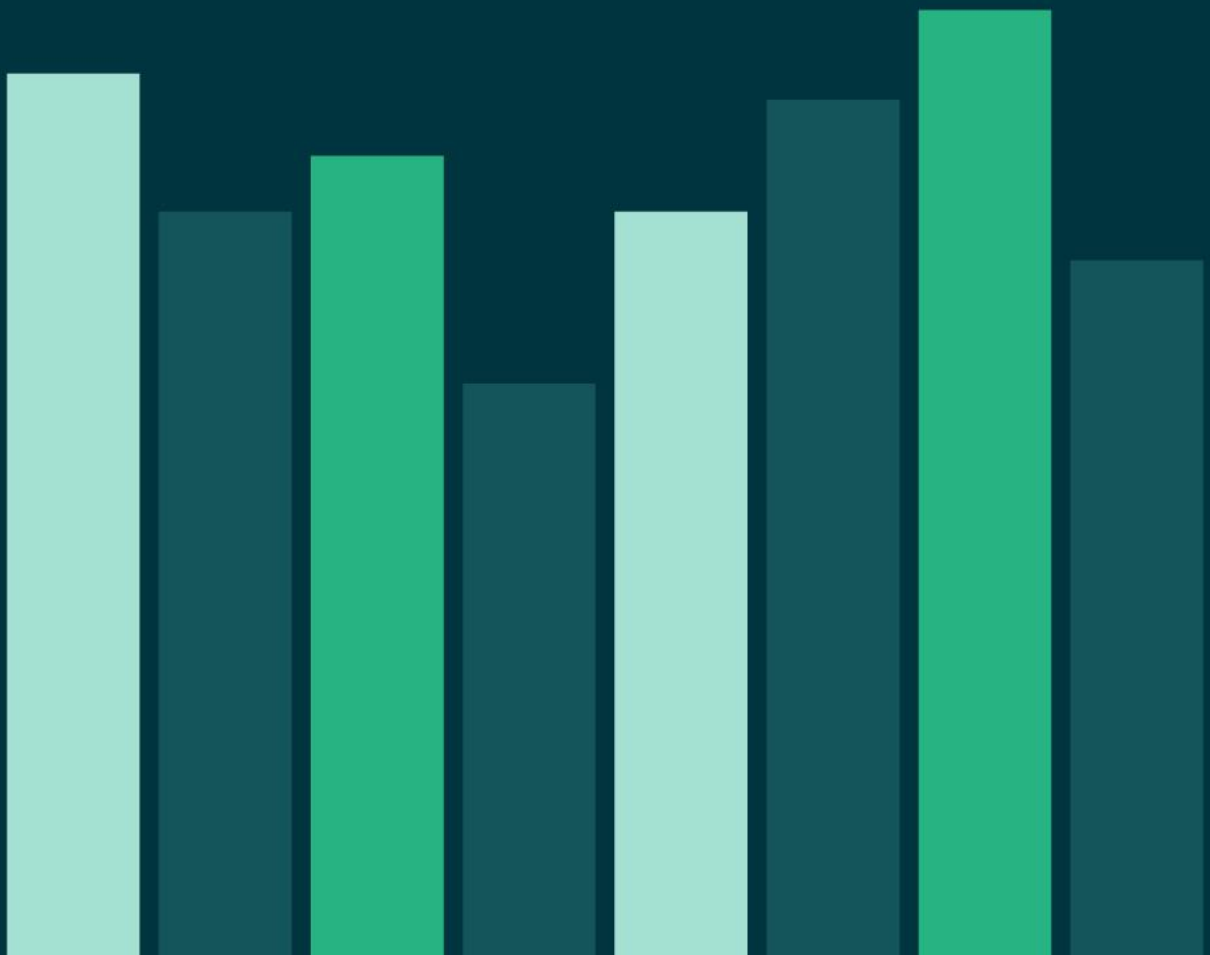


**DNB ASSET MANAGEMENT**

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**STATEMENT  
ON DUE  
DILIGENCE  
POLICY**



## Introduction

DNB Asset Management (DNB AM) carries out a due diligence process of its investments to reduce adverse sustainability impact of its investments and we apply several tools. The due diligence assessment of a potential investment relies on the criteria outlined in the DNB Group Standard for responsible investments, based on international recognised guidelines and principles, and companies may be excluded from the investment universe if in breach with the standard. For active ownership through engagement and voting we seek to influence companies to improve their practices, mitigate sustainability risks and negative impact or to take advantage of ESG opportunities as described in our yearly revised engagement strategy. Lastly, by integrating ESG into the investment decisions making process we aim to avoid investing in companies with a potential unmitigated sustainability risk.

## Description of policies to assess principal adverse sustainability impacts

The [DNB Group's Standard for Responsible Investments](#) seeks to ensure that DNB does not contribute to human or labour rights violations, corruption, serious environmental harm and other actions which may be perceived to be unethical and/or unsustainable. It shall also ensure that assessments of risks and opportunities related to ESG factors are integrated into investment decision-making processes. The Standard covers all asset classes and financial investments throughout the Group, including companies established under DNB AM.

The investment universe is carefully screened, taking into account DNB Group's Standard for responsible investments seeking to ensure that DNB does not contribute to human or labour rights violations, corruption, serious environmental harm and other actions which may be perceived to be unethical. The funds and portfolios investments are considered in relation to social, environmental and ethical criteria based on the following internationally recognised guidelines and principles:

- the UN Global Compact;
- the OECD Guidelines for Multinational Enterprises;
- the United Nations Guiding Principles on Business and Human Rights
- the Ottawa Convention (international agreement on the prohibition of anti-personnel mines); and
- the Convention on Cluster Munitions.

## Screening

We screen companies prior to inclusion into our investment universe, quarterly for benchmark rebalancing, and on a weekly and daily basis for changes to ESG ratings/factors or alerts on potential and/or realised breaches in international norms and standards. The purpose is to uncover potential product violations, breaches of international norms and standards and/or material ESG risks and opportunities. Based on the screening, and in-house research (based on additional sources of information), potential ESG risks and opportunities are identified in addition to alerts on controversial issues. Furthermore, the responsible investment team will also provide input/recommendations about divesting or investing in securities.

## Engagement

We engage with companies on specific ESG incidents, or to improve companies' general performance of sustainability-related processes, which may otherwise lead to negative impact and underperformance. Engagements may either take place directly with companies, through our external service provider on engagements or in collaboration with other investors.

## **Voting**

Our voting policy is to vote at all Norwegian general meetings for companies our funds are shareholders in, and we have adopted a systematic approach to determine which global companies' general meetings we will vote at. We engage with boards, management and nomination committees prior to such meetings, and we will explain our voting decisions to companies when we have voted against the company's recommendation. We are also voting on shareholder resolutions according to our voting policy.

## **ESG integration**

All active funds managed by DNB AM utilise integration of ESG risks and opportunities, although the process and factors may differ between teams with different mandates. The responsible investment team works closely with the portfolio managers and key management teams have their own dedicated ESG analyst. ESG data is incorporated into DNB AM's portfolio management and information systems and is available to all our investment professionals. Portfolio managers use this data in their company risk assessments, financial modelling, and investment decision making. The availability of this data in the front office system also often acts a flag for the portfolio managers, triggering further investigation and discussion with the DNB AM responsible investment team regarding potential risks and opportunities and the financial effect from this. These discussions may trigger actions such as further investigation, engagement in dialogue with the company, or impact on the investment decision.

## **Engagement policies**

As part of our integration of material Environmental, Social and Governance (ESG) risks and opportunities, DNB Asset Management (DNB AM) practices active ownership and ESG integration in line with principles 1 and 2 of the UN Principles for Responsible Investment (UNPRI).

Active ownership through engagement shall ensure that our entire investment universe is in compliance with [DNB's Group Standard for Responsible Investments](#), as we recognise that ESG risks and opportunities can materially impact company values. Engagement goals can be related to a specific incident (reactive) or can be to improve companies' general performance or sustainability-related processes (proactive), which may otherwise lead to underperformance. This is consistent with the concept of double materiality, which speaks to the fact that "issues or information that are material to environmental and social objectives may develop to have financial consequences over time".

In general, incident-based engagement processes should aim to not exceed two years. If the desired outcome is not achieved, the engagement process will be evaluated and could be terminated if significant progress has not been made. Several points of action will be considered/recommended at such a point; amongst which is the renewal of the objectives for engagement or the exclusion of the relevant company/companies from our portfolios. For proactive engagements, the aim of our dialogue is continuous improvement, and the engagement periods may therefore be more flexible. However, during the engagement, this dialogue could impact investment decisions and bet size calibration.

DNB AM does not necessarily have to be a current holder of the companies addressed in engagements. However, we prioritise dialogues where we directly, or in collaboration with other investors, can have the greatest impact and contribute to positive change. Any company can be a potential holding, and active portfolio managers often buy in and sell out of companies with ease. Investors in DNB AM's actively managed funds will indirectly benefit from the industry's improved sustainability efforts, and holders of DNB index funds will directly benefit from increased shareholder value in index companies.

## Adherence to international standards

- DNB AM exercise ownership rights in line with international norms and standards, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. DNB Standard for responsible investment and DNB AM expectations documents are based on a broad range over international treaties, conventions, and best practices.
- DNB AM has been a signatory to the Principles of Responsible Investment (PRI) since 2006, the year of the launch of the principles. The PRI initiative is an international network of investors working together to put the six principles into practice by incorporating responsible investments into investment decision making and ownership practice guidelines mentioned.
- As a signatory to the PRI, implementing the TCFD recommendations is a high priority for DNB AM. DNB AM understands that integrating ESG issues and opportunities into our investment decision-making process is strategically important from a sustainability perspective and for long-term financial value creation. TCFD-alignment at DNB AM is addressed at senior management level through CEO, Head of Responsible Investments), CIO Equity and CIO Fixed Income.
- DNB supports efforts to improve the quality and increase standardisation within sustainability reporting. In addition to be supporters of the TCFD we also support the continued work of CDP in promoting disclosure on climate change, water security and deforestation. We are also a part of the CDP Science Based target Initiative.