DNB

DNB ASSET MANAGEMENT
Naturally. Norwegian.

DNB Asset Management: Responsible and Sustainable Investments. News Q4 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 five 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.

More information, including annuals reports, quarterly reports and expectations documents can be found on our website.

THE GLOBAL COMPACT

PRI

UNEP Finance Initiative
Innovative financing for sustainability

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Company engagements

This quarter we have had several dialogues with companies as part of our **proactive engagement with Norwegian companies on climate change governance, strategy and reporting (Task Force on Climate-related Financial Disclosures (TCFD))**. The companies are responsive and have all considered the TCFD framework in connection with climate-related strategy and reporting. We will continue to support the companies in this process.

- Since our first meeting with the company on this topic in March, **Aker Solutions** has developed a climate change strategy focusing on opportunities (energy efficiency, renewables and CCS). The goal is that these green revenues will make up 45% of revenues in 2030. The company also seems committed to both CDP climate change reporting and using the TCFD framework in its 2019 reporting.

- The construction company **Veidekke** already reports in line with the TCFD recommendations through its CDP climate change reporting. The company has conducted a pilot project with PwC using the TCFD framework which has included scenario analysis. Moving forward, Veidekke's goal is to have a new climate-related strategy with clear targets for green revenue in its strategy update due 2020.

- We encouraged **Entra** to recommence its reporting to the CDP (the company did not report in 2019). The company signalled that it will begin to report in line with the TCFD for 2019 reporting, and has ambitions of more comprehensive TCFD reporting (including scenario analysis) in 2020.

We have been engaging with gambling companies for some time and have discussed these companies in meetings of the Committee for Responsible Investments. Engagements have focused on responsible gaming, ensuring that companies have strong programmes and measures to prevent gambling addiction and to prevent minors from gambling, and privacy and data security. In Q4 we engaged with **Kindred** on these topics. The company looks to have good control over responsible gaming practices and data security. With regards to gaming practices, we were encouraged by the company's target to have no revenues from problem gamblers by 2023. However, we encouraged the company to be more transparent about the specifics of this target. Kindred noted that they intend to release this information as part of their reporting. In regards to privacy and data security, Kindred look well prepared and have taken a number of proactive steps to ensure the company is prepared for potential attacks, that data is managed correctly, and that employees are aware of correct procedures for managing data. We will follow up with the company following the release of the next sustainability report, regarding the problem gamblers targets, as well as details regarding engagements with problem gamblers.

Voting

As we reach the end of 2019, we have **voted** at 143 general meetings in Norway and 73 internationally. Of these, we have voted against management's recommendations at 36 general meetings in Norway and 27 internationally. This year there has been an increase in the number of environmental and social resolutions filed at general meetings. Specifically, there has been a lot of focus on climate change and gender equality and diversity related shareholders resolutions. Our voting activity on these topics has also increased this year.

Standard setting

At the end of November, we **hosted an event in collaboration with UNICEF and Norwegian Responsible and Sustainable Investment Forum (NORSIF) on children's rights**. As investors, we have a critical role and duty to protect children's rights by integrating a children's rights lens into investment processes. This means that we must consider how to mitigate risks and identify opportunities that advance children's rights whilst generating both societal and upside financial benefits. Our work in this area includes our involvement through Sustainalytics' child labour in the cocoa supply chain engagement and our own engagement on child labour in the textiles sector directly with companies. We have also developed a process and defined target companies to address the unethical marketing of formula milk.

International News

This year's annual **UN climate conference, COP 25,** was held in Madrid. The primary goal of the conference was to finalise the "rulebook" of the Paris Agreement, by agreeing rules for carbon markets and other forms of international cooperation. However, many view the outcome of the conference as disappointing, with global consensus lacking. The conference ended without progress in many key areas, including carbon markets. The only agreement made was that all countries will announce more aggressive climate pledges ahead of next year's COP26 in Glasgow.

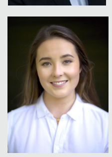
After much debate, a "common understanding" on green classification under the **EU taxonomy** was reached in December. Critically, it was decided that whilst nuclear and gas cannot be classified as "green", they can be included as "enabling" or "transitional" activities. However, like all activities covered by the taxonomy, these must also comply with the "do no significant harm" criteria. Further negotiations on key points are expected into 2020. With the current status, it is expected that investors and companies must begin reporting in line with the taxonomy in two years' time.

The draft of the **European Green Deal** was published in December. The deal puts forward ambitious climate change targets to reduce greenhouse gas emissions by 50-55% by 2030, compared to the current target of a 40% reduction.

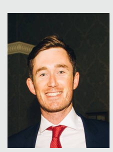
Our ESG analysts

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.

Hanne has an MA in International Environmental Policy from the Middlebury Institute of International Studies at Monterey, California. Previous experience as an Environmental Consultant in Avinor and as a Group Trainee in DNB. Joined the ESG team in 2016.

Please contact us for any questions or feedback.

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