



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, cannabis for recreational use 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.



Q2 2022

Company engagements – Highlights

DNB AM has followed up with the Norwegian energy company **Equinor ASA** regarding energy transition and climate issues. In connection with the annual general meeting (AGM 2022), we met twice with the company, with a key topic being the new Energy Transition Plan (ETP). At the AGM 2022, the funds managed by DNB AM voted for the ETP and against all shareholder resolutions. Key elements in making the voting decisions were the good and continuous engagement process (alone and together with CA100+) as well as the progress made in the last few years by Equinor. However, we believe there is still room for improvements regarding Equinor's ambitions and measures for the Net Zero 2050-target, and as such, DNB AM will continue to engage the company. In dialogue with the company, DNB AM has communicated that there is room for improvements in the ETP concerning capex-mix, absolute emissions, and the greening of natural gas. Further, Equinor has published a scenario analysis in their ETP, but the modelling and assumptions of these calculations have been criticized by multiple stakeholders, for example WWF. DNB AM urged the company to be even more transparent about relevant details in their modelling.

In Q2, DNB AM has also engaged with seafood production and distribution company **Lerøy Seafood Group**. The dialogue on sustainable aquaculture has been ongoing since 2019, alone and in collaboration with other investors (FAIRR-led). The last meeting was focused on sustainable feed practices. Lerøy is in the middle of a large strategy project in this area. We will continue to nudge the company to complete and disclose a risk assessment and disclose targets regarding novel feed ingredients according to best practice (including net zero 2050/science-based targets).

In April 2022, conglomerate company **Orkla ASA** announced a new CEO. The changes he made to the executive management group resulted in a solely male team, despite an announced target of 50 percent female leaders on all levels by 2025. DNB AM had a meeting with the new CEO and other senior management staff to express our expectations towards companies on diversity and inclusion, as outlined in our expectations document, and to learn how the company aims to reach their goal of 50 percent female leaders on all levels by 2025. Orkla demonstrated ongoing work on diversity and inclusion. However, challenges are connected to lack of board level oversight of diversity and inclusion, and employees' lack of experience of equal opportunities, as indicated in an internal survey. We encouraged Orkla to prioritise work on diversity and inclusion in the whole organisation to build competency among leaders and a pipeline of diverse future leader candidates. Additionally, the management of diversity and inclusion should have board-level oversight. This was positively received by the representatives of Orkla. The CEO confirmed commitment to established targets. We will continue to engage with the Orkla.

We have been engaging with gambling companies for some time with an emphasis on responsible gaming, ensuring that companies have strong programmes and measures to prevent gambling addiction and to prevent minors from gambling. In Q2 we followed up with online gambling company **Betsson AB**. The company's progress on developing their responsible gaming practices was notable. The company has continued to prioritise this topic and are continuing to develop their solution to this issue. The release of the company's new predictive tool in Q1 22 looks to have a positive effect in terms of obtaining insights into the groups of users and allowing for greater ability to self-regulate. However, given the short time frame since the release of the tool and the meeting with the company, we will continue to monitor progress on this to evaluate the impact over time. DNB AM encouraged the company to be more transparent on the matter.

DNB AM initiated an engagement with the Indonesian mining company **PT Aneka Tambang (ANTAM)** together with other Norwegian investors after receiving research from Amnesty International on the conflict situation in Intan Jaya regency in Indonesia¹. Amnesty is concerned about how official plans to mine gold in Wabu Block would impact the human rights of local indigenous peoples. We met with the state-owned mining company ANTAM to understand the status of the company's possible plans for mining activities in Wabu Block and what steps have been taken. Furthermore, we wanted to ensure that policies and practices are in place to protect human rights and biodiversity. In the meeting, we learnt that the process is still on hold with regards to Wabu Block, awaiting government action. ANTAM did not provide satisfactory information on their human rights policies and practices but demonstrated efforts on the environmental aspect. We have sent follow up questions to the company and we will initiate a new meeting with the company when there are updates on the Wabu Block. DNB AM is doubtful on whether the project can be carried out in a sustainable manner. At the very least, if realised, we want to make sure that indigenous rights and biodiversity issues are managed according to best practice.

Furthermore, we met with electronics company **Arrow Electronics Inc** to identify possible gaps to best practice on governance. We discussed board composition including the separation of the role CEO/Chair. The current CEO will be replaced but will remain on the board. There is still no formal decision about the separation of roles, and DNB AM nudged again about this being best practice, and a concern of DNB AM. Furthermore, we discussed executive pay and ESG-linked remuneration. A new element for the AGM 2022 is quantitative performance measures in executive compensation program linked to carbon emissions, diversity, and equality. DNB AM saw this as a positive step, and further encouraged the company to have an eye on the rapid development of best practice in this area.

Voting

Voting is an important tool in our active ownership approach. This year, we have increased our voting activity, with an ambition to vote at approximately 1000 annual general meetings. We vote at general meetings for all Norwegian listed companies in which the funds have ownership, as well as all companies in active funds. In addition, the funds vote on all shareholder proposals. We have started sharing more detailed information about our voting activity through an interactive voting dashboard, available [here](#).

¹ [Indonesia: Gold Rush: Indonesia's mining plans risk fueling abuses in Papua - Amnesty International](#)

The second quarter is the primary voting season and as of June 30, we have voted at over 900 general meetings. So far, we have voted against at least one of the companies' recommendations at more than 40% of the general meetings. These matters included, among other things, board composition, executive remuneration, capital structure and shareholder proposals.

In 2022, we have voted on shareholder proposals at over 200 general meetings. Climate is an important topic at general meetings, both through the companies' own energy transition plans (ETP) and through shareholder proposals. Important elements in our voting decision are progression in the energy transition and how constructive our dialogue with the company is. This is one of the reasons why we voted against the shareholder proposals at the 2022 general meeting of Equinor ASA (and for ETP), while we supported the shareholder proposals aimed at Chevron Corporation (climate goals, scenario analysis and methane reporting).

Another important issue is executive pay. For example, we voted against the companies' own proposals at the general meetings of Apple Inc. and Global Payments Inc. due to extremely high CEO salaries. In the latter case, the shareholders were successful in rejecting the company's scheme.

We make decisions about voting based on our voting guidelines, discussions with the portfolio managers, the use of tailored recommendations from external suppliers, and dialogue with the companies. Voting cannot be considered in isolation but must be seen in connection with the ongoing dialogue we have with the companies.

Exclusions and re-inclusions

In Q2, three companies have been reincluded into the investment universe as they are no longer considered to be in breach with the DNB Group Standard for Responsible Investments.

- **Haci Omer Sabanci Holdings AS** was excluded due to tobacco production through a joint venture with Philip Morris. The company is now fully divested from tobacco.
- **Incitec Pivot Ltd** was excluded due to phosphate import from Western Sahara. The company stopped these imports in 2016, and stated it has no plans to restart.
- **San Leon Plc** was excluded due to exploration activities in Western Sahara. The company is no longer involved in such activities.

Based on the quarterly benchmark rebalancing screening, the following companies have been excluded from the investment universe due to a breach of the relative coal criteria:

- Shan Xi Hua Yang New Energy Co Ltd
- Jizhong Energy Resources Co Ltd
- Inner Mongolia Dian Tou Energy Corp Ltd
- Pingdingshan Tianan Coal Mining Co Ltd
- Adani Power (both absolute and relative coal criteria)

International news

Regulators around the world are ramping up efforts to fight greenwashing, in which the claims made by investors regarding the ESG or sustainability criteria used in a fund or firm's investment process is overstated.² In May, the U.S. Securities and Exchange Commission (SEC) announced that it had charged an investment management company for making misstatements and omissions about the ESG considerations used for investment decisions in some of its mutual funds. In June, it was announced that SEC is investigating a large bank's asset management division over certain of its ESG-themed investment funds, according to the Wall Street Journal.³

Firms both in the US and in Europe are likely to continue to increase scrutiny on their ESG claims as regulators introduce new sustainability-related reporting requirements. In May, the SEC **published new proposed disclosure rules for funds and advisers that claim to integrate ESG factors into their investment products and services**.⁴ In addition, the SEC proposed update to rules for the naming of funds, to ensure that names accurately describe the types of investments targeted by the fund and that it does not mislead investors about a fund's investments and risks⁵. The new naming rules require funds that use ESG in the name to allocate at least 80% of the fund's assets in assets aligned with an ESG investment policy.

In June, the Basel Committee on Banking Supervision issued **principles for the effective management and supervision of climate-related financial risks**⁶. With this publication, the Committee aims to promote a principles-based approach to improving both banks' risk management and supervisors' practices related to climate-related financial risks. The paper presents 18 principles covering corporate governance, internal controls, risk assessment, management and reporting. The principles seek to provide a common baseline for internationally active banks and supervisors, while retaining sufficient flexibility. The Committee expects implementation of the principles as soon as possible.

² [SEC Investigating Goldman Sachs over ESG Funds - ESG Today](#)

³ [SEC Is Investigating Goldman Sachs Over ESG Funds - WSJ](#)

⁴ [Proposing Release: Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices \(sec.gov\)](#)

⁵ [SEC.gov | SEC Proposes Rule Changes to Prevent Misleading or Deceptive Fund Names](#)

⁶ [Press release: Basel Committee issues principles for the effective management and supervision of climate-related financial risks \(bis.org\)](#)