



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.



Q3 2023

Company engagements – Highlights

The third quarter of 2023 has been focused on active ownership efforts with engagement activity, voting as well as participation in international initiatives.

Something fishy going on

The Norwegian daily, *Dagens Næringsliv*, reported a [series of articles](#) on spillage from smolt farms in Norway. Smolt are smaller farmed salmon that are produced in aquaculture processing plants and then transported to either a land based or sea-based facility to further grow in size. The articles focussed on the emissions from these farms into fjords and other bodies with production waste, which pollutes and potentially harms marine life. DNB AM has spoken to aquaculture companies in Norway that were either mentioned or included in the reporting. In our meeting with **Mowi**, we sought both factfinding and understanding of the issue. DNB AM nudged Mowi on best practice here as well as more disclosure on water emissions and its effect on biodiversity. The company appeared responsive to the disclosure suggestion. We have scheduled several calls with other companies mentioned in the article or operating in the aquaculture sector in the coming weeks.

Russian exposure remains a contentious and imprecise issue

The pressure against companies with revenue from Russia continued through the summer and engagement with companies in our portfolios with such exposure remained a key focus. DNB AM has developed internal tools for revenue mapping of data in line with increasing need for supply chain transparency. The focus of the meetings has been to establish a factfinding on the details of company exposure. 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. We therefore contacted several companies, including **Embracer AB**, **Dr. Reddy's Laboratories**, and **Bonheur ASA**, to get a better sense of their exposure to the Russian market.

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. Please view our [Annual Report on Responsible Investments 2022](#) for further details on this matter.

Engaging with key players in the Norwegian energy sector

DNB AM has continued engagement with the largest contributors to our carbon footprint. We select these companies by using a metric called, weighted average carbon intensity (WACI). The companies selected for these engagements are companies that usually have both a high carbon intensity, as well as being companies that DNB AM have a large ownership stake in. One of the companies engaged was **Vår Energi ASA**.

The company has a credible path to reach the target of 50% cut in GHG emissions (scope 1 and 2) by 2030. Electrification is a key element, and the company does not see any major obstacles related to their 2030 ambitions. The company has strong ambitions of establishing a net zero target once a suitable framework is available. They are hopeful that such a sector framework will be available from SBTi fairly soon – and that Vår Energi can commit to this. We also spoke to **Wallenius Wilhelmsen ASA**, on their 2030 target to cut carbon intensity with 27,5% for scope 1 and 2 emissions with a baseline of 2019. Following a disappointing reading in 2022, the company claims to be back on track. Finally, a key strategic decision will be the direction of fleet renewals in the next few years. The company is working on both dual fuel solutions and near zero/zero-emissions fuel (ammonia, methane). Further, we engaged with **Bonheur ASA** on climate. The first priority for the company is to get in place full GHG scope 3 measurements and reporting. Regarding Net zero/SBTi, the company is in dialogue with SBTi, with the aim of completing this process in 2024. DNB AM nudged for Net zero GHG scope 1-3/SBTi as best practice. The company also reports on avoided emissions from renewable energy. DNB AM nudged for more detailed reporting here as well as assurance of alignment with best practice reporting framework for avoided emissions.

Investor collaboration on climate and biodiversity

We have continued our participation in the Norwegian investor network engaging Norwegian listed companies on climate change and biodiversity. Furthermore, we have joined Rainforest Foundation Norway and VBDO in a new **investor working group on critical minerals**, focussing on nickel mining and supply chains. The working group will seek to engage companies on the considerable supply chain deforestation and biodiversity risks associated in the nickel supply chain which is expected to drastically increase in demand with reliance on batteries.

Furthermore, we signed up to join the **Nature Action 100 initiative (NA 100)**. Similar to Climate Action 100+, NA 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. DNB AM has previously participated in the Finance for Biodiversity pledge which is one of the preceding initiatives for NA100. DNB AM have committed to several engagements with this initiative going forward.

We also presented at the Global Sustainable Development Conference in Shenzhen in partnership with Rainforest Foundation Norway on the topic of biodiversity financing.

Voting

The voting season has continued into the third quarter, but voting activity has dwindled compared to Q2. DNB AM has voted at 126 meetings, and on 33 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 like remuneration, pay equity 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 third 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](#). Detailed sustainability disclosures for relevant funds, such as [DNB Renewable Energy](#), can be found on our [website](#).

Exclusions and re-inclusions

In the third quarter, one company was excluded from DNB's Investment Universe due to violation of the criterion that DNB may not be invested in companies where there is serious environmental harm as stated in the [DNB Instruction for Responsible Investments](#). **Power Construction Corporation of China, Ltd. (PowerChina)** is a China-based company principally engaged in the contracting, survey and design of water conservancy and hydropower projects. The company's principal businesses include the construction contracting, electric investment and operations, real estate development, equipment manufacturing and leasing, among others. Its subsidiary Sinohydro Corp Ltd, is responsible for the construction and operation of the Batang Toru hydropower project, which lies in North Sumatra, Indonesia. The project is located in a Key Biodiversity Area, which is also home to the critically endangered Tapanuli orangutan, of which there are fewer 800 remaining. This area will be permanently destroyed as a result of the project and the loss of species in the area is irreversible with potential wide-ranging consequences for other species and ecosystems. The committee for Responsible Investments therefore recommended that the company was to be excluded from the investment universe of DNB.

All exclusions are reviewed regularly and companies no longer meeting exclusion criteria are reincluded into the DNB investment universe.

Noble Group was reincluded this past quarter due to no longer being in ownership of the entity that caused their exclusion. The company has also been delisted and has no active debt in the bond market.





International news

The European Commission formally adopted on 31 July the **European Sustainability Reporting Standards (ESRS)**, marking a final step in the long project of aligning disclosures across regulations as well as setting the stage for increased interoperability of sustainability reporting further afield. While many of the reporting areas initially proposed to be mandatory for corporates were diluted to voluntary before being adopted, the European Commission said it aimed to strike a balance between limiting the reporting burden on companies while enabling them to show their sustainability efforts. DNB AM seeks to discuss and

nudge companies in all engagements to prepare for the ESRS reporting process, which will commence starting 1 January 2024.

The increasing **regulatory and disclosure environment** is a key challenge for companies. Three-quarters of companies globally are not ready to have their environmental, social and governance (ESG) data audited externally months before new regulations kick in, [according to a new report from KPMG](#). Stricter European Union, U.S. and global rules are being introduced, mostly in time for the 2024 reporting season, to replace a patchwork of voluntary private sector practices for listed companies to make disclosures.

The launch of the final recommendations in the **taskforce on nature-related financial disclosures (TNFD)** in September is an important step in getting a framework for biodiversity reporting. The recommendations of the TNFD have been designed to meet the corporate reporting requirements of organisations across jurisdictions, to be consistent with the global baseline for corporate sustainability reporting and to be aligned with the global policy goals in the [Kunming-Montreal Global Biodiversity Framework](#). DNB AM is part of several initiatives that have contributed to the development of the TNFD.

AUM in Sustainability-themed funds	Company engagements 	Voting 	Exclusions/ Reinclusions 	
<p><i>DNB has made a target to increase assets under management in sustainability themed funds to NOK 200 bn by 2025.</i></p> <p>Status Q3 2023: NOK 113 bn</p> 	Total company engagements	AGMs voted	Exclusions	
	Q3 2023: 60	Q3 2023: 126	New in Q3	Power Construction Corp. of China Ltd (environmental harm)
	YTD: 163	YTD: 1235		
		90% in line with mgmt. recommendation	Total YTD	8
	<p><i>DNB AM has set a target to engage with the 30 largest emitters in the portfolio annually.</i></p> <p>Status Q3 2023: 17</p>	Shareholder proposals voted on	Reinclusion	
		Q3 2023: 33	New in Q3	Noble Group
		YTD: 723	Total YTD	1
		Climate-related proposals: 129		