



## 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 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 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).



### 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.



### Ingrid Aashildrød, Analyst

Has an MSc and a CEMS MIM from The Norwegian School of Economics and The University of Sydney Business school. Previously worked as an ESG analyst at Nordea. Joined the ESG team in 2021.



### Lise Børresen, Analyst

Has an MSc in Finance from The Norwegian School of Economics. Previously worked as an Investment Analyst at Gjensidigestiftelsen. Joined the ESG Team in 2021.



## Q3 2021

### Company engagements - Highlights

In Q3, we met with fertilizer company **Yara ASA** to understand how they manage the risk of human rights and labour rights violations in Belarus. Yara is an important customer of state-owned Belaruskali, one of the world's largest producers of the crop nutrient potash. Yara has previously demanded that Belaruskali stop punishing workers for taking part in strikes and anti-government protest. In August, Yara announced that the company would decide on its presence in Belarus by December, after meeting Sviatlana Tsikhanouskaya, the exiled leader of the Belarusian opposition. We got a solid impression of how Yara is managing a challenging situation, where there is no obvious practical solution. DNB AM further highlighted the importance of human rights due diligence beyond tier 1 of the supply chain, which Yara is working on in connection to a new Norwegian law on supply chain transparency that take effect from July 2022. We will continue to follow up both on the situation in Belarus and the implementation of supply chain risk management measures.

In connection to our focus area and our new expectation document on biodiversity, we have had three company meetings on the topic in Q3: **Lynas Corporation Ltd., Subsea 7 SA and Green Minerals AS.**

One of the meetings was with Australian rare-earths mining company **Lynas Corporation Ltd.** The company is operating a mine at Mt Weld, Western Australia, and a chemical processing plant in Malaysia. The meeting was a follow up on the dialogue initiated in 2020 to gain insights into the company's biodiversity practices, including programs to protect natural ecosystems, community impact assessments, land management and rehabilitation programmes and restoration of sites. The company demonstrates efforts on these areas beyond legal requirements. In the ongoing process of moving their cracking and leaching facility to Australia, water risk has been taken into account by the company. The new facility will rely on recycled water from the water treatment plant. We encouraged the company to improve their reporting on biodiversity, and we will follow up on independent audits and permanent disposal facilities.

The second meeting on biodiversity was with the engineering company **Subsea 7 SA** in connection with their new company structure. Subsea 7 has recently combined their offshore fixed wind business with OHT ASA. We encouraged the company to develop a biodiversity policy/framework, which they will consider. Further, we wanted to better understand the company's position on climate change as well as related governance, strategy, risk management and metrics. Subsea 7 has advanced considerably in the last two to three years in their climate related governance, strategy, risk management and metrics. However, there is still more work to be done in terms of best practice for TCFD-alignment and metrics/targets. The company has not committed to a net zero 2050-target, but they will contemplate this issue.

The third meeting on biodiversity was with **Green Minerals AS.** Green Minerals found that the DNB AM expectation documents (biodiversity, oceans) were relevant for the company. They did not see any large gaps to the existing practice but will work on improving work with biodiversity in general. On deep sea mining specifically, the company agreed that the precautionary approach and thorough impact assessments are important. Based on DNB AM's suggestions, the company will consider several improvements in the sustainability reporting. These will include considering addressing all 17 Sustainable Development Goals (not only 6), including KPIs and possible alignment or misalignment.

As part of our work on water risk, we have had several meetings to follow up our questionnaires and gather information to improve the coverage of water data, including biometric sensor company **IDEX Biometrics ASA** and climate technology company **Desert Control AS.** In the meetings, we discussed best practice and standards based on the companies' answers to the water usage and water management questionnaire.

As part of our focus area "Health and sustainable food systems", we held a meeting with healthcare company **Novo Nordisk A/S**, in collaboration with other large investors. The background of the meeting was the recently published report "Access to Medicine Index 2021". The Access to Medicine Foundation aims to advance access to medicine in low-and middle-income countries by guiding the pharmaceutical industry to play a greater role in improving access. DNB AM has pledged support to the Foundation's research and signed the Access to Medicine Index Investor Statement. Novo Nordisk received a 10th place of a total of 19 companies in the index, characterised as a middle-performing company. Our aim with the dialogue was to understand the gap between Novo Nordisk's operations and best practice on access to medicine. The main gap highlighted in the report is the lack of integration of an access plan in the R&D Process. Novo Nordisk is committed to addressing this, and we will follow up both on the integration of an access plan in the R&D process, as well as the company's general work to extend the reach to insufficiently treated diabetes patients worldwide.

As a part of Climate Action 100+ (CA100+), we engaged with **Equinor** in Q3. A key topic lately has been the Net Zero 2050 commitment and implications for goals and measures in the short and medium term, both in connection with the annual general meeting (AGM) and the capital markets day (CMD). Equinor has made considerable progress in the last two years. However, the company will further develop their energy transition plan by presenting a document that investors can vote on at the AGM 2022. This document will be based on existing strategy, but also be more specific on target setting - such as long-, medium- and short-term targets and capex allocations. We will continue to engage with Equinor on the topic directly and through CA100+.

### Voting

Although Q2 is the primary voting season, we have voted at almost 20 company general meetings in Q3, **totalling 288 general meetings in 2021.** We have **voted against companies' recommendations at 120 meetings** (on at least one item) 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 taken a more comprehensive approach on shareholder resolutions in 2021. We have voted on **shareholder resolutions in 83 general meetings** (a total of almost 200 resolutions). Some central topics that we have emphasized in this voting season includes executive compensation, climate change and lobbying.

## Exclusions and re-inclusions

In Q3, three companies were re-included in the investment universe. **Precious Shipping PCL** was excluded from DNB's investment universe in 2018 due to violation of The Group Standard for Responsible Investments in connection to the company's practice of beaching (disposing of decommissioned ships that were sold to be broken up for scrap on beaches in Bangladesh and Pakistan). As the company has not disposed any further ships for scrapping since then, and the company states future scrapping will take place at shipbreaking yards that operates in accordance with the Hong Kong Convention, the grounds for exclusion no longer exist.

Two other companies were re-included after being excluded for breach of the coal product criterion in the Standard for Responsible Investments: **Empire District Electric Company** (relative criterion) and **Anglo American PLC** (absolute criterion). While Empire District Electric Company has sold or closed all coal capacity, Anglo American PLC has completed a demerger of its thermal coal operations. Consequently, the result of the demerger, **Thungela Resources Limited**, was excluded from DNB's investment universe as the company is in breach with both the absolute and the relative product criterion on coal in the Standard for Responsible Investments.

## Standard Setting

As part of our efforts on biodiversity we signed the **Finance for Biodiversity Pledge** in September. The Pledge now stands at 75 signatories with more than €12trn in assets under management. Biodiversity is already a thematic focus area for DNB Asset Management, as addressing biodiversity risks in our portfolios is an important part of our responsible investment work. By signing the Finance for Biodiversity Pledge, we commit to collaborate, engage, set targets and report on biodiversity.

At the same time, we launched our new **Biodiversity Expectation Document**. The document outlines our expectations towards companies on biodiversity, including deforestation. Our expectations call for a high level of transparency around how companies identify, assess, and manage their exposure to biodiversity risks and opportunities – both for the company and its supply chain. High levels of transparency give DNB AM the opportunity to utilize the information in our company analysis and as an input to investment decision-making.

In connection to our increased efforts on biodiversity we signed a **letter sent to the Senators of the National Congress of Brazil** urging them to reconsider legislative proposal PL 510/21. The proposal will exempt suppliers from inspections, prevent those who invade an illegally deforested public land from being punished and be an incentive for continuous destruction of the Amazon. If the bill passes the Senate, this will have grave consequences for deforestation in the Amazon rainforest.

In August we signed the Business Call for **UN Treaty on Plastic Pollution**. The initiative calls on United Nations member states to commit to the development of a global treaty on plastic pollution. The letter we have signed will be actively used for building momentum before the upcoming vote on the matter in February 2022. Multiple consumer-facing brands as well as financial institutions have signed on to the initiative. WWF, the Ellen Macarthur Foundation, and the Boston Consulting Group have developed a business case for a UN treaty on plastic, outlining how it will benefit businesses as well as the environment.

## International News

In the Q2 report, we wrote that we expected the European Commission's legislators to present proposals covering a wide range of policies that aim to deliver the revised 2030 target. On 14 July, the revisions and initiatives linked to the European Green Deal was presented under the **Fit for 55 package**. The package contains legislative proposals to revise the EU 2030 climate and energy framework, including the legislation on land use and forestry, renewable energy, energy efficiency, emission standards for new cars and vans, effort sharing and the Energy Taxation Directive. The Commission proposes to strengthen the emissions trading system (ETS), extend it to the maritime sector, and reduce the free allowances allocated to airlines. A proposed new emissions trading system for road transport and buildings should start in 2025, complemented by a new social climate fund with a financial envelope of €72.2 billion to address its social impacts. New legislation is proposed on clean maritime and aviation fuels. To ensure fair pricing of GHG emissions associated with imported goods, the Commission proposes a new carbon border adjustment mechanism.

On 9 August, the United Nations Intergovernmental Panel on Climate Change (IPCC) launched part 1 of its sixth report on climate change, **the IPCC Sixth Assessment Report** (IPCC AR6). The report is important for financial market participants because it establishes the basis for political and regulatory direction. Part 1 covers updated scientific data on physical climate change, while part 2 and 3 will cover solutions and instruments (both to be published 2022). What is new is that the report finds that also extreme weather events are also due to man-made activity. Since the previous report in 2014, the concentration of greenhouse gases in the atmosphere has continued to increase. The level of carbon dioxide is now higher than in at least two million years. The consequences, according to the report, are that extreme weather becomes more frequent and more severe. Heat waves will become more common and warmer, and droughts will affect more people. For the first time, the IPCC states that to stabilize global warming, CO2 emissions must be reduced to net zero.

**The UN Biodiversity Conference (COP15)** will start in October. The first part will be a virtual high-level segment. The second part will be held in China in-person in Spring 2022 to conclude negotiations and decide on a new Post-2020 Global Biodiversity Framework. The global community has searched for a solution to the biodiversity challenge for decades, and a key foundation for the efforts is the UN Convention on Biological Diversity (CBD). The CBD was followed up by the Strategic Plan for Biodiversity 2011-2020 (including the Aichi Biodiversity Targets). The targets were not met, and the biodiversity challenge continues to become more acute. The aim of the new framework is to reverse the negative trend towards 2030 by establishing a set of action targets and milestones (to be finalised in 2022).<sup>1</sup> The longer-term vision of the CBD is "living in harmony with nature by 2050". The draft for the framework was released in July proposes 21 targets for 2030, including conserving at least 30% of land and sea areas globally.