

Quarterly Report for Responsible Investments
Q2 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

Sorting things out – engagement with TOMRA Systems ASA

Context and action taken

TOMRA Systems ASA, producer of advanced collection and sorting systems, is a key holding in several DNB funds.

The company is a leader in facilitating the circular economy through manufacture of reverse vending machines (RVMs) for the food and mining industries.

Although the company is providing key services for enabling the green transition, DNB AM also would like to see further improvement in the company's own operations with respect to management of climate, nature and human capital management risks.

Outcome

On climate, there has been significant progress since the last meeting with the company having submitted their climate targets to the Science-based Target Initiative for approval. DNB AM nudged the company to disclose details regarding their climate roadmap in line with industry best practice.

On nature and biodiversity, TOMRA as with many other companies, have included considerations regarding nature and biodiversity risks in their double materiality analysis in line with the ESRS requirements. This is in line with previous engagement efforts by DNB AM that has sought to facilitate knowledge building in the Nordic market on the nature-related risks that companies face in their value chain. As with many other companies, we encouraged TOMRA to report in line with the TNFD recommendations which were launched last September.

Finally, we used the opportunity to discuss one of our newer thematic focus areas, human capital. The company has set a clear aim to increase the share of female hires as well as increase employee engagement and feedback. DNB AM also nudged for more transparency and granular reporting for human capital, including an overview of wage gaps across different employee groups with comparable responsibilities, in line with best practice.



Getting on the same page

We had our annual engagement meeting with **Equinor ASA's** Chairman of the Board to discuss key topics including the Energy Transition Plan (ETP) and shareholder resolutions at the upcoming AGM 2024. It was followed up in a second meeting with representatives from sustainability and IR in Equinor. Equinor's current climate strategy and measures is aligned with the Paris agreement according to Equinor, but not with a 1,5-degree trajectory. DNB AM supported Equinor's Energy Transition Plan (ETP), at the AGM 2022, but have since challenged Equinor on possible enhancements including higher degree of transparency, the feasibility/roadmap to the ambitious 2035 targets, and 1.5-degree alignment. Note that a revised ETP will be voted on at the AGM 2025.

Read more about our voting activities on the [next page](#).

Following up on key issues in the Norwegian market

Reactive engagements also inform of our engagement work in Norway. In Q2 we engaged **Kongsberg Group ASA** on the company's export framework and efforts to mitigate export of military material to non-target entities. This has been made prescient by increased geopolitical uncertainty in the past year. This meeting is part of a longer engagement with the group on how to avoid that the company becomes complicit in violation of international humanitarian laws, as well as the currency of the company's policies and practices for related human rights risk management. Kongsberg Group ASA is a strong performer in this area and have implemented strong routines to manage export controls.

We also engaged **Altera Shuttle Tankers** following the news of the fine by Økokrim (The National Authority for Investigation and Prosecution of Economic and Environmental Crime). The company rejected the fine but explained the rationale for this decision transparent manner. This case illustrated the long process that a norms-based controversy can take before proving material for a company's operations. Since the initial controversy, the company has taken a responsible approach to ship recycling with few ships scheduled for decommissioning for the foreseeable future.



Voting, active ownership and progress on the transition plan

Meetings voted at		Shareholder proposals voted on	
Q2	887	Q2	750
YTD	1054	YTD	812
In line with management (YTD)	91%	Of which climate related proposals	107



Voting

Q2 has been a busy time for voting across all our markets. Thousands of AGMs have been reviewed and we have voted in many of them. 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.

We note with particular interest the discussions on executive pay in the US, with the vote surrounding the compensation package for CEO, Mr. Elon Musk demanding a lot of attention. Furthermore, we are also seeing banks and other financial institutions being asked by shareholders to take a clearer position on climate change and the financing of and investment into “brown industries”.

Investor initiatives

DNB AM have also engaged holdings through various key investor initiatives this past quarter. Key investor

initiatives for us in 2024 have so far been our continued participation in PRI Advance, Nature Action 100, the Working Group on a Deforestation-free Automotive Industry, Responsible Nickle Supply Chain and several initiatives on big tech and AI.

In Q2 we also participated in the FAIRR - Waste & Pollution Engagement call with **Yara ASA** where we are asking the company to conduct a risk assessment of the use of nutrients (especially relating to nitrogen) and put in place mitigating actions to prevent pollution as a main driver of biodiversity loss. Yara have started to map their nature-related impacts and dependencies using the TNFD LEAP framework but does not yet report fully aligned with the recommendations. Yara stressed that efficient use of land, water and biodiversity is high on their agenda, with land use efficiency being the most important. This influences their product development as well as their risk assessment.

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 Q2 2024	AUM in sustainability themed funds is 113.6 Billion NOK	Sustainability themed funds have seen a net negative flow in Q2 2024 but outflow has been significantly reduced compared to Q1.	Share of AUM covered by by a science-based emissions reduction target is 29.5 per cent* . We engaged with the two of the largest contributors to our carbon intensity by end of Q2 2024.



Exclusions

We exclude companies that produce:



And may exclude companies that breach international norms and standards

Companies excluded in Q2

Company	Criterion	Description
L3Harris Technologies Inc.	Breach of criterion on production of controversial weapons	L3Harris Technologies Inc. was excluded based on the company's acquisition of Aerojet Rocketdyne, a producer of nuclear weapons for the U.S. military.
Adani Ports and Special Economic Zones Ltd.	Violation of ethical norms	The company was excluded due to their involvement in the port of Yangon, Myanmar and ambiguities surrounding the sale of the asset. Their operations help finance the abuses of the Myanmar army against the country's civilian population.
Weichai Power Ltd.	Breach of criterion on sale of weapons to sanctioned states	The company was excluded due to the company's joint venture with Belarusian and Russian entities, MAZ and KAMAZ. The vehicles produced by these operations are single-use military vehicles and the company is therefore contributing to the sale of military materiel to the authorities in Belarus and Russia. This is a violation on the criterion on sale of weapons to countries subject to international sanctions where Norway has supported the measures.

Companies reincluded in Q2

No companies were reincluded in Q2 2024.

DNB AM Responsible Investment – perspectives from the field



Why we engage excluded companies

DNB AM hosted delegations from Brazilian mining giant, **Vale SA** and as well as a delegation from Chinese IT company **Hikvision Inc** at two separate meetings at the DNB office here in Oslo in Q2.

High level staff with expert awareness on topics related to HSE and human rights yielded informative and deliberate discussions on the progress made by the respective companies.

Although being on DNBs exclusion list, both companies demonstrate progress in addressing the causes for exclusion. DNB AM have not reincluded either company as of Q2 2024.

Excluding companies from our investment universe is done with the greatest care and engaging excluded companies are an important component of our active ownership efforts. Exclusions are not to be considered a permanent state, but rather a suspension from our investment universe. Upon achieving sufficient progress in mitigating the risk that led to the exclusion, we will seek to reinclude the company through the same process from which it was excluded.

Meetings with these companies are therefore a duty to our clients to ensure that our exclusion list remains current and accurate. In 2023, we reincluded three companies. In 2022, we reincluded four.

Engagement is our preferred tool when assessing companies excluded on norms-based criteria, whereas product based exclusions is largely based on data from the company as well as external service providers.



Short circuit: DNB AM visits Beijing to engage on supply chains

DNB AM travelled to Beijing where we met with companies in the financial, information technology, and consumer sectors, as well as the state organisations like the NCSSF and SASAC. After four days of meetings and seminars the visit left a positive impression of a market that has captured significant international attention and growth on responsible investment.

We travelled with the Rainforest Foundation Norway and Asia Research & Engagement which helped facilitate informed dialogues. Key topics for meetings were standardization of sustainability reporting as well as the integration of supply chain concerns in key industries such as EV manufacturing and commodities.



Perspectives on regulations and trends

Regulations

In Q2 2024, Europe saw significant sustainability regulatory developments. Key changes included the implementation of UK anti-greenwashing rules and Sustainability Disclosure Requirements, publication of European Supervisory Authorities' reports on greenwashing risks. Additionally, the European Securities and Markets Authority (ESMA) released guidelines on the use of ESG or sustainability-related terms in fund names, setting a minimum threshold for investments meeting environmental or social characteristics. No DNB funds have changed their names as a result of the guidelines from ESMA, though we are currently reviewing our product portfolio and will make changes, if necessary, before they come into affect in the Norwegian market.

The Corporate Sustainability Due Diligence Directive was formally adopted, and guidance on sustainability reporting standards interoperability was released. These actions reflect Europe's ongoing commitment to enhancing ESG transparency and combating greenwashing in the financial sector.

Outside of Europe, other major markets have also been advancing their sustainability regulatory frameworks in Q2 2024. In the United States, the SEC has been finalizing its climate disclosure rules, requiring public companies to report on climate-related risks and emissions.

Asian countries have made significant strides, with Japan enhancing corporate governance and sustainability disclosure requirements, Singapore has implemented its Green Finance Action Plan, and Hong Kong has strengthened ESG reporting for listed companies. Australia has been working on mandatory climate-related financial disclosures for large businesses and financial institutions.

These global developments reflect a widespread trend towards more comprehensive sustainability regulations, aiming to enhance transparency and accountability in sustainable finance and corporate practices across various markets.



Key trends

Nuclear now?

Recent sentiment towards nuclear power in finance has been shifting positively, with growing investor support and inclusion in sustainable finance frameworks like the EU Taxonomy. Government backing in countries such as Sweden, the US, and China, coupled with nuclear energy's potential role in decarbonization efforts, has further bolstered its standing in financial circles.

However, challenges persist, including high capital costs and ongoing debates about nuclear power's "green" credentials, which continue to influence the financial sector's nuanced approach to nuclear energy investments.

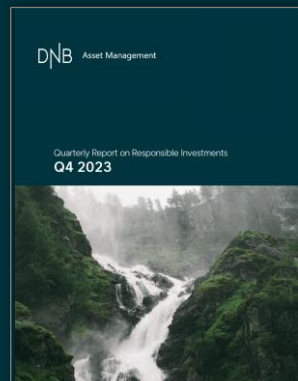
DNB AM offers multiple funds with a sustainable investment objective aligned with these macro trends. For further details on our fund offering [please see our website](#).

Other relevant reports from DNB AM

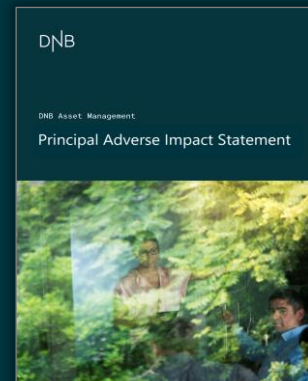
See our website <https://dnbam.com/en/responsible-investments/reporting> for a full and updated list of our reporting on sustainability topics.



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



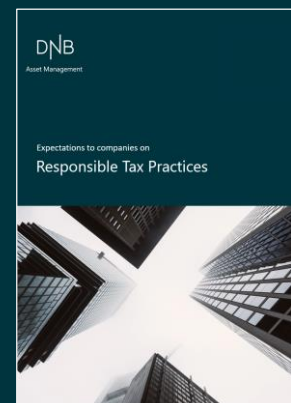
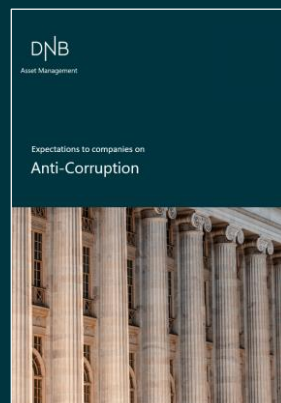
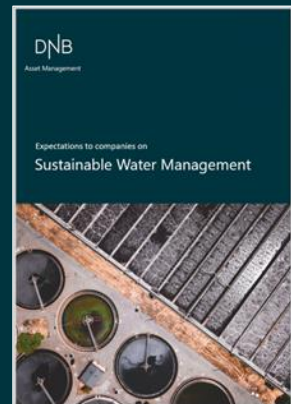
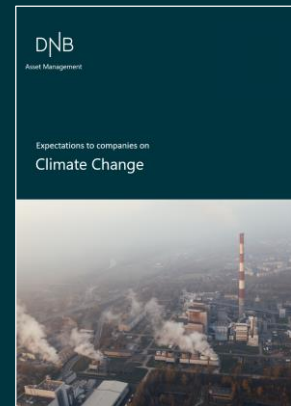
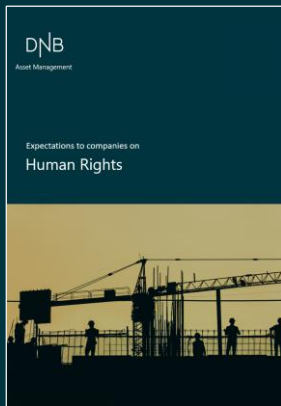
DNB Group Annual Report 2023



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