



DNB

THE NORWEGIAN BANK

DNB Asset Management: Socially Responsible Investing (SRI) process

DNB Asset Management exercises special care with respect to transactions and acts which represent a risk of involvement in

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

Our ethical investment guidelines 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 or pornography. In addition, mining companies and power producers which 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 the investment universe.

Resources and processes

A special committee has been established to administer and follow up approved ethical investment guidelines throughout DNB. Input and basic data for decision-making comes to the committee from dedicated analysts (Team Responsible Investments) who continually gather, process and review information about companies. We also engage external consultants with expert knowledge on these issues.

Active owners

Active shareholder engagement is the foundation of the ethical investment guidelines and involves both informal (constructive dialogue with firms) and formal (initiating shareholder proposals and voting) actions. In cases 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.

ESG funds and segregated accounts

Based on the specific policies of funds or segregated accounts we also do specific negative screening beyond the scope of the ethical investment guidelines, perform positive ESG-screening, climate change analysis and other integration strategies. DNB is continuously developing the model and the ESG-criteria. We are also flexible in adapting the model to clients' specific needs.

General information

DNB's ethical investment guidelines are based on the following international principles and guidelines:

UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

www.unglobalcompact.org

OECD Guidelines for multinational companies are recommendations to multinational enterprises. They provide voluntary principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, environment, combating bribery and more.

www.oecd.org/daf/investment/guidelines

The Ottawa convention and the Convention on cluster munitions prohibits the production, storing or trading of anti-personnel landmines and cluster munitions

DNB supports investor initiatives:

UN PRI, The Principles for Responsible Investment, is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact which sets forth six principles for how to invest responsibly. DnB NOR signed up for the Principles already in 2006.

www.unpri.org

UNEP FI is a global partnership between UN and the financial sector which seeks to improve understanding of the impacts of environmental and social considerations on financial performance.

www.unepfi.org



UNEP Finance Initiative
Innovative financing for sustainability



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SRI News 2018 Q1 - COMPANY UPDATES:

The topic of sustainable shipbreaking has been a focus area in 2017, with efforts concentrated primarily on shipbreaking practices in Southeast Asia. Though DAM aims to contribute to improved recycling standards, we have also excluded some of the worst offenders from our investment universe. Excluded companies are those deemed to be in serious violation of human rights, labour rights, or whose business activities have caused grave harm to the environment. In early 2018, DNB excluded four shipping companies for these reasons, a practice in-line with the Government Pension Fund Global (GPF).

In December 2017, we reached out to HSBC Holdings Plc to follow up on allegations of money laundering. The company has now put in place new anti-money laundering controls to prevent financial crime and the US government has decided to end its Deferred Prosecution Agreement with the bank. The facilitation of money laundering and breaches in regard to terrorist-financing are issues we continue to follow-up on with the financial sector in general.

Ferrovial SA's involvement in refugee detention centres in 2017 was considered a breach of human rights. After committing to end its involvement in Australia's processing centres in Nauru and Manus Island in October 2017, we now consider this case to be resolved. The company has been very responsive to dialogue and has stated that it will not become involved in such activities in the future.

Potash Corporation of Saskatchewan Inc was excluded in 2011 due to its involvement in exploiting phosphate resources in the Western Sahara to the detriment of the local population. The company has since merged with Agrium Inc, effective 2nd January 2018, forming the new company Nutrien Ltd. Nutrien Ltd is excluded for the same reasons for exclusion of Potash Corporation of Saskatchewan.

News from the international community

In January 2018, the EU High-Level Expert Group on Sustainable Finance (HLEG) released their long awaited final report "Financing a Sustainable European Economy". The roadmap addresses both how to mobilise private capital towards sustainable investments and how to address sustainability risks in the financial system. The European Commission's "Action Plan on Sustainable Finance" implements recommendations based on this report. Among the proposals particularly relevant to investors and asset managers, the action plan proposes to :

- "Clarify institutional investors and asset managers' duties to increase capital flows to ESG investments by ensuring that ESG factors are consistently considered in the investment process, and calls for increased transparency about how investors integrate sustainability factors into their processes;
- Incorporate sustainability in suitability assessment of financial instruments and insurance products;
- Increase the transparency of sustainability benchmarks in terms of their methodology and features, which will build further on the work of the EU sustainability taxonomy."

¹For further information on our work within responsible investments, see our 2017 Annual Report: https://www.dnb.no/portalfont/nedlast/en/about-us/corporate-responsibility/2017/Annual_Report_Responsible_Investments_2017.pdf

²UN PRI, 2018: <https://collaborate.unpri.org/news/european-commission-releases-action-plan-for-financing-sustainable-growth>

Our SRI analysts



Janicke Scheele is Head of Responsible Investments in DNB Asset Management AS. She is in charge of the RI processes, ESG analysis and is working closely with portfolio managers and analysts. Janicke has long experience both as portfolio manager and as investment advisor for institutional clients and holds an MBA degree from the Norwegian School of Economics in Bergen.



Karl G. Høgtun works as analyst at Responsible investments in DNB Asset Management. He joined DNB in 1997. He has long experience, both as financial analyst and as portfolio manager - including being Head of the Nordic equity team. As part of that position, Mr. Høgtun managed the green Nordic fund (DNB Grønt Norden). He holds a MBA from the Arizona State University and a MIM from the American Graduate School of Management (Thunderbird).

Please contact us for any questions or feedback.