

Quarterly Report for Responsible Investments
Q4 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, company dialogues/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 may 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](#).



Engagements

Climate transformation in the marine sector

Context and action taken

Wallenius Wilhelmsen ASA, a global shipping and logistics leader, operates in an industry contributing significantly to global CO2 emissions. Shipping accounts for 3% of global emissions. 99 percent of the company's carbon footprint is derived from its 125-vessel fleet. As a key holding in several of our funds, the company is significant contributor to our weighted average carbon intensity (WACI). We engaged the company as part of our ambition to engage the largest contributors to our WACI, as outlined in DNB's transition plan. The maritime sector faces growing regulatory and market pressures, including new directives like CSRD alongside increasing customer demand for sustainable options alongside increasing customer demand for sustainable options. Wallenius Wilhelmsen sees these challenges as opportunities, aiming to lead the transformation of shipping and logistics. The company views sustainability as both a responsibility and a strategic advantage, aligning with the urgency for climate action and evolving market expectations.

Outcome

Wallenius Wilhelmsen is committed to achieving net zero emissions by 2040, with a science-based target (SBTi) currently awaiting approval. Their emission reduction strategy is robust, aligning with both SBTi and IMO plans. This strategy includes efficiency measures and the adoption of alternative fuels like methanol and ammonia, with 12 methanol-ready vessels already in their fleet. The company has been encouraged to improve its reporting, particularly around decarbonization levers and emission intensity. They are already reporting through CDP and aligning with TCFD standards, but there's room for more granular disclosures.

On the biodiversity front, Wallenius Wilhelmsen is developing a comprehensive strategy, aiming for completion by the end of 2025. They plan to use frameworks like TNFD for their reporting. The company is also considering setting science-based targets for nature and integrating biodiversity considerations into management scorecards and incentive systems. This is part of their preparation for upcoming sustainability reporting requirements, focusing on double materiality analysis and aligning with ESRS standards. We assess the company to have reached milestone 3 in our engagement on climate.

Telenor is maturing in its disclosure

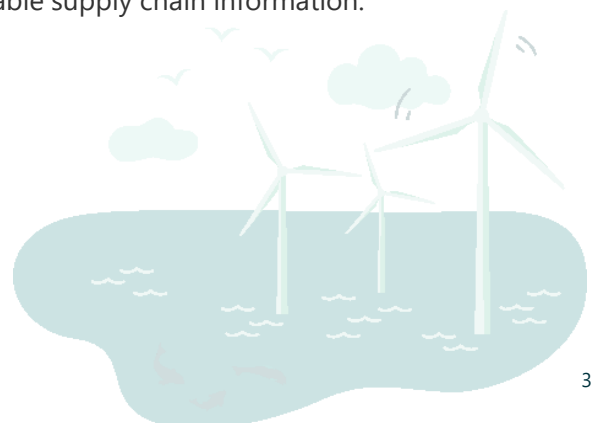
Our meeting with **Telenor ASA** in Q4 covered the company's strong commitment to achieving SBTi-approved climate targets and robust decarbonization strategies, including a preference for PPAs and AI-driven energy efficiency projects. Their innovative internal framework for assessing non-SBTi suppliers demonstrates a proactive approach to managing supply chain emissions, alongside plans for improved data tracking and transparency. Additionally, the discussion emphasized the importance of regional collaboration and knowledge-sharing to overcome policy and market-based challenges in achieving decarbonization goals. With a new CEO in place in December, we are looking forward to seeing if the company continues this direction of travel.

Betting on new markets

DNB AM met with **Evolution AB**, to discuss the company's taxation strategy as well as labour relations at its production studios. DNB AM urged better tax and labour disclosures, including country-by-country reporting. Evolution plans downsizing in Georgia and aims to improve labour relations through collective agreements, fair pay, and grievance channels after a series of disruptive strikes have occurred at its operations there. DNB AM stressed the need for a human capital management strategy, including a living wage commitment.

Assessing the impact of extractives

We also met with **Sandvik AB**. The company has made significant strides in disclosure and strategy on climate change, human capital management, and biodiversity. Their climate targets are validated by SBTi but requires continuous updates, with challenges in Scope 3 and data quality. Sandvik's holistic human capital strategy spans across various segments but needs better reporting. Biodiversity is a key issue for their value chain, though not for their own operations directly. DNB AM has encouraged Sandvik to improve disclosure and take a full value chain approach. The company is committed to ongoing improvements, aiming for better data collection and reliable supply chain information.



Voting, active ownership and progress on the transition plan

Meetings voted at		Shareholder proposals voted on	
Q4	125	Q4	67
YTD	1 358	YTD	973
In line with management (YTD)	91%	Of which enviromental (inc. climate) related proposals (YTD)	130



Voting

Voting season has ebbed in Q4 after a busy first half of the year, but the last quarter has focused on identifying key themes of the year and setting the agenda for 2025.

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 Big Tech and Human Rights, Nature Action 100, and Chemsec.

In Q4 we also participated in calls with companies in partnership by Asia Research and Engagement (ARE). Japanese financials have been the focus of this autumn’s calendar. Our call with **Mizuho**, focused on the bank's sustainability policies, including its stance on funding for metallurgical coal, the implementation of a 1.5-degree criteria in its transition risk control framework, and its efforts to develop voluntary carbon markets and monitor biomass projects. Our call with **SMBC** discussed the bank's use of its Transition Finance Playbook to guide and monitor sustainable financing, its current stance on coal and oil sands restrictions, and the criteria for assessing clients' transition plans.

ARE, 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 in Asia.

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>
Status Q4 2024	AUM in sustainability themed funds and portfolios is 137.8 Billion NOK	Sustainability themed funds and portfolios have seen a net negative flow in Q4 2024 and a negative flow for 2024 overall.	Share of AUM covered by by a science-based emissions reduction target is 35.5 per cent* . We have engaged with 26 of the largest contributors to our carbon intensity by end of Q4 2024. Q4 is historically our busiest engagement season for this workflow.



*As of 30.09.2024

4

Exclusions

We exclude companies that produce:



And may exclude companies that breach international norms and standards

Companies excluded in Q4

Company	Criterion	Description
Bezeq The Israeli Telecommunication Corp Ltd	Serious or systematic violations of human rights	The company's provision of telecom services in the West Bank constitute an unacceptable risk of violations of rights of individuals in war or conflict, specifically in expanding illegal Israeli settlements in the West Bank. Despite claims of serving Palestinian areas, the company's operations in settlements violate international law.
Evraz PLC	Violations of ethical norms	The company was excluded for potentially supplying steel to Russian weapon production, enabling Russia's war against Ukraine. The company's failure to respond to inquiries about its engagement with the Russian defense industry led to this conclusion. DNB finds the future risk that Evraz PLC will contribute to further violations to be unacceptable.
JSW Energy Ltd.	Production of thermal coal	The company was excluded due to breaching the criteria of revenue from thermal coal generation above 30 per cent.

Companies reincluded in Q4

No companies were reincluded in Q4 2024.

DNB AM Responsible Investment – perspectives from the field



DNB AM launches our Biodiversity targets

The newly launched document outlines DNB AM's four biodiversity targets for our investment activities towards 2030, the four targets are:

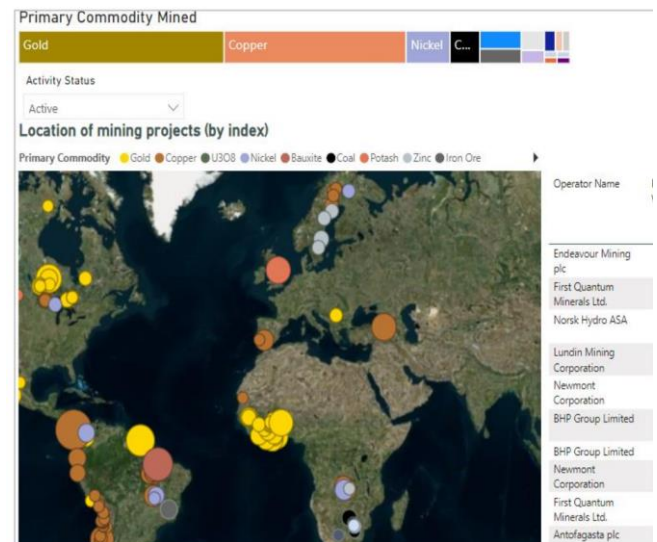
1. **Assess and quantify biodiversity impacts and dependencies for all managed equity funds by end of 2025.**
2. **Engage companies in the most material sectors in equity portfolios, aiming to reach 40% of assets under management (AUM) by 2027 and 50% by 2030.**
3. **Provide education in biodiversity topics for all employees in DNB AM by 2024**
4. **Aim to set targets for AUM in companies with biodiversity related commitments**

We will achieve these targets focusing on three key areas: assessing all sectors with priority on high-impact industries, identifying companies with significant controversies or potential contribution to species extinction (using PDF metric), and leveraging ownership for engagement impact. The approach combines industry materiality analysis, quantitative metrics such as PDF and MSA, and location-based data for risk assessment, particularly deforestation. This comprehensive strategy aims to address biodiversity risks and opportunities in investment activities, contributing to nature loss reversal and ecosystem resilience. We will be reporting on this targets annually, starting in our upcoming 2024 report.

We will also continue our engagement with various key initiatives and NGOs to improve our engagement coverage and data access. In Q4 we also improve our internal data tools (see image), where we mapped data relating to our extractive assets. This data is the result of a partnership with the Rainforest Foundation Norway and WWF, where we have been providing feedback to the data and received guidance for how to interpret the data from companies in extractive sectors in our holdings. Crucially the data is location based for both claims and existing operations for both mining and O&G.



Internal tool to analyse forest risks in mining and oil & gas



Source: DNB AM internal tool (Power BI), Rainforest Foundation Norway and WWF.



Perspectives on regulations and trends

Regulations

In Q4 2024, significant sustainability regulation developments occurred globally, focusing on streamlining reporting requirements and addressing implementation challenges.

The EU announced plans for an "Omnibus" regulation to consolidate and simplify sustainability reporting obligations, aiming to address overlapping requirements in existing directives like the CSRD, EU Taxonomy Regulation, and CSDDD. The European Commission is set to publish the "Omnibus simplification package" in February 2025, though some stakeholders have expressed concerns about potential deregulation.

In the US, the SEC faced a setback with its climate disclosure rules. Implementation was delayed due to legal challenges from states and business groups following the rules' adoption in March 2024. While creating uncertainty, some companies view this as an opportunity to gain a competitive advantage through proactive ESG initiatives. Yet following changes in administration in the US, there may be further challenges to these rules in 2025.

Other key developments include:

1. Norway's implementation of the EU Corporate Sustainability Reporting Directive (CSRD) in November, introducing new sustainability reporting requirements for Norwegian companies.
2. The revised EU Industrial Emissions Directive came into force, expanding coverage and mandating stricter emission levels and penalties.
3. ESMA directive has continued to influence fund names and DNB AM are making adjustments to ensure compliance.
4. The UK Treasury published a second draft of its legislative "Statutory Instrument" for regulating ESG ratings providers.
5. Australia's Securities & Investments Commission (ASIC) released a draft Regulatory Guide on Sustainability Reporting for large businesses and financial institutions.



Key trends

At a cross roads?

In 2024, the global equity market performed strongly, driven by AI advancements. However, sustainability-themed investments struggled, underperforming the broader market. The polarization of sustainability topics, ESG, climate change, and DEI, along with geopolitical and energy security concerns, negatively impacted these investments.

COP 29 and 16 were both held in Q4. At COP 16, key achievements included strengthened indigenous rights, established genetic benefit-sharing fund, and linked climate-biodiversity actions. At COP 29, key achievements included a \$300 billion annual climate finance goal, finalized carbon market rules, and advanced adaptation efforts. However, political leaders were notably missing from this year's COP 29. Casting a shadow of doubt over the state commitment to these results.

As discussed in previous reports, transition technologies are also changing. DNB AM launched a nuclear energy index fund in Q4 2024 to allow clients interested who are interested in this shift to gain better exposure to companies in this sector.

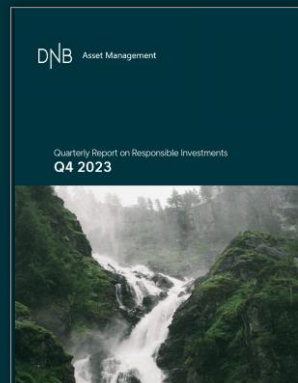
Finally, the acquisition of Carnegie Holding AB aims to enhance our Nordic strategy and sustainability resources to drive our work forward. DNB AM will continue to offer multiple funds with a sustainable investment objective aligned with these macro trends and will adopt to capture increasing market share in a changing world. For further details on our fund offering [please see our website](#).

Other relevant reports from DNB AM

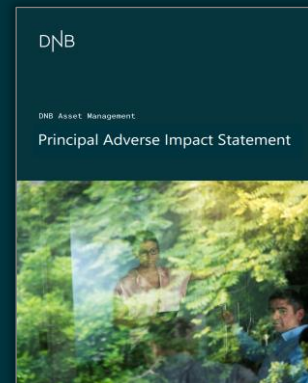
See our website <https://dnbam.com/en/responsible-investments/reporting> for a full and updated list of our reporting on sustainability topics.



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



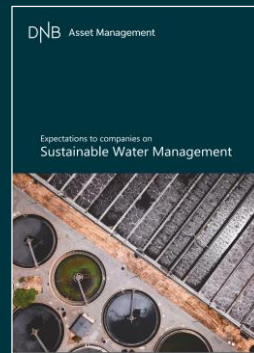
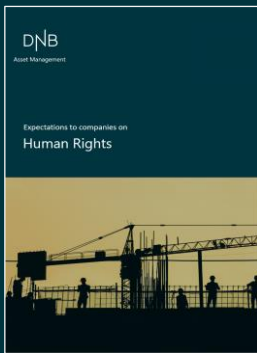
DNB Group Annual Report 2023



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

