setting SBTi targets on net zero, including scope 3. Considering biodiversity, this has been on the company's agenda for several years. We suggested that the company consider developing a stand-alone biodiversity policy, further develop metrics and have more extensive reporting in this area. The company will consider this.

Furthermore, we have engaged with two companies on their sick leave policies and practices through an initiative coordinated by Interfaith Centre on Corporate Responsibility. We have met with variety store company **Dollar General Corp** and fast-food restaurant company **Jack in the Box Inc.** Dollar General was reluctant to share any information, thus it remains unclear what the actual benefit is, and who is eligible. While Jack in the Box shared some more information, DNB AM encouraged both companies to improve transparency on the matter as none of the information is publicly available. For Jack in the Box, we also urged the company to extend sick leave policies to franchisees, as most stores are franchised.

DNB AM has continued the thematic engagement on **Child Labour in Cocoa** through Sustainalytics. The engagement was started in 2019 and has shown good progress. Together with a group over 30 institutional investors, we have engaged major cocoa and chocolate companies in the three focus areas of this engagement: child labour monitoring and remediation, access to education and living income for cocoa-growing farmers. The engagement has continued to focus on improved income for cocoa-growing farmers. Most notably from the last few months, one company has announced a scale-up of an innovative premium payment scheme where cocoa-growing farmers receive additional payments in exchange for specified social and environmental practices, such as sending the household's children to school.

### Voting

Voting is an important tool in our active ownership. We have voted at **135 company general meetings** by the end of March in the run up to the primary voting season in April/May. We have **voted against companies' recommendations at 47 meetings** (on at least one item) on issues such as board composition, remuneration (executive management/board), capital structure, and shareholder resolutions.

In Q1, we have started sharing more detailed information on our voting activity through an interactive voting dashboard, available [here](#).

## Exclusions and re-inclusions

In Q1, two companies were excluded from DNB's investment universe: **Yunnan Baiyao Group Co Ltd** (Yunnan) and **Li Ning Co Ltd** (Li-Ning).

The **exclusion of Yunnan** is based on the criterium of unacceptable risk that the company contributes to serious environmental harm, outlined in DNB Group Standard for Responsible Investments. The risk is connected to the company's use of body parts from endangered animal species in the production and sale of ingredients for traditional Chinese medicine (TCM). In line with our expectation document on biodiversity, we expect that companies avoid contributing to reductions of any endangered species, according to the IUCN Red List of Threatened Species. We assess that there is an unacceptable risk that the excluded company contributes to irreversible environmental damage in terms of biodiversity loss, and that it is likely that the practice will continue.

The **exclusion of Li-Ning** is based on the criterium of unacceptable risk that the company is contributing to serious violations of human rights, outlined in DNB Group Standard for Responsible Investments. The risk is connected to its use of suppliers in China's Xinjiang Uyghur Autonomous Region. Findings indicate that Li-Ning has entered into a long-term production agreement with a supplier in Xinjiang which is said to manufacture inside an internment camp. This represents a substantial risk of forced labour.

## Standard setting

Finalising our **annual report on responsible investments for 2021** has been a priority in the first part of the year. Please see the recently published report [here](#).

We have signed an **investor endorsement of IDH's living income and living wage roadmaps**, together with a large group of 45 investors from several countries, with an AUM of 6.3 trillion Euro. The endorsement was announced by Sustainalytics at a living income event in March, with participation from more than 50 companies and investors, including cocoa and chocolate companies. The roadmaps aim to help companies develop tangible solutions regarding living wages and incomes. IDH encourage companies to take action and collaborate with actors in their value chains to make living wages and living incomes a reality for workers and farmers.

## International news

**Russia's invasion of Ukraine** has dominated the news landscape in the first quarter of 2022. Besides immense humanitarian and political consequences, the conflict also has implications for financial markets. With regards to ESG strategies, we can expect to see expanded premium valuations for clean energy innovations that help solve energy reliability risks<sup>1</sup>. Further, rising food prices resulting from lower supply from Russia and Ukraine should increase inclusive growth attention on companies providing lower-cost food solutions or can help mitigate impact to lower-income populations. We might also see increased attention on green enablers such as copper and aluminium as well as on cybersecurity.

World Economic Forum (WEF) launched the **Global Risks Report 2022**<sup>2</sup>. The report series tracks global risks perceptions among risk experts and world leaders in business, government, and civil society. It examines risks across five categories: economic, environmental, geopolitical, societal, and technological. The following three risks top the list of the most serious risks on a global scale over the next 10 years: 1) climate action failure, 2) extreme weather and 3) biodiversity loss. Risk related to social conditions has received increased attention in this year's report. Economic disparities and social and geopolitical tensions are highlighted in the wake of the pandemic. This may in turn weaken the opportunities for coordinated global cooperation to solve important challenges, such as climate and nature.

Social conditions have also gained attention with the launch of the **Final Report on the Social Taxonomy**<sup>3</sup> by the EU Platform on Sustainable Finance in February. The main rationale behind the Social Taxonomy is to be aligned with the Green Taxonomy by adopting a common approach based on risk and opportunities with two types of contribution: avoiding and addressing negative impacts and enhancing the positive impacts inherent in business. The three objectives are the following: 1) decent work (including for value-chain workers, 2) adequate living standards and wellbeing for end-users and 3) inclusive and sustainable communities and societies. The proposed EU Social Taxonomy will be crucial in helping the finance sector to make best-practice investment decisions with regards to social values. It is pioneering in its efforts to embed internationally agreed norms like the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, and the UN Sustainable Development Goals (SDGs) in European investment guidance.

In February, the United Nations Intergovernmental Panel on Climate Change (IPCC) launched part 2 of its sixth report on climate change, **the IPCC Sixth Assessment Report (IPCC AR6)**<sup>4</sup>. The report is important for financial market participants because it establishes the basis for political and regulatory direction. While the first part covered updated scientific data on physical climate change, the second report presents the latest evidence on the impacts of climate change and the ways of adapting to them. It shows that climate risks are appearing faster and will get more severe sooner. Climate change is occurring together with over-exploitation of natural resources, growing urbanisation and inequity to increase the threats to nature and society. Ecosystems and people are being pushed to their limits, and beyond. People who are most vulnerable are least able to cope. Urgent, accelerated action is required to avoid mounting losses. The last part, planned in April, will emphasise climate change mitigation.

<sup>1</sup> [From Aspiration to Action: Five shifts in Sustainability investing from Russia-Ukraine conflict \(gs.com\)](#)

<sup>2</sup> [Global Risks Report 2022 | World Economic Forum \(weforum.org\)](#)

<sup>3</sup> [Final Report on Social Taxonomy \(europa.eu\)](#)

<sup>4</sup> [Climate change: a threat to human wellbeing and health of the planet. Taking action now can secure our future — IPCC](#)