



DNB

DNB ASSET MANAGEMENT
Naturally. Norwegian.

DNB Asset Management: Responsible and Sustainable Investments. News Q3 2018.

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

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

Our guidelines for responsible investments also state 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 responsible investment guidelines throughout DNB. Input and basic data for decision-making are submitted to the committee by dedicated analysts who continually gather, process and review information about companies. We also engage external consultants with expert knowledge on these issues.

Active owners

The guidelines for responsible investments are based on active shareholder engagement and include both informal (constructive dialogue with companies) 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.

SRI funds and segregated accounts

Based on the policies of funds and segregated accounts, we also carry out specific negative screening beyond the scope of the guidelines for responsible investments and perform positive ESG screening, as well as climate change analysis and other integration strategies. DNB is continually 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:

The 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. <https://www.unglobalcompact.org/>

The OECD Guidelines for multinational companies are recommendations addressed by governments to multinational enterprises. They provide non-binding principles and standards for responsible business conduct in areas such as employment and industrial relations, human rights, the environment, combating bribery and more. www.oecd.org/daf/investment/guidelines

The Ottawa Convention and the Convention on Cluster Munitions prohibit all use, stockpiling, production, storing and transfer of anti-personnel landmines and cluster munitions

DNB supports investor initiatives:

The United Nations-supported Principles for Responsible Investment (PRI), is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact and sets forth six principles for how to invest responsibly. DNB (then DnB NOR) signed up for the Principles as early as in 2006. www.unpri.org

UNEP FI is a global partnership between the UN and the financial sector and seeks to improve the understanding of the impact 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 Q3 - Company updates:¹

An important part of our work as responsible investors with a long-term view relates to understanding and mitigating the financial impact of climate-related risks and opportunities on our investments. As part of a proactive engagement we are conducting together with other Norwegian investors on the implementation of the TCFD recommendations, we will be meeting with selected Norwegian companies within sectors that are highly exposed to climate-related risks and opportunities: energy, materials, transport and food and beverage. Thus far, we have had meetings with Norsk Hydro, Yara International, Petroleum Geo-Services, TGS Nopec Geophysical Company and Aker BP. Once we have completed the first round of meetings, the working group will discuss learnings and what we can expect in terms of company reporting. Thereafter, we will reach out to the companies with a recommendation on which key indicators will be most valuable to us as investors.

The TCFD recommends conducting scenario analysis to better understand how holdings might perform under different future states. Our work on scenario analysis continues through active participation in UNEP FI's TCFD Investor Pilot Project. In this process we are collaborating with other investors to further develop Carbon Delta's methodology. In addition, Carbon Delta is now in the process of analysing group members' portfolios. The results will be included in the final report as case studies.

We also engaged with Royal Dutch Shell to discuss environmental, corruption and human rights issues in Nigeria. Shell supports UNEP's recommendations put forth in its Environmental Assessment of Ogoniland report, but has not yet published a strategy to implement the recommendations. Due to high corruption risk, Shell Nigeria has more stringent corruption policies and procedures in place compared to the rest of the Group. Various human rights aspects were also discussed, however, some of the responses were vague. We will continue to follow up Shell as it is an important company in our investment universe with many ESG challenges.

In regards to voting, we have come to the end of the voting season for AGMs. Thus far in 2018, we have voted at 126 AGMs/EGMs in Norway and 28 internationally. Of these, we have voted against management's recommendations for 32 Norwegian companies and eight global companies. We make an informed decision to vote against management's recommendations based a joint decision with our Portfolio Managers.

This quarter we have made a number of exclusions. The Norwegian Government Pension Fund Global recently announced four new exclusions² – Pacific Corp and Tri-State Generation & Transmission Association Inc based on their coal criterion, JBS SA due to gross corruption and Luthai Textile Co due to an unacceptable risk of serious or systematic human rights violations. We have also implemented these exclusions. However, it is worth noting that JBS has been on our engagement list for some time. We have also excluded Banpu Public Company Limited and PT Adaro Energy Tbk based on our coal criterion and Canadian Natural Resources due to an unacceptable level of greenhouse gas emissions (oil sands).

International News

The EU Commission has submitted its first three legislative proposals on common sustainability taxonomy, ESG disclosure requirements and new carbon-related benchmarks. Norway can exercise its influence on the development of EU law through legislative bodies. Feedback has been provided on EFAMA's comments on the proposals.

The management and reporting of climate related risks and opportunities was the major focus area at the Principles for Responsible Investing (PRI) in Person event in September in San Francisco. The UN PRI is an international network of investors working together to put six responsible investment principles into practice by incorporating RI into investment decision making and ownership practices.

¹ For 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

² <https://www.nbim.no/en/transparency/news-list/2018/decisions-on-exclusion-active-ownership-and-observation/>

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.