



DNB

DNB ASSET MANAGEMENT
Naturally. Norwegian.

DNB Asset Management: Responsible and Sustainable Investments. News Q1 2019

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 [Group Standard 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 or pornography. The Standard 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. In addition, emphasis shall be placed on forward-looking assessments of the companies, including any plans to reduce the share of their income or operations derived from renewable energy sources.

In addition, DNB is a supporter of investor initiatives including:

The [United Nations-supported Principles for Responsible Investment \(UNPRI\)](#), 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 has been a signatory since 2006.

[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.

General information

Resources and processes:

DNB Asset Management has a dedicated responsible investment (RI) team consisting of four full time employees. 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 Standard for Responsible Investments. The RI team gathers, processes, reviews and presents ESG research to the Committee for updates, discussion, 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), risk management, standard setting and ESG integration. 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.

Sustainable funds

Additional exclusion criteria and/or positive selection criteria are utilised for our sustainable funds, thereby extending beyond the scope of the Group Standard for Responsible Investments.



UNEP Finance Initiative
Innovative financing for sustainability



SRI News 2019 Q1 - Company updates:¹

At the end of March, we had voted at 21 company annual general meetings (AGMs), and will only increase as we move into the primary proxy voting season. This year we are witnessing an increase in the number of Environment and Social resolutions at company AGMs, with a strong focus on reporting related to climate and board gender diversity. This is a trend we have seen increasing year-on-year. Voting is a key element of our active ownership approach, and through informed proxy voting we endeavour to secure long-term shareholder value and ensure that companies act sustainably.

Company Updates

We had a meeting with Renewable Energy Group regarding the company's environmental performance, specifically related to toxic emissions and other waste, and carbon emissions. The focus was to understand internal processes including environmental management systems, and to promote further reporting and transparency on carbon emissions and other sustainability work. The company was open to the discussion and indicated their intention to improve in these areas. We will continue to follow up with the company on their progress later in the year.

We recently sent a letter to the Chairman of China Longyuan Power Group, regarding the lack of gender diversity in their male-only board. Sound board composition and management are very important to ensure companies act responsibly and sustainably, and we believe that diversity in both the board and management are valuable for a company. In the letter, we made several suggestions to help promote gender diversity. We will continue to engage the company on the topic, sending a signal to the market and other companies regarding DNB's expectations on governance at the board level.

Our efforts as part of the PRI Working groups related to commodities linked to deforestation continue in 2019. Along with the continuation of the new focus on cattle and soy, the work with Palm oil has expanded scope, and will now include engagement with a number of Southeast Asian financial institutions lending to the palm oil sector. We have begun engagement with a range of institutions on the topic, and will look to increase in the coming months.

As part of a new thematic focus on oceans, we are proactively engaging with companies in the aquaculture industry regarding their sustainability practices. In Q1 2019, we met with five companies: Mowi, SalMar, Bakkafrøst, Atlantic Sapphire, Grieg Seafood, and Lerøy Seafood Group. While we have been impressed by the focus on sustainability in the industry, we will continue to focus engagement on alternative protein sources in fish feed and TCFD-aligned climate reporting.

Following the recent accident at Vale's dam in Minas Gerais, Brazil we have engaged in dialogue with the company. Not being a large shareholder in Vale, we determined the most effective approach to be as part of an investor collaboration, organized by the UN-affiliated PRI. The focus is to influence the company to implement actions to prevent future dam accidents, and to rectify environmental damage and provide fair compensation to people affected by the incident. At the same time, the accident raised questions more broadly regarding tailings management in the industry.

For this reason, we are also part of a large global investor initiative aiming to change industry practices to prevent future incidents. This is by increasing transparency about tailings dams and the company's safety procedures, and through the development of a global classification system.

International News

In Q1 2019, the EU approved the first two regulations under the action plan on Sustainable Finance. The first agreement, reached in February, relates to new categories of low-carbon benchmarks. The two categories are voluntary labels, which can be utilised by investors, and are intended to provide additional assurances to avoid "greenwashing". The second agreement, regarding the establishment of a unified EU taxonomy was agreed upon at the end of March and is intended to define what can be considered sustainable economic activities. The third regulation, which seeks to define investor duties regarding the integration of ESG risk and opportunity factors in investment decision making, was agreed on in trilogue discussions in March, but awaits a final confirmation vote in the EU Parliament in April.

¹ https://www.dnb.no/portalfont/medlast/no/om-oss/samfunnsansvar/2018/Annual_Report_Responsible_Investments_DNB_AM_2018.pdf

Our ESG analysts



Janicke has worked in Norwegian and global capital markets since 1989. She has experience with analysis, portfolio management, and strategic and tactical asset allocation. Janicke has led the team since 2015.



Karl has worked in Norwegian and global capital markets since 1990. He has experience as an Analyst, Portfolio Manager, Head of Equities and Head of Nordic Equities. He started in the RI team in January 2016.



Laura has an MSc in Carbon Finance from the University of Edinburgh and previous experience as an Analyst at Trucost. She joined the RI team in March 2018.



Henry has an MSc in Environmental and Sustainable Development from the University College London and has previous experience as an Analyst at CDP and KLP Asset Management. He joined the RI team in April 2018.

Please contact us for any questions or feedback.