



## 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 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



**Lise Børresen**, Head of Responsible Investments  
Lise was hired as Head of RI fall 2022, after working as an analyst in the team since 2021. Lise holds an MSc in Finance from the Norwegian School of Economics. She has previously worked as an Investment Analyst at the Gjensidige Foundation.



**Karl Høgtun**, Senior Analyst  
Karl holds an MBA and MA of International Management and has worked with Norwegian and global capital markets since 1990 in several roles. Karl is recognized within active ownership and governance.



**Henry Repard**, Senior Analyst  
Henry holds an MSc from University College London. He has experience as an analyst from KLP Asset Management and Carbon Disclosure Project before joining the team in 2018. Henry leads our work on climate and TCFD.



**Ingrid Aashildrød**, Analyst  
Ingrid holds a double master's degree from NHH and the University of Sydney Business School. She has previously worked as an analyst at Nordea before joining the team in 2021. Ingrid works with human rights, supply chains, health and food systems.



**Peder Heiberg Sverdrup**, Junior Analyst  
Peder holds an MA (Hons) from the University of St Andrews. He has previously worked in Norfund before joining the team in Q3 2022. Peder works with screening, analysis and reporting. He is also involved in our work on human rights.



## Q3 2022

### Company engagements – Highlights

DNB AM has completed a high number of engagements in the third quarter. With voting season behind us, there has been a strong focus on company engagements aligned with our focus areas for the year. We have recorded progression in milestones for the engaged companies in 68 per cent of the cases.

There have also been changes to the organisation of the Responsible Investment team at DNB AM. After Janicke Scheele decided to continue her career within Institutional Advisory in DNB AM, Lise Børresen stepped up as Head of Responsible Investments from October 1<sup>st</sup>. Lise joined the team as an Analyst in 2021 and has been working on water related issues, oceans, climate and the TCFD recommendations.

#### Old ships, new waves

DNB AM followed up with the Danish shipping conglomerate **A.P. Møller Maersk A/S** on several issues including climate, human and labour rights, biodiversity, and sustainable shipbreaking. Maersk have been making significant advances in their work on climate issues, shifting their net zero target forward to 2040 and is looking to align their target with the forthcoming industry standard when Science Based Target Initiative (SBTi) releases their sector guidance. DNB AM encouraged the company to work towards full scope 3 mapping on their value chain. With regards to labour rights, the company has seen some controversies related to their operations in Liberia but could report constructive dialogue with the local union. DNB AM also encouraged the company to engage in their solar supply chain with regards to mapping risk of ties to forced labour in panel production. Biodiversity is an area that is under development at Maersk and DNB AM provided guidance here by referring to our expectation document and best market practice.

Similarly, DNB AM also engaged the Norwegian industrial conglomerate, **Bonheur ASA**. The company has diversified their company portfolio in recent years and are in a transition towards increased share of renewables. Climate, biodiversity, and labour rights were also discussed in this engagement. This is our second engagement with the company. Bonheur ASA is taking a more conservative approach to their Danish counterpart, but the company is advancing both climate and biodiversity reporting and mapping efforts and hiring relevant staff to accommodate this. DNB AM encouraged this development and relayed our expectation on biodiversity for guidance. Human rights due diligence, with special regard for the supply chain, is being updated at Bonheur in line with changing industry best practice. Finally, governance has been a focus area in engagements with Bonheur from DNB AM's side and increased

transparency and board renewal were among the topics discussed in the latest meeting.

#### Threading the needle on sustainability

DNB AM has been investing in multiple companies looking to renew and disrupt the textile industry with new technologies. In Q3, DNB AM engaged Swedish textile recycling company, **Renewcell AB**, on both climate and water issues. The meeting concerned the company's emissions, and the company outlined their strategy for mapping scope 1-3 emissions. Water use was a key issue as their production of cellulose from recycled fabric is water intensive and requires re-use. DNB AM encouraged formalising policies on climate and water to accompany their innovative technology.

Similar to Renewcell AB, DNB AM also engaged the Finnish textile material producer, **Spinnova Oyj**, on the topic of climate and water. In this engagement the topic of biodiversity was also discussed, as the company relies on raw material from forests to produce their fibres for textile productions. The use of such raw cellulose fibres has a risk of contributing to deforestation and DNB AM encourage the development of a stand-alone biodiversity policy. This is particularly prescient given the controversy related to sourcing in Brazil. The company is already measuring and reporting scope 1 and 2 emissions, and DNB AM encouraged further scope 3 reporting and mapping as well as verifying their work with the relevant SBTi standard. In contrast to Renewcell AB, their water use is minimal in production, but this is likely to increase as they scale operations and DNB AM encouraged close monitoring on this going forward.

Circular economy and sourcing in textiles are both high on DNB AM's agenda. This quarter DNB AM has endorsed the **Business Coalition for a Global Plastic Treaty**, that is tackling the root causes of plastic pollution in accordance with the [UN Treaty on plastic pollution](#). The treaty seeks to reduce plastic production through circular economy methods, circulate all plastics that cannot be eliminated, and finally prevent and remediate the hard to abate micro plastics leakage into the environment. DNB AM will continue to engage our portfolio companies on this matter, and we commend the excellent work by companies like Renewcell AB and Spinnova Oyj in providing innovative solutions to the improved circularity and plastic reduction within the textile industry.

Our engagement with Norwegian residential solar company, **Otovo ASA**, intersected well with our engagement on climate and biodiversity, and the circularity engagements we had with the textile companies. Otovo ASA has not yet defined a net zero target but have done important work in their mapping of scope 1 and 2 emissions. Despite using offsets, they have also done considerable work in calculating avoided emissions in partnership with Nysnø, the Norwegian government climate investment vehicle. Avoided emissions is important emerging topic for DNB AM and we nudged for verification of method and target when possible. Circularity of solar panels is an emerging theme and Otovo ASA has established strong routines to ensure this. The solar supply chain is also tainted with a high risk of forced labour and DNB AM challenged the company to map the entirety of the value chain, develop stronger policies and publish these publicly when available. This was suggested especially in the light of the new Norwegian Transparency Act that came into force in Q3 and which is expected to be pertinent to the solar and textile sector.

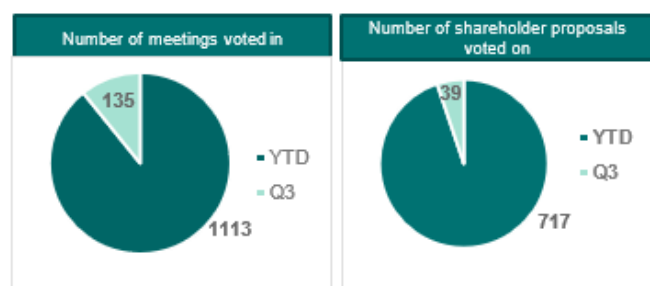
## Seeking guidance on climate targets

Climate is at the forefront of our engagement strategy at DNB AM. We expect companies to map their scope 1- 3 emissions and encourage companies to verify their net zero targets and commitments in line with best practice. Many of the companies we have engaged this quarter share this ambition, but sector guidance is yet to be finalised for multiple companies. Otovo ASA, A.P. Møller Maersk A/S, Bonheur ASA, and Vestas A/S, all expressed that they are awaiting sector guidance from the SBTi for net zero target verification.

## Integrating ESG in fixed income

DNB AM has for the past three years gathered ESG data through an annual company survey for our Norwegian fixed income portfolios. Many of these companies are not registered in databases from external service providers, so these surveys are a useful preliminary tool to aggregate ESG data, measure sustainability performance and more accurately integrate material risks and opportunities in our fixed income portfolio. Furthermore, many of the companies surveyed here have not developed policies and standards within ESG so our is also a way to guide these companies on their journey towards improved ESG integration and governance. The result from these surveys will be analysed over the last quarter and updated in portfolio manager front office systems, reporting and risk management systems.

## Voting



The main voting season has ended but there has been some notable activity in the third quarter. DNB AM has voted at 135 meetings, and on 39 shareholder proposals. We have voted with management on 89 per cent of all proposals, but we have also made use of our voting power to signal and influence companies on multiple issues. For example, we voted FOR the shareholder proposal (item 6) at the General Mills, Inc. on 27 September which asked for a report on absolute plastic packaging use. This vote reflects our commitment to the Business Coalition for a Global Plastic Treaty as well as our work on biodiversity

## Exclusions and re-inclusions

In Q3, six companies were excluded from DNB's Investment Universe, although none of our funds had exposure to these companies. They were four cannabis producers and two companies facing controversy for environmental harm.

One company, IJM Corporation was re-included in our investment universe in Q3. The company is no longer the owner of the subsidiary, IJM Plantations, that was the reason for the exclusion in 2015 due to deforestation practices in Indonesia. The subsidiary was sold in 2021

and the ground for maintaining the exclusion is therefore no longer valid.

Exclusions Q3 2022	
Product criteria	Environmental harm
<i>Cannabis production</i>	<ul style="list-style-type: none"><li>NHPC Ltd</li><li>Young Poong Corp</li></ul>
<ul style="list-style-type: none"><li>Aurora Cannabis Inc</li><li>Canopy Growth Corp</li><li>Cronos Group Inc</li><li>Tilray Brands Inc</li></ul>	
Re-inclusions Q3 2022	
<ul style="list-style-type: none"><li>IJM Corporation</li></ul>	

## International news

The landmark news for Q3 is the passing of the **Inflation Reduction Act of 2022 (IRA)**. From an environmental, social and governance (ESG) perspective, the legislation is designed to address climate change while also providing incentives for the fossil fuel industry. More than \$380 billion is to be invested in energy and climate reform; this is short of the \$555 billion that Democrats had originally proposed, but still represents the largest federal clean energy investment in US history. Christian Rom, Portfolio Manager for our Renewable Energy fund, [believes this could provide a significant upside](#) and follows key trend towards greener energy in the US market.

DNB AM is also closely monitoring the **emergence of anti-ESG legislation in several US states**. In late August, large asset managers along with sustainable investment funds from other banks, were barred from doing business with the US state of Texas due to violation of the state's recently implemented law targeting companies that "boycott certain energy companies", according to [reporting by Axios](#). The Texas law is mirrored in [several other US states](#), among them Florida and West Virginia.

In the European Union, the final report on the [guidelines for the MiFID II directive](#) were published. The updated guidelines which among other things, requires financial advisors to map the sustainability preferences of clients when providing financial advisory services. This is a welcome legislative guide for institutional investors and DNB AM hopes to see further investments in the several sustainability themed funds we have available for both institutional and private investors.

Back home, **Norges Bank Investment Management (NBIM) launched their new 2025 Climate Action Plan**. The plan outlines the Government Pension Fund Global's (GPGF) strategy for driving portfolio companies to net zero emissions by 2050 through credible targets and transition plans for reducing their scope 1, scope 2, and material scope 3 emissions. This is also in line with goals set by the DNB Group and covered by DNB AM and in line with what we engage with our investment universe on. DNB AM welcome GPGF's strategy and DNB AM hope to see this further drive the adoption of net zero targets in global capital markets.

**The Norwegian Transparency Act of 2021** also came into effect in on July 1<sup>st</sup>. The promote enterprises' respect for fundamental human rights and decent working conditions and ensure that the general public has access to information about how enterprises address adverse impacts on human rights and working conditions. DNB AM will monitor requests and report on this in line with regulation going forward.