



### Responsible and Sustainable Investments

DNB Asset Management 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 Standard 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 or pornography. The Standard 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 20 million tonnes 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 Standard 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 Standard for Responsible Investments.

More information, including annual reports, quarterly reports and expectations documents can be found on our [website](#).

### Meet the Team



**Janicke Scheele, Head of Responsible Investments**

Janicke has worked in Norwegian and global capital markets since 1989. She has experience with analysis, portfolio management, and strategic and tactical asset allocation. She has led the Responsible Investments team since 2015.



**Karl Høgtun, Senior Analyst**

Karl has an MBA and an MIM. He has worked in Norwegian and global capital markets since 1990. He has experience as an Analyst, Portfolio Manager, Head of Equities and Head of Nordic Equities (where he managed an environmentally-themed fund).



**Hanne Rasch Rognmo, Analyst**

Hanne has an MA in International Environmental Policy from the Middlebury Institute of International Studies in Monterey, California. She has previous experience as an Environmental Consultant in Avinor and as a Group Trainee in DNB.



**Henry Repard, Analyst**

Henry has an MSc in Environmental and Sustainable Development from the University College London and has previous experience as an Analyst at CDP and KLP Asset Management.



**Sondre Menes, Analyst**

Sondre has an MSc in Finance from BI Norwegian Business School and has previous experience from equity research covering the aquaculture industry. He joined the RI team in 2020.



## Q1 2021

### Company engagements

In Q1, we engaged with the telecom companies **Vodafone Plc** and **Orange SA**. The engagements are part of our **proactive engagement regarding data security and privacy** where we have targeted large telecommunications companies. The aim is to determine whether the companies implement best practice with respect to data security and privacy (and other topics such as climate gas emissions and governance practices). Vodafone seems to be on the forefront regarding data security and privacy, and the topic has high focus in the board. In the meeting, the Chairman stressed the importance of recruiting additional board members with a tech/telecom background to ensure strong competence at the board level. We did not uncover obvious large gaps to best practice but urged the company to be transparent and disclose relevant information regarding cybersecurity. The company announced that improved reporting on cybersecurity will be published in the annual report coming in Q2. Regarding climate, Vodafone has ambitious goals of reaching net zero by 2040. However, the company admitted that the scope 3 part will be challenging due to their high number of suppliers. Besides, Vodafone has not worked much on the EU Taxonomy but was responsive to the suggestion of getting a better sense of the requirements and set ambitions. They are on the way to implement TCFD aligned reporting. In a follow-up meeting with the company, we also suggested to benchmark best practice with key global players and conduct scenario analyses with challenging scenarios. Orange sees no major gaps to best practice. They have a dedicated cyber defence unit with more than 2,400 experts on data security and has strengthened the unit's leadership. The ambition is to be a leader within cyber security.

We met with **Ørsted A/S** and **Vestas Wind Systems A/S** as part of our **proactive engagements on sustainable oceans and biodiversity**. The aim is to ensure that the companies have strong policies in place to measure the impacts on the ecosystems surrounding the company's offshore windmills. We did not uncover any obvious lags to best practice for Ørsted. However, they acknowledge that there is room for improvement regarding biodiversity metrics that better capture real impact. They also recognize the need of better solutions to solve the issue concerning recycling of windmill blades. Ørsted has done a lot of work on the EU Taxonomy estimating 60-65% green revenue alignment and more than 90% capex alignment. They are on schedule for reporting but await actions from EU to start reporting for 2021 at the latest. Vestas, in contrast, admits that there are gaps to best practice, lacking a framework for handling challenges and opportunities with respect to sustainable oceans and biodiversity. However, we pushed them to put the issues higher on the agenda. Vestas was quite interested in DNB AM's expectations document on oceans, and we urged them to look at Ørsted and Equinor's work and ambitions regarding biodiversity. We have set up a follow-up meeting with the company later in 2021.

Emerging markets supply chains has been one of our focus areas for years. In 2020 the issues regarding social conditions in supply chains were amplified due to the COVID-19 pandemic. For example, Australian Strategic Policy Institute (ASPI) published a report accusing several companies of adopting forced labour in their supply chains. The accusations relate to the oppression of Uyghur people in Chinese factories in the Xinjiang region. In 2020 we had several dialogues on the risk of human rights breaches in supply chains in high-risk countries, and we have continued this work in 2021. For example, we had a follow-up meeting with **Nokia Oyj** in Q1 2021. As the engagement is mainly proactive, we outlined our expectations on best practice regarding, policies, measures, and transparency. Despite audits finding no evidence of human rights breaches with Tier 1 suppliers, we urged the company to carry out comprehensive human rights due diligence and audits of key Tier 2 and 3 suppliers in all supply chains. We pushed for increased transparency in their annual report and will discuss the issue in a new meeting planned for later in 2021.

We also participated in one collaborative engagement with the CEO of **Equinor** through the Climate Action (CA) 100+ which we are supporting. In the meeting, the investor group "nudged" Equinor on being more specific and transparent about their net zero targets and alignment with the Paris agreement. The company were also pushed on their renewable energy ambitions. The company has also taken measures to move strategy and business development closer to the executive management level to focus on capital allocation aligning with targets set to meet the Paris agreement. Besides, they promised more information on scope 3 reductions to come on their capital markets day in June. In the meeting, the CEO confirmed that the company wants to take a market leading role in leading the debate on decarbonisation of the industry, both domestically and globally. Another important topic discussed, which is also one of DNB AM's focus areas, was biodiversity. Equinor stated that they have developed a platform to measure business activities and responsibilities with respect to biodiversity loss and will collaborate with NGOs and other stakeholders to develop a methodology for recognising impacts. However, they admitted that more time is needed on this work.

### Voting

We have voted at **56 company general meetings** by the end of March in the run up to the primary voting season in April/May. We **voted against companies' recommendations at 17 meetings** on issues such as board composition, remuneration (executive management/board), capital structure, and shareholder resolutions. Voting is an important tool in our active ownership. DNB AM has increased its focus on shareholder resolutions and will take a more comprehensive approach going forward. We intend to vote (for or against) on all shareholder resolutions related to key topics such as:

- Climate change
- Biodiversity
- Relevant "social" shareholder resolutions (within labor/human capital management, human rights, board diversity, and workplace diversity)
- Lobbying in general

In recent years we have seen increased focus on ESG related topics. While resolutions related to reporting on environmental, E, issues have been central, social, S, issues caught increased attention during 2020. We expect this trend to continue in 2021.

DNB AM voted in favour of a shareholder resolution at **Toshiba's extraordinary general meeting** asking for an independent investigation into allegations of irregularities related to the 2020 annual general meeting. The resolution, which won approval, has

caught attention as this was only the fourth time a shareholder resolution has been successful in Japan. We see this as a step in positive direction for shareholder voting rights. Both for the shareholders of Toshiba and for shareholders in Japanese companies in general.

## Standard Setting

In our work on ESG integration, including active ownership, we review our engagement strategy annually. The strategy consists of three long-term focus areas, climate change, human rights, and water. In addition, we have some short-term focus areas that may vary over time. The last couple of years, we have focused on emerging markets supply chains, data security and quality, deforestation and land use, sustainable oceans, and biodiversity. In 2021, we introduce health and sustainable food systems as a new focus area.

In February this year, in collaboration with 146 international investors representing AUM of USD 14 trillion, we signed an investor statement coordinated by the **Access to Medicine Foundation** supporting an effective, fair, and equitable global response to the COVID-19 pandemic. The letter encourages world leaders to distribute sufficient financing to ensure righteous access to vaccines and medical oxygen where needed.

## International News

**Climate and environment** have been a central piece of the Norwegian Sovereign Wealth Fund's investment strategy and fund management for many years. The Ministry of Finance has appointed an expert group to evaluate how climate change, climate politics and the green transition may affect the fund. The expert group will present the report on 15 August 2021.

The **EU Taxonomy**, the framework that defines sustainable financial activities, was introduced in 2020. The requirements will be effective from 2022 and 2023. However, in 2021, companies and financial market participants must implement the requirements in their operations. The purpose of the EU Taxonomy is to align financing and investment in the financial market with the Paris Agreement, UN's Sustainable Development Goals and EU's climate and environmental goals. In March, the **EU Commission** published an audited version of the **Taxonomy Regulation**. It seems like the commission considers points of appeal from the member states and businesses with different industries. This may affect Norwegian business where hydrogen, gas, hydro power, and transportation of CO<sub>2</sub> for geographical storage are important industry sectors. The audited version will be presented by the EU Commission on 21 April. The EU Taxonomy must be considered in the same context as **EU's Sustainable Finance Disclosure Regulation (SFDR)**. The regulation requires financial institutions offering financial products and services to disclose how they integrate ESG in their risk management. The regulation is effective from 10 March 2021 in EU. For financial market participants and financial advisors, such as DNB AM, this meant increased requirements in the publication of our policies for integration of sustainability risks in investment decisions and financial advisory. On 4 February 2021, the European supervisory authorities (ESMA, EIOPA, and EBA) published their final report on the draft regulatory technical standards (RTS) containing detailed requirements on information according to SFDR. It is expected that the EU Commission will approve the technical criteria within three months.

In Norway, a new suggested bill is expected processed by Parliament in June. However, it is unclear when the new regulation will come into force.