

Quarterly Report for Responsible Investments
Q4 2023





Responsible and Sustainable Investments

DNB Asset Management (DNB AM) exercises special care with respect to transactions and acts which represent a risk of being involved in:

- unethical conduct,
- the infringement of human or labour rights,
- corruption,
- causing harm to the environment.

Our [Group Instruction for Responsible Investments](#) also states that DNB will not invest in companies that are involved in the production, storing or trading of anti-personnel landmines, cluster weapons or nuclear weapons or the production of tobacco, cannabis for recreational use or pornography. The Instruction builds on international norms and standards including the UN Global Compact, UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. In addition, companies which derive 30% or more of their revenues from oil sands, or mining companies and power producers which themselves or through entities they control derive 30% or more of their income from thermal coal, or base 30% or more of their operations on thermal coal, may be excluded from DNBs investment universe. Furthermore, companies which either extract more than twenty million tons of thermal coal or with power generating capacity of more than 10000 MW from the combustion of thermal coal, may be excluded from the investment universe, or placed under observation. Emphasis shall be placed on forward-looking assessments of the companies which will change either the level of thermal coal extraction or the level of power generating capacity derived with thermal coal, and/or reduce the share of their income or operations derived from oil sands or thermal coal, and/or increase the share of their income or operations derived from renewable energy sources.

DNB AM is also a supporter of many investor initiatives, such as the United Nations (UN) supported [Principles for Responsible Investments \(PRI\)](#) where DNB have been a signatory since 2006.

Resources and Processes

DNB AM has a dedicated responsible investment (RI team) consisting of six full time employees, who work closely with the portfolio managers and the companies we invest in. The team analyses companies using research from external consultants as well as performing in-house research.

DNB's Committee for Responsible Investments has been established to administer and follow up the Group Instruction for Responsible Investments. The RI team gathers, processes, reviews, and presents ESG research to the Committee for updates, discussion, and/or decision.

Active Owners

The RI team's work is focused around four pillars: active ownership (using tools such as screening, dialogue, engagement, and voting), exclusions, standard setting, and ESG integration of material risks and opportunities. Where active ownership does not lead to an acceptable solution, the company will be excluded from further investment until it has implemented adequate measures to remedy the situation.

Sustainability-themed Funds

Additional exclusion criteria and/or positive selection criteria are utilised for our sustainability-themed funds, thereby extending beyond the scope of the Group Instruction for Responsible Investments.

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



Our work with responsible and sustainable investments rests on four main pillars.

Engagements

Engaging Tesla Inc on Human Capital Management

Context and action taken

Tesla has faced numerous controversies related to harassment and anti-unionisation in 2023. Employees at the company's Fremont facility have complained of workplace harassment and discrimination over a number of years. Furthermore, the company also received significant attention in the Nordics regarding the company's anti-unionisation stance in an ongoing dispute with the Swedish union, IF Metall. There are also several material topics related to supply chain impact of Tesla's sourcing and production.

DNB AM has spoken to the company twice in 2023, in both May and November. We have also signed a letter together with other Nordic investors urging the company to align with expectations on the right of employees to engage in collective bargaining.

Outcome

With regards to the workplace harassment claims, Tesla has implemented grievance and notification channels that are monitored by a third party. Tesla has also conducted extensive employee training and knowledge-sharing on many of the issues that have risen from its rapid employee onboarding and growth.

DNB AM have pressed the company on disclosure on the supply chain due diligence for onboarding and monitoring of the company's critical suppliers. Notably, DNB AM asked the company for clarity on its engagement with the mining company Glencore in relation to sourcing of cobalt in the DRC. We have seen significant improved disclosure here and we expect to see increased reporting on this in the 2023 Impact report from the company.

The company has not yet responded to the investor letter regarding collective bargaining rights, but DNB AM will seek to follow up with the company in Q1 2024. The company is assessed as milestone 2 for this engagement topic.



Rolling the dice

DNB AM spoke to two companies in the gaming sector who approach the topic of responsible gambling in different ways. **Kindred Group AB** has been a market leader in responsible gambling practices, and the company has been diligent in their reporting in the reduction of revenue from harmful gambling in annual reporting. The company also expressed an interest in further integrating AI in harmful gambling detection but noted that there are privacy limitations. **Evolution AB** is a gambling platform with limited consumer access, yet the company seeks to integrate harmful gambling detection in the platforms rather than leaving this solely to the operators. The company selects operators who have demonstrable track record of detecting harmful gambling. However, the responsibility ultimately rests at the operator level.

Setting science-based targets

Elkem ASA is quite advanced in their handling of climate related issues, but the company lacks a science-based target. Elkem is also working hard on biodiversity issues, extensive biodiversity analysis has been done in 2023 including detailed mapping of all main production sites. Target setting and reporting (TNFD, ESRS) is also in development, but challenges remain such as making the smelter processes 100 per cent carbon free, which makes setting a science-based emission reduction target difficult.


Rising geopolitical tensions

The October 7th attack on Israel and the ensuing Israeli invasion on the Gaza strip have dominated news in Q4. DNB AM have received several requests for information on investments in Israel and companies with exposure to the Middle East. We are monitoring news of the evolving situation daily and engaging with companies, NGOs and other stakeholders to align DNB AM with best practice on this matter.



Voting, active ownership and transition strategy

Meetings voted in		Shareholder proposals voted on	
Q4	121	Q4	38
YTD	1 352	YTD	761
In line with management	91%	Of which climate related proposals	191



Investor initiatives

DNB AM have also engaged holdings through various key investor initiatives this past quarter. The Norwegian investor working group on climate that we have been a part of for the last few years, engaged **Orkla ASA** on climate targets. Through **Chemsec**, DNB AM engaged **3M** on the presence of PFAS in their product portfolio.

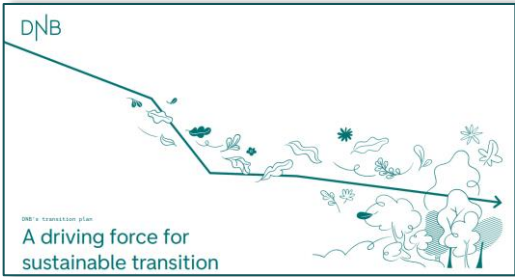
Key investor initiatives going into 2024 will be our continued participation in PRI Advance, Chemsec, the Working Group on a Deforestation-free Automotive Industry and many more.

Updated expectation documents

We have also updated the expectation document on Human rights as well as renewed structure of several other documents published by DNB AM. All publications by DNB AM can [be found on our website](#).


DNB Transition Strategy launched in October

In October, DNB launched the group’s transition strategy which sets out additional goals for how DNB will be a driving force for a sustainable transition, supporting the group’s Net zero 2050-target. As Norway’s largest financial services group, DNB has considerable influence on the sustainable transition in Norway and internationally. Through advisory services, financing, competence sharing and clear requirements, we will help forward-looking companies succeed with sustainable solutions. [See DNB’s entire transition plan here](#). Progress on the DNB AM metrics will be reported quarterly. Please see table below.



Progress on goals in DNB Transition Strategy

	AUM in Sustainability-themed funds	Net flow into Sustainability-themed funds	Share of AUM with a science-based target
Target	<i>DNB AM has set a target to increase assets under management in sustainability themed funds to NOK 200 bn by 2025.</i>	<i>DNB AM has set a target that 50 per cent of net flow will be into sustainability themed funds by 2025.</i>	<i>DNB AM has set a target that 58 per cent of AUM is covered by a science-based emissions reduction target by 2030.</i> <i>To achieve this target we will engage with the 30 largest emitters annually.</i>
Status Q4 2023	AUM in sustainability themed funds is 124.3 Billion NOK	Sustainability themed funds have seen a net positive flow in 2023, despite an overall negative net flow for DNB AM’s AUM as a whole.	Share of AUM covered by by a science-based emissions reduction target is 24 per cent (2023 data is not yet produced). We engaged with the 26 largest contributors to our carbon intensity by end of Q4 2023.

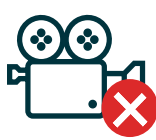


Exclusions

We exclude companies that produce:



Tobacco



Pornography



Cannabis



Controversial
weapons



Oil sands
≥30%



Coal
≥30% +
Abs. criteria

And may exclude companies that breach international norms and standards.

Companies excluded in Q4

Company	Criterion	Description
Delek Group	Breach of ethical norms	Delek Group was excluded due to the company's petroleum prospecting offshore Western Sahara. The company's operation and exploitation of resources of the Western Saharan people is in violation of the DNB AM Instruction on Responsible Investments criterion on violations of basic ethical norms. The company's operations are contributing to maintain the area's unresolved situation.

Companies reincluded in Q4


Company	Criterion	Description
Thoresen Thai Agencies PLC	Environment/Labour rights	Thoresen Thai Agencies Public Company Limited was excluded in 2018 due to representing an unacceptable risk of being responsible for both severe environmental damage and serious violations of basic labour rights, through the disposal of decommissioned vessels for break up on beaches in Pakistan and Bangladesh, where environmental and working conditions were considered to be extremely poor. The company has not disposed of further ships to be broken up for scrap since 2018.
Serco Plc	Controversial weapons	Serco Group PLC is a United Kingdom-based provider of public services. The company has been excluded from the DNB investment universe since 2007, due to being in violation of the criterion on production controversial weapons. The company participated in the AWE-ML, a commercial consortium currently running the Atomic Weapons Establishment in the UK. AWE was renationalised in 2020, and the company has confirmed that there is no longer any involvement from Serco Group PLC. There is therefore no longer grounds for exclusion of the company.


DNB AM Responsible Investment – perspectives from the field





A visit to a leading salmon producer


DNB AM visited Salmon Evolution, a land-based salmon farming company based at Indre Harøy. Land-based farming addresses a range of the biological and environmental challenges typically faced by the industry.

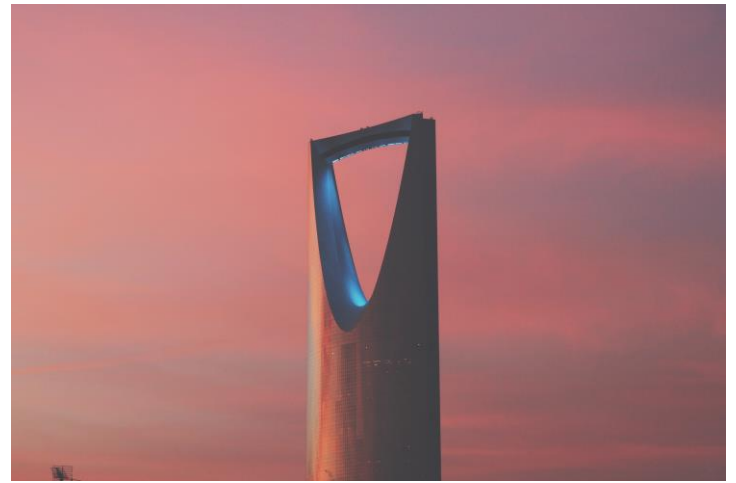
 Biology is the most important consideration. Each of the twelve tanks are isolated biological zones, meaning that any potential biological outbreaks in one tank will not contaminate the fish in another tank.

 Technology, including comprehensive monitoring, is essential in enabling an optimal environment for the fish. A hybrid flow through system ensures access to fresh, filtered sea water, which undergoes UV screening to eliminate parasites, sea lice, viruses and infections.

 Environmental impact is reduced compared to conventional salmon farming as the wastewater is filtered before being returned to ocean. The closed system also enables the reuse of fish sludge and feed residues, and prevent escapes, thus limiting harm to wild fish populations and the ecosystem.

 Notably, the production mortality level is ranging from 3-5%, in contrast to the industry average of approximately 15% in conventional salmon farming. The lower mortality rate is an important indicator of animal welfare and is partly driven by the absence of sea-lice challenges.

 One of main challenges of the salmon farming industry remains: the feed. For Salmon Evolution, the feed accounts for 76% of the total GHG emissions. DNB AM engages with multiple feed companies to encourage them to address climate and biodiversity challenges.



A mirage or a new market? DNB AM visits Saudi Arabia

DNB AM met with Saudi Arabian companies in Riyadh, exploring financials, information technology, and consumer sectors, as well as the Public Investment Fund. After 17 meetings over three days, the visit left a positive impression of a market that has captured significant international attention, with Saudi Arabia's weighting on the MSCI Emerging Markets Index doubling since 2019.

The country aims to become a regional hub for investment and international diplomacy, while undergoing reforms, including women's rights. However, key human rights challenges remain, and the country remains a polarizing market amongst international investors.

To read more about our reflections on this visit, please see the [blogpost on the DNB AM website](#).



Perspectives on regulations and trends

Regulations

On December 14, 2023, the Council of the EU and the European Parliament reached a provisional agreement on the **Corporate Sustainability Due Diligence Directive (CSDD)**. The CSDD is a mandatory human rights due diligence legislation that aims to enhance the protection of the environment and human rights in the EU and globally. The directive will set obligations for thousands of companies, including U.S.-based multinationals, requiring them to conduct due diligence on their value chains and adopt transition plans for climate change mitigation. The CSDD introduces a civil liability regime whereby companies could be liable for damages if their operations cause adverse impacts on human rights or the environment. The Norwegian Transparency Act is a similar legislation that has been in effect in Norway since July 2022.

The CSDD also requires large companies to have transition plans that align their strategy and business model with limiting global warming to 1.5 °C. Transition plans are a vital tool for companies to demonstrate their commitment to combatting climate change and ensuring their business model remains relevant in a net-zero carbon economy. DNB launched our transition strategy supporting the Net zero 2050 Group target, which can be found [here](#).

In December, level 2 of SFDR legislation came into effect in Norway. DNB AM was prepared for this change and the relevant fund prospectuses have been updated in accordance with the legislation.



Key trends

The 28th Conference of the Parties (**COP28**) concluded in Dubai with significant wins overshadowed by disappointments. The operationalization of the new Loss and Damage Fund was historic, and the initial contributions totaled over \$650 million. The final text of the Global Stocktake was improved after fierce pushback on the watered-down language on emissions and fossil fuels, mentioning the projection of peak global emissions between 2020-2025. The COP28 outcome called for a commitment to transition away from fossil fuels, and reforming fossil fuel subsidies is a key element to help make this happen. However, COP28 failed on adaptation, which was projected to be a key element.

DNB AM is optimistic about the increased commitment to a transition away from fossil fuels. DNB AM offers multiple funds with a sustainable investment objective aligned with these macro trends. For further details on our fund offering [please see our website](#).

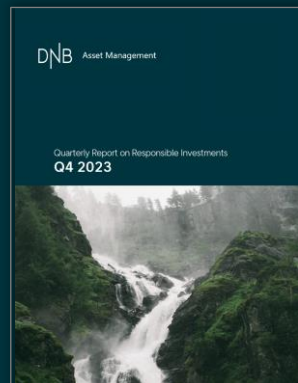


Other relevant reports from DNB AM

See our website <https://dnbam.com/en/responsible-investments/reporting> for a full and updated list of our reporting on sustainability topics.



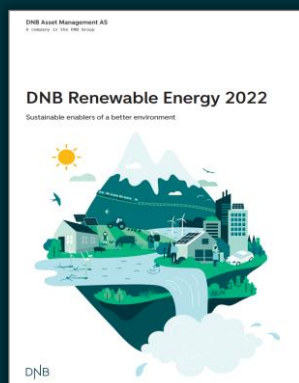
DNB AM Report for Responsible Investments 2022



DNB AM Quarterly Reports for Responsible Investments



Carbon Footprint of DNB AM's mutual funds 2022



DNB Renewable Energy Report on Potential Avoided Emissions 2022



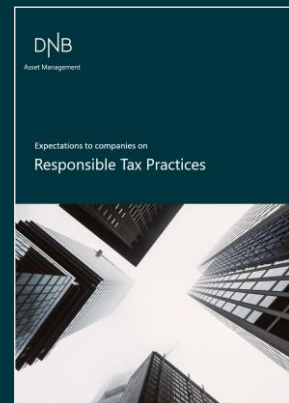
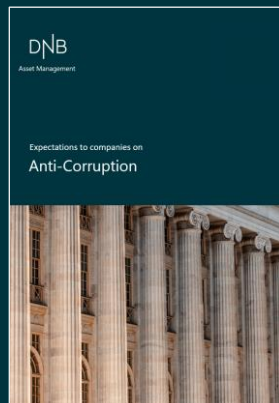
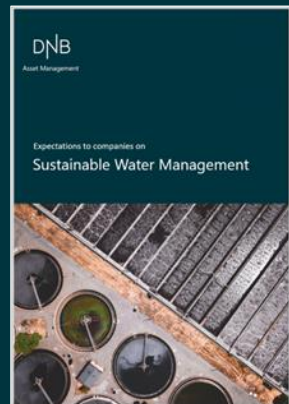
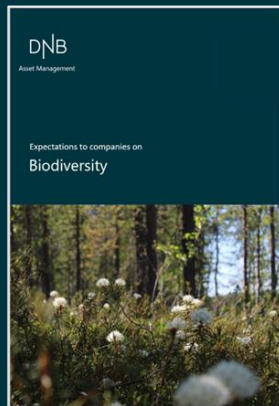
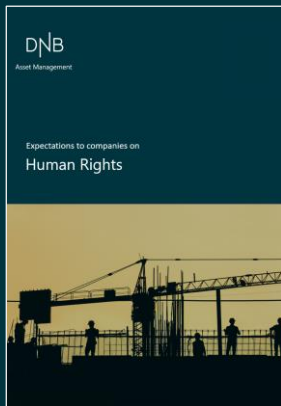
DNB Group Annual Report 2022



Norwegian Transparency Act Disclosure 2022

Expectation documents

See our website <https://dnbam.com/en/responsible-investments/guidelines-and-exclusions> for a full list and updated versions of our expectations to companies on a wide range of topics.





Asset Management