

Quarterly Report for Responsible Investments
Q3 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 five 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

Governing the relationships between man and machine

Context and action taken

Microsoft Corporation, developer and producer of software solutions, services and devices, is the 2nd most valuable company globally by market cap and is a key holding in several DNB AM funds.

The company is a leader and innovator of artificial intelligence (AI) and AI governance and a key enabler of the proliferation of consumer usage of the AI tech over the past few years.

DNB AM is engaging the company as part of the World Benchmarking Alliance (WBA) [Collective Impact Coalition for Ethical AI](#). This is a coordinated engagement campaign aiming to push technology companies to advance ethical AI policies and practices. The meetings builds on the findings of WBA's Digital Inclusion Benchmark, which has revealed large transparency gaps in companies' disclosures on ethical AI. This is our first meeting with Microsoft (MS) on this matter and continue to follow up with the company.

Outcome

Implementation across the value chain of AI development and use, as well as MS' assessment of AI risks and impacts are clear and sound. Consequently, MS should be held to a high level of accountability given its size and influence on the current and future use of AI especially Generative AI.

The group challenged MS on better linking between AI safety and human rights, especially in their sold products requirements. Furthermore, the group sought more disclosure on how the company is taking a role in limiting the dissemination and creation of materials like CSAM, which [MS has been partnering with the NGO Thorn](#) on. Finally, the group pushed for clarification regarding the company's preparations for the EU's AI act and whether this would have any impact on products. DNB AM will continue to engage the company through this initiative, and the meeting serves as a guidance for further calls with tech companies regarding AI governance.



Steel giant emerges from hard past

DNB AM met with **ArcelorMittal S.A.**, the 2nd biggest steel producer in the world to discuss HSE and their "green steel" strategy. The Luxembourgian giant were involved in a major controversy following the death of 46 workers at the company's Kazakh subsidiary. Following the incident, the company has committed to overhauling the HSE training and human rights governance. DNB AM discussed in detail concerns of the operations in India, given the elevated risk of recurring incidents in that market. Although continuous training and frequent reporting is in place, there remains an elevated risk of incidents from operations in high-risk markets for the company. All in all, the company employs over 150 000 people worldwide. Finally, we also pushed the company over demands for their "green steel" products. Green steel refers to steel produced without the traditional coking coal and ArcelorMittal S.A., has been a key driver of advancement of this technology and is poised to benefit from this technology with increased carbon regulation of the sector.

Fact-finding the finnish forestry furore

We have been engaging **Stora Enso Oyj** since 2021, recognizing the company's ambitious biodiversity goals. Despite this, [recent news of environmental damage at Suomussalmi](#) was surprising. Stora Enso has since taken significant steps to address and prevent future incidents, including enhanced training, strict adherence to environmental guidelines, and suspending harvesting in sensitive areas. DNB AM will continue to monitor the situation but the incident proves that leaders in conservation may also be at risk of frequent violations and that detection systems must be continuously encouraged. We also engaged a second Finnish forestry company, **UPM-Kymmene Oyj**, where we discussed the challenges of setting nature impact reduction targets.

Assessing the impact of extractives

DNB AM met twice with **Southern Copper** and its parent company, **Grupo Mexico** in Q3. Both companies are engaged in extractives from operations in several LatAm-countries. Allegations of environmental harm and lack of sufficient biodiversity disclosure formed the majority of the discussion. Furthermore, this engagement was informed by data from **Rainforest Foundation Norway** (RFN) and WWF data. The newly released report from RFN [Forest-risk Extractives: A Geospatial Analysis](#), will help guide further engagement as we received access from the organization the underlying geospatial data of mining concessions and projects. Spatial data is an integral component in improving engagements with companies in extractive sectors such as materials, energy and more.

Voting, active ownership and progress on the transition plan

Meetings voted at		Shareholder proposals voted on	
Q2	240	Q2	40
YTD	1 394	YTD	852
In line with management (YTD)	91%	Of which climate related proposals (YTD)	121



Voting

Voting season has eased in Q3 after a busy first half of the year, but there remains significant voting activity across several of our markets.

We note with particular interest the discussions on executive pay in the US. Failing proposals on executive pay have often shown to have an effect on the share price. 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 has been 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..

In Q3 we also participated in calls with companies in the Chemsec initiative. **3M Inc.** has been a focus of the initiative given its production of products containing PFAS, a chemical grouping of synthetic chemicals with persistent presence given their half-life of 8 years or more. Deemed to be “forever chemicals”, 3M settled a lawsuit with a potential payout of over 12 billion USD last year due to failing to disclose and prevent freshwater contamination from its PFAS-containing products. The company estimates that around 15 000 products in their portfolio of over 60 000 contain PFAS of some sort.

Chemsec, serving as an expert partner with research and benchmarking, allows for a high-level dialogue on a critical topic which is expected to see further regulatory and civil society engagement going forward.

Progress on goals in DNB Transition Plan

	AUM in Sustainability-themed funds and portfolios	Net flow into Sustainability-themed funds and portfolios	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 and portfolios 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 and portfolios 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>

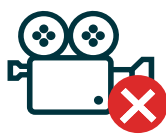
<div>Status Q2 2024</div> <div>DNB Asset Management</div> <div>*As of 31.12.2023</div>	<div>AUM in sustainability themed funds and portfolios is 141.8 Billion NOK</div> <div></div>	<div>Sustainability themed funds and portfolios have seen a net positive flow in Q3 2024 but outflow for the year is still negative, but has recovered significantly from Q1.</div>	<div>Share of AUM covered by by a science-based emissions reduction target is 29.5 per cent*.</div> <div>We have engaged with 8 of the largest contributors to our carbon intensity by end of Q3 2024. Q4 is historically our busiest engagement season for this workstream.</div>
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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 Q2

Company	Criterion	Description
Tianjin Pharmaceutical Da Ren Tang Group Corp Ltd	Severe environmental harm	The company's Traditional Chinese Medicine (TCM) products contain animal parts from globally threatened species such as leopard bones, pangolin scales and musk from musk deer. The company has not disclosed any specific plans to replace the ingredients based on threatened species with other ingredients, and its use of these components is therefore complicit in the illegal wildlife trade and increases the risk to of these species becoming extinct.
China State Construction Engineering Corp Ltd	Serious or gross corruption	The company operates in a business sector and countries with a high risk of corruption, and the company has been unresponsive to DNB AM in addressing questions related to corruption and business practice. There is therefore an unacceptable risk of contributing to serious corruption related to this company.
Prosegur Cia De Seguridad Sa	Serious or systematic violations of human rights	The company, and its subsidiaries, have been involved in severe acts of violence and abuse of tribal people's rights, providing security services for two clients in Brazil. Prosegur has not substantiated that its systems for identifying and managing such risks are adequate, and DNB finds that the future risk that Prosegur will contribute to further violations to be unacceptable.
Bollore Se & Cie de L'Odet SE companies	Serious or systematic violations of human rights	There is an unacceptable risk that the company contributes to serious violations of human and labour rights due to its links with the abuses at the Socapalm plantations in Cameroon. The companies are part of the same holding structure with beneficial ownership of the Socapalm plantations in Cameroon.
Larsen & Toubro Ltd	Production of controversial weapons	Through the company's involvement in producing India's Strategic Nuclear Submarine, the company is in violation of the production criterion on weapons which through normal use violate basic humanitarian principles. This criterion includes production of strategic nuclear submarines as the vessels sole purpose is to expand India's nuclear triad capabilities.

Companies reincluded in Q2

Mativ Holdings Inc.	Production of tobacco	Given the sale of the reconstituted tobacco leaf production segment by Mativ Holdings, Inc., the company is no longer producing tobacco and therefore are reincluded into the DNB investment universe.
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DNB AM Responsible Investment – perspectives from the field



Why we engage our top contributors to our weighted average carbon intensity

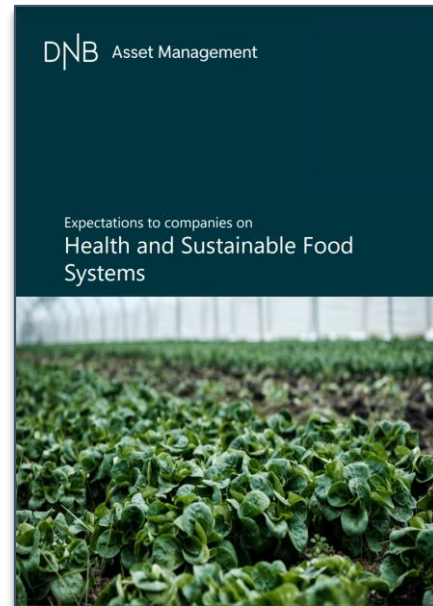
DNB published a transition plan in 2023, as a continuation of the sustainability ambitions launched in 2021. The transition plan, together with the sustainability ambitions, describe four targets for DNB AM, for which we report progress on a quarterly basis. A key target is to ensure that 58 per cent of our AUM is covered by science-based emissions reduction target.

DNB AM seeks to drive real-world impact of emissions reductions. As an asset manager, we are dependent on emissions reductions from the companies we invest in. We have therefore been engaging with companies on setting emissions reduction targets for their operations and their value chain for years. We see this as our main lever for contributing to financed emissions reductions going forward.

When considering how we are financing emissions, we must consider the contribution of the weighted carbon intensity (WACI) of each company to the overall WACI for DNB AM. This is calculated by assessing the carbon intensity of one company, divided by the proportion of the DNB AM AUM invested in this company. This is reviewed annually and forms our engagement planning for the year.

The largest contributors to our WACI came in 2023 from companies in the energy, materials, and industrial sectors, and represented 50 per cent of our total WACI. However, this is subject to change with updated weighting and emissions data from companies. We believe that by leveraging our ownership to influence climate strategy and encourage target setting and disclosure, we can drastically reduce the impact of our investments on adverse contributions to climate change.

We do not believe that exclusions are the most effective way to reduce the impact of our investments. Exclusions are a tool, but we believe that using our investments in companies to reduce their impact is the key to delivering value to our clients while ensuring our credible role in delivering upon the DNB transition plan.



DNB AM launches new expectations to companies on Health and Sustainable Food System

The new expectations are of particular relevance to companies in the food and beverage sectors, as well as pharmaceuticals and biotech. DNB AM expects companies to ensure board-level oversight for health and sustainable food systems topics, support public health-related government interventions, and avoid lobbying against health-promoting regulations.

Companies should promote innovation and sustainable practices, conduct relevant risk assessments, and report transparently on key metrics while upholding ethical standards. Specifically for antimicrobial resistance (AMR), companies must comply with WHO guidelines for antibiotic use in food-producing animals and report on targets, performance, sales, marketing policies, and R&D expenditure on antibiotic alternatives.

You can find our newly published expectation document [here](#).



Perspectives on regulations and trends

Regulations

At the end of Q2 and in Q3, Europe saw significant sustainability regulatory developments. At the end of Q2, 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 Reporting Directive](#) (CSRD) which entered into force in January 2023, modernizes and strengthens the rules concerning the social and environmental information companies have to report. As many large companies in our portfolios gear up to report under the CSRD for the first time in 2025 on 2024 data, we have been assessing the quality and challenges with the requirements. DNB AM has also contributed to DNB's double materiality assessment. Although quality of reporting is expected to improve over time, we could see challenges by companies and in turn, EU member states to the new reporting requirements which adds a further burden in already tall pile of requirements.

On the topic of AI, there are some key AI regulatory developments. In Q4, the EU AI Act's implementation, as well as US initiatives from the Biden administration and SEC is expected. Global cooperation on AI regulation and governance is increasing, with a focus on balancing innovation, safety, and ethical considerations across various jurisdictions. The UN has launched their companion framework to the Global Compact, with the Global Digital Compact which we will learn more from over the coming months.



Key trends

Hydrogen is in vogue

In the past three months, green hydrogen investments have surged, with major companies like **3M** and **Ohmium** leading initiatives to enhance production technologies. The U.S. Inflation Reduction Act has spurred significant funding, while European nations are ramping up projects to meet climate goals. Hydrogen was also a [key topic at the NYC Climate Week](#) in September.

For instance, **Yara** opened their Herøya facility this summer which is a large-scale green hydrogen facility expected to produce 40,000 tonnes annually. The hydrogen is produced with electrolysis of water and renewable energy, replacing natural gas as feedstock. Despite these advancements, challenges such as infrastructure limitations and high initial costs remain. Overall, the sector is poised for growth as regulatory support and technological innovations continue to evolve, driving the transition to cleaner energy solutions.

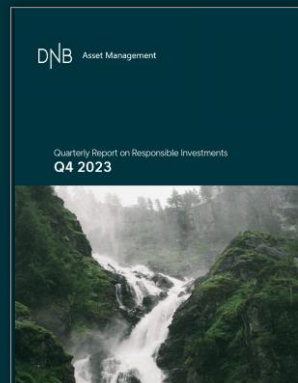
DNB AM offers multiple funds with a sustainable investment objective aligned with macro trends. For further details on our fund offering [please see our website](#).

Other relevant reports from DNB AM

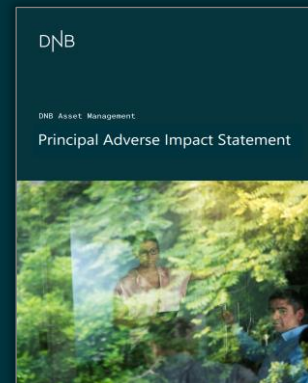
See our website <https://dnbam.com/en/responsible-investments/reporting> for a full and updated list of our reporting on sustainability topics.



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



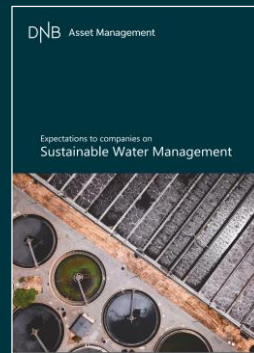
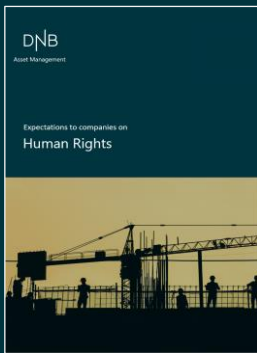
DNB Group Annual Report 2023



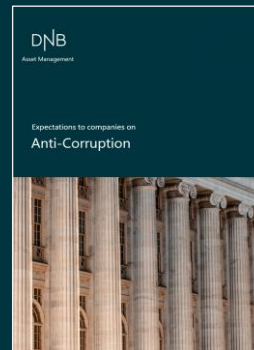
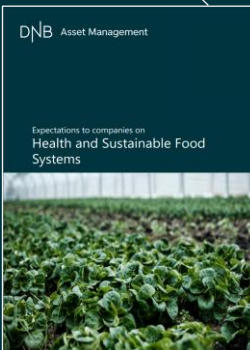
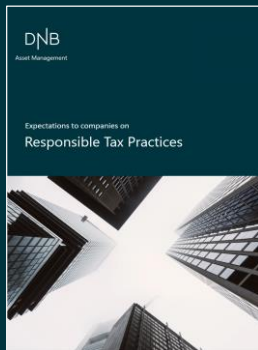
Norwegian Transparency Act Disclosure 2023

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.



New





Asset Management