



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 AM is also a supporter of many investor initiatives, such as the United Nations (UN) supported [Principles for Responsible Investments \(PRI\)](#) where DNB have been a signatory since 2006.

Resources and Processes

DNB AM 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, regulatory disclosure 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 Aashildred, 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.



Q2 2023

Company engagements – Highlights

The second quarter of 2023 has been focused on active ownership efforts with significant voting and engagement activity as well as preparations for the SFDR reporting deadline at the end of this quarter.

Engaging with leading companies ahead of annual general meetings

The 2023 voting season is well under way with most annual general meetings (AGM) being held in the second quarter of the year for the companies we hold in our portfolio. DNB AM releases information on how we have voted on our voting dashboard which is updated daily and publicly available [here](#).

In preparations for AGMs, we have engaged several companies on items for decision prior to the meeting. We met with **Equinor ASAs** Chairman of the Board to discuss key topics including their position on climate change and alignment of their CapEx to meet net zero strategy plan. The energy trilemma facing the company was a central point of the discussion. Despite this, Equinor has taken further steps in the net zero 2050-plan and have introduced an absolute target for 2030. DNB AM has supported their Energy Transition Plan (ETP) at the AGM in 2022, but we stressed to the chair that there are several unresolved elements remaining, among them capex-mix and the greening of natural gas. The challenges of meeting the medium-term targets for the ETP was also discussed, the company is still quite confident in fulfilling the key 2035 ambitions. We also met with the Chairman of the Board of **Norsk Hydro ASA** to discuss executive compensation following the 2022 White Paper on Ownership Policy produced by the Norwegian Government. The Paper recommends reducing overall compensation, with variable compensation to be reduced from 80 per cent to a 55 per cent limit of total compensation. No new remuneration policy was launched at the AGM but the company will develop this within 2023. We also engaged several international companies ahead of their AGMs, notably **Sunrun Inc.** and **Arrow Electronics, Inc.** Both meetings discussed sustainability linked pay and executive remuneration.

Supply chains on the agenda in Norway and beyond

The deadline for disclosure in accordance with the Norwegian Transparency Act was the last day of the second quarter. DNB AM has [disclosed within the deadline on our website](#). The legislation introduces a requirement for companies to disclose their due diligence in procurement of goods and services from providers and ensure that there is no contribution to adverse impacts.

Supply chains have long been a key focus area for DNB AM, and the topic remains a core tenet of sound ESG management within companies. DNB AM have spoken with two companies exposed to the palm oil sector in Indonesia regarding their procurement and material sourcing in the second quarter. **AAK AB**, a major Swedish producer of vegetable oils and fats, regarding a controversy that surfaced over accusations of sourcing palm fruit from deforested areas. DNB AM joined a group call

with Nordic investors to get clarity regarding the company's assessment of the claims and due diligence. We also met with **PT Indofood Sukses Makmur Tbk**, the largest food producer in Indonesia. The company has faced several controversies in the past few years related to both labour and biodiversity related impacts of their operations and palm fruit and oil sourcing. Both companies operate within sectors that are exposed to significant environmental and social risks which require robust mitigation and management systems. DNB AM communicated our expectations on both biodiversity and labour management to the companies and will continue to engage them going forward.

Similarly, we have engaged two Chinese sportswear companies, **Xtep Holdings** and **Anta Sports**, regarding their supplier management and use of chemicals in both apparel and footwear production. The Chinese apparel and footwear supply has previously been a key topic in our participation in the **KnowTheChain**-initiative.

Nesting dolls of exposure to high-risk markets

Norwegian companies received public pressure to boycott goods and services from companies that still maintained operations in Russia, as listed on the [International Sponsors of War](#) list produced by the NGO, War and Sanctions. DNB AM engaged three companies on this topic in the second quarter, notably **Mondelez International**, **Mondi PLC**, and **P&G**, to get a better insight into the nature of their operations in Russia and their strategy for their exposure going forward. Most companies with direct exposure to Russia are covered by sanctions. However, there are several companies with indirect exposure to the country through an operating subsidiary. Assessing the accuracy of this exposure may be challenging given the complex, nesting doll-like structure of many companies. DNB AM will continue to screen our investment universe, comply with international sanctions lists from the UN, EU, USA, and review new NGO-produced lists as they emerge for potential engagement with companies. The limited remaining Russian assets held by DNB AM are currently frozen in accordance with industry best practice. Please view our [Annual Report on Responsible Investments 2022](#) for further details on this matter.

Engaging with leaders of the PRI and a visit from China

Collaborating with other investors, is an indispensable tool in expanding the reach of our active ownership measures. In the second quarter of 2022, we had the privilege of participating in a session with Norwegian peer asset managers and the CEO as well as head of Social matters for the **PRI** to discuss the emergence of social requirements and legislation globally. DNB also hosted a group of leading **investor signatories of the PRI from China**, in [partnership with the Rainforest Foundation](#). DNB AM presented our work on responsible investment to the group and participated in several events in partnership with the group. The session was also highly educational for our team in achieving a better understanding of ESG trends and perspectives in a key market for several of our funds.

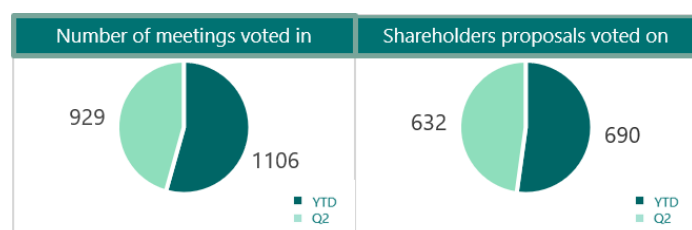
Investor collaboration remains a core part of our work

We have continued our participation in the Norwegian investor network engaging Norwegian listed companies on climate change and biodiversity. Engaged companies in the second quarter include, **Kongsberg Gruppen**, **Odfjell**, **Norsk Hydro**, and **Aker BP**. DNB AM has also committed to re-joining a series of **FAIRR** initiatives including working conditions, biodiversity, and pollution from animal waste. DNB AM will continue to be active participants in these engagements and

have been active with the network in the second quarter as well. Together with FAIRR, we engaged with **Yara ASA** regarding their integration of climate and biodiversity into assessment of impact. The purpose of the call was to improve insight for establishing the company as a best practice example for further engagements with the initiative. We also spoke to. We have also engaged chemical companies through the **Chemsec** initiative this past quarter, such as **PPG Inc.** The initiative seeks to eliminate the production of persistent chemicals, so called “forever” chemicals from products produced by major manufacturers. Initiatives like Chemsec also inform our bilateral dialogues where impact assessments from persistent chemicals is an important agenda item in many meetings.

Voting

The main voting season is well underway with daily AGMs across most markets. DNB AM has voted at 929 meetings, and on 632 shareholder proposals. We have voted with management on 91 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 second quarter has been active in delivering on the goals set in the different focus areas defined in the DNB AM annual report for responsible investments for 2022, which can be read [here](#). In addition, meeting the reporting requirements set by the Sustainable Finance Disclosure Regulation (SFDR) been an important accomplishment in the second quarter. This regulation mandates a thorough analysis of the holdings in funds categorized as article 8 and 9 according to the regulation. With this milestone behind us, we have reached compliance with Level 2 of the SFDR framework. Detailed sustainability disclosures for relevant funds, such as [DNB Renewable Energy](#), can be found on our [website](#).

Exclusions and re-inclusions

Exclusions Q2 2023
Thermal coal
<ul style="list-style-type: none"> Wintime Energy Company Ltd. Zhejiang Zheneng Electric Power Company Ltd.
Norms based
<ul style="list-style-type: none"> Gail India Ltd. Korea Gas Corporation (KOGAS)
Re-inclusions Q2 2023
No re-inclusions in Q2.

In the second quarter, four companies were excluded from DNB's Investment Universe. Two companies were excluded due to their associations with human rights abuses in Myanmar and are therefore in

violation of the criterion that DNB may not be invested in companies where there is unacceptable risk that a company contributes to or is responsible for serious or systematic violations of human rights as stated in the [DNB Instruction for Responsible Investments](#). **Gail India Ltd.** is an India-based natural gas processing and distribution company. The company is a partner with the state-owned oil company Myanma Oil and Gas Enterprise (MOGE) in three offshore gas fields in Myanmar. **Korea Gas Corporation (KOGAS)** is a Korea-based company principally engaged in the sale of natural gas. The company is also a minority stakeholder in joint venture with the state-owned oil company Myanma Oil and Gas Enterprise (MOGE) in three offshore gas fields in Myanmar. The same criterion as for Gail India also applies to KOGAS. DNB AM have excluded five entities in total (including these Q2 exclusions) for associations with MOGE projects in Myanmar. Their continued operations of those projects secure significant revenue streams that can fund the military's activities and human rights violations in Myanmar.

DNB AM has also excluded two companies that derive revenue from thermal coal generation in excess of our threshold of 30 per cent as stated in the [DNB Instruction for Responsible Investments](#). **Wintime Energy Company Ltd.** is a China-based company mainly engaged in coal business and power business. According to company reporting, revenue from thermal coal generation was around 43.7 per cent for 2022. **Zhejiang Zheneng Electric Power Company Ltd.** is also a China-based company mainly engaged in coal business and power business. Their reporting states that the company derives around 75 per cent of revenues from thermal coal generation. The company is also in violation with our criterion on install capacity from thermal coal. All exclusions are reviewed regularly and companies no longer meeting exclusion criteria are reincluded into the DNB investment universe.

International news

The European Parliament voted in favour of the **Directive on corporate sustainability due diligence (CSDDD)** on June 1st. A triologue between the parliament, European Council and European Commission is expected to determine the final details, notably on an agreement on whether the scope will include [requirements of financial institutions](#) to prevent and rectify adverse impacts of their activities. The proposal is a significant step in strengthening due diligence and corporate responsibility of nearly 10 000 European companies. Furthermore, it will also require member states to pass with legislation in national assemblies. Similar legislation exists previously in France, Germany, and Norway with the Norwegian Transparency Act. DNB AM looks very favourably on this development as increased transparency and reporting has [documented effects in facilitating](#) improved working conditions in global supply chains, but also that it provides a better foundation for sound risk assessment.

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 Economist recently published a [helpful explainer article](#) outlining the origins of the scepticism against ESG in the United States, with a particular focus on social matters. Political attacks on ESG seem to be working to some extent. Mentions of ESG on earnings calls have fallen by 39% in the second quarter of 2023 when compared to the first quarter of 2022, according to [The Economist](#). Nonetheless, there is not a trend to cut ESG initiatives, but there may be a shift from ESG being discussed by the communication department and into meaningful risk and strategy planning.