

Quarterly Report for Responsible Investments
Q1 2024





Responsible and Sustainable Investments

DNB Asset Management (DNB AM) works to ensure that we are not invested in companies that are responsible for or contributes to:

- 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 Hafnia Ltd on possible exposure to Russian oil exports

Context and action taken

Hafnia Ltd, the large Danish tanker company, found themselves in hot waters early this year over a purported involvement in the transport of Russian oil from an Indian refinery last year, as [reported by the NGO Danwatch](#).

This case highlights the challenges in fully enforcing sanctions against Russian petroleum exports as well as Russia's efforts to find workarounds to continue exporting its products through international markets.

Following the release of the story, we had several meetings with Hafnia's top management.

Outcome

The company was forthcoming and engaged throughout our series of meetings, sharing key information and details upon request.

Hafnia transports petroleum products on contract from customers in the energy sector. The company firmly denied that they had transported Russian oil, given that the Indian refinery is responsible for the mix of petroleum products in the transported products. This point is crucial, as it illustrates how not just Hafnia, but several other actors in the energy sector are participating in a market that has inherent risk of exposure through the refinery process.

Importantly, Russian petroleum exports are not illegal nor entirely sanctioned, but they are subject to an international price cap of USD 60 per barrel of oil. Russia has been trying to evade this price cap through illegal sea-based transport known as the shadow fleet, which has garnered significant attention in the last year from both media and government in Europe and beyond.

Hafnia demonstrated extensive due diligence and KYC on customers and discussed findings and their process in meetings with DNB AM. The company also acknowledged the importance of increased risk mitigation in instances where there is an elevated risk of petroleum transport with ties to Russia. DNB AM will continue to engage the company going forward on responsible shipping practices.



Setting the record straight

Voting season is well under way, and DNB AM has renewed our commitment to vote at all annual general meetings for companies in Norway, companies in actively managed funds as well as all meetings where there is a shareholder proposal presented. In line with this ambition, DNB AM has held numerous meetings with companies ahead of their AGMS on a number of key issues.

In the Nordics, we engaged extensively with our top holdings. We met with **LM Ericson AB** and **Telenor ASA**, the largest telecom companies in the Nordics, to discuss both the governance matters related to compensation, as well as ensuring an appropriate board composition together with the nomination committee of Telenor ASA.

Other notable company meetings in the Nordics ahead of AGMs include **Elkem ASA**, **Cint Group AB**, and **Embracer Group AB**.

Internationally, we discussed compensation with several U.S. companies, notably **Take-Two Interactive Inc.** and **Electronic Arts Inc.**, both of which operate in the gaming sector where human capital is a paramount component. However, ensuring that management has appropriate incentive packages, while still serving the shareholders is a key balancing act.

Innovation in salmon farming

We also followed up our field trip to **Salmon Evolution ASA** last October, with a productive meeting in Q1 2024. Production mortality is a challenge for the industry with lice and other diseases present risks to production. The company has acceptable mortality levels, and DNB AM encouraged continued disclosure on fish quality and health. Furthermore, DNB AM also encouraged increased transparency on supplier code of conduct and risks in their supply chain for feed sourcing.



Voting, active ownership and progress on the transition plan

Meetings voted in		Shareholder proposals voted on	
Q1	402	Q1	62
YTD	402	YTD	62
In line with management	93%	Of which climate related proposals	11



Voting

The company voting season is well under way with daily AGMs and frequent meetings with companies ahead of key voting items. Important issues for DNB AM this season is executive remuneration and E&S shareholder proposals at Nordic and U.S. AGMs. See [page 3](#) for further details.

You can find the report [here](#) and on DNB AM's website. The report describes DNB AM's work on responsible investments, and how we are working to ensure that companies in our portfolios adhere to our [Group Instruction on Responsible Investments](#) and develop their practices in line with best practice.

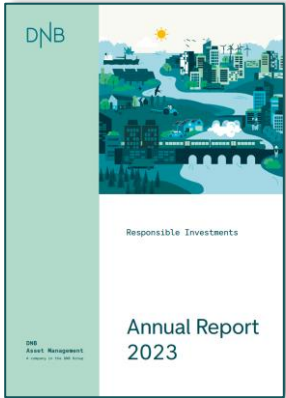
Investor initiatives

DNB AM have also engaged holdings through various key investor initiatives this past quarter. Key investor initiatives for us into 2024 will be our continued participation in PRI Advance, Nature Action 100, the Working Group on a Deforestation-free Automotive Industry, Responsible Nickel Supply Chain and several initiatives on big tech and AI.

The report also details our active ownership efforts to contribute to the [DNB transition plan](#) and ensure responsible stewardship of companies in our portfolios.

Annual report on Responsible Investments

Our 2023 report on Responsible Investments was published in late March.



Progress on goals in DNB Transition Plan

	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 Q1 2024	AUM in sustainability themed funds is 112.5 Billion NOK	Sustainability themed funds have seen a net negative flow in Q1 2024, but overall positive flow in the past 12 months.	Share of AUM covered by by a science-based emissions reduction target is 29.5 per cent* . We engaged with the 3 largest contributors to our carbon intensity by end of Q1 2024.

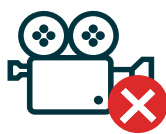


Exclusions

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 Q1

Company	Criterion	Description
Shanxi Coal International Energy Group Co Ltd	Breach of criterion on revenue from thermal coal	Shanxi Coal International Energy Group Co Ltd was excluded based on the company's violation of the relative and absolute criteria on thermal coal production from both coal electricity generation and mining tonnage.
PT Petrindo Jaya Kreasi Tb	Breach of criterion on revenue from thermal coal	The company was excluded due to their violation of both the relative and absolute criteria on thermal coal production from both coal electricity generation and coal processing,
Strathcona Resources Ltd.	Breach of criterion on revenue from oil sands	The company was excluded due to their violation of the criterion on revenue from bitumen oil sands, with 100 per cent of revenue related to these activities.
NewMed Energy LP	Violation of ethical norms	NewMed Energy LP, a subsidiary of 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 the criterion on violations of basic ethical norms.
Jardine Matheson Holdings Ltd	Environmental harm	The company was excluded due to beneficial ownership of entities responsible for the destruction of the habitat of endangered species through mining activities in a key biodiversity area in Indonesia.
Jardine Cycle&Carriage Ltd	Environmental harm	The company was excluded due to beneficial ownership of entities responsible for the destruction of the habitat of endangered species through mining activities in a key biodiversity area in Indonesia.
PT Astra International Tb	Environmental harm	The company was excluded due to beneficial ownership of entities responsible for the destruction of the habitat of endangered species through mining activities in a key biodiversity area in Indonesia.

Companies reincluded in Q1

No companies were reincluded in Q1 2024.

Perspectives on regulations and trends

Regulations

2024 is the first year of Corporate Sustainability Reporting Directive (CSRD) reporting for many European companies and both companies and authorities are beginning to face a large reporting burden from the onset of the year.

Furthermore, enforcement of ESG regulations is expected to become more prominent in 2024, as implementation periods end, and compliance becomes mandatory.

Yet further regulatory advances are pushing on. Key regulatory developments include the EU's Corporate Sustainability Due Diligence Directive (CSDDD) which is looking likely to come into law as after regulatory horse-trading between EU member states. CSDDD also calls for transition plans for how companies set targets, take action and allocate resources towards a lower-carbon economy. [The latest draft](#) removed civil liability provisions that would allow trade unions to sue noncompliant firms. MEPs must vote again, but renewed optimism on the law is a welcomed development.

Further, Germany's Supply Chain Due Diligence Act was expanded in January 2024 to include all companies with more than 1 000 employees. This is a similar legislation to the Norwegian Transparency Act which passed in 2022.

In the U.S., the SEC is expected to publish its final rule on [climate-related disclosure requirements](#) for businesses in April 2024, though this may face political resistance in the increasingly polarized political environment.



Key trends

Despite the widespread ESG backlash in the U.S. and beyond, companies are releasing their transition plans at a promising rate across key sectors. [DNB's transition plan](#) was published in October 2023, but both state and NGO actors are issuing guidance to companies on this matter. In 2023, around 35 per cent of CDP Climate respondents stated that they are planning to release a transition plan within the next two years.

However, the visibility of these plans may be changing. Communication on climate matters is changing and so is the role of climate matters at shareholder meetings. [A Pitchbook study](#) found that programs were being downplayed in favor of more silent support for ESG (known as "green-hushing" in certain circles).

Despite the hushing trend, companies are still committed. Our job as an asset manager is therefore to monitor which companies are taking serious action and challenge those who are lagging to align themselves with best practice.

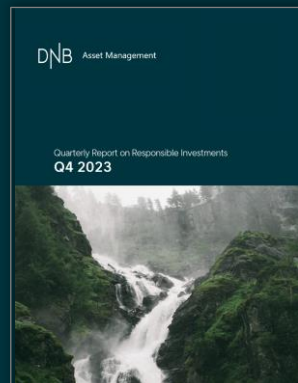
DNB AM offers multiple funds with a sustainable investment objective aligned with these macro trends. For further details on our fund offering [please see our website](#).

Other relevant reports from DNB AM

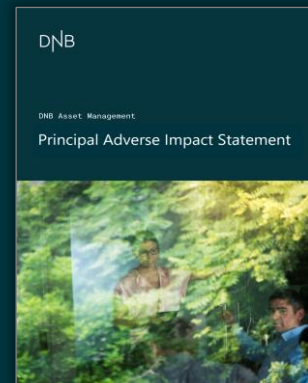
See our website <https://dnbam.com/en/responsible-investments/reporting> for a full and updated list of our reporting on sustainability topics.



DNB AM Report for Responsible Investments 2023



DNB AM Quarterly Reports for Responsible Investments



Principle Adverse Impact (PAI) Statement



DNB Renewable Energy Report on Potential Avoided Emissions 2022



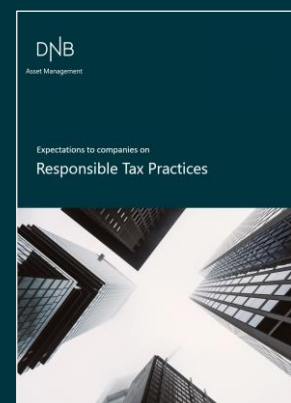
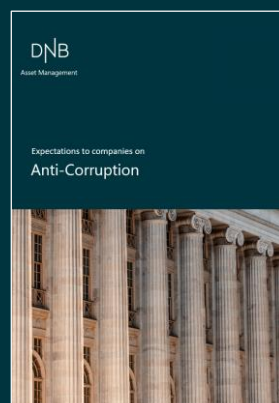
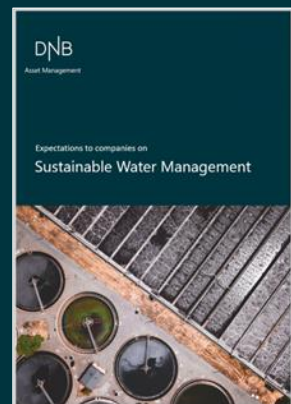
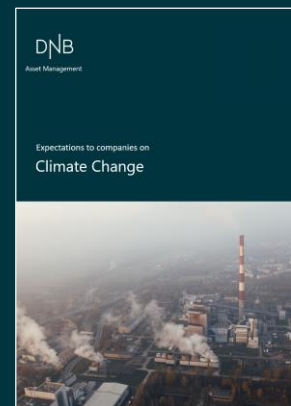
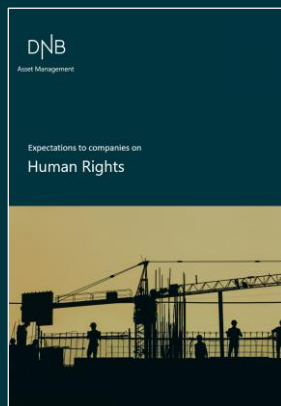
DNB Group Annual Report 2023



Norwegian Transparency Act Disclosure 2023

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