



DNB

DNB ASSET MANAGEMENT
Naturally. Norwegian.

DNB Asset Management: Responsible and Sustainable Investments. News Q3 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



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Responsible and Sustainable Investments¹ News 2019 Q3

The forest fires in Brazil have been widely covered by the media. **Deforestation and land-use** has been one of our thematic focus areas for a long time. In our approach, we focus on the agricultural commodities (soy, palm oil, cattle, timber), which are collectively responsible for 80% of deforestation. The news about the recent spate of forest fires in Brazil is of significant concern; particularly given the importance the Brazilian rainforest has for long-term international ambitions to limit climate change – it is important our efforts to prevent deforestation by working with companies either directly operating in the region or with supply chain links to products sourced from there, remain as strong as ever. Our work focuses on three main objectives: improving transparency of disclosures, improving traceability throughout supply chains, and obtaining full commitments to no deforestation. We recently signed a collaborative statement issued on behalf of 230 global investors, representing more than \$16 trillion in assets managed. In the statement, we call on companies to improve their commitments and efforts towards eliminating deforestation from their operations and supply chain.

By the end of the quarter, we had **voted at 193 company general meetings**. This year there has been an increase in the numbers of environmental and social resolutions filed at company general meetings. Specifically, there has been a lot of focus on climate change and gender equality and diversity related shareholders resolutions. A review from EY over takeaways from the 2019 proxy season revealed that gender diversity is accelerating, with investors ramping up pressure on Boards to diversify. Diversity disclosures are also on the rise, with 30 percent of investors calling for increased transparency around Board diversity also asking companies for better disclosure of director demographics¹. Our voting activity on these topics has also increased this proxy season – we voted at nine general meetings on items related to gender equality and diversity. Specifically, we have voted for items related to comprehensive reporting on gender pay gap. We also sent a letter to a company following its general meeting to further strengthen our position on gender diversity requirements at Board level.

Gender equality and diversity is prioritised in our engagement strategy as one of our five thematic focus areas in 2019. We have clarified our interpretation of the DNB Group's Standard for Responsible Investments on this topic by developing and publishing a dedicated expectations document on gender equality and diversity. Developing expectations documents is an important part of our standard setting work, by setting expectations towards companies about what is considered best practice within this area. We have also updated our expectations document on human rights and serious environmental harm in line with changing industry standards.

Company Updates²

Amongst other company engagements we've had this quarter, we engaged with **Huntsman Corporation** to follow up on points related to governance and environmental reporting discussed in December 2018. The company's business is associated with energy efficiency activities. We are pleased to see significant progress in terms of transparency of environmental reporting. The company has reported to the CDP Climate Change questionnaire for the first time and increased transparency in general on its website. Further, it has set targets for various environmental

Key Performance Indicators through its Horizon 2025 strategy. We look forward to following up with the company to track how it makes progress on its goals. In regards to governance, we will continue to encourage splitting of the CEO and Chairman of the Board role. We have clearly signalled our position on this topic through our voting and engagement.

Our proactive engagement on the Task Force on Climate-related Disclosures (TCFD) with Norwegian companies continues. **Wallenius Wilhelmsen** seems to be well advanced in its understanding and strategy work related to climate-related risks and opportunities – but there is room for improvement in its communication of its strategy, targets, and metrics. The company indicated that it will seriously consider both TCFD-aligned reporting and reporting to the CDP.

International News

Outcome, contribution and impact and the Sustainable Development Goals (SDGs) were some of the main focus areas at the **United Nations Principles for Responsible Investments (PRI) in Person** event in September in Paris. The UN PRI is an international network of investors working together to put six responsible investment principles into practice by incorporating responsible investment into investment decision making and ownership practices. DNB AM has been a signatory since 2006.
¹ https://www.ey.com/en_us/board-matters/five-takeaways-from-the-2019-proxy-season
² https://www.dnb.no/portalfont/hedlast/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.