EUROPEAN SRI TRANSPARENCY CODE

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of asset classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on 19.02.2018.

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect the recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

• The order and exact wording of the questions should be followed;
• Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
• Funds should report data in the currency that they use for other reporting purposes;
• Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
• Responses should be updated at least on an annual basis and should have a precise publication date;
• Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
• Signatories are solely responsible for the answers to the questions, and should state this in their response.
Statement of Commitment
Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of DNB Asset Management (DAM). We have worked with SRI since 1988\(^1\) and welcome the European SRI Transparency Code.

This is our second statement of commitment and covers the period 01.08.2019 to 31.07.2020. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code
DAM is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. DAM satisfies the requirements of the European SRI Transparency Code.

31.07.2019

# List of funds covered by the Code

Name of the fund(s): DNB Fund – Renewable Energy

<table>
<thead>
<tr>
<th>Dominant/preferred SRI strategy</th>
<th>Asset class</th>
<th>Exclusions standards and norms</th>
<th>Fund capital as at 31 December</th>
<th>Other labels</th>
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</thead>
<tbody>
<tr>
<td>☑ Best-in-Class Investment section</td>
<td>Passively managed</td>
<td>☒ Controversial weapons</td>
<td>EUR 42,462,073</td>
<td>☑ French SRI label</td>
</tr>
<tr>
<td>☑ Engagement &amp; Voting</td>
<td>☐ Passive investing – core benchmark: specify the index tracking</td>
<td>☐ Alcohol</td>
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<td>☐ French TEEC label</td>
</tr>
<tr>
<td>☑ ESG Integration</td>
<td>☐ Passive investing – ESG/SRI benchmark: specify the index tracking</td>
<td>☐ Tobacco</td>
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<td>☐ French CIES label</td>
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<td>☑ Exclusions</td>
<td>Actively managed</td>
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<td></td>
<td>☑ Lux flag Label</td>
</tr>
<tr>
<td>☑ Impact Investing</td>
<td>☐ Shares in a euro area country</td>
<td>☒ Nuclear power</td>
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<td>☐ Austrian Ecolabel</td>
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<tr>
<td>☑ Norms-Based Screening</td>
<td>☐ Shares in an EU country</td>
<td>☐ Human rights</td>
<td></td>
<td>☐ Other (please specify)</td>
</tr>
<tr>
<td>☑ Leading to exclusions</td>
<td>☐ International shares</td>
<td>☐ Labour rights</td>
<td></td>
<td></td>
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<tr>
<td>☑ Leading to risk management analysis / engagement</td>
<td>☐ Bonds and other debt securities denominated in euro</td>
<td>☐ Gambling</td>
<td></td>
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<tr>
<td>☑ Sustainability Themed</td>
<td>☐ International bonds and other debt securities</td>
<td>☐ Pornography</td>
<td></td>
<td></td>
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<tr>
<td>☑ Passively managed</td>
<td>☐ Monetary assets</td>
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<td>☑ Shares in a euro area country</td>
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<tr>
<td>☑ Shares in an EU country</td>
<td>☐ Structured funds</td>
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<tr>
<td>☑ International shares</td>
<td></td>
<td>☐ Deforestation</td>
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<td></td>
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<tr>
<td>☑ Bonds and other debt securities denominated in euro</td>
<td></td>
<td>☐ CO2 intensive (including coal)</td>
<td></td>
<td></td>
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<tr>
<td>☐ International bonds and other debt securities</td>
<td></td>
<td>☐ Genetic engineering</td>
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<tr>
<td>☐ Monetary assets</td>
<td></td>
<td>☐ Other (coal and oil sands)</td>
<td></td>
<td></td>
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<tr>
<td>☐ Short-term monetary assets</td>
<td></td>
<td>☐ Global Compact</td>
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<tr>
<td>☐ Structured funds</td>
<td></td>
<td>☐ OECD Guidelines for MNCs</td>
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<td></td>
<td></td>
<td>☐ ILO Conventions</td>
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<td></td>
<td></td>
<td>☐ Other (please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Links to relevant documents:
- Website concerning fund: [https://www.dnb.no/lu/en/funds/fund-watch-list/re.html](https://www.dnb.no/lu/en/funds/fund-watch-list/re.html)
- KIID: [http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&documentId=d108893f8fa50b2a02df586861eade50&Format=PDF](http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&documentId=d108893f8fa50b2a02df586861eade50&Format=PDF)
- Prospectus: [http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&documentId=90cde479181732bf1ee50fbe20a24e33&Format=PDF](http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&documentId=90cde479181732bf1ee50fbe20a24e33&Format=PDF)
Fact sheet:

http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&DocumentId=579505b00ecae4594c0c2dc267f6868f&Format=PDF
2. **General information about the fund management company**

2.1. **Name the fund management company that manages the applicant fund(s)**

DNB Asset Management S.A. (DAM S.A.) is the management company of the DNB Fund, SICAV, of which DNB Fund – Renewable Energy is a registered sub-fund.

DNB Asset Management AS (DAM AS) is the investment manager of DNB Fund – Renewable Energy. DNB Asset Management (DAM) is a subsidiary of the DNB Group and consists of two legal companies – DNB Asset Management AS and DNB Asset Management S.A.

DNB Asset Management S.A. has delegated the investment management service for DNB Fund – Renewable Energy to DNB Asset Management AS.

**Management Company**

DNB Asset Management S.A.

Address: 13 Rue Goethe, L-1637 Luxembourg, Luxembourg

Website: [https://www.dnb.no/lu/en](https://www.dnb.no/lu/en)

**Contact Person**

Name: Mike Judith

Email: mike.judith@dnb.no

Address: 13, rue Goethe, 0191 1637 Luxembourg, Luxembourg

Phone: +352 45 49 45 503

**Investment Manager**

Legal name: DNB Asset Management AS

Address: Dronning Eufemies gate 30, 0191 Oslo, Norway


**Contact Person**

Name: Andreas Skårsmoen Øyo

Email: andreas.skarsmoen.oyo@dnb.no

Address: Dronning Eufemias gate 30, 0191 Oslo, Norway

Phone: +47 97 58 07 47

**Responsible Investments Contact Person**

Name: Janicke Scheele

Email: Janicke.Scheele@dnb.no

Address: Dronning Eufemias gate 30, 0191 Oslo, Norway

Phone: +47 48 07 54 69

2.2. **What are the fund management company’s track record and principles when it comes to integrating SRI into its processes?**

DNB is a responsible and sustainable investor, striving to provide high long-term return with an acceptable level of risk whilst considering Environment, Social and Governance (ESG) factors.

DNB’s Standard for Responsible Investments shall 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. These guidelines cover all asset classes and financial investments throughout the Group, including the companies established under DNB Asset Management Holding AS.

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Our work with Responsible Investments (RI) has been an important focus for DAM for many years, as demonstrated with DAM joining the Principles for Responsible Investment in 2006. Our work is based upon four pillars: standard setting, active ownership (dialogue and voting), risk management (including exclusions), and ESG-integration in investment decisions with a focus on risks and opportunities.

In addition to following Norwegian standards, DNB AM and the DNB Group has chosen to support and participate in a number of global initiatives and international guidelines to ensure shareholder value in a long-term perspective. Our guidelines build on international conventions and norms, including:

- The 10 principles of the UN Global Compact (link)
- The OECD Guidelines for Multinational Enterprises (link)
- The UN Guiding Principles on Business and Human Rights (link)
- The Ottawa Convention (link)
- Convention on Cluster Munitions (link)
- Treaty on the Non-Proliferation of Nuclear Weapons (link)
- Convention on the Prohibition of Development, Production, Stockpiling of Bacteriological (Biological) and Toxin Weapons and their Destruction (link)
- Chemical Weapons Convention (CWC) (link)
- ILO Conventions (link)

2.3. How does the fund management company formalise its sustainable investment process?

The DNB Asset management sustainable investment process is formalised in the DNB’s Standard for Responsible Investments.

2.4. How are ESG risk and opportunities – including those linked to climate change – understood/taken into account by the fund management company?

ESG-analysis is used to uncover possible risk factors and opportunities either on a case-by-case basis or in regards to defined themes. DAM has three important long-term thematic focus areas: climate change, water and human rights.

Climate change
Climate change and its impacts may present risks and opportunities for companies and their operations. As an investor with a long-term investment horizon, this is a high priority topic for us. Climate change can impact companies’ revenues, both negatively and positively. Firstly, we engage with companies we identify to be exposed to climate risks, for example through carbon pricing, regulatory risks and breaches of international norms and regulations. We also look at companies where climate change may result in improved business opportunities. We are signatory to CDP’s climate change program and a supporter of the TCFD. In 2018/19 we were a part of the UNEP FI’s 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. Through the project, we aimed to contribute to the standardisation of scenario analysis within the investment industry, and culminated in the release of a report outlining guidance on how to implement the TCFD recommendations: https://www.unepfi.org/wordpress/wp-content/uploads/2019/05/TCFD-Changing-Course.pdf

Water
Identified by the World Economic Forum and the UN’s 2030 Sustainable Development Goals, access to clean water and sanitation represents one of the top global challenges for the next decade. Water is an important input factor in a number of processes for many sectors. We expect to
see an increase in water management being incorporated into business strategies, risk management and measuring and valuing water impact. We will broaden our knowledge of water management within relevant sectors and markets. Our goal for 2019 is to continue to focus on engaging with relevant companies and sectors to encourage them report their water management to internationally recognised initiatives. We are also planning to write and publish an expectation document on water. This will lead to better integration of water data in our ESG integrated analysis at portfolio level. We are also a signatory to CDP’s water program and a member of Ceres Investor Water Hub.

Human rights
The long-term credibility of sectors, markets and companies may be dependent on the level of respect for human rights in their operations and products, including their supply chain. Companies which ignore human rights factors in their business may bear operational, legal, regulatory and reputational risk. We expect companies to respect human rights in agreement with international ‘hard and soft laws’, norms and standards. We expect companies to incorporate human rights in their strategic planning, risk management and reporting, in line with the UN Guiding Principles for Business and Human Rights, the UN Global Compact and ILO Conventions.

In addition we have short-term thematic engagements which vary year to year and which we apply to our entire investment universe. In 2018, our specific thematic engagements were corruption, methane, emerging markets supply chains, responsible tax practices, and deforestation and land use. In 2019, we will continue to focus on emerging markets supply chains, and deforestation and land use. In addition, we will look at gender equality and diversity, oceans, and product safety and liability.

2.5. How many employees are directly involved in the company’s sustainable investment activity?

As of 31.07.2019, DAM has a dedicated Responsible Investments team consisting of one Manager and three Analysts (with one additional member currently on maternity leave). The team works closely with Portfolio Managers.

2.6. Is the fund management company involved in any RI initiatives?

<table>
<thead>
<tr>
<th>General Initiatives</th>
<th>Environmental/Climate Initiatives</th>
<th>Social Initiatives</th>
<th>Governance Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ EFAMA RI WG</td>
<td>☐ Climate Bond Initiative</td>
<td>☐ Access to Nutrition Foundation</td>
<td>☐ Other (please specify)</td>
</tr>
<tr>
<td>☐ European Commission’s High-Level Expert Group on Sustainable Finance</td>
<td>☐ Green Bond Principles</td>
<td>☐ Accord on Fire and Building Safety in Bangladesh</td>
<td></td>
</tr>
<tr>
<td>☐ ICCR – Interfaith Center on Corporate Responsibility</td>
<td>☐ IIGCC – Institutional Investors Group on Climate Change</td>
<td>☐ Other (please specify)</td>
<td></td>
</tr>
<tr>
<td>☐ National Asset Manager Association (RI Group)</td>
<td>☐ Montreal Carbon Pledge</td>
<td>☘ Portfolio Decarbonization Coalition</td>
<td></td>
</tr>
<tr>
<td>☒ PRI - Principles For Responsible Investment</td>
<td>☐ Paris Pledge for Action</td>
<td>☐ Other (please specify)</td>
<td></td>
</tr>
<tr>
<td>☐ SIFs - Sustainable Investment Forums</td>
<td>☐ Other (please specify)</td>
<td></td>
<td></td>
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<tr>
<td>☐ Other (please specify)</td>
<td></td>
<td></td>
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</tbody>
</table>

The DNB Group supports the following internationally recognised standards and initiatives:

DAM signed the Principles for Responsible Investment in 2006. Our overall score for the Strategy and Governance Module in the 2019 PRI Assessment Report was A+, which matched the A+ received the previous year.

Please find the latest RI Transparency report via the below link: https://reporting.unpri.org/surveys/PRI-reporting-framework-2018/72378D62-E3B5-4F64-87CD-E0E7935B3CDF/b83e245145f8a4329ea8ad9476286586/html2/?lang=en&a=1

In addition, DAM is a part of the following initiatives:
- UN PRI Sustainable Palm Oil Investor Working Group
- UN PRI Cattle Investor Working Group
- UN PRI’s Methane Engagement Group
- UN PRI Montreal Carbon Pledge
- UNEP FI’s TCFD Investor Pilot Project
- Climate Action 100+
- The Norwegian forum for responsible and sustainable investments (NORSIF)
- Sustainable Investment Forums (SIFs)
- Eierforum (for good shareholder accountability)

Further details about the above initiatives can be found in our Sustainability library: https://www.dnb.no/portalfront/nedlast/no/om-oss/resultater/2017/Support_to_global_initiatives_eng_2017.pdf

2.7. What is the total number of SRI assets under the company's management?

All assets are subject to negative and norms-based screening.

EUR 65,410,000,000 (as of 31.03.2019) DNB Asset Management AS

- Institutional vs retail customers
  - Institutional – 84%
  - Retail – 16%
- Equity vs bonds
  - Equities – 42%
  - Bonds – 58%

3. General information about SRI fund(s) that come under the scope of the Code
3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

DNB Fund - Renewable Energy is a global sustainability-themed fund investing in renewable energy companies and companies whose services contribute to improved energy efficiency, thereby providing solutions for the transition to a low carbon economy.

We believe in the long-term potential of environmentally sustainable investments, and that the best way to get exposure to this growing area of opportunities is through a thorough bottom-up fundamental approach.

We invest in companies whose services and technologies aid the reduction of global emissions, predominantly energy related emissions. Before qualifying for the investment universe, companies must demonstrate that the drive towards lower emissions is a significant driver for their business. Low GHG emission intensity (Scope 1+2) companies do not necessarily contribute the most to reduce global emissions which is why we consider emissions throughout the entire value chain when assessing a company’s contribution. Emphasis is placed on what the companies’ product does for society as a whole from an environmental point of view. Often this will be environmental solutions for the companies’ clients or further down the supply chain. Thus, understanding the industry themes and trends is crucial, and this is ensured by the long experience and sector specialisation of each of the investment team members.

Within this scope, we believe in generating alpha through bottom-up stock picking with a long term horizon. We do this by identifying the companies that are best positioned for rapid changes, with proven good quality management and corporate governance, and where we can identify value as well as benefitting from price discrepancies through momentum monitoring.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Internal ESG resources
In order to facilitate the implementation of DNB’s RI Policy, there is a dedicated Responsible Investments (RI) team comprised of one Manager and four experienced analysts (with one currently on maternity leave). The team is located in Oslo, Norway, and works closely with our Portfolio Managers.

Environmental, Social and Governance (ESG) data is incorporated into our investment management system and are available to all of our investment professionals. Our Portfolio Managers use this data in their company risk assessments. We also have a database where rating and company meeting information can be shared between the Portfolio Managers and RI Analysts.

External ESG resources
- Sustainalytics (https://www.sustainalytics.com/) – analysis, screening and engagement
- MSCI ESG Research/Manager (https://esgmanager.msci.com/esgmanager/) – ESG ratings/carbon metrics/analysis/research and screening
- ISS (https://www.issgovernance.com/) – Proxy voting and analysis
- CDP data (https://www.cdp.net/en)
- Bloomberg – Data, research and analysis
- Other: news, industry reports (NGOs, research bodies, governmental bodies, etc)

3.3. What ESG criteria are taken into account by the fund(s)?

DNB Asset management
Based on the aforementioned conventions and norms (section 2.2), companies involved in controversial weapons, production of tobacco and pornography shall be excluded from our investment universe. In addition, mining companies and energy producers which themselves, or entities they control, derive 30 per cent or more of their income from thermal coal or oil sands, or base 30 per cent or more of their operations on thermal coal or oil sands, may be excluded from the investment universe. In the evaluation process for mining companies and energy producers, emphasis shall be placed on forward-looking assessments of the companies, including any plans which will reduce the share of their income or operations derived from thermal coal or oil sands and/or increase the share of their income or operations derived from renewable energy sources.

DNB has a Committee for Responsible Investments that implements and monitors our Standard for responsible investments and meets five times a year. If a company is identified as being involved in controversial weapons, or the production of tobacco or pornography, 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 the companies by actively exercising ownership rights to include companies in a positive and sustainable direction, but we also exclude companies on these grounds.

For more information on sustainability in DNB please visit our Sustainability library: https://www.dnb.no/en/about-us/csr/sustainability-library.html?la=EN&site=DNB_NO


For more information on DNB’s expectation documents for companies, please visit:


Climate change: https://www.dnb.no/portalfront/nedlast/no/om-oss/samfunnsansvar/2018/Climate-Change-Expectations.pdf


Engagement strategy

The objective of engagement is to influence companies to improve their practices, thereby securing long-term shareholder value and mitigating risk in the best interest of our clients, as required as part of our fiduciary duty. The reason for engagement is often determined by specific concerns related to environmental, social and governance matters, but could also be to improve companies’ general performance or sustainability related processes, which may otherwise lead to underperformance. Any company within our investment universe, or companies we plan to invest in, may be considered for engagement. This process also ensures that our entire investment universe is compliant with our Guidelines for Responsible Investments.

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We practice active ownership by engaging with companies (on a proactive and reactive basis) that have been identified as being exposed to ESG risks or which are in breach of our Guidelines for Responsible Investments. We may also engage with companies where ESG factors may lead to business opportunities which have not been sufficiently addressed. ESG risks and opportunities may also vary between sectors (as uncovered through sector research). Our engagement efforts are primarily guided by our long- and short-term thematic focus areas. Our long-term focus areas are: climate change, water and human rights. In 2019, our short-term thematic engagements are: gender equality & diversity, oceans, product safety & liability, emerging markets supply chains, and deforestation and land-use. Companies may be identified for engaged based on alerts/cases from our external engagement provider, Sustainalytics, or through screening using MSCI data or data/research we collect ourselves or through brokers.

In addition, we use assistance from proxy voting service provider, ISS, to vote at Annual General Meetings (AGMs) and Extraordinary Meetings of listed companies in which we have ownership. Our Guidelines for Voting\(^5\) 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\(^6\). Through informed proxy voting we endeavour to secure long-term shareholder value and ensure that companies act sustainably.

For further details regarding the mandate for the committee for responsible investments: https://www.dnb.no/portalfront/nedlast/en/about-us/Responsible_Investment_Committee_-_mandate.pdf

Please refer to our Responsible Investments Annual Report for more information on our formalised sustainable investment process (our engagement strategy is detailed on pages. 13): https://www.dnb.no/portalfront/nedlast/no/om-oss/samfunnsansvar/2018/Annual_Report_Responsible_Investments_DNB_AM_2018.pdf


**Fund specific**
DNB Renewable Energy is a thematic sustainability fund with a narrow focus on ‘climate solutions’. The fundamental mandate of the fund is to invest in companies enabling lower global GHG emissions. Hence, the environmental aspect of ESG is key for all holdings in the fund.

DNB Renewable Energy is subject to the following exclusion criteria, as covered by DNB's Group Standard for responsible investment:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>International norms and conventions</td>
<td>0%</td>
</tr>
<tr>
<td>Controversial weapons (incl. cluster munitions, chemical and biological weapons, landmines, nuclear weapons, etc)</td>
<td>0%</td>
</tr>
<tr>
<td>Pornography (production)</td>
<td>0%</td>
</tr>
<tr>
<td>Tobacco (production)</td>
<td>0%</td>
</tr>
<tr>
<td>Oil sands (production)</td>
<td>&gt;=30% of revenues</td>
</tr>
</tbody>
</table>

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\(^5\) https://www.dnb.no/portalfront/nedlast/no/privat/Praktisering_Retningslinjer_stemmegivning_Norge.pdf?popup=true
In 2018, FNG awarded the DNB Renewable Energy Fund its FNG Label with the highest possible rating of three stars. The fund is awarded the label for its thematic investment in renewables, sustainable transportation and energy efficiency. Furthermore, established voting and formal engagement policies show active involvement with respect to ESG aspects.

In addition to adhering to DNB’s Standard for Responsible Investments, the portfolio managers have signed a side letter requiring the fund to apply additional exclusion criteria, based on revenues, to ensure compliance with the label:
- >=5% nuclear energy
- >=5% coal mining*
- >=5% oil sands*
- >=5% fracking
* Stricter threshold than that defined in the DNB Group Standard for Responsible Investments.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

DNB Fund - Renewable Energy seeks to invest in equities whose services and technologies contribute to the reduction of global emissions, historically these investments have typically been related to energy-related emissions.

Before qualifying for the investment universe, Portfolio Managers evaluate if enabling lower emissions is a significant driver for the business. Governance is a key part of the investment thesis as the Portfolio Managers look for companies which are aligned with shareholders and have a history of capital discipline, or which show a willingness to improve in these areas.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

All issuers undergo the same evaluation which entails meeting DAM’s minimum ethical criteria and ensures compliance with our Standard for Responsible Investments. Before an issuer qualifies for inclusion in our investment universe, our RI team conducts a thorough analysis to uncover possible risk factors. This analysis relies on MSCI’s ESG Business Involvement Screening Research (BISR) to uncover potential product violations, Sustainalytics to uncover norms-based risks through their Global Standards screening, as well as research from industry/NGOs and/or the media.

To qualify for inclusion into the DNB Renewable Energy fund, companies must demonstrate that contributing to lower emissions is a significant driver for their business. A company’s GHG emissions intensity (scope 1+2) is not always a true reflection of its environmental impact and as such, companies with low GHG emissions intensities do not necessarily contribute the most to reducing global emissions. This is why we consider emissions throughout the entire value chain when assessing a company’s contribution. Emphasis is placed on what the companies’ product does for society as a whole from an environmental point of view. Often this will be environmental solutions for the companies’ clients or further down the value chain. Thus, understanding the industry themes and trends is crucial, and this is ensured by the long experience and sector specialisation of each of the investment team members. The Portfolio Managers of DNB Renewable Energy therefore evaluate companies based on the interpreted positive environmental impact of their products and services. To do so, the team runs proprietary analyses of the different companies’ contribution to the environmental solutions and assesses the companies’ total emissions, considering scopes 1, 2, and 3. In addition, the team attempts to factor in the impact the companies’ products may have for scope 4 – energy efficiency.
3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

DAM performs quarterly reviews of the ESG evaluation of issuers. DAM’s RI team receives and assesses alerts from Sustainalytics/MSCI on company controversies on a rolling basis. Following a decision to exclude a company from the DNB investment universe, the portfolio managers will look to sell out as soon as possible, within two weeks of the date of notification.

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

DNB Renewable Energy’s investment universe is a sub-set of DNB’s total investment universe and comprises approximately 725 companies, of which 25-35 will be selected for inclusion within the portfolio. These companies have services and innovative technologies that help towards the reduction of global energy-related emissions. Hence, the environmental aspect of ESG is key for all holdings in the fund, and ESG considerations may affect the sub-set of companies that are considered for inclusion within the DNB (DNB Renewable Energy’s investment universe). In addition to DAM’s standard ESG screening, the fund also follows the FNG label requirements (as outlined in section 3.3). All ESG factors are considered important and the fund itself is a theme-based fund built around environmental factors specifically. Assessments of companies’ governance structure and management’s ability to generate shareholder value are highly emphasised in the investment process.

Comprehensive ESG data, such as carbon footprints and ESG ratings, are measured for all issuers and is available at company and aggregate portfolio level in DAM’s decision support system. These measurements have led to an increased focus on ESG issues by the investment team and increased collaborative interaction between the Portfolio Managers and the RI team. In addition to an increased level of engagement by the RI team, engagement meetings are more frequently conducted in cooperation with portfolios managers. More comprehensive ESG integration in portfolio management will maintain high priority moving forward.

DAM’s RI team manages a list of companies excluded from the investment universe based on ESG factors. If a company has been identified as being involved in controversial weapons, or the production of tobacco or pornography, all holdings will be sold and the company will be excluded from our investment universe. We also exclude companies based on their exposure to thermal coal and oil sands (see question 3.3). If companies are considered to violate other parts of DNB’s Standard for Responsible Investments, we primarily try to influence the companies by actively exercising ownership rights, but companies may be excluded from our investment universe should their ESG risk be considered too high.

4.2. How are criteria specific to climate change integrated into portfolio construction?

The fundamental idea for the fund is to invest in companies enabling lower global emissions by producing products or services which are contributing to GHG emission reductions. Hence, the environmental aspect of ESG is key for all holdings in the fund. A company’s GHG emissions intensity (scope 1+2) and ESG score are considered, but emphasis is placed the lifecycle emissions of a company’s products and services and whether or not these contribute to positive environmental impact.

4.3. How are issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers that are present in the portfolio have been subject to ESG evaluation (as previously outlined) before qualifying for the investment universe.
4.4. Has the ESG evaluation or investment process changed in the last 12 months?

The fund has not changed its ESG evaluation or investment processes in the last 12 months.

There have been no major changes in how ESG work is conducted within DAM in the last 12 months.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises (impact investing)?

No.

4.6. Does (do) the fund(s) engage in securities lending activities?

Yes. The fund engages in securities lending activities and DAM has a policy in place to recall the securities so as to exercise the voting rights. In selecting the counterparties, integration of environment and social criteria are not primary elements in the process, although some governance factors are considered as part of the assessment.

4.7. Does (do) the fund(s) use derivative instruments?

No. The fund does not use derivative instruments.

4.8. Does (do) the fund(s) invest in mutual funds?

No. The fund does not invest in mutual funds.

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

Non-compliance occurs if a company is found to not be in-line with our DNB Standard for Responsible Investments, the portfolio’s investment policy (mandate), and any investment restrictions imposed by applicable laws.

Compliance monitoring is performed on two levels:

1) Pre-trade controls are included as part of the Portfolio Manager’s trade simulation routine in DAM’s decision-support system.

   Our decision support system has integrated modules for pre trade compliance and post compliance. Our front-office solution integrates seamlessly with our portfolio management system, SimCorp Dimension (SCD), and our SRI database.

2) Post-trade controls are performed in DAM’s portfolio management system, SimCorp Dimension (SCD), throughout the day. First level controls are performed by DAM’s Risk Management Function (RMF) and second level controls are managed by DAM’s Compliance & Quality division.

   Post-trade compliance checks ensure adherence to DNB Asset Management’s Guidelines for Responsible Investments.

6. Impact measures and ESG reporting
6.1. How is the ESG quality of the fund(s) assessed?

As a starting point, we measure the portfolio carbon footprint and overall ESG score for all of our equity portfolios versus their benchmarks. In addition, we measure the financial impact of exclusions in the funds using our decision support system. The impact of active ownership is measured through milestones reached and cases resolved. As of today, the financial impact of ESG integration is not systematically measured.

6.2. What ESG indicators are used by the fund(s)?

GHG emissions intensities
ESG scores
Positive impact (qualitative assessment of emissions reductions (emissions avoided))
Governance assessment (qualitative)

6.3. What communication resources are used to provide investors with information about SRI management of the fund(s)?

A range of communication resources are utilised to communicate with investors. Including:

- Responsible Investment Annual Report
- DNB Group’s Annual Integrated Report
- PRI Transparency Report
- Sustainability library
- Tailor-made quarterly reports/presentations as requested by clients
- Website concerning fund:
  - https://www.dnb.no/lu/en/funds/fund-watch-list/re.html
- KIID:
  - http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&DocumentId=d108893f8fa50b2a02df586861eade50&Format=PDF
- Prospectus:
  - http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&DocumentId=90cde479181732bf1ee50fbe20a24e33&Format=PDF
- Fact sheet:
  - http://www.morningstar.is/is/funds/snapshot/snapshot.aspx?id=F000000JQ7&tab=14&DocumentId=579505b00ecae4594c0c2dc6267f6868f&Format=PDF

6.4. Does the fund management company publish the results of its voting and engagement policies?

Yes. Please refer to our Responsible Investments Annual Report for the results of our voting and engagement policies:


Please refer to the following website for the rationale in situations where DNB voted against the company’s recommendations for Norwegian companies (only in Norwegian). It is our ambition for the future to provide rationale for all companies, where we have voted against a management recommendation.

https://www.dnb.no/privat/sparing-og-investering/fond/aktivt-eierskap.html