



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 Instruction 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 Instruction 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 twenty 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 Instruction 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 Instruction 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.



Q4 2022

Company engagements – Highlights

DNB AM has completed a high number of engagements in the fourth quarter. There has been a strong focus on company engagements aligned with our focus areas for the year and meeting the remaining goals for 2022. We have also begun preparing for the engagement and ownership strategy in 2023, including adjusting long-term and thematic focus areas and setting goals for the coming year.

Labour rights and due diligence in Qatar and beyond

DNB AM engaged three companies in relation to their activities in Qatar. DNB AM have long had a focus on the elevated human rights risk of investments in the MENA region and in October Fair Finance released a report covering several companies in the hospitality and construction sector in Qatar. Findings from the **Fair Finance report** can be read [here](#). The companies' activities in Qatar became a useful starting point for a wider discussion on human rights due diligence related to expansion strategies. The three engagement-cases also illustrate different challenges to improve supply chain oversight on human rights and labour issues.

Our engagement with **Accor SA**, the French multinational hospitality group, focussed on disclosure of findings of audits and details on recruitment management. Accor was the official hospitality partner for the FIFA World Cup, operating over 60 000 rooms in the country through several hotels and rental properties. They are also a substantial operator in the MENA region. DNB AM encouraged increased transparency on labour sourcing and audits in company reporting. Similarly, our meeting with the British hospitality group, **InterContinental Hotels Group**, concerned their asset-light business model and how they are working to mitigate the risk of human rights violations in opaque and complex supply chains. Their exposure to the MENA region is more limited when compared to Accor, yet transparency on these matters were encouraged from DNB AM. The last company in our series on Qatar engagements was the Singaporean property group, **City Developments Limited**. The company acquired Millennium & Copthorne Hotels Plc in 2019, which has properties in the MENA region. City Developments Limited has robust internal controls and HSE management, however, there is a lag in harmonising the policies of the hospitality operations with the Singaporean parent company. We encouraged the acceleration of policy and operations harmonisation efforts with increased disclosure. DNB AM will continue the efforts of engaging companies on supply chain oversight with a special focus on human rights and labour issues and with a special consideration for guest workers.

Avoided emissions as a metric for success

In Q4, the DNB Renewable Energy team [released their 2022 report](#) about the fund, including details on avoided emissions and engagements

undertaken. The fund committed to engaging with 80% of holdings in 2022 on their emission reduction targets. This engagement has included both companies that have already set net-zero targets, and those which are yet to set a target. The DNB Renewable Energy and Responsible Investment teams have worked together to develop a framework for assessing the quality of net zero targets, in order to understand company progress over time. The framework was developed based on Climate Action 100+'s (CA100) framework (to which DNB AM is a member), and inputs from other sources including the CDP, TCFD, and the SBTi. This work will be expanded in 2023 to engage key contributors to DNB AM's carbon footprint on their actions regarding emissions reductions.

A bottleneck for circularity

Circularity is an emerging thematic lens for our company engagements heading into 2023. Reducing waste and increasing efficiency is also inherently positive for the company bottom line. How companies approach a more circular business model is highly contextual to the markets and sectors of operation, but we challenge companies to develop this lens in their operations. In Q3 we engaged the textile company **H&M Group AB**, who has looked to diversify their brands, but there is an inherent conflict with policies and the business model as it stands today. The groups diversification away from fast fashion towards a circular model requires further spending to bridge gaps, but differing market conditions and infrastructure for fabric recycling has been an issue.

In our emerging markets portfolios, **Arca Continental S.A.**, a Mexican multinational company that produces, distributes, and markets beverages under The Coca-Cola Company brand across Latin America, is a strong performer. Our dialogue with the company on circularity and waste reduction illustrated the many challenges companies face when integrating this in their operations. Despite a lack of public-private partnerships and legislation in many of their markets, their use of recycled material and unit recycling rates are remarkably high. However, their impressive performance does not overshadow the need for governments and large companies in pushing for increased facilitation and support for circularity efforts in national infrastructure investments.

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 Norwegian fixed income portfolio. The data shows marked improvement for all, with banks in particular showing increased commitment and development of ESG metrics for their operations. Size is a predictor of ESG integration, but some smaller companies within banking and utilities sector are outperforming their size on many metrics. The results from this years' analysis has been integrated into our systems and we are following up with companies that are flagged due to their performance.

Meeting the mark on SFDR in the EU and Norway

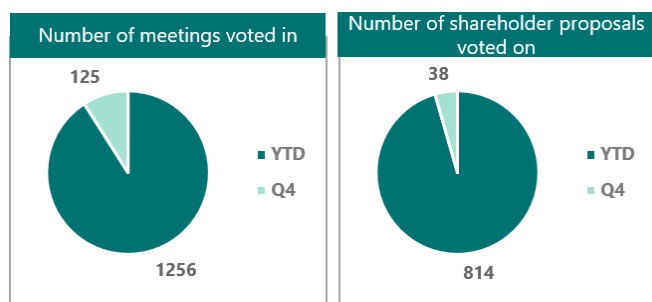
The end of Q4 also represented an important deadline for compliance with the new EU regulatory framework, the Sustainable Finance Disclosure Regulation (SFDR). DNB AM's product and Responsible Investments teams have worked with portfolio managers to prepare the

funds for the new disclosure regulation. At the end of the quarter, the Norwegian Ministry of Finance announced that Norwegian-registered funds would also be required to comply within January 1st, 2023. After considerable work to ensure compliance, DNB AM was in compliance with the new legislation both on product and entity level within the regulatory deadline.

Effective investor collaborations

Collaborating with other investors, is an indispensable tool in expanding the reach of our active ownership measures. Multiple initiatives have been launched and we have also prepared for existing initiatives in 2023 during this past quarter. We have signed and joined the **Principles of Responsible Investments (PRI) Advance** initiative that launched in December. PRI Advance is a group of 220 investors, representing more than \$30 trillion USD in AUM of endorsed investors. Meetings with companies enabling the green transition will begin in Q1 2023. We have also re-committed to the **KnowTheChain** textile supply chain engagement series as well as a series of **FAIRR** initiatives on working conditions and biodiversity that will guide engagements going forward.

Voting



The main voting season has ended but there has been some notable activity in the fourth quarter. DNB AM has voted at 125 meetings, and on 38 shareholder proposals. We have voted with management on 90 per cent of all proposals, but we have also made use of our voting power to signal and influence companies on multiple issues. We have had dialogues with several nomination committees to prepare for the upcoming voting season in Q1 and Q2 2023

Standard setting

In Q4, we made minor updates to [our global voting guidelines](#), further emphasising board diversity and representation.

Exclusions and re-inclusions

In Q4, two companies were excluded from DNB's Investment Universe. **Cognyte Software Ltd** is an Israeli company which supplies surveillance and analytics software. The company operates its business through tailored technological solutions as well as training, service and maintenance. In a report from the company Meta from December 2021 entitled "[Threat Report on the Surveillance- for-Hire Industry](#)", the company is named as having enabled the managing of about 100 fake accounts across social media platforms such as Facebook, Instagram, Twitter, YouTube and VKontakte (VK) to social-engineer people and collect data. The company has not adequately addressed these allegations and because of the lack of mechanisms for mitigating the risks of such violations, the company has been excluded from our investment universe. **PTT PCL, and PTT Oil and Retail Business PCL** is Thailand based oil- and petroleum companies which through its

subsidiary PTT Exploration and Production PCL, is a partner with the state-owned oil company Myanma Oil and Gas Enterprise (MOGE) in three offshore gas fields in Myanmar. Through their operations in the country, PTT/PTOR secure significant revenue streams that can fund the military's activities and abuses in Myanmar. Both MOGE and MEC are sanctioned by the EU and other countries, including Norway.

International news

Exclusions Q4 2022
Human rights
<ul style="list-style-type: none"> Cognyte Software Ltd PTT PCL, PTT Oil and Retail Business PCL
Re-inclusions Q3 2022
No re-inclusions in Q4.

At the end of 2022, investors find themselves asking a central question after two important global summits. Good COP or bad COP? Both COP 27 and COP 15 have resulted in separate agreements, but the question of effectiveness looms large.

Governments reached an **agreement on the Global Biodiversity Framework (GBF) at the CBD COP 15** in Montreal, Canada. The short-term targets included protection of 30 per cent of terrestrial inland and coastal areas by 2030. There is also a call for this protection to be ecologically representative. The Montreal agreement illustrates the increased attention and acknowledgement of the symbiotic and integral role of nature and biodiversity in combatting climate change in a sustainable manner.

COP 27 in Sharm el-Sheikh, Egypt, resulted in an agreement to provide "loss and damage" funding for vulnerable countries hit hard by climate disasters. The summit also represented considerable progress on adaptation, with governments agreeing on the way to move forward on the Global Goal on Adaptation, which will conclude at COP28. The decision plan for transition highlights that a global transformation to a low-carbon economy is expected to require investments of at least USD 4-6 trillion a year. DNB AM is well positioned to play a significant role in helping the transition to a low carbon economy with several of our funds operating on our low carbon platform, like DNB Nordic Equities and DNB Renewable Energy.

There have also been exciting technological innovations in the past quarter in the path to net zero emissions. The [fusion energy breakthrough](#) announced in December is an engineering milestone that carries momentous implications for the future of clean energy.

The **ongoing critique of responsible and ESG investing** is also an important story to follow in the future year. In the United States, state legislators in Texas and several other states have previously challenged the ESG investment policies of large asset managers and accused financial institutions of hostility to fossil fuel financing. In December, [Vanguard decided to comply](#) with Texas legislature and abandon the [Net Zero Asset Managers](#) coalition, which requires a commitment to cut emissions to net zero by 2050. In academia, the article "[The End of ESG](#)" by Alex Edmans om Financial Management, outline new perspectives for asset managers and investors. However, we expect sustainable (ESG) investing to continue to adapt, especially relating to clarity of the role of ESG in a specific investment process (ESG integration) as well as improved disclosure