DNB ASSET MANAGEMENT

Annual Report 2019

Responsible Investments

Responsible and sustainable investment strategies have been fundamental in our work for many years and are integrated across all strategies and asset classes. As a long-term and responsible investor, the consideration for and integration of ESG risks and opportunities combined with our work with active ownership are essential. We strive to deliver excellent investment performance while at the same time contributing to a more sustainable world.

FACTS

DNB Asset Management

DNB Asset Management (DNB AM) is part of Wealth Management (WM), a business area in the DNB Group

DNB AM had 151 full-time employees across three locations in Europe at the end of 2019

DNB AM managed NOK 668 billion in fixed income, equities, hedge funds, and private equity – on behalf of institutional and retail clients

The DNB Group, Norway's largest bank, aims to promote sustainable value creation by integrating ESG (Environmental, Social, Governance) aspects into all business operations

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1. Report from the CEO

Despite political unrest, weak global growth and disappointing earnings developments, 2019 was a good year in the financial markets. Global and Norwegian equity markets had strong performance, with double digit returns measured in NOK. This was primarily due to a strong fourth quarter with interest rate cuts in the United States (US) and expectations of a trade agreement between China and the US.

2019 was also a good year for responsible and sustainable investments, with further increased global focus. We have seen a tremendous increase in the interest in Environmental, Social and Governance (ESG) issues, and we expect this to accelerate. Considering ESG has now become central across all asset classes, including private equity and fixed income. DNB Asset Management (DNB AM) is a major player in the Norwegian equity and fixed income markets, and is working hard to integrate ESG into all investment processes and product developments, also in the fixed income space. The Paris Agreement goal, the Sustainable Development Goals (SDGs), the European Union (EU) Action plan, EU regulations, and the European Green Deal are important drivers.

Corporate Responsibility is integrated across the DNB Group as an important part of the Group strategy. Climate change is high on the agenda and an important focus area. Based on this, the DNB Group participated in two global pilot projects on scenario-based methods in response to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, one on the lending side, and one through DNB AM - on the climate impact on companies and investments. The project report, "Changing Course, a comprehensive investor guide to scenario-based methods for climate risk assessment," was launched in May 2019.

DNB AM has worked with Responsible Investments (RI) for decades, and the RI-team has been strengthened over the last four years. The team continues the work within all our four pillars of responsible and sustainable investments: Standard setting, active ownership through voting and dialogues, exclusions and risk management, and integrating material ESG factors into investment processes and decisions.

Our standard setting work is important for defining clear expectations for responsible and sustainable corporate behaviour, based on best practices, and supporting the active ownership processes. In 2019, DNB AM developed a new expectation document on the topic of gender equality and diversity.

Active ownership encompasses both dialogues and voting. To leverage our engagements, DNB AM often collaborates with other investors. We have continued to work through several United Nations Principles for Responsible Investments (UN PRI) led working groups, Climate Action (CA) 100+, through our engagement service provider, and through TCFD-engagements with large, listed Norwegian companies. In total, 209 reactive and proactive dialogues were conducted in 2019. We define goals and milestones for each engagement, and measure progress in terms of milestone development towards the final goal. Several engagements met their goals and were resolved.

Last year we further increased our voting efforts, voting at 216 meetings on behalf of our clients. We also evaluate and vote at Environmental (E) and Social (S) shareholder resolutions at general meetings. In 2019 we prioritised resolutions related to climate issues and gender equality and diversity, some of which were passed.

Supporting the active ownership process, climate change, water, and human rights are our long-term focus areas, while the five shorter term thematic areas of engagements that we prioritised in 2019 were emerging markets supply chains, gender equality & diversity, product safety and quality, deforestation and land-use, and oceans. Progress is evaluated and new goals set in a yearly evaluation process.

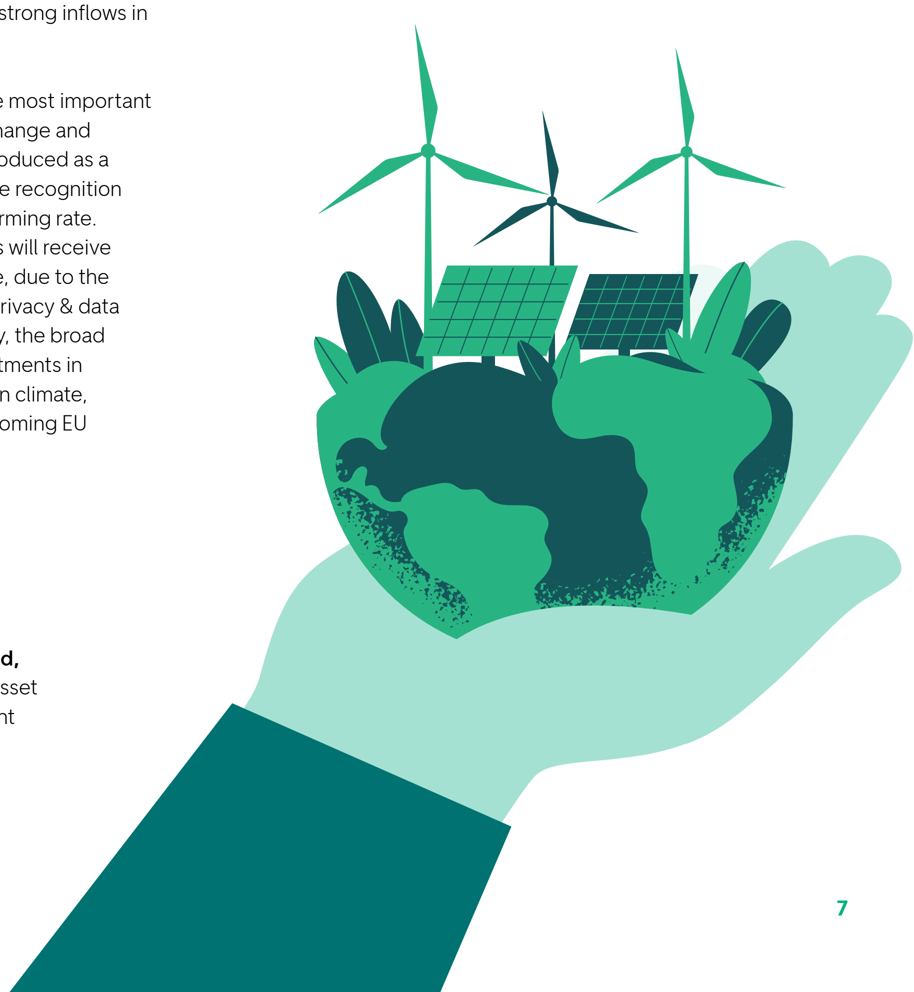
Exclusions and screening of our investment universe, portfolios and companies on ESG criteria and norms are important tools in our risk management work. Exclusions are utilised for two main reasons - for ethical considerations and where engagement proves to be unsuccessful. In the drive to reduce exposure to the dirtiest fossil fuels globally, the scope of coal exclusions was further expanded in 2019. Furthermore, we screened external suppliers of investment products, and contributed to the appropriate labelling of over 400 external funds accessible on DNB's open platforms, such as share savings accounts.

The last pillar, ESG integration, centers on the systematic integration of ESG factors into the Portfolio Managers' financial models and investment decisions - independent of whether a fund is labelled an ESG product or not. ESG integration has received increased focus among all asset classes; not least in regards to fixed income. To ensure good ESG integration, the RI-team works closely with Portfolio Managers to develop ESG frameworks, conduct engagements, collect ESG data for better informed investment decisions, provide screening, undertake ESG analysis, initiate informal discussions, and conduct ESG training. Furthermore, key Portfolio Management teams each have one dedicated ESG analyst, and ESG data is incorporated into DNB AMs proprietary portfolio management and information systems.

In addition to working across the aforementioned four pillars, we expanded our range of sustainability-themed funds. DNB AM has a growing family of "green funds" which includes both low-carbon funds and a fund that invests in companies within renewable energy and energy efficiency. The assets under management for these funds experienced strong inflows in 2019.

Looking forward, ESG will remain one of the most important themes, with continued focus on climate change and decarbonisation. Biodiversity has been introduced as a new thematic focus area in 2020, due to the recognition that biodiversity loss is happening at an alarming rate. Moreover, we believe that the social factors will receive increased focus going forward, for example, due to the growing concerns regarding surveillance, privacy & data security, and modern slavery. Consequently, the broad focus on responsible and sustainable investments in DNB AM will continue alongside the work on climate, the SDGs, and the preparations for the upcoming EU regulations on sustainable finance.

Ola Melgård,
CEO DNB Asset
Management



2. Highlights 2019

January
In 2019, our three new thematic areas of engagement were oceans, product safety and quality, and gender equality and diversity.

February ☆

March

April ☆
DNB AM participated in a global investor pilot project in response to the TCFD recommendations. The investor guide to scenario-based methods for climate risk assessment was launched in London.

March–May
Primary voting season. In 2019 we voted at 143 general meetings in Norway and 73 internationally.

May
DNB Low Carbon Credit was launched, a new low-carbon (fossil free) fixed income fund.

June ☆
Janicke Scheele was in June appointed as the chairman of the board of the Norwegain Sustainable Investment Forum (Norsif).

July
DNB AM is awarded an A+ for its Strategy & Governance from the UN PRI.

New expectations document on gender equality and diversity is published.

August

September ☆
Project to calculate avoided emissions for DNB Miljøinvest and DNB Renewable Energy Fund begins.

October
DNB Renewable Energy received the German FNG Label with the highest possible rating of three stars for the second year running.

DNB AM hosted its second Sustainability Conference.

November ☆
In 2019 we had 209 dialogues with companies, both directly and in collaboration.

December
Disclosed carbon footprint (carbon intensity) on fixed income funds.

DNB Renewable Energy received the LuxFLAG Environment Label (valid between 01.01.2020-31.12.2020).

☆ Committee for responsible investments meets

3. Our Responsible Investment Team

DNB AM's RI team has been strengthened over the last four years. Together, the team has competency within broad ESG, climate change, international relations, human rights, environment, and has over 40 years of portfolio management experience. We believe a broad background combined with portfolio management experience and working closely with the portfolio management teams are important to succeed with proper ESG integration. Our work is backed by external providers and collaboration with other investors and the portfolio managers.

Janicke Scheele,
Head of Responsible Investments
Janicke has an MBA in Finance from The Norwegian School of Economics and has worked in Norwegian and global capital markets since 1989. She has experience with analysis, portfolio management, and strategic and tactical asset allocation. After ten years of advising Institutional investors she has led and built up the team since 2015. Her primary areas of responsibility are ESG integration and active ownership.

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 (former Carbon Disclosure Project) and KLP Asset Management. He joined the RI team in 2018. His primary areas of responsibility are deforestation and land-use, climate change, water and data security and privacy.

Karl G. Høgtun,
Senior Analyst
Karl has an MBA and a Master of International Management, and 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. He joined the RI team in 2016. His specialist areas are active ownership, through voting and dialogues, and governance including tax and anti-corruption.

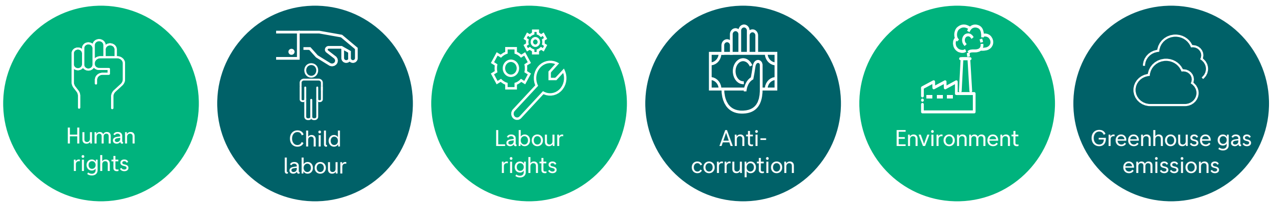
Laura McTavish,
Analyst
Laura has an MSc in Carbon Finance from the University of Edinburgh and previous experience as an Analyst at Trucost where her work included portfolio carbon footprinting and water risk management assessments. She joined the RI team in 2018. Her primary areas of responsibility are environment and climate change, including the TCFD and scenario analysis.

Hanne Rasch Rognmo,
Analyst
Hanne has an MA in International Environmental Policy from the Middlebury Institute of International Studies at Monterey, California. She has previous experience as an Environmental Consultant in Avinor and as a Group Trainee in DNB. She joined the RI team in 2016. Her primary areas of responsibility are human rights, labour rights, children rights and emerging markets supply chain.

4. Guidelines and Strategies

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 practices. DNB has been a signatory since 2006.

DNB Group Standard for Responsible Investments seeks to ensure that companies safeguard



As a responsible investor, DNB AM aims to provide high, long-term returns, at an acceptable level of risk, whilst considering ESG factors. 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 in to investment decision-making processes. We exercise our ownership rights in line with international norms and standard, 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. The Standard covers all asset classes and financial investments throughout the Group, including companies established under DNB AM.

Based on the aforementioned conventions and norms, companies will be excluded from DNB AM's investment universe if they themselves or through the entities they control:

- Produce weapons which through normal use violate basic humanitarian principles (controversial weapons)
- Produce tobacco
- Produce pornography
- Derive 30% of more of their income from oil sands extraction (bitumen)
- Derive 30% or more of their income from thermal coal, or base 30% or more of their operations on thermal coal

In the drive to eliminate the dirtiest fossil fuels globally, the scope of exclusions was expanded in 2019 through a broadening of the coal criteria from a relative criterion to also covering the largest coal companies through an absolute criterion (in line with the Norwegian Government Pension Fund Global (GPFG). Companies which either extract more than 20 million tonnes of thermal coal or with power generating capacity of more than 10 000 MW from the combustion of thermal coal, may be excluded from the investment universe or placed under observation. In addition, in regards to oil sands and thermal coal, emphasis shall be placed on forward-looking assessments of the companies, including any plans 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

Further, companies may be excluded from the investment universe if there is an unacceptable risk that a company contributes to or is responsible for:

- Serious or systematic violations of human rights, such as murder, torture, deprivation of liberty, forced labour, the worst forms of child labour, and other forms of exploitation of children
- Grave violations of individual rights in wars or conflict situations
- Serious violations of basic labour rights
- Grave harm to the environment
- Acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions
- Serious corruption
- Other particularly critical violations of basic ethical norms

DNB will not invest in government/sovereign bonds from countries subject to sanctions imposed by the UN Security Council, the EU, or the United States (US) Office of Foreign Assets Control (OFAC).

DNB's Committee for Responsible Investments implements and monitors the standard and meets five times a year. If a company has been identified as being involved in any of the aforementioned businesses, all holdings will be sold and the company will be excluded as a possible investment. If companies are considered to violate other parts of the guidelines, we primarily try to influence companies by actively exercising ownership rights, but we also exclude companies on these grounds. In 2019, there have been no breaches of the standard.

5. Regulations and Trends

In 2019, we again observed a range of notable changes in the responsible investment space. These changes increasingly imbed sustainability in mainstream investments, both for institutional and retail investors, and across different asset classes.

5.1 EU Action Plan

In 2019, the EU continued towards 3 of their 10 Action points of the Action Plan on Sustainable Finance. The important changes seen will have impacts throughout the EU and European Economic Area (EEA), including in the Norwegian market, although the timeline for incorporation into Norwegian legislation is uncertain. These changes will impact those selling and purchasing financial products, and should help to provide greater transparency and clarity for customers about the sustainability considerations in financial products.

The EU Taxonomy

This was agreed upon by the EU trilogue in December 2019 and is awaiting final approval from the EU parliament. While the taxonomy currently only covers environmental objectives linked to climate, it will be expanded to the four other environmental objectives by 2021 (sustainable use of water and marine resources, transition to the circular economy, pollution prevention and control, and protection of biodiversity and ecosystems). The taxonomy intends to define environmentally sustainable economic activities, creating a common standard, helping to promote investor confidence in sustainable investments. It will also differentiate between the environmentally sustainable economic activities and other ‘enabling’ or ‘transition’ activities, which contribute to an environmentally sustainable economic activity but do not qualify themselves. A significant challenge is the availability of data about these activities, therefore in order to obtain this data, all large companies (i.e. more than 500 employees) will be required to report revenues and capital spending per taxonomy activity as part of the non-financial reporting directive from December 2021, increasing reporting requirements for companies throughout the EEA. Additionally, a considerable change was introduced in December that all financial institutions with financial products sold in Europe will be required to disclose alignment of the products with the taxonomy, or explain why they do not.

Sustainability-related disclosures in the financial services sector

In late 2019, the EU adopted a regulation regarding sustainability disclosures in the financial sector and will come into force from March 2021, and will apply throughout the EEA. While it is yet to be adopted into Norwegian law, it is expected in 2020. The regulation will require financial market participants to publish information on the company websites about the integration of sustainability risks in their investment decision-making process, making the process of understanding how the ESG information is incorporated in investment decision-making, easier for those purchasing financial products.

Standards and labels for green financial products

There are a growing number of ESG-focused fund labels available in Europe. The continued focus from the EU saw considerable work in this area in 2019, with two technical reports produced for the EU Ecolabel. In the second technical report, there was a tightening of the minimum labelling requirements following a consultation period, including the introduction of a minimum engagement element. A third technical report, with further changes is expected in late 2020, after which approval will be sought by the European Commission. While this is a voluntary label and one that may be challenging for a number of current funds to achieve, increasing interest for labelled products from funds customers may see this become the market’s gold standard.

Low carbon benchmarks and positive carbon impact benchmarks

The development of low carbon benchmarks is intended to provide minimum standards for reference benchmarks, for investors looking to measure the relative performance of their low carbon funds. The EU’s new regulation, introduces two new types of benchmark the EU Climate Transition Benchmarks (CTB) and the EU Paris-Aligned Benchmarks (PAB), which are intended to link to the carbon emission reduction commitments in the Paris Agreement, and to contribute to increasing

transparency and help prevent greenwashing.
We expect to see more from the EU with regard to the remaining elements of the Action Plan towards the end of 2020, following a consultation from the EU commission.

5.2 EU Green Deal

The European Green deal was released in December 2019, with the aim to transform the EU economy for a sustainable future. The deal includes a number of key actions, which looks set to have wide-ranging impacts. This includes the aim of carbon neutrality by 2050, along with a tightened carbon target for 2030, placing increased pressure on carbon intensive industries located within the EU. At the same time, the deal seeks to influence countries outside the EU to set stricter carbon targets, addressing the issue of 'carbon leakage' through the introduction of a tariff on carbon-intensive imports from outside the EU. This is set to start in 2021, be phased in gradually and would only apply to some industries, but the disruptive impact will likely be felt globally. The Green deal also includes a policy focus on biodiversity, building on the current EU Biodiversity Strategy, and aligning with DNB AM's thematic focus on biodiversity in 2020.

5.3 Global Moves

Along with the continued growth of ESG in developed markets, we have also seen considerable changes in markets without as long established ESG practices. The Hong Kong Stock Exchange (HKEX) conducted a consultation on their ESG listing requirements, and will implement an enhanced ESG reporting framework from 1 July 2020, which will include a board statement setting out the board's consideration of ESG matters. There are also proposals for mandatory ESG listing requirements on the Shenzhen and Shanghai stock exchanges. There will also be changes to the Japanese Stewardship code. These actions from companies and regulators come despite the challenges being faced at UN level. At COP25 in Madrid in December, it was widely seen that the discussions did not progress as far as would have been expected, with the major hurdle relating to the differing perspectives on a new global carbon trading market. This was disappointing as countries were expected to ratchet up decarbonisation commitments - COP26 is now expected to see countries announce more ambitious targets.

5.4 Responsible Investments

The Principle for Responsible Investment (PRI) continues to see growth in membership year-on-year, with a 20% increase 2019 compared to 2018. This reflects the growing interest from investors to be transparent about their work with ESG, along with a growing demand from customers for ESG products.
We expanded our range of sustainability-themed products to include DNB Low Carbon Credit, at the same time we saw good inflow in these funds over the course of 2019.

The introduction of TCFD-linked questions into the PRI signatory annual disclosure seeks transparency from signatories on the climate risks and opportunities they are facing. DNB AM responded to these questions in 2019, however it was only responded to by 32% of asset manager signatories. With the bulk of these questions becoming mandatory to report in 2020 we expect the response rate will increase, although these will not be scored or mandatory to disclose until 2021, following the release of the PRIs new reporting framework. The PRI introduced plans for reporting 'real-world impact aligned with the Sustainable Development Goals' (SDGs) as part of annual PRI disclosures, in response to the growing interest in the SDGs. However, this attracted criticism from some investors. CDP (formerly the Carbon Disclosure Project) will introduce a new disclosure framework for banks and financial institutions in 2020, requesting greater details about the risks and opportunities impacting these organisations.

6. Responsible Investment Approach: Four Pillars

We have several tools at our disposal as a responsible and sustainable investor with a long-term view. These include:

Standard Setting	Active Ownership	Exclusions	ESG Integration

6.1 Standard Setting

Expectations documents

Developing and publishing expectations documents is an important part of our standard setting work, communicating our expectations to companies around best practice and for use as a starting point for dialogues with companies on these topics both proactively as well as reactively. In 2019, we developed and published an expectations document on gender equality and diversity, outlining how we expect companies to address this within their governance structures and strategies. We also released our global voting guidelines, which build on best practice within active ownership and DNB's Standard for Responsible Investments. These follow our expectations documents on human rights, serious environmental harm and voting in Norway published in 2017, and those on climate change, anti-corruption and responsible tax practices from 2018. We will continue to develop and publish expectations documents on water and oceans in 2020.

Regulations

DNB AM supports efforts to improve the quality and increase standardisation within sustainability reporting. We are supporters of the TCFD, and have continued working with other Norwegian investors to promote disclosure from Norwegian companies in line with these standards. For more information please refer to the TCFD section under 9.2. We also support the continued work of CDP in promoting disclosure on climate change, water security and deforestation.

The EU has undertaken considerable steps towards their Action Plan on Sustainable Finance. While unable to vote at the EU parliament as part of the EEA, Norway is required to adopt EU regulations and directives into national legislation. Therefore, we have provided input to the proposed items during consultation processes coordinated by the Norwegian Fund and Asset Management Association (Verdipapirfondenes Forening) and Finance Norway (Finans Norge). For more information about the progress of the EU Action plan please see section 5 on regulations and trends.

6.2 Active Ownership

We practice active ownership through regular engagement with companies we invest in. Active ownership and engagement are undertaken to ensure that our investment universe is compliant with DNB's Standard for Responsible Investments. Proactive engagements are conducted with the aim of encouraging companies to mitigate ESG risks before they materialise, or to take advantage of ESG opportunities that are not being sufficiently addressed at present. Our overarching aim is to influence companies to improve their practices, thereby securing long-term shareholder value and mitigating ESG risks in the best interest of our clients, as required as part of our fiduciary duty.

Company dialogues

We engage with companies on specific ESG incidents, or to improve companies' general performance of sustainability-related processes, which may otherwise lead to underperformance. Engagements may either take place directly with companies, through our external service provider on engagements or in collaboration with other investors.
See section 7. for more information about our engagement strategy and progress on thematic focus areas.

During 2019, we had 209 dialogues with companies, both directly and in collaboration with our external service provider, Sustainalytics, to discuss various ESG and sustainability issues.

Topic	Number of dialogues
Climate change/greenhouse gas emissions	24
Water	11
Other environmental issues	31
Human rights, child labour, labour rights, local communities/indigenous rights	73
Other social issues	19
Board structure and independence	11
Remuneration	5
Other governance issues	9
Total	**209**

In addition we also sent letters alone and in collaboration with other investors calling for companies to improve their ESG practices.

Conducting dialogues with companies is resource intensive, but in our experience, and, according to research, it is effective and will therefore continue to be a priority for DNB AM.

Voting

Our voting guidelines[1] state that we shall vote at all Norwegian company AGMs within our investment universe, and we have adopted a systematic approach to determining which global companies' AGMs we will vote at. We engage with Boards, Management and Nomination Committees prior to AGMs and will explain our voting decisions to companies when we have voted against the company's recommendation, and the results of our proxy voting are made publicly available[2]. Through informed proxy voting we endeavour to secure long-term shareholder value and ensure that companies act sustainably.

In 2019, we voted at 143 general meetings in Norway and 73 internationally. Of these, we voted against management's recommendations for 36 Norwegian companies and 27 global companies. The justifications for our decision to vote against a company's recommendations are published on our website.

As an increasingly important tool for investors, we are also continuing to see credible shareholder proposals related to ESG themes, specifically in regard to climate-related disclosure. In 2019, we saw an increase in the level of support for resolutions voted on at AGMs, and at the same time, witnessed an increase in the number of resolutions withdrawn as many companies implemented changes prior to it being voted on. Of the meetings we voted at, we voted on climate and gender diversity items at 16 meetings. A key example of a climate resolution where we gave our support, was for the CA 100+ proposal at BP Inc, calling for the company to set out their strategy consistent with the goals of the Paris Agreement. The resolution was supported overwhelmingly, and the company must now look to implement the changes. In addition, Equinor's "joint statement" with CA 100+ was published ahead of the AGM – raising the bar for the company.

1 https://www.dnb.no/portalfront/nedlast/no/privat/Praktisering_Retningslinjer_stemmegivning_Norge.pdf?popup=true
2 https://www.dnb.no/portalfront/nedlast/en/about-us/corporate-responsibility/2017/Annual_Report_Responsible_Investments_2017.pdf

6.3 Exclusions

A company may be excluded from the DNB investment universe if they are found to have breached a product based criteria, or if there is an unacceptable risk that a company contributes to or is responsible for one of a range of activities, as outlined in the DNB Group Standard for Responsible Investments. This action is reserved for severe issues and where the company looks unlikely to change. For this reason, exclusion remains an important tool, to ensure DNB does not contribute to the infringement of human or labour rights, corruption, serious environmental harm or other actions that could be regarded as unethical.

In 2019, we made changes to our exclusion criteria, as part of the DNB Group Standard for Responsible Investments. The new coal criterion builds on the coal criteria and applies to 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. These companies may be excluded from the investment universe or placed under observation. In addition, emphasis is placed on forward-looking assessments of the companies.

As at 31 December 2019, we had excluded 178 companies from our investment universe.

Topic	Number of companies
Cluster weapons	4
Nuclear weapons	19
Environment	22
Labour rights	3
Human rights	13
Corruption	2
Pornography (production)	1
Oil sands	6
Tobacco (production)	29
Thermal coal	79
Total	**178**

It is important to note that companies are able to be reintroduced into the DNB investment universe, provided they have ceased the activity which lead to the original exclusion, and have sufficiently improved practices. In 2019, following long-term engagements, we reintroduced the following companies:

Company name	Exclusion rationale	Exclusion year
Cairn Energy Plc	Operations in Western Sahara	2016
Kosmos Energy Ltd	Operations in Western Sahara	2016
Grupo Carso SAB de CV	Tobacco	2012
Innophos Holdings	Operations in Western Sahara	2014
Nutrien	Operations in Western Sahara	2018
Rio Tinto Plc/Ltd	Environmental damage	2008
Walmart Inc/ Walmart de Mexico	Labour rights	2008

6.4 ESG Integration

All active funds managed by DNB AM utilise ESG integration, although the process varies from team to team. The RI-team works closely with the portfolio managers and key management teams have their own dedicated ESG analyst. An important starting point for all funds is the screening of the investment universe and portfolios by the RI-team, utilising various tools such as MSCI ESG Research and Sustainalytics.

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, the RI-team can highlight potential ESG risks and opportunities to the PMs in addition to alerts on controversial issues. Furthermore, the RI-team will also provide input/recommendations about divesting or investing in securities.

ESG data is incorporated into DNB AM's portfolio management and information systems and is available to all of our investment professionals. Our PMs 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 RI 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.

We also have a database where ratings and company meeting information can be shared between the PMs and RI Analysts, and we undertake frequent informal discussion between the RI team and PMs on ESG issues. This process is assisted by the RI team's portfolio management experience.

The process for ESG integration is constantly evolving, and we aim to further develop the systematic financial modelling utilising ESG factors. In 2019, one area we have been working to improve has been the relatively low ESG data coverage of fixed income issuers in Norway and in the Nordics. The RI team has worked together with the PMs to develop an ESG framework to assess companies, and undertake engagements to collect this data directly from issuers.

Other screening

Both internal and externally managed funds are subject to screening. In 2019, we screened externally managed funds regularly and we engaged with several fund management companies to discuss their practices within responsible investments and certain portfolio holdings. Since the introduction of share savings accounts, we regularly screen more than 400 internal and external funds accessible on the open platform in DNB and label them based on the findings of the screening to show their level of alignment with the DNB Standard.

6.5 Our External Resources

As part of the DNB AM responsible investment approach, we utilise external ESG research and data providers as inputs to our own company assessments.

- MSCI ESG Research for ESG reports, scores, data, business involvement screening research, carbon metrics and controversies, amongst other data points
- Sustainalytics (formerly GES) for norms based screening and engagement services
- ISS for proxy voting based on DNB AM's own guidelines
- Sell-side research
- Media
- Industry reports
- Non-Governmental Organisation (NGO) reports and meetings
- CDP for data on climate, water and forest

7. Engagement Strategy

Active ownership through engagement seeks to ensure that our investment universe is in compliance with DNB's Group Standard for Responsible Investments. Our overarching aim is to influence companies to improve their practices, thereby securing long-term shareholder value and mitigating ESG risks in the best interest of our clients, as required as part of our fiduciary duty.

Our engagement strategy is based on incident-based (reactive) and proactive engagements, as well as informed proxy voting.

Incident-based (reactive) engagements are DNB AM's top priority to ensure that the companies we invest in adhere to our Group Standard. Reactive engagements take place in cases where there are suspicions that companies may be in breach of our Standard or of international norms and conventions. The incident in question should be deemed systematic in nature and/ or as leading to severe, negative consequences. In order to prioritise which reactive incidents to engage on we assess the severity of the suspected breach, our ownership status in the company and the probability that our engagement will have a positive impact on the situation.

Proactive engagements are conducted with the aim of encouraging companies to mitigate ESG risks before they materialise, or to take advantage of ESG opportunities that are not being sufficiently addressed at present. Proactive engagement may also be conducted as part of a fact-finding exercise where the team may, for example, double check research/data with the engagement company. This means that companies we proactively engage with are not suspected to be in breach of our Standard. Companies that DNB AM has a large holding in, or which DNB AM may have a large holding in in the future, are typically targeted for this type of engagement. The dialogues may revolve around a specific issue or to raise the company's general level of awareness around sustainability issues. These are important inputs to the investment decision-making process.

DNB AM does not always necessarily have to be a current holder of the companies addressed in our engagements. All companies within an industry in a given index are potential holdings of DNB AM, and active portfolio managers often buy in and out of companies. We measure progress and outcomes of our engagement work using milestones. The engagement process is considered successful if the following criteria are met:

- The violation has ceased
- The company has taken a responsible course of action
- The company has taken a proactive and precautionary approach to improve its policies, routines and practices in order to prevent future violations
- The company's action is verifiable (where relevant)

Progress is measured using the following milestones:

Milestone 1:

Concern raised and initial communication sent to company (email, call, letter, etc)

Milestone 2:

Dialogue is initiated, with the company acknowledging the importance of the concern

Milestone 3:

Company commits to address concern(s)

Milestone 4:

Company creates and implements a strategy to address concern(s)

Milestone 5:

Concern(s) are considered to be resolved, with sufficient management of ESG risks and opportunities as the result of an effective strategy

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 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 and long-term.

Our engagement strategy centres on long-term and shorter-term, thematic engagements. Our long-term engagements do not change year-to-year. Thematic engagement, on the other hand, involves engagement with companies within defined areas of concern, identified mainly by way of relevant ESG risks and opportunities. Inputs to determining such focus areas include:

- **UN Sustainable Development Goals (SDGs):** The SDGs were launched in 2015 and call on the private sector, amongst other players, to solve some of the most urgent problems the world is facing. As an asset manager, DNB AM must consider how we can align to the SDGs through our investment decisions and through active ownership towards companies, both from a risk and an opportunity perspective. We believe that considering these in a collective manner will help to increase the resilience of our portfolios. The SDGs are therefore a critical input to our standard setting and active ownership activities.

- **International initiatives:** We follow investor initiatives (new and ongoing) where we can have an impact – these may inform how we select our thematic engagements.

- **Media/NGOs:** We follow which sustainability topics are receiving attention from media and NGOs, and assess the relevance of these to us as investors.

- **Clients' interests:** Client interest in certain topics guides how we develop our engagement strategy. For example, in 2019, we observed client demand for quantifying the outcome or impact of ESG work, or documenting progress through milestones with company engagements. These inputs have been considered and inform our work and processes.

- **Regulation (upcoming or existing):** Important regulation includes the EU Action Plan for Sustainable Finance and the European Green Deal. The European Green Deal is Europe's new growth strategy, which considers sustainability and competitiveness together.

8. Integrating the UN Sustainable Developments Goals

The United Nations (UN) SDGs were adopted by all UN Member States in 2015. The goals provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. The SDGs consist of 17 goals and 169 targets which aim to address the greatest challenges faced by global communities by 2030. Along with governments, the SDGs call on private sector participation to solve some of the world's most urgent problems this decade.

The SDGs are a part of our strategy

As an asset manager, DNB AM must consider how we can contribute to the SDGs through our investments, both from a risk and an opportunity perspective. We believe that considering these in a collective manner will help to increase the resilience of our portfolios. The SDGs are therefore a critical input to our standard setting and active ownership activities. We strive to identify companies with business models aligned with the SDGs. In 2020 we will continue to integrate the SDGs into our investment decisions and fund strategies.

Mapping our focus areas to the SDGs

Many companies already measure and disclose on topics covered by the SDGs such as climate change, sustainable water management or working conditions which are indicators related to the SDGs. We strive to identify how companies are minimising negative impacts and maximising positive impacts in their products and services in line with the SDGs. Pushing companies to incorporate SDG performance into their business models will continue in 2020.

We recognise that measuring and reporting contribution or impact towards the SDGs is challenging, with no widespread approach available, although there are ongoing work. We are continuously exploring the possibilities available to us to do so. We have assessed the relevance of our focus areas to the SDGs, as outlined in the table on the next page.

Table 1. Mapping our focus areas to SDGs[1].

Our focus areas	Human Rights	Water	Climate	Oceans	Emerging Markets Supply Chain	Bio-diversity	Deforesta-tion and Land Use	Product Safety and Quality	Gender Equality and Diversity
1 NO POVERTY	✓								
2 ZERO HUNGER			✓					✓	
3 GOOD HEALTH AND WELL-BEING			✓					✓	
4 QUALITY EDUCATION	✓								✓
5 GENDER EQUALITY	✓								✓
6 CLEAN WATER AND SANITATION		✓							
7 AFFORDABLE AND CLEAN ENERGY									
8 DECENT WORK AND ECONOMIC GROWTH	✓				✓				✓
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE					✓				
10 REDUCED INEQUALITIES									✓
11 SUSTAINABLE CITIES AND COMMUNITIES			✓	✓					
12 RESPONSIBLE CONSUMPTION AND PRODUCTION				✓				✓	
13 CLIMATE ACTION			✓	✓			✓		
14 LIFE BELOW WATER				✓		✓			
15 LIFE ON LAND						✓	✓		
16 PEACE, JUSTICE AND STRONG INSTITUTIONS					✓				
17 PARTNERSHIPS FOR THE GOALS					✓				

1 The SDGs are based on human rights and all SDGS are strongly correlated to international human rights instruments. www.ochchr.org https://www.ohchr.org/Documents/Publications/Session5_OHCHR_SDG_HR_Table.pdf

9. Long-term Focus Areas

We have engaged with companies within our, previously defined, long-term focus areas for many years with the aim of encouraging companies to mitigate ESG risks before they materialise, or take advantage of ESG opportunities. These focus areas have been identified as areas of concern within responsible investments in the coming years and are inherently connected to various other key ESG challenges. Our published expectations documents emphasise our expectations to companies regarding ESG issues we consider being important as an investor with a long-term perspective. Our work with standard setting will continue in 2020 and new expectations documents on water and oceans will be published.

Focus Area	Achievements in 2019	Goals for 2020
Human rights	✓ Engaged with companies on human rights, labour rights and children's rights. We had 72 dialogues with companies on human rights related issues in 2019. ✓ Developed and published expectations document on gender equality and diversity. ✓ Updated and published expectations document on human rights.	• Continue engagement with companies on human rights. Specifically on children's rights in supply chain. • Focus on human rights in high-risk countries.
Climate change	✓ Continued proactive dialogue on TCFD together with Norwegian investors with Norwegian companies. ✓ We have assessed portfolios using Carbon Delta's scenario analysis tool. ✓ We had 24 dialogues on climate change related issues. ✓ Developed a systematic approach to voting on topics related to climate change at company general meetings and voted. ✓ Received LuxFLAG Environment Label for DNB Renewable Energy. ✓ DNB Renewable Energy received the FNG label with three stars for the second year in a row ✓ Reported to the PRI on climate change questions for the first time. ✓ Published portfolio carbon footprints for fixed income.	• Continue proactive TCFD dialogues with Norwegian companies (suggest focusing on Nordic banks in phase 3 of the project). • Continued development of TCFD reporting and scenario analysis. • Finalise the avoided emissions project. • Join phase four of the sustainable proteins engagement with FAIRR.
Water	✓ Updated expectations document on serious environmental harm. ✓ Engaged in Mining and Tailings Safety Investor Initiative. ✓ Engaged in the Meat Sourcing engagement through FAIRR/Ceres. ✓ Continued engagement with companies on water directly with companies and in collaboration with other investors. We had 11 dialogues with companies on water related issues in 2019.	• Finalise our expectations document on water. • Continue engagement with companies on water. • Co-lead on Gerdau through Mining and Tailings Safety Investor Initiative. • Join phase two of the meat sourcing engagement through FAIRR/Ceres.

9.1 Human Rights

The legal obligation to protect the human rights of individuals or groups of people is governed by international law. Business enterprises have a responsibility to respect human rights in their businesses, including in their supply chain. International norms and standards including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles for Business and Human Rights provide a basis for what is expected from business enterprises when it comes to human rights. These responsibilities extend beyond companies' own employees to take into account stakeholders including contract workers, workers in supply chains, families, communities, customers, and other stakeholders. Companies should understand their responsibility and risks in connection with the social consequences of their business operations by carrying out human rights due diligence processes and integrating human rights considerations in their business strategies, policies, procurement and risk management, and by disclosing material information to investors. Without adequately accounting for the potential operational, legal, regulatory and reputational risks posed by human rights issues, the long-term credibility of sectors, markets and companies, and their supply chains, may be at risk.

Relevance to the SDGs

1 NO POVERTY	We expect companies to ensure compliance with human rights and labour rights in accordance with international labour standards through their operations, including supply chain.
4 QUALITY EDUCATION	Children are entitled to the same human rights and fundamental freedoms as all individuals, but have been given special status and protection within the UN framework which recognises their special needs and vulnerabilities. Companies should demonstrate their responsibility in their strategies, policies, procurement, risk management and reporting in regards to children's rights in their operations and supply chain.
5 GENDER EQUALITY	Companies with good diversity across their business may benefit from more varied perspectives and skills, resulting in deeper consideration when making decisions, better anticipation of challenges and obstacles, and heightened innovation.
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Companies should be compliant with human rights and labour rights in accordance with international labour standards through their operations.

Activities in 2019

To ensure that the expectations document reflects development in practices and expectations, we have made some updates in our previously published expectations document on human rights in 2019. A section on humanitarian law is expanded to clarify our expectations to companies in regard to this. Further, criteria on children's rights, labour rights and the rights on indigenous people have been elaborated on within the document. In 2019, DNB AM had 73 meetings on issues related to human rights, child labour, labour rights and indigenous peoples' rights. As of December 2019 13 companies were excluded from our investment universe due to breaches of human rights and labour rights, two of which were new exclusions in 2019.

In 2019 we revoked the exclusion of Walmart Inc. after being excluded for over a decade. Through our service provider we had two dialogues with the company in 2019 and the company demonstrated a positive development in its human rights approach, including due diligence covering both risks and impacts. Engagement continues with the company through our service provider, and a new meeting will be scheduled in 2020 after the company publishes its ESG report.

Focus in 2020

The SDGs are built on fundamental principles in existing human rights instruments and are therefore important in the integration of ESG into our investment strategies.

We have experienced a general increase in concern regarding modern slavery in supply chains. Combined with the modern slavery legislation emerging in several European countries, we expect to see increased focus on this topic. We will encourage companies to have a code of conduct on modern slavery and management systems that reveal potential risks of slavery in their supply chain in place. Examples of sectors we will continue work on are textiles, technology, commodities and fish farming/fishing.

9.2 Climate Change

Climate change has been one of DNB AM's long-term focus areas for many years as we recognise that climate change can materially impact company values, both negatively and positively. DNB AM therefore strives to make a meaningful contribution towards the goals of the Paris Agreement and the SDGs by taking a long-term view and effectively managing the risks and opportunities associated with the transition towards a low-carbon economy. An important aspect of achieving this involves taking an integrated ESG approach to addressing climate change.

Improving the availability and quality of data used in our investment decision-making processes is central to delivering on our climate goals. We therefore continue to utilise the TCFD recommendations as a framework for increasing the transparency and quality of climate-reporting which benefits investors' ability to accurately assess companies' exposure to climate-related risks and opportunities. Increased climate disclosure in company reporting will be the foundation for the effective transition towards a low-carbon economy and for minimising the impact of climate-related risks. The recommendations also provide a framework that we can use to frame, describe and communicate our own climate change efforts.

Relevance to the SDGs

2 ZERO HUNGER	Strengthened capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters that progressively improve land and soil quality" are necessary to ensure sustainable food production systems and resilient agricultural practices that increase productivity and production by 2030.
3 GOOD HEALTH AND WELL-BEING	Aims to substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination, all of which are can be associated with climate change.
11 SUSTAINABLE CITIES AND COMMUNITIES	Includes a target to reduce per capita adverse environmental impact of cities by 2030. It also states that the growth of cities and human settlements must consider mitigation and adaptation to climate change.
13 CLIMATE ACTION	Climate change is directly addressed by this SDG, which focuses on mitigation, adaptation, and integration into policies and impact reduction.

Overview of how we work with climate-related risks and opportunities

- Climate change is high on the agenda and is integrated into the DNB Group's 4 the Future strategy
- Representation in DNB Group's Committee for Responsible Investments, DNB AM's Product Committee and DNB AM's Credit Committee
- The Head of Responsible Investments is in DNB AM's management group

Working in several ways:

- Integrating ESG across all asset classes
- Practicing active ownership (CA 100+, TCFD engagement with Norwegian investors, climate-related voting activity)
- Excluding where necessary
- Working towards a just transition
- Offering diverse product range
- Raising social awareness on climate change
- Utilising positive selection

- Climate-related ESG data for companies available to RI team and PMs at all times in core systems
- Portfolio carbon footprinting
- Scenario analysis at company and portfolio level

Governance

The DNB Group has a well-established governance structure that is led by the Board. Under DNB's Group strategy, "4 the Future," corporate responsibility is one of four strategic priorities and being responsible is one of three core values. Through this strategy and DNB's governance structure, the Board, relevant Committees and senior management integrate climate-related risks and opportunities into decision making and business processes.

As a signatory to the PRI, implementing the TCFD recommendations is also 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 Ola Melgård (CEO), Janicke Scheele (Head of Responsible Investments), Knut Johan Hellandsvik (CIO Equity) and Svein Aage Aanes (CIO Fixed Income).

Climate-related risks and opportunities are also addressed through participation in several Committees:

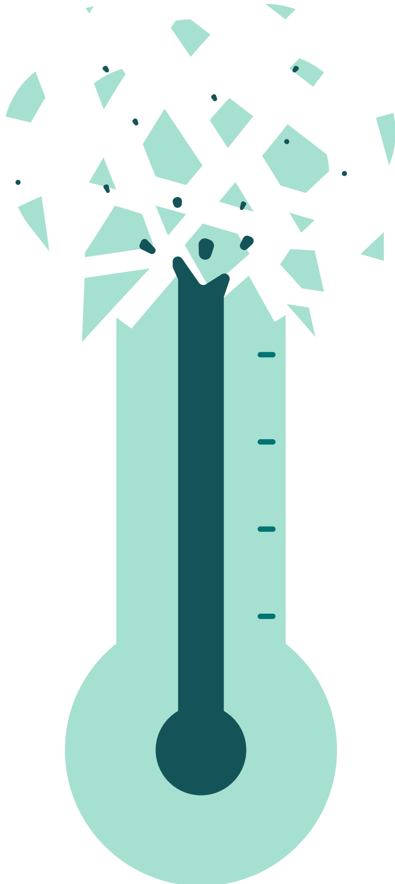
- **DNB's Committee for Responsible Investments**[1] meets five times a year and reports to DNB's Executive Vice President of Communications. The Committee is chaired by the Head of Corporate Responsibility and Public Affairs and representatives from DNB AM, Group Investments and DNB Life Insurance AS are also represented in the Committee. The Committee is responsible for implementing and monitoring DNB's Standard for Responsible Investments.[2]

- **DNB Asset Management's Product Committee:** The RI team have been represented in Committee meetings since fall 2018 to provide input on ESG considerations into fund product development.

- **DNB Asset Management's Credit Committee.** The RI team have been represented in Committee meetings since October 2019 to secure the approach to integrating ESG risks and opportunities into fixed income strategies.

1 https://www.dnb.no/portalfront/nedlast/en/about-us/Responsible_Investment_Committee_-_mandate.pdf

2 https://www.dnb.no/portalfront/nedlast/en/about-us/corporate-responsibility/2018/Group_standard_for_responsible_investments.pdf



Strategy

Climate-related risks and opportunities, both transitional and physical, have already begun to affect companies globally and will likely have growing significance in the long-term. Climate-related risks may have a financial impact for DNB AM if our investments are not adequately prepared to changing climate policies, technology, and consumer demand preferences, in addition to physical impacts. On the other hand, DNB AM could also benefit from investment opportunities that contribute to a low-carbon economy, such as renewable energy and energy efficiency. Climate risks are therefore assessed in the same way as other financial risks. This is particularly true for investments with long-term investment horizons.

We work in several ways to address these risks and opportunities:

Integrating ESG across all asset classes

Our Group Standard for Responsible Investments states that ESG factors shall be integrated into investment management. Thus, company and sector-specific material ESG risks and opportunities are assessed in our company analyses. Climate change is a crucial component of this analysis and may inform investment decision-making, portfolio construction and bet size calibration. Where climate-related risks are assessed to be high, or where opportunities are not sufficiently managed, we engage with companies to learn more. We often have meetings with companies' senior management, and such dialogues are often conducted in collaboration with portfolio managers.

As a major player in the Norwegian bond market, we have ramped up our work on fixed income in 2019, taking an active role towards bond issuers on ESG. Part of this approach has involved increasing coverage of ESG scores and data for Nordic bonds by developing a framework for company engagement. We also expanded our family of sustainability-themed funds that focus on climate change and the environment with the launch of the global fixed income fund, DNB Low Carbon Credit.

Practicing active ownership, through engagements and voting, with companies on climate-related risks and opportunities

Our active ownership approach is vital to understanding and mitigating climate-related risks and opportunities. In 2019, we had 24 dialogues with companies on the topic of climate change. Our involvement in investor collaborations focusing on climate change is an important part of our work, our activity includes the following:

Climate Action 100+

Our work through the investor initiative CA 100+ continues. This five-year initiative led by investors targets the world's largest 100 plus greenhouse gas emitters and other global companies and aims to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

The CA 100+ has proven to be an effective investor collaboration, achieving a number of good results. Other successes include having pushed the integrated oil and gas company Royal Dutch Shell to establish carbon emissions targets and link these targets to executive remuneration and pushing through a resolution at BP's AGM in 2019 on climate disclosures.

We have been collaborating investors on Equinor and Maersk for some time, having insightful meetings with these companies. Towards the end of 2019, we also joined the engagement with RWE, one of Germany's largest utility companies, and we look forward to engaging with the company moving forward.

A noteworthy achievement in regards to our engagement with Equinor was the publication of a joint statement between the investor group and the company. The joint statement covered commitments to take considerable steps forward in regards to, amongst other measures, business strategy alignment with the Paris Agreement, climate-related target setting, the link between climate targets and executive pay and an overview of direct and indirect lobbying activities on climate change. Having agreed key points with the company through the publication of this joint statement, it was unnecessary to support a resolution calling for medium- and long-term target setting on scope 1, 2 and 3 emissions. Through 2020, we will follow the company's delivery on the content of the joint statement and continuing dialogue.

TCFD Engagement with Norwegian Investors

As part of a proactive engagement we are conducting together with other Norwegian investors on the implementation of the TCFD recommendations, we have met with and will be meeting Norwegian companies within sectors that are highly exposed to climate-related risks and opportunities: energy, materials, transport, food and beverages, real estate, construction and seafood.

Through this work we seek to understand how companies are performing in regards to climate-related governance, strategy and reporting (TCFD). In addition, we collectively strive to set a 'Norwegian standard' for TCFD disclosure by raising awareness of the significance of TCFD reporting and communicating the value of good disclosure for us as investors. Through better company disclosure we believe that we can conduct more reliable scenario analysis at company and portfolio level and, ultimately, support our portfolio managers to integrate this information into their investment decisions in a more systematic and structured way.

The companies we have engaged with have been responsive and have all considered the TCFD framework in connection with climate-related strategy and reporting. Moving forward, we will continue to support companies in this process. An example of a meaningful engagement has been our dialogue with Aker Solutions. Since our first meeting with the company in March, it has developed a climate change strategy focusing on opportunities (energy efficiency, renewables and CCS). The goal is that these green revenues will make up 45% of revenues in 2030. The company also seems committed to both CDP climate change reporting and using the TCFD framework in its 2019 reporting. Another example is the construction company Veidekke which already reports in line with the TCFD recommendations through its CDP climate change reporting.

The company has conducted a pilot project with PwC using the TCFD framework which has included scenario analysis. Moving forward, Veidekke's goal is to have a new climate-related strategy with clear targets for green revenue in its strategy update due 2020. With regards to climate target setting, we were encouraged to see the company setting targets for emission reduction.

Climate-related voting activity

Moreover, our voting activity has been central to our active ownership efforts. In 2019, we adopted a systematic approach to determining which global companies' general meetings we will vote at to complement our guidelines for Norwegian companies. In line with increasing numbers of credible environmental and social shareholder resolutions, we prioritised resolutions related to our focus areas climate change and gender equality and diversity in our voting strategy in 2019. As a result, we voted at 6 meetings related to climate change in 2019, most of which were in regards to resolutions related to target setting or reporting. An example of success was Climate Action 100+'s shareholder resolution on climate disclosures at BP's annual general meeting, which was supported by the company. The investor working group was integral to pushing through this resolution, which passed with approximately 99%[3] of votes in favour of the proposal.

Excluding where necessary

The DNB Group Standard for Responsible Investments has criteria regarding oil sands and thermal coal which are important in our effort to reduce our exposure to unsustainable and carbon intensive businesses. We expanded our thermal coal criterion in 2019, in line with the GPFG, by introducing absolute thresholds. See section on guidelines and strategies for more information about the absolute coal criterion.

In 2019, we excluded two companies due to the oil sands criterion and five companies on the back of the thermal coal criterion.

3 https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-agm-poll-results-2019.pdf

Working towards a just transition
The Paris Agreement recognises that a successful transition to the low-carbon economy must be fast and fair to achieve a well-functioning economy that delivers broad social value. This is because a partial or sub-optimal transition will likely come at a high social cost, resulting in deepened inequality and harming the sustainability of economic growth. Thus, the just transition perspective, which considers both climate action and social inclusion, is integrated into our climate change strategy and our expectations towards companies on climate change. Companies are expected to consider the social impact of their climate change strategy.

Offering a diverse product range
We offer a diverse range of fund products, including a group of funds focusing on the climate change and environment theme. These funds exclude companies based on "fossil fuel free" criteria, which includes the whole energy sector and companies with high carbon footprints. The funds' ESG scores are also higher than their benchmarks'. Moreover, we offer a fund that utilises positive selection to select companies that have a positive environmental or climate effect. Finally, our "impact" fund invests specifically in companies providing renewable energy or energy efficiency.

Raising social awareness on climate change
Throughout the year, we also engaged in various activities that helped to raise awareness of climate change issues:

- Through the offering of thematic funds focusing on climate change and the environment
- By presenting and guest lecturing at events (seminars and conferences, including our own Sustainable Finance Conference) and Universities
- Through engaging with companies, putting climate change on their agendas

Utilising positive selection
Some funds are specifically mandated to invest in companies with a positive environmental profile. This means that companies are included in the fund because the products and services they provide are assessed as contributing positively to climate change and environmental problems. This includes products and services with the themes renewable energy and energy efficiency, amongst others.

Risk Management, Metrics and Targets
With the impacts of climate change already being felt, we recognise the urgency to act on climate change. We utilise several metrics and tools to measure, monitor and manage climate-related risks and opportunities and their financial impact. Our approach includes:

- **Climate-related ESG data for companies available to RI team and PMs at all times**, see section on ESG integration for more information about data.
- **Portfolio carbon footprinting,** to understand our exposure to carbon intensive sectors.
- **Scenario analysis**, at company and portfolio level, to understand climate-related physical and transition risks and opportunities under different climate change scenarios.

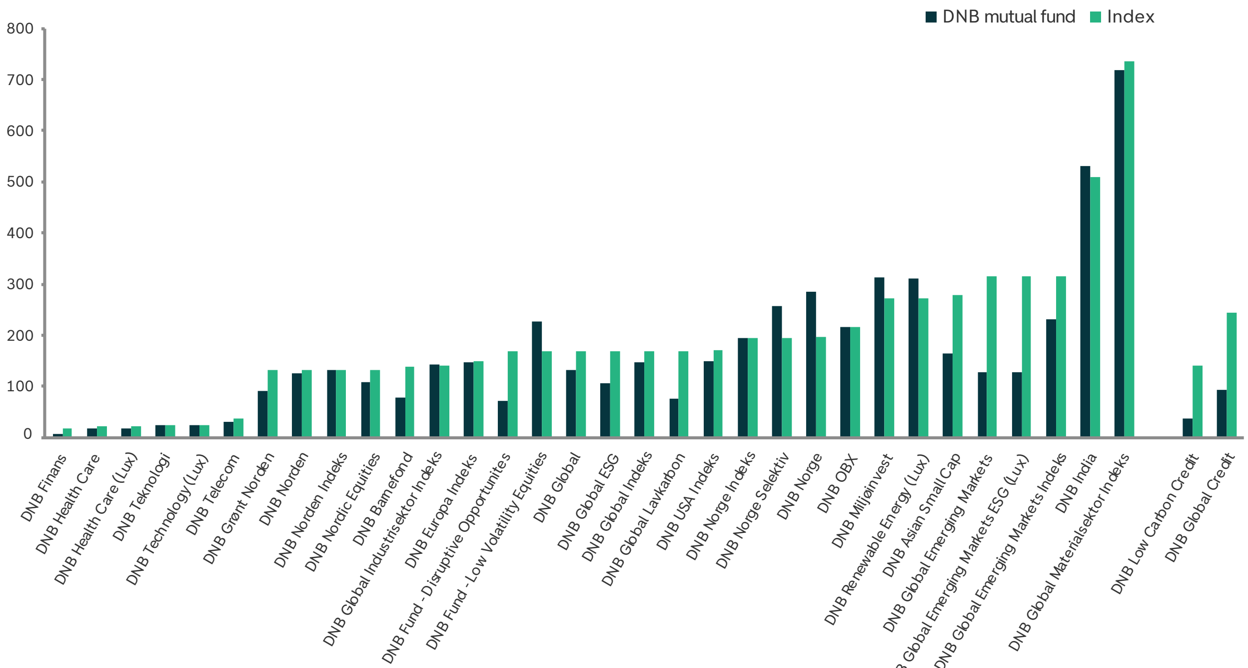
Though other tools are available today, such as portfolio warming potential, we have not used this actively in our risk management approach to date. Portfolio warming potential assesses portfolio alignment to the goals of the Paris Agreement. Such analysis is offered by 2 Degrees Investing Initiative's Paris Agreement Capital Transition Assessment (PACTA) tool and by Carbon Delta. The sophistication of these tools is expected to develop over time.

Carbon footprinting
As part of efforts to measure and reduce exposure to companies with high climate risk, in 2016, DNB started to measure the carbon footprint of all equity funds. In 2019, we have begun to disclose the carbon footprint on fixed income funds where there is sufficient carbon data available. Carbon footprint, also called carbon intensity, is the measurement of a company's greenhouse gas emissions relative to a company's turnover, and is one of several factors that says something about a company's climate risk and impact. After identifying the carbon risk in the portfolios, there are several ways of reducing the risk.

DNB uses information from MSCI ESG Research about companies' greenhouse gas emissions. The companies' carbon footprint is weighted by the respective holding in the portfolios and the same is done for the index. In the calculations, any cash in the portfolios is distributed proportionally between the other companies. For companies without reported emission data, an estimated figure for the company produced by MSCI ESG

Greenhouse gas emissions from DNB's mutual funds relative to reference indices

Tonnes of CO2 equivalent for every USD 1 million of revenue



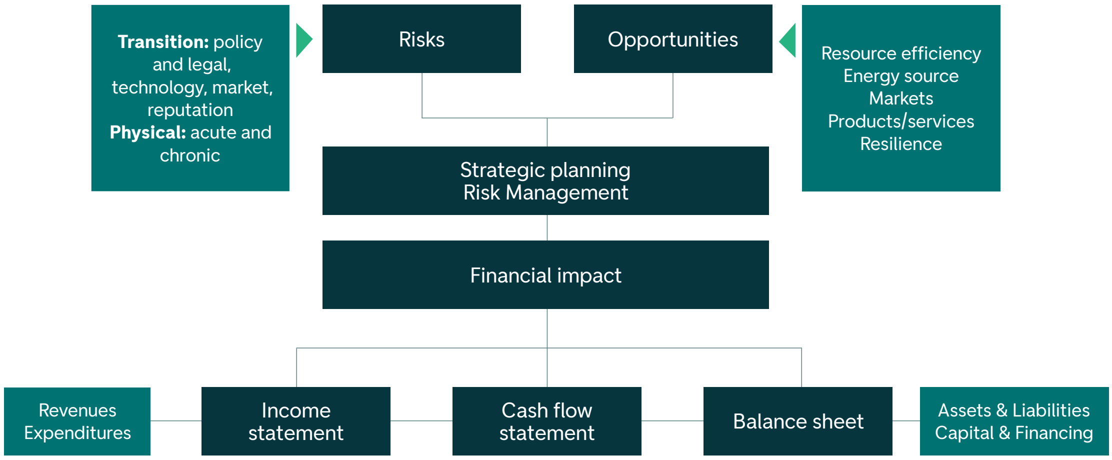
has been used in the calculation. In addition, some companies do not have either reported or estimated data. DNB reports the carbon footprint in CO2 equivalents, as defined by the Greenhouse Gas Protocol. Scope 1 includes direct emissions from sources that are owned or controlled by the organisation and Scope 2 includes indirect emissions associated with purchased energy. Indirect emissions associated with purchased goods and services, the use and disposal of products, that fall under Scope 3 are not included due to lack of reported data from companies. For avoided emissions, which refer to emission reductions resulting from a specific product, methodological and data gaps have prevented the widespread inclusion as part of the carbon footprint process. The method for reporting greenhouse gas emissions is under development and may be subject to change.

The graph below shows 32 equity funds, 2 fixed income funds and their respective indices where data on greenhouse gas emissions was available for more than 75 per cent of the funds' investments. These funds represent about 96 per cent of the total market value of DNB's equity funds. For the first year we are also publically reporting the carbon footprint for a selection of our fixed income products where sufficient carbon data is available. While the carbon emissions data coverage for the Nordic fixed income universe is currently low, we are actively working to increase the disclosure of this information. Carbon footprinting of the fixed income funds utilise the same approach as that implemented for the equity funds (namely the Weighted Average Carbon Intensity) endorsed by the TCFD, there are some key differences notably that any holdings determined to be in 'green bonds' are not included in the calculation of footprint. While we believe that green bonds can have considerable emission reduction potential, potentially even avoiding emissions, these were not included for lack of a standardised methodology regarding avoided emissions. This approach is in line with current best practice in the market. Some funds are not included due to the lack of emission data. The graph is a snapshot of the portfolio as at 31 December 2019 and shows that compared with the respective benchmarks, the majority of the funds had a lower or equal carbon footprint.

There is significant uncertainty surrounding data on greenhouse gas emissions. This is driven not only by the regional variations in practices for reporting emissions, which have been shown to vary considerably between markets and companies of different size, but also from the use of estimated figures when companies do not report emissions. Despite these uncertainties, DNB is of the opinion that greenhouse gas emissions are an important factor to include in the analyses of companies' climate risk and impact.

In an effort to increase the quality and coverage of reported emissions, DNB is a supporter of the TCFD and CDP. As part of our work with the TCFD, we have utilised scenario analysis to assess the performance of our funds under different warming scenarios; please see below for more information.

Figure 1. Climate-related risks and opportunities have a financial impact (TCFD, 2017)



Scenario analysis

We began our work on scenario analysis in 2018 through participating in the UN Environment Programme Finance Initiative (UNEP FI) TCFD Investor Pilot Project. This project has enabled us to take a more structured approach to analysing climate-related risks and opportunities and understanding what their impacts may be, thereby informing our strategic thinking. The initiative was a collaboration between 20 of the world's leading investors which worked to develop, together with the consultant Carbon Delta, guidelines towards a first set of climate-related investor disclosure in alignment with the TCFD recommendations.

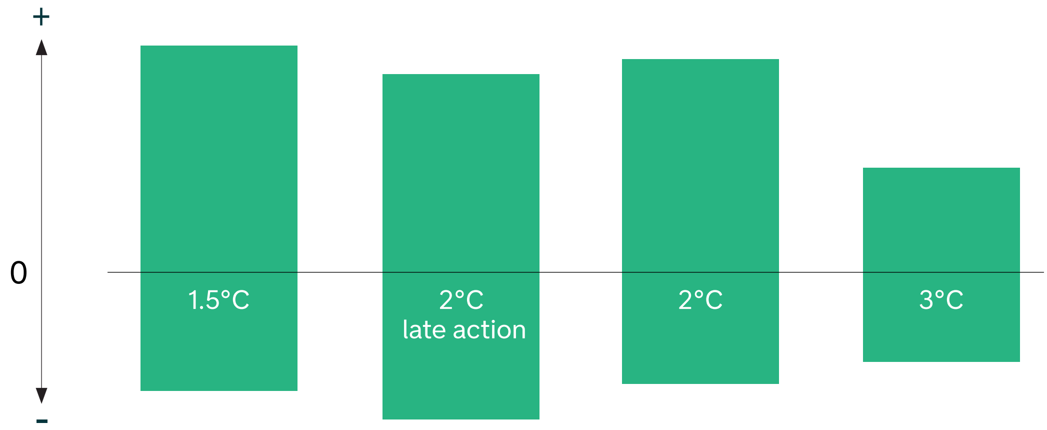
The pilot developed scenarios, models and metrics to enable scenario-based, forward-looking assessments of climate-related risks and opportunities for equities, corporate bonds and real estate.[4] Carbon Delta's proprietary Climate Value-at-Risk (CVaR) model[5] quantifies security-level costs or revenues associated with climate-related risks and opportunities.
The model considers transition and physical risks and opportunities linked with climate change. Specifically, transition risks and opportunities focus on regulatory and technology impacts, whereas physical risks and opportunities consider extreme weather events relating to temperature change (extreme heat and cold), extreme precipitation, extreme snow, wind patterns, tropical cyclones and coastal flooding (from sea level rise). The methodology, an assessment of existing methodologies and case studies from investors were included in the pilot project report, **Changing Course**, which was published in May 2019. We contributed with a case study focusing on the possibility to use scenario analysis results as an engagement tool.

Since this time, we have assessed a range of funds using the scenario analysis tool. The ranges of funds have been grouped and assessed together. Specifically, we have assessed the effect from our dedicated climate and environment funds separate from other ranges of funds.The funds were evaluated under 1.5°C, 2°C (late action), 2°C and 3°C of warming, for both average and aggressive scenarios, using the AIM-CGE integrated assessment model. Broadly, the results are in line with our expectations.

We observe a range of CVaRs spanning from negative to positive impacts, with the climate and environment funds contributing to the positive CVaR. A positive CVaR implies that the overall portfolio-level impact will result in profits under the scenario, whereas a negative CVaR implies that there will be portfolio-level costs associated with the scenario. Higher costs are associated with a 2°C late action scenario compared to a 2°C scenario, reflecting that the "greater the delay in response, the greater the potential cost" [6].

4 DNB AM did not participate in the real estate sub-group
5 https://www.carbon-delta.com/solutions/methodology/
6 https://www.unpri.org/inevitable-policy-response/what-is-the-inevitable-policy-response/4787.article

Figure 2. Result of scenario analysis (CVaRs) across analysed grouped portfolios



High level conclusions:

- Policy risk is highest under 1.5°C and 2°C (late action) scenarios, resulting in higher associated costs. Under the 2°C (late action) scenario, the carbon prices utilised in the model reflect a world where action is not taken until very late (2050). In this scenario, carbon prices start to increase only after 2040.
- Technology opportunities are highest for our climate and environment themed funds. Technology opportunities are assessed based on companies' commercialisation of low carbon patents and green revenue market share. The most positive CVaR contribution was from the strategies which utilise positive screening, in line with our expectations that the portfolio holdings are specifically selected based on their sustainability profile. Technology opportunities are also highest under the 1.5°C scenario.
- Physical risks and opportunities impacts are similar amongst the groups of funds, as the groups contain companies diversified across geographies. If we were to investigate this impact by regional spread, we would expect to see greater variations.

At the same time, we are cognisant that there are a number of factors that influence these findings:

- **The weighting of each fund** (ie. AUM under management by fund)
- **Some funds have specific regional mandates** (ie. emerging markets, developed markets, etc)
- **Company weights within portfolios**
- **Physical risks and opportunities have a much lower contribution to overall CVaR**: there has been some discussion this year that an RCP 8.5 scenario may overestimate physical climate impacts and should not be considered a Business-as-Usual scenario.[7]
- **Policy risk is based on scope 1 emissions:** this does not capture the full impact of emissions, nor does it capture if companies contribute to "avoided emissions".
- **Sector weighting within funds:** sector weights impact how emissions are "assigned" in the policy risk assessment.

In general, we find that the results reflect our expectations. They reveal that our climate and environment strategies are best placed to take advantage of technology opportunities and are associated with overall positive climate impacts under different warming scenarios.

Since the conclusion of the pilot project, Carbon Delta has been working towards continuous improvement to the methodology and integrating investor feedback. Some of the factors addressed above are already in the pipeline for future development. We look forward to seeing how the approach will develop in time, particularly given the recent acquisition of Carbon Delta by MSCI ESG Research towards the end of 2019. We will continue to explore other means by which to assess the impacts on funds under different climate scenarios moving forward. It is important to highlight that active ownership engagement towards companies based on findings is seen as having a positive impact.

7 https://www.carbonbrief.org/explainer-the-high-emissions-rcp8-5-global-warming-scenario

9.3 Water

Identified by the World Economic Forum and the UN's 2030 SDGs, access to clean water and sanitation represents one of the top global challenges for this decade.[8] Water scarcity, poor water quality and inadequately sanitation is the reality for millions of poor people every day. The problem is expected to grow. The World Resources Institute (WRI) estimate as many as 3.5 billion could experience water scarcity by 2025. There are many reasons for conflicts to happen, but conflicts over water and lack of access to clean and reliable water supplies increase the risk of violent conflicts. Water scarcity, flooding and pollution are reasons that we probably will see an increase in potential violent and non-violent disputes in the near future.

Relevance to the SDGs

Water management integrated into business strategies, risk management and measuring is essential in order to meet the SDG goal on water. Water is an essential input factor for many business' and for high risk sectors we expect companies to manage this risks, while we a looking for business models with opportunities related to SDG 6. Working towards companies to encourage conservation, restoration and sustainable use of terrestrial and freshwater ecosystem is crucial for a sustainable development.

Water is an essential input factor in countless processes and operations globally, and industry has a direct role in the management of the Earth's water systems. The impact of water on different sectors varies depending on the sector and industry, with some sector and geographic regions particularly vulnerable to changes in the water availability and water quality.

What makes water management by companies especially challenging is that it is a local and/or regional issue, often requiring site-specific approaches for the management of the resources. These issues increase complexity for the companies when considering water management, particularly for multinational companies when considering across direct operations and supply chains, in a range of international geographies. Additionally, when considering the multitude of factors impacting the quantity and quality of water available, including human, industry, and policy, the complexity of the issues is evident.

We expect to see an increase in incorporated water management into business strategies, risk management and measuring and valuing water impact. This is to ensure companies have awareness of and are managing water risks within their operations and supply chain, and within their operating basin. It is the ambition of DNB AM for all companies within the investment universe to become water stewards. That is, to not only improve the water efficiency and water management practices within their operations, but to positively contribute to the sustainable management of shared resources. In line with the goal of SDG 6 on clean water and sanitation for all, businesses can contribute to achieve these goals by adopting water stewardship strategies and water management into business strategies. Water management is an indicator many companies already measure and disclose, and we work this in our collaborative engagement with ICCR water engagement group and through the Mining and Tailings Safety Investor Initiative.

Activities in 2019

In 2019, DNB AM had 11 meetings on issues related to water risks and opportunities. As part of our engagement with Interfaith Center on Corporate Responsibility (ICCR) water engagement group we had a meeting with TransCanada Corp in 2019 where we encourage the company to disclose in line with the CDP water advisory council. We started dialogue with the material company Chemours Co discussing their approach to handle water stress, toxic emissions and waste and which reporting channels are most important. Water related issues are also relevant in engagement under other topics such as climate change and engagement with the aquaculture industry under the engagement themes oceans.

We were part of a global investor collaboration requesting mining companies provide detailed disclosure of tailings dam facilities. The initiative, part of the Global Investor Mining and

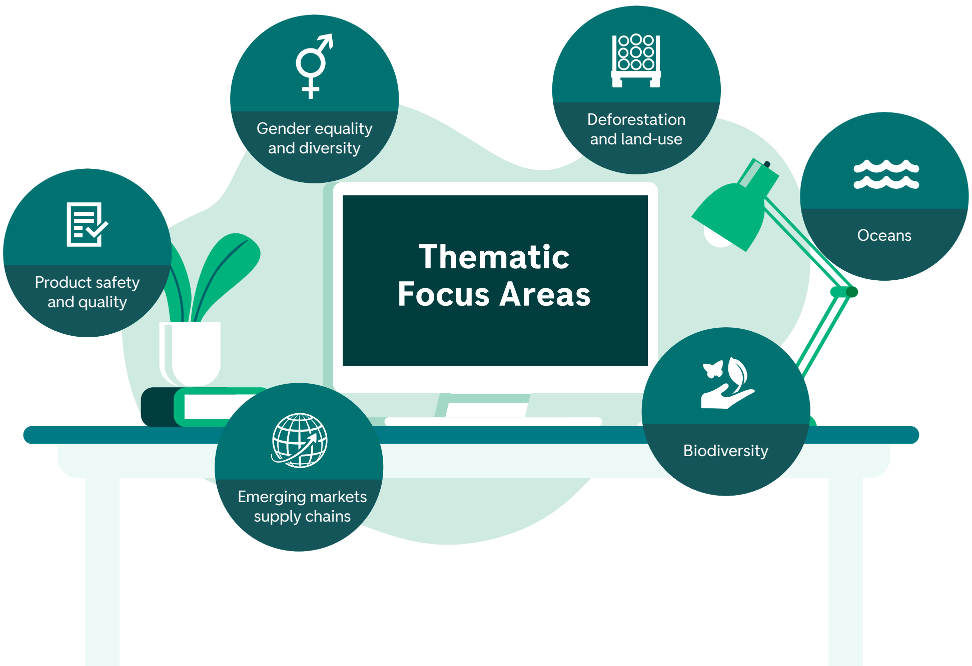
8 www.Sustainabledevelopment.un.org Development Goal 6, Synthesis Report on Water and Sanitation, https://sustainabledevelopment.un.org/content/documents/19901SDG6_SR2018_web_3.pdf

Tailings Safety Initiative, followed the failing of the Vale dam in Brumadinho and the catastrophic loss of life and environmental damage. The initiative is supported by 112 global institutional investors, who together represent over $14 trillion in assets under management. At the start of 2019, 222 of the 655 companies requested, representing 55% of the global mining industry by market cap, had disclosed information about more than 1,800 tailings facilities. While we aim for 100% disclosure, the response from the mining industry is encouraging and indicates an awareness of the importance of these risks by the industry. For those companies which have not yet disclosed, we are collaborating with other investors through the PRI, to encourage their disclosure and hope to see increased disclosure in 2020.

Focus in 2020

In 2020, we aim to escalate our work on water management in sectors such as metals and mining, textiles and agriculture, through both investor collaborations and independent engagements. In dialogues with leading textile companies we can also learn from their experience on a how they manage their water risks. Seafood is an important sector in Norway and proactive engagement with Norwegian companies is natural for to follow up on regarding water issues in farmed fish. Investor collaborations are also important channels for addressing water-related risks and opportunities. We will co-lead on a company through the Mining and Tailings Safety Investor Initiative. Lastly, we will in 2020 join phase two of the meat sourcing engagement through FAIRR/Ceres. In 2018 we joined the Ceres Investor Water Hub, which aims to share information, data and learning and develop more effective research methods to assess water risks and opportunities. That work continues in 2020.

10. Thematic Focus Areas



In addition to the long-term focus areas, our engagement strategy prioritised certain shorter-term thematic engagements in 2019: emerging markets supply chains, product safety and quality, gender quality and diversity, deforestation and land-use and oceans. In 2020, biodiversity has been introduced as a new thematic focus area. These focus areas are determined based on their significance, possibility to engage with companies on these topics, and potential to make a difference in terms of sustainability and returns.

Table 1. Achievements in 2019 and Goals for 2020 for Thematic Focus Areas

Focus Area	Achievements in 2019	Goals for 2020
Emerging markets supply chains	✓ Continued working through PRI working groups on palm oil, soy and cattle. ✓ Continued engagement with companies on supply chain topics such as living wages and child labour. ✓ Engagements on product safety and quality, deforestation and and-use and human rights that overlap with this theme.	• Join PRI working group on palm oil in Fast Moving Consumer Goods companies.. • Continue engaging with companies on sustainable palm oil, soya and cattle. • Continue engaging with companies on the topic of living wages in the apparel sector. • Consider engaging on new sub-topics within this theme, such as ESG issues in regards to responsible sourcing and modern slavery.
Product safety and quality	✓ We have defined data privacy and security, cannabis, healthcare and gambling as relevant sub-topics under this theme. ✓ We have had a proactive engagement focusing on tech companies on the topic of data privacy and security. ✓ We have developed an approach to engaging with companies on the unethical marketing of formula milk.	• Continue using systematic approach for engaging with companies on this topic. • Engagement on unethical marketing of formula milk will begin, in collaboration with other Norwegian institutions.
Gender equality and diversity	✓ Developed and published an expectations document on gender equality and diversity. ✓ Developed a systematic approach to voting on topics related to gender equality and diversity at company general meetings. ✓ Tailored proxy voting guidelines with ISS in line with own voting guidelines. ✓ Have engaged with companies on this topic ✓ Signed an investor letter promoting the Women's Empowerment Principles, which was sent to global companies. ✓ Developed a systematic approach for identifying target companies for engagement, and have created a framework for engagement	• Simplify engagement framework for dialogues with companies. • Active ownership engagement on this topic
Deforestation and land-use	✓ Continued working through PRI working groups on palm oil, soy and cattle. ✓ The palm oil engagement now focuses on all elements of the value chain, including buyers, processers, growers and lenders (banks). ✓ PRI are yet to initiate the working group on timber, so we have not been able to start this work yet.	• Join PRI working group on palm oil in Fast Moving Consumer Goods companies. • Continue engaging with companies on sustainable palm oil, soya and cattle. • Join phase two of the meat sourcing engagement through FAIRR/Ceres. • Join phase four of the sustainable proteins engagement with FAIRR.
Oceans	✓ Have reassessed the relevance of including risks and opportunities associated with oceans under the scope of an expectations documents on water and determined that a separate expectations document on oceans is most appropriate. ✓ We have had proactive engagements with aquaculture companies in Norway covering several topics, including protein sources in feed (linked to deforestation and land-use) and climate change (TCFD).	• Develop expectations document on oceans • Determine systematic approach for engaging with companies on this topic.
Biodiversity	✓ New thematic focus area introduced in 2020	• Develop and use framework for systematically engaging with companies on biodiversity. • Begin engaging with companies exposed as operating in UNESCO World Heritage Sites.

10.1 Emerging Markets Supply Chains

Companies operating in emerging markets often experience higher ESG risks compared to companies operating in developed countries. These higher ESG risks may be the result of weaker regulations, reduced rule of law, and higher occurrences of corruption. Many important commodities used in a range of products are produced in emerging markets, with many global companies dependent on emerging market suppliers. Incidents or other disruptions experienced by these suppliers can have wide-ranging impacts, and for this reason we have focused on engaging with companies with supply chains in emerging markets for a long time. As supply chains are often not considered to be part of core operations, risk exposure in supply chains may not be a priority for companies. However, supply chains may contain many hidden ESG risks such as child labour, corruption, human rights abuses and contributions to serious environmental harm. This is the case for companies in sectors such as textiles, agriculture and technology industries, which are amongst our strategic engagement priorities in 2019 and 2020.

Relevance to the SDGs

8 DECENT WORK AND ECONOMIC GROWTH	The SDG aims to promote "sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	The SDG seeks to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	The SDG seeks to promote just, peaceful and inclusive societies. With aim to promote the rule of law at the national and international levels, and ensure equal access to justice for all.
17 PARTNERSHIPS FOR THE GOALS	The SDG seeks to strengthen the means of implementation and revitalize the global partnership for sustainable development. Increase significantly the exports of developing countries.

Integration of the SDGs into business allows companies to demonstrate how their business can contribute to achieve the SDGs through their core activities. The International Labour Organisation (ILO), has identified SDGs 8, 9, 16 and 17 to be relevant to global supply chains.[1]

Activities in 2019

During the fall of 2019, we developed a framework for engaging with companies within the apparel, accessories and luxury goods industries. Dialogues with several of the target companies in this proactive engagement started in 2019, and will continue in 2020. During the first phase, the focus will be to learn whether the companies are equipped to manage risks and take advantage of business opportunities in a sector that faces many ESG risks. The textiles industry is one of the most polluting industries and it is expected that we will see an increasing consumer awareness and demand for a more sustainable textile industry, at least in the developed part of the world. The sector is exposed to high supply chain risks such as exposure to child labour, modern slavery and serious environmental harm from the use of chemicals. In 2019, we met with the second largest textile retailer Hennes & Mauritz, which is considered to best-in-class on sustainability compared to its peers. Even though they are one of the front runners pushing for a more sustainable industry, they face the same challenges and have an extra responsibility to promote sustainable business practices as one of the world's major retail textiles companies.

Combatting child labour in cocoa supply chains in collaboration with other investors through company dialogues has been a priority for several years. In the fall of 2019, we started a three-year stewardship and risk engagement on combatting child labour in cocoa supply chain through our engagement service provider as a continuation of the past engagement we have had on cocoa supply chains. Our experience is that the companies have continuously improved their work in regards to child labour in their supply chains, but still have some way to go before our engagement goal is met. The collaborative engagement is now entering a new phase where we believe it has positive momentum in the industry. It is estimated that two million children work in hazardous conditions in cocoa production worldwide. Poverty is an underlying cause of child labour. Low wages and volatile income make it difficult for cocoa farmers to provide an adequate standard of living for their family. Raising incomes to a standard of living income will therefore be an important goal in this engagement. The companies selected for the engagement are the trading, processing and chocolate brand companies Barry Callebaut AG, Cargill, Hershey's Lindt & Sprungli, Mondelez International Inc, Nestlé and Olam International. Kick-off meetings with all the companies were held at the end of 2019. To increase the size of capital and

1 www.ilo.org , Relevant SDG Targets related to Global Supply Chains, https://www.ilo.org/global/topics/dw4sd/themes/supply-chains/WCMS_558569/lang--en/index.htm

possibility of influence, the dialogues with the companies will be conducted together with other investors and through our external engagement service provider.

Focus for 2020

Due to the complexity and scope of ongoing dialogues with companies within the textiles sector and cocoa industry, it is natural to continue this work in 2020. We will also continue our work with companies through the collaborative engagement on sustainable palm oil production through the PRI. Further, we are experiencing an increasing awareness around issues related to modern slavery in supply chains, which we will continue to focus on during dialogues with relevant companies. We expect companies to have Codes of Conduct covering modern slavery and child labour and will follow up on this in our dialogues.

10.2 Product Safety & Quality

The effect that companies' products have on society is an important element of product stewardship. Companies must ensure that their products are safe, or risk legal action.
DNB AM's interpretation of product safety and liability is that this encompasses a range of issues including cyber security and data protection, public health/nutrition and gambling, amongst others. Such issues have been widely discussed in the media and have, in some cases, led to extreme stock market reactions, harming returns, damaging company reputations, and attracting the attention of regulators globally. In determining a company's ability to ensure long-term value creation, we must therefore consider how companies manage the risk of such issues occurring, and how they respond to such issues if they occur.

Relevance to the SDGs

2 ZERO HUNGER	Aims to end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
3 GOOD HEALTH AND WELL-BEING	Aims to ensure healthy lives and promote well-being for all at all ages. Including by 2030, end preventable deaths of newborns and children under 5 years of age,
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Aims to help achieve the sustainable management and efficient use of natural resources, and substantially reduce waste generation through prevention, reduction, recycling and reuse.

As with our other thematic focus areas, we find the SDGs provide a good framework through which to look at these areas. As the topic of product safety and quality is varied and covers a range of different products, the products may also vary in terms of the SDG they align with.

Activities in 2019

In 2019, we undertook a number of proactive engagements with technology companies regarding data privacy and security. The topic is a key focus for the sector given the importance of data in all aspects of the business, and with increasing consumer awareness on the issue, very good data privacy management is essential for these companies. The potential for significant fines and loss of revenues, along with regulatory and reputational risks represent considerable downside for those which fail to implement sufficient practices. In undertaking the engagement, we identified companies, through screening based on external ESG scores, and developed a framework of questions and best practice by which to assess and compare the companies. The initial engagement was with a number of companies in the telecom and cable and satellite industries, with all companies responding to our request. We found that as expected, there was an issue with disclosure from these companies which likely impacted the scores received from our external provider. At the same time, there were a number of areas where policies and practices could be improved in line with best practice, improvements we suggested they undertake. Upon review at the end of 2019, we saw improvements from the companies on the topic, also reflected in improved scores from our external ESG provider.

Focus for 2020

We will continue our focus on data privacy and security in 2020, looking to make changes to the disclosure framework and identify other companies at risk in the space. The sale of anonymised meta data and revenues from targeted advertising at telecommunication companies will also be a focus.
We have developed an approach to engaging with companies on the unethical marketing of formula milk. In 2019, we will begin an engagement on the topic in collaboration with other Norwegian financial institutions.

10.3 Gender Equality and Diversity

We have clarified our interpretation of DNB Group's Standard for Responsible Investments on this topic by developing and publishing a dedicated expectations document on gender equality and diversity. Developing expectations documents is an important part of our standard setting work, by setting expectations towards companies about what is considered best practice within this area. We expect companies to address gender equality and diversity in their governance structure and strategy, and report on relevant metrics and targets.

Relevance to the SDGs

4 QUALITY EDUCATION	Gender gaps still exist in regards to education. This SDG seeks to eliminate gender disparities in education and build and update education facilities that are gender sensitive, amongst other things.
5 GENDER EQUALITY	The SDG seeks to "achieve gender equality and empower all women and girls". This will include elimination all forms of discrimination, violence and harmful practices against women and girls. It will further seek to ensure equal opportunities and access to necessary health care.
8 DECENT WORK AND ECONOMIC GROWTH	The SDG aims to promote "sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".
10 REDUCED INEQUALITIES	Addresses living wage challenges, fair wages and discrimination

Our expectations are relevant for all companies within our investment universe and are viewed as best-practice guidance to create the structural cultural change necessary to improve diversity.

Activities in 2019

Moreover, we have addressed this topic through our voting guidelines. This has involved developing a systematic approach to voting on topics related to gender equality and diversity at company general meetings through our new voting guidelines for global companies and our updated tailored proxy voting guidelines with proxy voting advisor, ISS. Through 2019, these documents have guided our approach and we have done the following:

- Voted at ten general meetings in regards to this topic. Specifically, we have voted for items related to comprehensive reporting on gender pay gap.
- Sent a letter to a company following its general meeting to further strengthen our position on gender diversity requirements at Board level. Have raised the topic again in subsequent meetings with the company.
- Engaged with a company's Nomination Committee on gender equality and diversity considerations in the process for finding new Board members.

Working through investor collaborations is also important. We signed a letter that was sent to global companies, promoting the **Women's Empowerment Principles.**

Focus for 2020

Practising active ownership by engaging with companies is another important part of our work. Dialogues have primarily covered company gender diversity at Board level. We developed a methodology in order to identify target companies for engagement. This involves considering the country and sector in which companies operate, ESG scores, and whether companies have less than 30% of the least represented gender on their board. We will prioritise further by considering company weights in active portfolios. Through this framework, we will gather more data, score companies and track progress over time.

Through these measures, we consider this topic to be an integrated part of our ESG approach towards companies and we will simplify engagement the framework for dialogues with companies.

10.4 Deforestation and Land use

Our work on deforestation is centred on the deforestation risk commodities - cattle products, palm oil, soy, and timber products – whose production are collectively responsible for 80% of global deforestation. The Intergovernmental Panel on Climate Change (IPCC) estimates that 23% of total net anthropogenic GHG emissions are due to agriculture, deforestation and land-use change.[2] The recent special report from the IPCC on Climate Change and Land highlights the links between unsustainable land-use practices and climate change, and notes that most modelled climate mitigation scenarios require considerable changes to current land-use practices.[3] The importance of the widespread adoption of sustainable land use practices is paramount if the world is to achieve the Paris targets and limit impacts from climate change.

Relevance to the SDGs

13 CLIMATE ACTION	This SDG focuses on mitigation, adaptation, and integration into policies and impact reduction. Our work focuses on working with companies regarding their production, use, or funding of deforestation risk commodities.
15 LIFE ON LAND	Our work with companies addresses a number of the underlying targets, including promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally .

At that same time, and with specific reference to Brazil, we have seen an increase in issues reported related to Indigenous land rights. This is believed to be increasing primarily as "land grabbers", looking to capitalise on the increasing demand for land for soy and cattle production, venture further into indigenous territories and drive indigenous people from their lands. In 2019, indigenous lands experienced the highest levels of deforestation since 2008.[4] Unfortunately, these issues look set to continue given the Brazilian government's rolling back of enforcement of environmental protections.
For these important reasons, deforestation will remain a key thematic focus area in 2020.

Activities in 2019

As part of our approach to the focus area, we find the SDGs provide an important framework through which to consider companies' activities. For deforestation and land use, a range of SDGs are relevant, however we look particularly to SDG15: Life on Land, and SDG13: Climate action.

We continued to engage as part of the PRI working group on palm oil, as well as the PRI-Ceres Investor Initiative for Sustainable Forests, which focuses on cattle and soy.
We believe collaborative engagements are a key apparatus in which to engage companies to ensure the best chance for success, particularly when we have a small holding in a company.

The PRI working group on palm oil, expanded beyond growers, processors and traders to also engage with ASEAN banks providing financing for those in the industry. When considering the importance many of the banks have in funding palm oil development, an opportunity was identified to positively influence improved practices in the industry with regards to changes to lending requirements for growers. All companies contacted responded to the request, with varied levels of governance practices in place to address the issues with those receiving loans. The group aims to improve lending standards with these institutions involved in the palm oil value chain and will continue engagement throughout 2020.

As part of the PRI-Ceres investor collaboration, focusing on eliminating deforestation from cattle and soy supply chains, the group had at the end of 2019 contacted and had meetings with a considerable number of companies. The results and

2 https://www.ipcc.ch/srccl/chapter/summary-for-policymakers/ [pg. A.3]
3 https://www.ipcc.ch/site/assets/uploads/sites/4/2019/11/05_Chapter-2.pdf [pg. 205]
4 https://www.reuters.com/article/us-brazil-environment/deforestation-on-brazilian-tribal-lands-highest-in-11-years-idUSKBN1YL2EE

progress on certification, traceability, and transparency varied considerably between companies, and we will continue our collaboration on the theme in 2020.

In August 2019, we witnessed severe forest fires in the Brazilian Amazon rainforest, widely recognised to be linked to deforestation practices for the soy and cattle industries. Brazil's National Institute for Space Research published data showing that there was nearly a 60% increase in the number of fires in 2019 compared to 2018.[5] In response, and in addition to our collaborative engagements with companies, we endorsed an investor statement requesting companies intensify their efforts and demonstrate clear commitment to eliminating deforestation within their operations and supply chains. Links to this deforestation represents a considerable potential financial impact for the companies, through increased regulatory, operational, and reputational risks.

We updated our expectation document on serious environmental harm. This included updating the expectation document objective in accordance with the DNB Standard for Responsible Investments, clarifying definitions and concepts, and editing the sections on important international treaties, High Conservation Methodology (HCV), and expectations towards companies in terms of management of water, pollution and waste. A case study was added on expectations towards companies within metals and mining.

Focus for 2020

For the year ahead, we will continue engagement through the PRI-Ceres Investor Initiative for Sustainable Forests, which focuses on cattle and soy, and the PRI working group on palm oil, which will expand the focus in 2020 to engage with fast moving consumer goods companies located in South East Asia. We will continue to support CDP and their new financial sector information request, with a specific focus on lending and investments related to deforestation risk commodities. An initial trial project with SE Asian and Global banks in 2020, and should help provide greater transparency and standardisation of this information.

Additionally, we are initiating a thematic engagement focus on biodiversity, which will have alignment with our approach to deforestation and land-use. More information can be found in section 10.6.

5 http://queimadas.dgi.inpe.br/queimadas/portal-static/situacao-atual/

10.5 Oceans

The global oceans cover about 71% of the planet's surface and are an essential part of the biosphere, regulating the global climate by mediating temperature and driving weather.[6] Ocean issues are also of importance for many other major global challenges including biodiversity, food security, human rights, pollution, urban development, and energy supply. A key issue to consider is how "the oceans" theme fits into the broader focus on promoting a circular economy (including how to handle marine plastics waste).

Relevance to the SDGs

Includes a target to reduce to reduce environmental impact of cities – including paying attention to waste management, and also a target to protect natural heritage.

Includes targets to achieve the sustainable management and efficient use of natural resources, and substantially reduce waste generation through prevention, reduction, recycling, and reuse.

Climate change is directly addressed by this SDG, which focuses on mitigation, adaptation, and integration into policies and impact reduction.

This is the most central SDG, focusing on conserve and sustainably use of the oceans, seas and marine resources.

Threats and opportunities related to the global oceans is a key focus for the whole DNB Group. Several of the UN Sustainable Development Goals (SDGs) are relevant including SDG 14 Life below Water and SDG 12 Responsible Consumption and Production.

Furthermore, SDG 13 Climate Action is also highly relevant. The oceans are disproportionately impacted by the increasing levels of GHGs in our atmosphere, leading to rising water temperatures, ocean acidification and deoxygenation[7]. However, there is also scope for oceans to provide solutions to the climate challenges. Ocean-based climate action could deliver a fifth of emissions cuts needed to limit temperature rise to 1.5°.[8]

Not so obvious is the importance of sustainable urbanisation for healthy oceans (see SDG 11). Unfortunately, rapid urbanisation of coastal zones further aggravates pollution, habitat loss and resource pressure. Bearing in mind that the coastal zone makes up only 10% of the ocean environment, it is home to over 90% of all marine species![9]

One hindrance for reaching the goals of the key SDGs, is the lack of globally enforced standards and regulations regarding the oceans, and a large part of the (high) seas are also beyond national jurisdictions. Therefore, it is important that affected companies set the bar high by following the letter and spirits of international standards and conventions. The most fundamental international agreement is the UN Convention on the Law of the Sea (UNCLOS)[10], the "constitution for the ocean".

6 https://www.worldwildlife.org/stories/how-climate-change-relates-to-oceans
7 https://www.iucn.org/resources/issues-briefs/ocean-and-climate-change
8 http://live-oceanpanel.pantheonsite.io/sites/default/files/2019-09/2019_09_22%20HLP%20Press%20Release_FINAL.pdf
9 https://www.worldwildlife.org/initiatives/oceans
10 https://unchronicle.un.org/article/achieving-sdg-14-role-united-nations-convention-law-sea

A recent initiative, that builds on the widely accepted UN Global Compact, is the Sustainable Ocean Principles, which launched in 2019. The DNB Group is signatory to the initiative. The nine principles cover three main topics; Ocean health & productivity, governance & engagement, and data & transparency [11]. This tool can be broadly utilised in our expectations and engagements described below.

Our expectations towards companies call for a high level of transparency around how companies identify, assess, and manage risks & opportunities related to the oceans, seas, and marine resources.

Our engagements are aimed both at companies with activities directly linked to the ocean, and at those with land-based activities that are materially dependent on the ocean (or affect the oceans significantly). The following sectors/activities are therefore especially relevant:

- Fishing and aquaculture (seafood)
- Marine/coastal tourism
- Offshore oil and gas
- Marine transport, ship building/ship recycling, and port activities
- Renewable marine energy (wind etc.)
- Deep sea mining
- Biotechnology
- Land-based activities with significant influence on the oceans (mining, agricultural, chemicals, waste management, urban development, etc.)

Expanding on a specific sector, we want to highlight the many challenges related to global fishing and aquaculture (seafood), which are exacerbated due to overfishing and changes in the climate. Fishing in particular is also one of the high risks areas for modern slavery. Other sustainability challenges includes illegal fishing, sustainable feed, pollution, marine diseases, antibiotics, labor conditions, animal welfare, access to food in emerging markets, and sustainability reporting. A number of specific conventions, guidelines and certifications may therefore be relevant for companies within fishing and aquaculture (seafood)[12]:

- CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora)[13]
- The Convention on Biological Diversity (CBD)
- The Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR)
- There are also several certifications that companies should try to obtain, some of the most relevant are the ASC (aquaculture)[14] and the MSC Fisheries Standard[15]

Activities in 2019

Note that relevant "oceans" engagements within the sector mentioned above often overlap with other engagement themes, including climate-related issues. For example, our TCFD engagements (2018/19) with a number of Norwegian companies adressed companies within aquaculture, offshore oil/gas, marine transport, mining and chemicals, etc.

Another example from 2019, was our proactive engagement with several companies in the aquaculture industry regarding their sustainability practices. These companies include Mowi, SalMar, Bakkafrost, Atlantic Sapphire, Grieg Seafood, Lerøy Seafood Group, and EWOS. We have been impressed by the focus on sustainability among these players; something that is substantiated by high rankings in the well renowned Coller FAIRR Protein Producer Index 2019[16]. However, there are remaining challenges also among the leaders in aquaculture.

In the broader perspective, balancing both humanity's need for healthy food and the global issue of sustainable food production, aquaculture can be considered a more sustainable alternative to fisheries [17]. To promote the growth of aquaculture happening in a sustainable matter, we will continue to focus our engagement on sustainable feed and TCFD-aligned climate strategy development/reporting.

Focus for 2020

DAM AM will publish a new expectation document regarding oceans in 2020. Furthermore, a broad engagement focus on oceans will continue in 2020 including addressing sub-topics such as the circular economy (and the handling of plastics waste).

11 https://www.dnvgl.com/news/30-companies-and-institutional-investors-commit-to-take-action-to-secure-a-healthy-and-productive-ocean-160615

12 The UN (FAO) and EU has also a number of voluntary guidelines as well as laws that are relevant. One example is the Code of Conduct for Responsible Fisheries (FAO). Other examples: Principles for Responsible Shrimp Farming (FAO etc.), Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (FAO etc.), and Voluntary Guidelines for Securing Sustainable Small-Scale Fisheries in the Context of Food Security and Poverty Eradication (FAO).

13 https://www.nationalgeographic.com/animals/reference/convention-on-international-trade-in-endangered-species/

14 https://www.asc-aqua.org/

15 https://www.msc.org/standards-and-certification/fisheries-standard

16 https://s3-eu-west-1.amazonaws.com/assets.fairr.org/downloads/FAIRR+Index+2019+Report+-+Public.pdf

17 https://eatforum.org/content/uploads/2019/07/EAT-Lancet_Commission_Summary_Report.pdf

10.6 Biodiversity

Biodiversity describes the variety of all life on Earth, including plants, bacteria, animals and humans and their interaction within ecosystems. With biodiversity loss happening at unprecedented rates, biodiversity is in crisis. The UN estimates that around one million plant and animal species are at risk of extinction due to human consumption and activities that disturb and destroy ecosystems[18]. In addition to being a tragedy of nature, biodiversity loss is also a major problem for humanity. The knock-on effects will threaten food security, livelihoods and the economy.

Relevance to the SDGs

	Marine biodiversity unpins all economic activities that depend on the sea, from fishing and aquaculture, to tourism. Working to encourage companies to protecting and conserve marine biodiversity is essential to achieving sustainable use of oceans, seas and marine resources.
	Working towards companies to encourage conservation, restoration and sustainable use of terrestrial and freshwater ecosystem is crucial for sustainable development.

Companies may impact biodiversity through their business activities. Moreover, companies' dependencies on biodiversity may incur "ecological risks to operations, liability risks, regulatory, reputational, market and financial risks"[19]. By recognising and measuring these dependencies and impacts on biodiversity, companies may manage and prevent biodiversity-related risks and take advantage of new business opportunities.

In 2019, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) launched its Global Assessment Report on Biodiversity and Ecosystem Services. We also observed growing media and NGO attention on the topic of biodiversity. We believe 2020 will be a year of increased focus on biodiversity. The European Commission is due to present a Biodiversity Strategy by March 2020 and the EU will work towards an ambitious new global framework to protect biodiversity at the UN Biodiversity Conference in October 2020, whilst the Farm to Fork strategy will work to reduce the use of pesticides and fertilisers in agriculture [20].

Our work on this thematic focus area will be relevant to several sectors, including food production, agricultural chemicals, electric utilities, mining and metals and forest products. First steps will include developing a framework for engaging with companies on biodiversity and beginning to target companies that WWF has defined as being exposed as operating in UNESCO World Heritage Sites.

18 https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/

19 https://www.oecd.org/environment/resources/biodiversity/G7-report-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf

20 https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

11. Sustainability-themed Funds in Focus

All of our funds and investments follow our Standard for Responsible Investments. However, clients seeking funds with an enhanced ESG profile can opt for funds such as DNB Global ESG and/or DNB Global Emerging Markets. These funds exclude companies that are involved in the production of alcohol, conventional weapons and/or gambling. For clients interested in dedicated sustainability-themed funds, we offer DNB Global Lavkarbon, DNB Grønt Norden, and DNB Barnefond. A fixed income fund, DNB Low Carbon Credit, equivalent to DNB Global Lavkarbon was launched in May 2020. These funds exclude companies that are either exposed to fossil energy, have high carbon footprints (intensity) and/or large fossil fuel reserves. DNB Grønt Norden also utilises positive selection focusing on Nordic companies with a positive environmental profile. Furthermore, we offer DNB Miljø-invest/DNB Renewable Energy which invest in companies that provide solutions to the challenges of climate change, such as renewable energy and/or energy efficiency.

> The fund is capitalising from investment in companies enabling a better environment. The accelerating pace towards a low carbon economy drives improved business outlook and higher strategic importance for both investors and society.

Rom & Sigurdsen

Jon Sigurdsen and Christian Rom,
Portfolio Managers

11.1 DNB Miljøinvest and DNB Renewable Energy

About the funds
Size of funds: 3,496m NOK (DNB Miljøinvest and DNB Renewable Energy combined) as at 31.12.2019.

DNB Miljøinvest and DNB Renewable Energy are actively managed equity funds that invests in companies providing solutions within emission reductions, including energy efficiency and renewable energy. DNB Renewable Energy is the Luxembourg-domiciled equivalent of DNB Miljøinvest, which is domiciled in Norway.

Positive impact

Some examples of how companies provide a positive climate and environmental impact are described below.

Company	The issues	The solutions	SDG alignment
Scatec Solar	**Climate change** • Most of the electricity developed in developing markets comes from highly polluting sources, including coal and diesel generators **Access to electricity** • Approximately 1bn of the global population does not have access to electricity, and most of these people are based in developing countries	**Emissions reductions** • One of the largest developers, builders and owners of solar parks in developing markets • Enables emissions reductions and cost savings • Estimated avoided emissions of 650,000 tCO2e in 2018 and 1,500,000 tCO2e in 2019	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
	Inequality and social exclusion • Closely linked to extreme poverty, which is an issue in many developing markets	**Increasing employment opportunities** • Large-scale utilisation of unskilled labour in construction projects helps to increase employment opportunities and alleviate poverty • Bridging economic and social gaps for sustainable development	8 DECENT WORK AND ECONOMIC GROWTH
AMG	**Climate change** • The transport sector (road, rail, air and marine) is the fastest growing contributor to GHG emissions and accounted for 24% of direct CO2 emissions from fuel combustion in 2018 [1] &[2] • Buildings accounted for 28% of global energy-related CO2 emissions in 2018 when taking into account indirect emissions from upstream power generation[3]	**Emissions reductions** • Vanadium – used to make steel alloys, resulting in stronger and lighter material and energy savings • Lithium – supplied to battery industry for use in electric cars and power storage • Graphite – insulating materials for buildings • Titanium and chromium – more efficient combustion and lighter aircraft in the aerospace industry • Aluminium – lightweighting of cars and airplanes (alternative to steel) and as a substitute for plastic in beverage packaging most solar panel production • Tantalum – used in capacitors, essential components in electronics for efficient use of energy (ie. mobile phones)	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
	Circular economy • The unsustainable "take, make, waste" approach of linear economies contributes to high levels of GHG emissions, waste and pollution[4] • The move towards a circular economy is also necessary to need the world's growing population's demand for raw materials[5]	**Recycling/Circular economy** • High use of recycled metals • Vanadium – receives used catalysts from refineries and removes metal from them (alternative would be to send these to landfill, which harms the environment)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Hoffman Green Cement Technologies	**Climate change** • No substitute, carbon intensive to produce • The industry that accounts for approximately 6% of global emissions.[6]	**Emissions reductions** • Proprietary process to produce cement, removing the most carbon-intensive step of the production process • GHG emissions are reduced by 80% compared to conventional Portland cement, whilst maintaining favourable product properties	13 CLIMATE ACTION

1 https://www.who.int/sustainable-development/transport/health-risks/climate-impacts/en/
2 https://www.iea.org/reports/tracking-transport-2019
3 https://www.iea.org/reports/tracking-buildings
4 https://www.ellenmacarthurfoundation.org/explore/cities-and-the-circular-economy
5 https://www.europarl.europa.eu/news/en/headlines/economy/20151201STO05603/circular-economy-definition-importance-and-benefits
6 https://www.cdp.net/en/investor/sector-research/cement-report

Key Achievements

DNB Renewable Energy receives the **German FNG Label** with the highest possible rating of three stars for the second year running.

The fund is awarded the label for its thematic investment in renewable, sustainable transportation and energy efficiency. Furthermore, established voting and formal engagement policies show active involvement with respect to ESG aspects. Extensive internal research and reporting were also positive contributors to the labelling.

In addition to adhering to DNB's Standard for Responsible Investments, the portfolio managers also commit to apply additional exclusion criteria, based on revenues, to ensure compliance with the label. The threshold for all of the below, unless otherwise specified, is less than 5% of company revenues:

- Manufacturers that mine uranium
- Companies that base their electricity generation on nuclear energy
- Operators of nuclear power plants and manufacturers of essential components for nuclear power plants
- Companies which use and/or produce hydraulic fracking technologies
- Manufacturers of conventional weapons
- Coal mining companies*
- Companies with base their power production on coal energy (less than 30% of revenues)
- Companies which exploit and/or concentrate oil sands*

* Stricter threshold than that defined in the DNB Group Standard for Responsible Investments.

The criteria for achieving the label are reassessed yearly and may become stricter. In this way, being awarded this label for a second year reflects continuous improvement the in the management of material ESG risks and opportunities.

DNB Renewable Energy also received the **LuxFLAG Environment Label** for the first time in December 2019. The label is valid from the 1st of January until the 31st of December 2020. The primary objective of this label is to reassure investors that the fund primarily aims to generate environmental performance and asset/sector growth with environmental practices. Some of the eligibility criteria for this label include incorporating ESG considerations into investment decision making and regular reporting of information for investors.

In addition, we started a project together with ISS ESG to calculate **Potential Avoided Emissions (PAE)** for key portfolio holdings in the DNB Miljøinvest/Renewable Energy portfolios. Through this project, we intend to highlight the importance of avoided emissions as a climate solution to the financial market.

Though carbon footprinting is important for understanding climate risk, it is a backwards-looking risk assessment metric. Moreover, scope 1 and 2 emissions are not always representative of how the products and services that companies deliver contribute to emissions reductions over their life cycles. For this reason, ISS ESG has assessed the PAE for one primary product category per company considering the entire value chain. These PAEs come from products and services which specifically target a reduction in emissions. The results of this analysis are expected in Q1 2020.

Active ownership and ESG integration

Our engagement strategy outlines how we prioritise topics for engagement and track progress against milestones over time. Some examples from our engagement activity are described in detail below:

Renewable Energy Group

Engagement aim(s)	Result(s)
Improved sustainability work, including reporting and target setting on carbon emissions	 When the RI team engaged with the company in March 2019, the company said that sustainability work was a priority for 2019 and that it had plans to have made significant progress by the end of the year. By the end of the year, the company has improved its ESG rating from BB to BBB due to strengthened corporate governance. Strong governance practices include an independent pay committee, a majority independent board and addressing concerns associated with internal pay equity. The company is still working on its sustainability reporting, and a sustainability report and updates text on its website can be expected in 2020. In this report, we can expect disclosure of performance metrics on carbon. Reduction targets will be considered and set internally first, before sharing externally. The company has also engaged a consultant to learn more about CDP reporting, but it is unlikely to begin reporting in the near future. Moreover, the company is considering ways to expand diversity of thought, experience and representation across the entire organisation. Positively, the company recently appointed a female CEO. Apart from this, current efforts primarily focus on increasing diversity through recruitment processes. However, further plans in this area are being developed.

Huntsman Corp

Engagement aim(s)	Result(s)
To split the double role of CEO/Chairman of the Board and to encourage increased transparency around environmental reporting	 We engaged with the company to follow up on points related to governance and environmental reporting discussed in December 2018. We are pleased to see significant progress in terms of transparency of environmental reporting. The company has reported to the CDP Climate Change questionnaire for the first time and increased transparency in general on its website. Furthermore, it has set targets for various environmental Key Performance Indicators through its Horizon 2025 strategy. We look forward to following up with the company to learn how it makes progress on these goals. In regards to governance, we will continue to encourage the splitting of the CEO and Chairman of the Board role. We have clearly signalled our position on this topic through voting and engagement.

DNB Low Carbon Credit will maintain a higher industry-adjusted ESG score than the market index and we are enhancing the relative value for firms with strong ESG ratings in our systematic investment approach. We believe this will boost returns first and foremost by reducing downside risks associated with ESG controversies.

Daniel Berg

Daniel Berg,
Portfolio Manager

11.2 DNB Low Carbon Credit

About the fund
Size of fund: 1,465m NOK as at 31.12.2019

DNB Low Carbon Credit is an actively managed bond fund investing in fixed or floating rate debt securities and other debt instruments denominated in EUR, USD, CAD, GBP, AUD, CHF, JPY and SEK. The fund has an environmental profile and does not invest in companies with direct exposure to fossil fuels or in companies with high levels of climate gas emissions. The fund also has a mandate to keep its industry-adjusted ESG score higher than its benchmark and its carbon footprint lower than half that of its benchmark. At year end 2019, the fund's average industry-adjusted ESG score was 6.2 versus the benchmark's 5.6 and its carbon footprint was 31t/USDm versus the benchmark's 145. See the section on climate change for more information about carbon footprinting. The PM will also ensure that evaluations of risks and opportunities within the ESG are integrated into the fund's investments. The fund has additional criteria beyond DNB's policy for responsible investments and does not invest in companies with more than 5% of their revenue from business related to conventional weapons, commercial gaming or alcohol production.

Active ownership and ESG integration

Some highlights from our engagement activity are described in detail below:

Danske Bank

Engagement aim(s)	Result(s)
Danske Bank should ensure that it has implemented proper risk management systems and internal controls that aim to prevent financial crime and money laundering - and demonstrate that they are robust and universally applied. Preferably this should be verified by an accredited, independent external party. Results should be disclosed where possible. Danske Bank should ensure that the board has sufficient and effective oversight of the business.	 Through our monitoring system that captures changes in ESG scores and alerts of alleged and/or realised breaches in international norms and standards, we seek to capture early warning signs of ESG weaknesses and/or controversies. Our external engagement service provider issued alerts linking Danske Bank to associations of money laundering and links to poor money laundering controls throughout 2017. This was following allegations that over 200bn EUR of payments from suspicious sources had flowed through the bank's Estonian branch between 2007 and 2015. We have been engaging with the company on these issues through our engagement service provide since October 2018. Before the money laundering incident at Danske Bank, it was assessed that the risk associated with Danske Bank's international operations was high. A cautious approach towards the company has therefore been taken since the financial crisis.

Wells Fargo & Company

Engagement aim(s)	Result(s)
Wells Fargo should ensure that it has implemented proper risk management systems and internal controls that aim to prevent financial crime and money laundering - and demonstrate that they are robust and universally applied. Preferably this should be verified by an accredited, independent external party. Results should be disclosed where possible.	 We have been following the challenges at Wells Fargo over several years. Controversies have been closely assessed and monitored through our external engagement service provider. In 2019, we collaborated with a PM who manages the finance fund, to conduct an assessment of American banks with low ESG scores and/or controversies. The following observations were noted at the time: • The company continues to be weighed down by hefty fines stemming from legal issues. The company also had the second-highest number of customer complaints amongst the ten largest US banks in 2018. • The company was identified as having high material risks due to weak internal controls. Despite having anti-corruption, anti-money laundering and whistle-blower policies in place, the bank faces the ongoing material fallout of its involvement in several high-profile litigation cases. • The bank is also embroiled in ongoing court cases over various matters such as collusion to gain tax credits, alleged money laundering in North Korea and discriminatory mortgage lending in the minority communities. • At the same time, the company has demonstrated an improvement in its corporate governance practices since November 2017 from our ESG consultant. Despite the bank's association with serious controversies, our position is to continue to engage with the company moving forward through our external engagement service provider, whose work towards the company was ramped up in early 2019. The fund was underweight in the stock until December 2019. Thereafter, the position has been overweight due to attractive pricing, as well as the view that the company has begun to address these challenges. One concrete example of this has been the replacement of the bank's CEO. We are committed to contributing to the engagement process towards the company during this phase.

Volkswagen AG

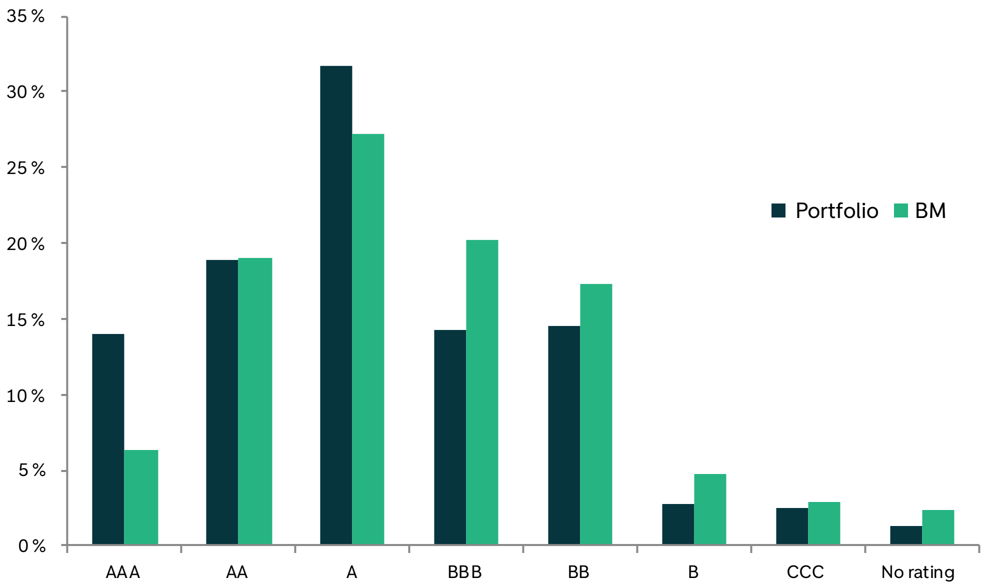
Engagement aim(s)	Result(s)
The company should have sufficient risk management systems and internal controls in place. Its Supervisory Board should also have oversight, independence and necessary competency in order to avoid future violations. We also seek improvement in the company's corporate culture.	 The US Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) revealed in September 2015 that the company had used illegal software in several diesel car models to evade US environmental emissions standards. We have been engaging with the company through our external engagement service provider since 2016. The engagement addresses, amongst other topics, the company's controls and independence of oversight, its whistle-blower programmes, clawbacks and testing results and the alleged collusion to delay emission-reducing technology. Significant progress has been demonstrated by the company – testing in the US has not returned adverse results, and a potential conflict of interest was removed. The company has been rolling out its "Together for Integrity" strategy to address its corporate culture, and has covered about half of employees to date. Given the size of the company, we recognise that this will take time. However, board independence continues to pose a challenge, though the company has been open by sharing this concern with the Presidium. Moreover, allegations of collusion to delay clean technology are still under investigation by the European Commission and an increasing number of people are being charged by the Braunschweig prosecutor. Though there has been progress, confirmation from the Independent Compliance Auditor will be required before the change objective is considered reached. The next dialogue with the company is due in Q1 2020, to understand progress and next steps. Given these challenges, the fund has been underweight in the stock since start-up.

Green bonds

Green bonds have been created to raise finance for green projects that deliver climate and/or environmental benefits. Issuers can self-label bonds as green as there is no legal requirement to issue green bonds. However, international standards such as the Green Bonds Principles of Climate Bond Standards can be recognised or adopted by national financial authorities, issuers and certifying bodies. Two categories of bonds have emerged: green labelled bonds (certified as green) and unlabelled green bonds (issuances linked to projects that produce environmental benefits). At a minimum, issuers will by themselves provide detail to investors on the green eligibility criteria for the use of proceeds, for example disclosed in a green bond framework. For increased transparency, issuers can commission an external review on the green credentials of the use of proceeds. The global green bond market has seen rapid growth since it started taking off in 2014, with USD37bn was issued. By 2019, the Climate Bonds Initiative estimated USD254.9bn in issuance.

As at 31.12.2019, 3.4% of the portfolio comprised green bonds, versus the benchmark's 1.6%. An example of a green bond that DNB Low Carbon Credit is invested in is one offered by Vattenfall. The bond has received a dark green second opinion from Cicero. This opinion provides assurance that the green bond corresponds to the long-term vision of a low-carbon and climate-resilient future.

Table 1. ESG Ratings for Portfolio Constituents in DNB Low Carbon Credit Compared to its Benchmark[1]



1 99% of the total portfolio was covered by MSCI's ESG ratings as at 31.12.2019.

ESG ratings are an important tool for measuring how responsible companies are. DNB Global Lavkarbon will maintain a better average ESG score than its benchmark.

Ole Jakob Wold

Ole Jakob Wold,
Portfolio Manager

11.3 DNB Global Lavkarbon

About the fund

Size of fund: 1,109m NOK as at 31.12.2019

DNB Global Lavkarbon is an actively managed dynamic multifactor fund that invests in listed companies in developed countries. The fund has an environmental profile and invests in companies with low-carbon intensities, whilst maintaining an average industry-adjusted ESG score higher than its benchmark. Companies are screened out of the portfolio based on the following criteria:

- DNB Standard for Responsible Investments
- DNB's list of fossil fuel related companies
- Additional exclusion criteria: Companies with more than 5% of their revenue from business related to gambling, production of conventional weapons, or alcohol production
- Large fossil fuel reserve owners
- Companies with carbon intensities exceeding 3,000 CO2e metric tonnes/USDm sales

As a signatory to the Montreal Carbon Pledge, we measure the fund's portfolio carbon intensity. The fund has a specific mandate to achieve a portfolio carbon footprint under half of its benchmark, the MSCI World. At the end of the year, the carbon intensity of the fund was 75 tonnes CO2e/USDm sales (benchmark: 168).

Active ownership

We also engage in dialogues with companies to influence them in a positive direction. Some examples from our engagement activity are described in detail below.

Apple Inc

Engagement aim(s)	Result(s)	
We engaged with Apple Inc with regards to the labor rights incidents in the company's supply chain. The aim was to obtain clarification from Apple regarding an alleged incident at their supplier (Quanta computers), and to assess how Apple has responded in terms of changes to their privacy policy and management.		**Resolved.** We believe that Apple has made sufficient changes within policies and practices to warrant the incident to be considered resolved. We note the company has, through their engagements with the supply chain, helped to raise standards and improve practices within their suppliers. At the same time, we are conscious that the nature of the business, and the size of the organisation (and its supply chain), means these types of issues are likely to present again.

Several technology and telecom companies

Engagement aim(s)	Result(s)	
We engaged with several large companies (including Facebook, Apple, and Telefonica) regarding data security and privacy. The aim was to assess policies and procedures with relation to privacy and data security - to determine whether MSCI ESG score reflects company performance. If that was the case, to work with the company to improve performance in the area. This may include increased ESG transparency and engagement with ESG data providers.		**Positive trend.** Telefonica, for instance, has strong ambitions to be a leader in sustainability, which was evident during discussions in the meeting and visible in their transparency efforts and awareness of all governance issues mentioned in the meeting. There are a number of positive signs from the company, including their policies and practices regarding data security and privacy. We will continue to focus our engagement on technology and telecom companies regarding this key issue.

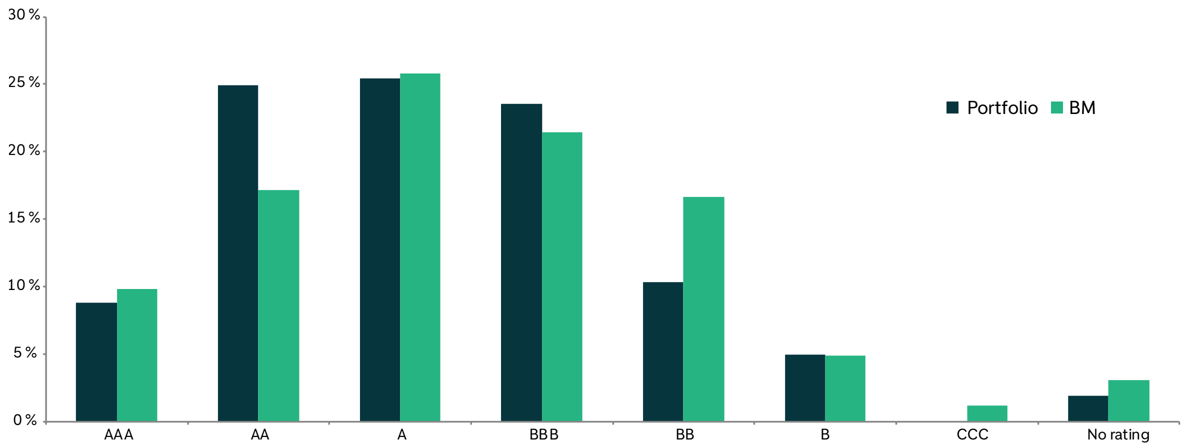
ESG integration

ESG risks and opportunities are inherently accounted for in this fund which applies specific ESG screening and optimisation requirements. In addition, the fund is rebalanced on a monthly basis and all new companies are screened by the RI team before they can be included in the fund. The RI team also screens all new companies when the benchmark is rebalanced. ESG issues raised by the RI team that are not in breach with the screening criteria may impact the final investment decision and could lead to initiating a dialogue with the company.

Screening MSCI ESG Research

The fund aims to have an average ESG rating higher than its benchmark. The graph below shows the distribution of MSCI ESG ratings for the fund and its benchmark. The average final industry-adjusted score for the fund was 6.4 versus the benchmark's 6.0 at the end of 2019.

Table 2. ESG Ratings for Portfolio Constituents in DNB Global Lavkarbon Compared to its Benchmark[1]



1 98% of the total portfolio was covered by MSCI's ESG ratings as at 31.12.2019.

The Nordic region generally leads in terms of sustainability and ESG ratings, and offers a good selection of global, leading companies. This fund is green and low-carbon, and utilises both negative and positive screening.

Øyvind Fjell

Øyvind Fjell,
Portfolio Manager

11.4 DNB Grønt Norden

About the fund

Size of fund: 1,760m NOK as at 31.12.2019

DNB Grønt Norden is an actively managed equity fund that invests in listed companies in the Nordic region. The fund has an environmental mandate and invests in companies with low-carbon intensities, whilst maintaining an average industry-adjusted ESG score higher than its benchmark. Companies are screened out of the portfolio based on the following criteria:

- DNB AM's Standard for Responsible Investments
- DNB's list of fossil fuel related companies
- Additional exclusion criteria: Companies with more than 5% of their revenue from business related to gambling, production of conventional weapons, or alcohol production
- Large fossil fuel reserve owners
- Companies with carbon intensities exceeding 3,000 CO_2e metric tonnes/USDm sales

In addition, the fund utilises positive screening to include companies that have a positive environmental impact in the fund. The following green themes have been defined:

- Climate change
- Water management
- Energy efficiency
- Waste management
- Water and air pollution
- Deforestation
- Biodiversity

Furthermore, as a signatory to the Montreal Carbon Pledge, we measure the fund's portfolio carbon intensity. The fund has a specific mandate to achieve a portfolio carbon footprint (intensity) under 100 metric tonnes CO_2e/USDm sales. At the end of the year, the carbon intensity of the fund was 92 tonnes CO_2e/USDm sales (benchmark: 132).

Positive selection

The fund has several large holdings that are selected based on the seven green investment themes. Examples of how these companies can provide positive climate and environmental outcomes are described in the table below.

Company	Theme(s)	Description	Key SDG align-ment
Svenska Cellulosa Aktiebolaget (SCA)	**Climate change** • The growing forest binds CO_2, renewable alternatives replace fossil-based products. **Deforestation** • Largest private forest in Europe – growing.	• SCA is Europe's largest private forest owner, and the company also owns downstream assets such as pulp and kraftliner factories. • Wood fibre is set to take market share from plastics (petrochemicals) in the long run. • The company has calculated that the net negative emissions (emissions avoided) from the company's activities equals more than 8 million tons CO_2 per annum. This is more than the combined emissions from all truck traffic and domestic air travel in Sweden.	13 Climate Action 15 Life on Land
Vestas Wind Systems A/S	**Climate change** • Renewable energy – wind turbines. Power solutions and services.	• Vestas is the global market leader in wind turbines, and company has a significant contribution to profits from servicing the large installed base of wind turbines. • The company has calculated that 1.3 billion tons of C02 emissions has been displaced by Vestas sustainable energy solutions from 1981 to 2019 (151 million tons in 2019 alone).	7 Affordable and Clean Energy 13 Climate Action
Arise AB	**Climate change** • Renewable energy – wind farms. Owner, operator, and developer.	• Arise owns and manage wind assets, and the company is also a developer of new wind farms. • The development arm has plenty of strategic opportunity in the years ahead, such as geographic expansion, expansion into new technologies (solar or batteries), and M&A. • Arise own or manage over 1 100 MW of wind power operations, and projects amount to another 1 000 MW.	7 Affordable and Clean Energy 13 Climate Action

Active ownership

We also engage in dialogues with companies to influence them in a positive direction. One example from our engagement activity is described in detail below.

TCFD aligned governance, strategy and reporting

Engagement aim(s)	Result(s)
DNB AM has collaborated with three other large Norwegian institutions targeting larger listed Norwegian companies (in 2018 and 2019) regarding climate related governance, strategy and reporting (TCFD). The aim has been to understand the company's position on climate change - and the potential impact on the industry/the company. Furthermore, to gain insight into related governance, strategy, risk management and metrics – and support the company in developing a climate related strategy. Finally, to encourage the company to report externally according to the TCFD framework in a meaningful manner including scenario analysis/stress testing.	 **Positive trend.** The companies have been quite responsive – and have all considered the TCFD framework in connection with climate related strategy and reporting. Some have since made concrete progress in incorporating the TCFD framework in their strategy development. We will continue to support the companies in this process. Two examples: • Veidekke ASA has conducted a pilot project (together with PwC, using the TCFD framework – including scenario analysis). Their goal is to include in the next strategy update (2020) a new climate related strategy including clear targets for "green revenues". • Aker Solutions ASA appears to be quite advanced in their work. We met the company in March (and followed up in December), and the company has since developed a climate related strategy focusing on opportunities (energy efficiency, renewables, and CCS). The goal is that these "green revenues" will make up 45% of revenues in 2030.

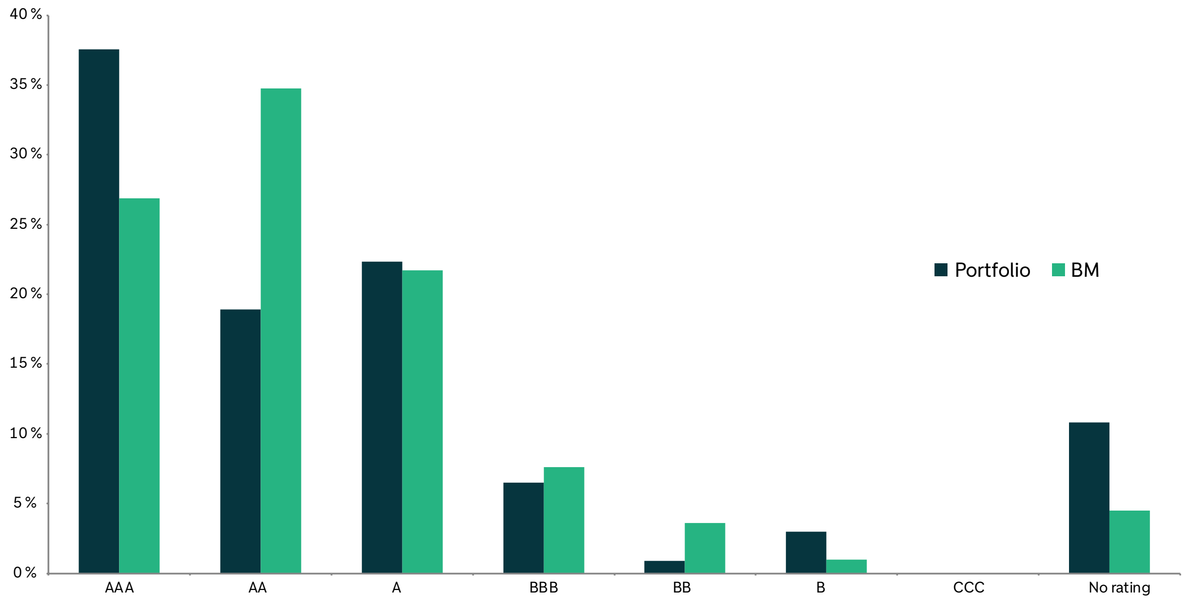
ESG integration

The RI team maintains a close dialogue with the portfolio manager. In addition, The RI team and the portfolio manager work collaboratively to screen companies for possible inclusion in the fund in line with aforementioned green themes.

Screening MSCI ESG Research

The fund aims to have an average ESG rating higher than its benchmark. The graph below shows the distribution of MSCI ESG ratings for the fund and its benchmark. The average final industry-adjusted score for the fund was 8.0 versus the benchmark's 7.7 at the end of 2019.

Table 3. ESG Ratings for Portfolio Constituents in DNB Grønt Norden Compared to its Benchmark[1]



1 89% of the total portfolio was covered by MSCI's ESG ratings as at 31.12.2019.

12. Appendix

12.1 Climate-related Risk Management

This table provides examples of risks that companies are to take into account and manage in their operations and investment analyses, and how the risks can be conceived to affect an investment in companies/sectors/geographic markets. ESG factors are an integral part of the investment decision-making process and important to determining which companies are potentially at risk from the transition to the low-carbon economy and/or the physical impacts of climate change. An important part of our work to understand these impacts is our participation in UNEP FI's TCFD Investor Pilot Project, which will develop scenarios, models and metrics to enable scenario-based, forward looking assessments of climate-related risks and opportunities. Should companies not be prepared for these risks, it could harm shareholder value.

Table 2. Adapted TCFD Table A1[1] with examples of climate-related risks

	Risk	Time horizon	Description	Potential financial impact	Potential financial impact for DNB AM
Transition risks	Policy and legal	Medium-term (3-10 years)	• Increased pricing of GHG emissions • Enhanced emissions-reporting obligations • Mandates on and regulation of existing products and services • Exposure to litigation	• Increased operating costs (e.g. higher compliance costs, increased insurance premiums) • Write-offs, asset impairment and early retirement of existing assets due to policy changes • Increased costs and/ or reduced demand for products and services resulting from fines and judgements	We recognise that climate-related regulation is likely to be higher/more demanding in the future. We are involved in several engagements (both directly with companies and in collaboration with other investors) to understand how companies are managing regulatory risks. If we are not satisfied that a company is adequately addressing this risk within a reasonable timeframe, the company be subject to exclusion from our investment universe. We also offer low-carbon funds that exclude companies with high GHG emissions and reduce exposure to stranded assets (see section 11.0 to learn more about our low-carbon product offerings).
	Technology	Medium-term (3-10 years)	• Substitution of existing products and services with lower emissions options • Unsuccessful investment in new technologies • Costs for transition to lower emissions technology	• Write-offs and early retirement of existing assets • Reduced demand for products and services • Research and development expenditures in new and alternative technologies • Capital investments in technology development Costs to adopt/ deploy new practices and processes	Technological change may impact consumption patterns. Thus, companies whose products are not in line with consumer preferences may be negatively impacted. Technological change may impact all asset classes, sectors, companies and securities.

1 https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf

Continuation Table 2. Adapted TCFD Table A1 with examples of climate-related risks

	Risk	Time horizon	Description	Potential financial impact	Potential financial impact for DNB AM
	Markets	Medium-term (3-10 years)	• Changing consumer behaviour • Uncertainty in market signals • Increased cost of raw materials	• Reduced demand for goods and services due to shifts in consumer preferences • Increased production costs due to changing input prices (e.g. energy, water) and output requirements (e.g. waste treatment) • Abrupt and unexpected shifts in energy costs • Changes in revenue mix and sources, resulting in de-creased revenue • Re-pricing of assets (e.g. fossil fuel reserves, land valuations, securities valuations)	The transition to a low-carbon economy may impact consumption and production patterns. Technological and market risks can be considered to be linked, as technological development is likely to play a role in driving these patterns.
	Reputation	Medium-term (3-10 years)	• Shifts in consumer preferences • Stigmatisation of sector • Increased stakeholder concern or negative stake-holder feedback • Increased exposure to litigation	• Reduced revenue from decreased demand for goods/services • Reduced revenue from decreased production capacity (e.g. delaying planning approvals, supply chain interrup-tions) • Reduced revenue from negative impacts on workforce management and planning (e.g. employee attraction and retention) • Reduction in capital availability	We believe that no company can be successful and deliver high and stable returns without considering sustainability aspects at Board and Manage-ment level. Also, as stakeholders' expectations and attitudes develop, this may exasperate the potential reputational risks.

Continuation Table 2. Adapted TCFD Table A1 with examples of climate-related risks

	Risk	Time horizon	Description	Potential financial impact	Potential financial impact for DNB AM
Physical risks	Acute	Long-term (>10 years)	• Increased severity of extreme weather events such as cyclones and floods	• Reduced revenue from decreased production capacity (e.g. transport diffi-culties, supply chain interruptions) • Reduced revenue and higher costs from negative impacts on workforce (e.g. health, safety and absenteeism) • Write-offs and early retirement of existing assets (e.g. damage to property and assets in high-risk locations) • Increased operating costs (e.g. inade-quate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants) • Increased capital costs (e.g. damage to facilities) • Reduced revenues from lower sales/ output • Increased insurance premiums and potential for reduced availability of insurance on assets in 'high-risk locations'	Physical climate risks pertain to all asset classes and invest-ments. Through our work on scenario analysis through participation in the UNEP FI TCFD Investor Pilot Project, we have sought to understand how physical climate risks may impact our holdings in the long-term.
	Chronic	Long-term (>10 years)	• Changes in precipitation patterns and extreme variability in weather patterns • Rising mean temperatures • Rising sea level		

This table provides examples of opportunities that companies are to take into account in their operations. In our investment analyses, DNB AM takes into account how such opportunities are managed and how they can be conceived to affect an investment in companies/sectors/geographic markets. ESG factors are an integral part of the investment decision-making process and important to determining which companies are potentially set to gain from the transition to the low-carbon economy and/or the physical impacts of climate change, which may increase shareholder value. An important part of our work to understand these impacts is our participation in UNEP FI's TCFD Investor Pilot Project, which will develop scenarios, models and metrics to enable scenario-based, forward looking assessments of climate-related risks and opportunities.

Continuation Table 3. Adapted TCFD Table A2[1] with climate-related opportunities

Opportunities	Description	Potential financial impact	Potential financial impact for DNB AM
Resource efficiency	• Use of more efficient modes of transport • Use of more efficient production and distribution processes • Use of recycling • Move to more efficient buildings • Reduced water usage and consumption	• Reduced operating costs (e.g. through efficiency gains and cost reduction) • Increased production capacity, resulting in increased revenues • Increased value of fixed assets (e.g. highly rated energy-efficient buildings) • Benefits for workforce management and planning (e.g. improved health and safety, employee satisfac-tion) resulting in lower costs	We consider climate-related opportunities alongside risks and believe that companies taking advantage of these can increase shareholder value. ESG factors are an integral part of the investment decision-making process and important to determining which companies will contribute positively to transition towards a low-carbon economy. See section 11.0 to learn more about our low-carbon product offerings.
Energy source	• Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Participation in carbon markets • Shift toward decentralised energy generation	• Reduced operational costs (e.g., through use of lowest cost abatement) • Reduced exposure to future fossil fuel price increases • Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon • Return on investments in low-emission technologies • Increased capital availability (e.g., as more investors favour lower-emissions producers) • Reputational benefits resulting in increased demand for goods and services	
Products and services	• Develop and/or expand low emission goods and services • Development of climate adaptation and risk i nsurance solutions • Development of new products or services through R&D and innovation • Ability to diversify business activities • Shift in consumer preferences	• Increased revenue through demand for lower emissions products and services • Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services) • Better competitive position to reflect shifting consumer, resulting in increased revenues	

1 https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf

Continuation Table 3. Adapted TCFD Table A2 with climate-related opportunities

Opportunities	Description	Potential financial impact	Potential financial impact for DNB AM
Markets	• Access to new markets • Use of public-sector incentives • Access to new assets and locations needing insurance coverage	• Increased revenues through access to new and emerging markets (e.g., partnerships with governments and development banks) • Increased diversification of financial assets (e.g., green bonds and infrastructure)	We consider climate-related opportunities alongside risks and believe that companies taking advantage of these can increase shareholder value. ESG factors are an integral part of the investment decision-making process and important to determining which companies will contribute positively to transition towards a low-carbon economy. See section 11.0 to learn more about our low-carbon product offerings.
Resilience and ability to recover	• Participation in renewable energy programmes and adoption of energy efficiency measures • Resource substitutes/ diversification	• Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) • Increased reliability of supply chain and ability to operate under various conditions • Increased revenue through new products and services related to ensuring resiliency	

12.2 Disclaimers

Fund Performance
Historic performance is no guarantee of future returns. Future returns depend on a number of factors such as market developments, the skills of the asset manager(s), the fund's risk profile and costs associated with purchasing and redeeming fund units and managing the fund. In periods the return may be negative due to declines in the prices of the fund's holdings.

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The European SRI Transparency logo signifies that DNB Asset Management commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Socially Responsible Investment (SRI) policies and practices relating to the fund. Detailed information about the European SRI Transparency Guidelines can be found on **www.eurosif.org**, and information of the SRI policies and practices of the DNB Asset Management can be found at: **https://www.dnb.no/en/about-us/csr/sustainability-library.html**. The Transparency Guidelines are managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.

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