



## 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 six 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**, 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.



**Olav Midtveit Bertelsen**, Analyst  
Olav holds a MSc in Finance from Grenoble Ecole de Management and has previous experience from economic research and fixed income investment strategy from Allianz before joining the team in Q1 2023. He works with ESG-data, regulatory framework and reporting.



Q1 2023

## Company engagements – Highlights

The first quarter of 2023 has been focused on the production and distribution of our annual report for responsible investments for 2022. The annual report and a summary of its highlights is in the [Standard setting section](#) of this quarterly report.

### Preparing for voting season

The voting season is well under way with company AGMs occurring daily. DNB AM releases information on how we have voted on our voting dashboard, which is updated daily and is publicly available [here](#). In preparation for AGMs, we have held meetings with several nomination committees on issues where we have sought clarity ahead of voting. Regarding **Elkem ASA**, DNB AM raised the question about minimum requirements for each board members ESG insight as well as possible training/onboarding. The nomination committee seemed receptive. Furthermore, in connection with a possible board renewal in 2024, DNB AM urged the nomination committee to consider a better balance between majority shareholders and other shareholders. In **Agilyx ASA**, the nomination committee has worked hard on improving the board composition (in 2022), and they believe that the board is of high quality. DNB AM encouraged some improvements in the AGM notice including the explanation for deviations from NUES and more clearly stating the independence status for board candidates. Finally, **Norsk Hydro ASA**, was also engaged on board structure and competence prior to the 2023 AGM. The importance of high return on capital (ROC), and related board focus and competence, was discussed. DNB also suggested using ROC as a KPI for the nomination committee's board evaluation in a more formalised manner. Finally, having the necessary competence regarding ESG (climate, biodiversity, and circularity) in the board was also a key topic for discussion.

### Corruption on the agenda

DNB AM has been engaging with LM Ericsson for many years on several issues. In Q1, we have met with the company on three occasions. One of the meetings was held in preparation for the company's AGM. A core issue discussed was remuneration for management, especially best practice for the long-term incentive plans. We also had a meeting with the chairman and the audit & sustainability committee on their commitment to risk management of environmental and social factors in addition to country risk assessments. This topic was also the scope of our third meeting with the company, with the CFO, following the settlement with the US Department of Justice (DoJ) related to anti-corruption measures. DNB AM assesses the company to have reached significant progress in its anti-corruption framework, the key remaining elements are a successful completion of the DoJ monitorship (due June 2024) and resolving the Iraq controversy.

We also engaged **Danske Bank AS** in follow up of their involvement in money laundering, which took place at its former Estonian branch between 2007 and 2015. Danske bank has advanced meaningfully in their efforts to implement remediation measures. Further to this, DNB AM assesses that there is still a relevant gap with respect to corporate culture. DNB AM encouraged Danske Bank having something more comprehensive and accountable that shows that they have identified what their culture is, what needs to be improved, and having a comprehensive plan for improvement. A key checkpoint will be the successful completion of the financial crime plan (the end of 2023).

### Strategy without guidance

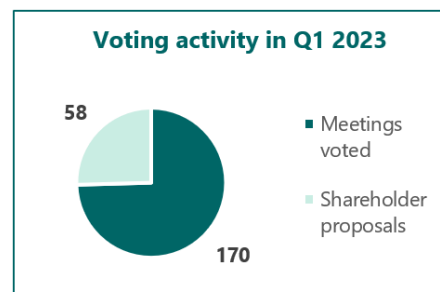
In our climate engagements, we have used a new approach developed by DNB AM, with influence from the Climate Action 100+ framework, to assess company progress in setting and meeting their climate goals. **Yara ASA** is a key holding in many of actively managed funds in DNB AM and we have engaged the company several times in the past few years. The scope for the meeting held this quarter was to advance our dialogue with the company on the topic of climate. Yara is in the process of setting a science-based target, but there is no current Sectoral Decarbonisation Approach for the chemicals sector by the Science-Based Target Initiative. DNB AM encouraged the company to continue working on their efforts to assess emissions despite lack of formal guidance. The company stated that they are utilising internal resources and competencies for their climate strategy, as well as significant capital expenditure in developing green ammonia production in partnership with the Norwegian government. **Petróleo Brasileiro S.A.**, better known as **Petrobras**, is a Brazilian oil and gas production company that we also engaged with using the climate framework in Q1 2023. The company trails peers in aligning their climate targets with capital expenditure to contribute to diversification of the energy mix. DNB AM encouraged the integration of scope 3 emissions and carbon pricing in company risk assessments. Like Yara, the company is still awaiting the finalisation of the sectoral guidance from the Science-based Target Initiative. However, DNB AM encouraged the company to integrate their work with the Oil and Gas Climate Initiative as a tool for developing their climate strategy and transition plan.

### 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 in the past year and many are also well underway during this past quarter. The **Principles of Responsible Investments (PRI) Advance** initiative that launched in December has already started and the first round of company engagements will be completed within the first half of Q2. We will also continue participation in the series of **FAIRR** initiatives including working conditions, biodiversity, and pollution from animal waste, that will guide engagements going forward. In Norway, we have also joined an initiative with other institutional investors, where we engage with Norwegian-listed companies on climate and biodiversity issues.

### Voting

The main voting season has just started, but there has been some notable activity



in the first quarter already. DNB AM has voted at 170 meetings, and on 58 shareholder proposals. We have voted with management on 94 per cent of all proposals, but we have also made use of our voting power to signal and influence companies on multiple issues like remuneration and environmental issues.

DNB AM releases information on how we have voted on our voting dashboard which is updated daily and publicly available [here](#).

## Standard setting

The DNB AM annual report for responsible investments for 2022 has been published and be [read here](#). The report describes key highlights from the past year and offers a detailed overview of how we work with responsible investments in DNB AM. Some highlights include:

- 30 percent increase in the number of company dialogues compared to 2021, with over 300 dialogues in 2022.
- Almost quadrupling of the number of general meetings where we voted compared to 2021.
- ESG integration has continued in 2022 with both the annual fixed income survey and the increase in number of sustainability themed funds.
- Best practice climate reporting according to the TCFD.

DNB AM is also pivoting its focus for 2023, making some changes to our long-term and thematic focus areas. Biodiversity has now been promoted to a long-term focus area alongside climate, human rights, and water. We are adjusting our internal process and tools to further promote this area in company engagements. Furthermore, the thematic focus areas have also been modified for 2023. Product quality and safety is no longer a stand-alone focus area for DNB AM but will be included in other thematic focus areas. Human Capital has been launched as a new area, focussing issues relating to employee and industrial relations. This focus area is complemented by our remaining thematic focus areas of oceans, and health and sustainable food systems.

## Exclusions and re-inclusions

Exclusions Q1 2023
<b>Human rights</b>
<ul style="list-style-type: none"> <li>• Bharat Electronics Ltd.</li> <li>• PTT Exploration and Production PCL</li> <li>• AviChina Industry &amp; Technology Ltd.</li> </ul>
Re-inclusions Q1 2023
No re-inclusions in Q1.

In Q1, three companies were excluded from DNB's Investment Universe. All three companies were excluded because of their associations with human rights abuses in Myanmar. **AviChina Industry & Technology Co Ltd** is a Chinese state-owned aerospace and defence conglomerate. It primarily manufactures advanced electronic products for ground and aerospace applications. The company was excluded due to an unacceptable risk that the company contributes to, or is responsible for, selling weapons to a state that uses these weapons in ways that constitute serious and systematic breaches of the international rules on the conduct of hostilities. Their sales of light airplanes and other military material to the military in Myanmar is the cause of the exclusion. **Bharat Electronics Ltd** is an Indian Government-owned aerospace and defence

electronics company. The sale and delivery of weapons that been reported to have been used in attacks on civilians in Myanmar is the cause of the exclusion. This is the same criteria as AviChina Industries & Technology Ltd. **PTT Exploration and Production PCL** is a Thailand based oil- and petroleum companies which is a partner with the state-owned oil company Myanma Oil and Gas Enterprise (MOGE) in three offshore gas fields in Myanmar. DNB AM has previously excluded its two parent companies, PTT PCL, and PTT Oil and Retail Business PCL in Q4 2022 for the same association. Through its operations in the country, PTT Exploration and Production PCL secure significant revenue streams that can fund the military's activities and human rights violations in Myanmar.

## International news

The concept of the **Energy trilemma** has emerged in debates and annual reporting for 2022. The concept describes the interplay and interaction between energy security, energy transition, and energy affordability. It is important to remain aware of how energy demand is changing and how especially, European energy providers and industrials are working to meet the changing energy landscape of a post-Ukraine invasion. However, the argument of the trilemma can also be used as a justification for reduction of efforts to fulfil both short term and long-term climate targets. Norwegian Minister of Energy and Petroleum, Terje Aasland (Ap), [stated on Equinor's autumn conference](#) that "continued exploration and production of the continental shelf is Norway's greatest contribution to the energy mix."

The **ongoing critique of responsible and ESG investing** has continued into the new year, and it is expected that this critique will be a key talking point for critics going into the next election cycle in the United States and beyond. The critique is not just voiced by critics in the media or in politics. [According to Responsible Investor](#), anti-ESG proposals are up 60 per cent in 2023 proxy season. This despite the category receiving low support in 2022. In the [DNB AM annual report for responsible investments for 2022](#), the voting section (p. 30) describes the type of shareholder proposals that gained traction in 2022, with ESG proposals and environmental proposals in particular gaining traction. However, there is also considerable backlash from both investors and companies who are arguing for the limits of "stakeholder capitalism" to be restricted and redefined.

Vanguard CEO Tim Buckley, said in an [interview with Financial Times](#) that ESG has led to irresponsible decision making. However, this view was challenged in the [annual letter by Blackrock CEO](#), Larry Fink, stating that foresighted companies and investors who recognise opportunities in both transition and company management will continue to provide good investment cases. In short, companies perform better when they are deliberate about their role in society and act in the in the interest of their employees, customers, communities, and their shareholders. DNB AM agrees with Mr Fink and 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.