

# Responsible Investment Charter

DeNederlandscheBank

EUROSYSTEEM

# Introduction

**As a central bank, supervisor and resolution authority, DNB is committed to safeguarding financial stability and contributing to sustainable prosperity in the Netherlands.** To this end, DNB strives towards achieving sustainable economic growth which does not harm the environment and which does not systematically put certain individuals, groups or generations at a disadvantage. As such, DNB not only takes business and economic aspects into account, but also incorporates social and ecological aspects in its decision-making and activities.

**In March 2019, DNB reinforced its stance on Corporate Social Responsibility (CSR) through the adoption of a CSR Charter.** This Charter sets out six key public commitments which outline DNB's contribution to sustainable prosperity in the Netherlands. These commitments relate

to mitigating climate and environmental risks, while advancing the energy transition, sustainable investment, sustainable business operations, accessible payment systems and inclusive prosperity.

**As an integral part of the CSR Charter, DNB aims to invest its assets in a responsible manner.** DNB believes that return targets should go hand in hand with responsible investment practices. In line with its fiduciary responsibilities, DNB strives to implement a responsible investment strategy that generates an adequate return while minimising the *Environmental, Social and Governance (ESG)* risks, next to the financial risks, of its assets in the long term.

**As the first central bank in the world, DNB has become a signatory of the Principles for Responsible Investment (PRI).** The PRI are a voluntary set of six investment principles that

outline actions for incorporating ESG considerations into investment practices. As a signatory, DNB commits to applying these six principles, which include the obligation to report on its activities, policy and progress in the area of responsible investing.

**This Responsible Investment Charter outlines the fundamentals of DNB's responsible investment policy.** The Charter consists of five pillars that cover its responsible investment approach:

1. Screen: DNB will screen the investment universe and its potential counterparties on ESG criteria.
2. Integrate: DNB will integrate ESG criteria in its investment processes.
3. Promote: DNB will promote green finance and responsible investing.
4. Report: DNB will report on its responsible investment approach.
5. Develop: DNB will further develop its responsible investment approach.

**The Charter covers the management of assets for which DNB has the full and sole responsibility.** This means that it applies ESG considerations to its own funds and foreign reserves portfolios. All monetary operations, as well as assets that are managed on behalf of third parties, are outside the scope of this Charter. DNB's pension fund, which is managed externally by an independent body, is also outside the scope of this Charter.<sup>1</sup>

The Charter will be reviewed and updated every two years. DNB intends to investigate or implement any forward-looking elements of these pillars within this two-year period.

<sup>1</sup> DNB's pension fund's assets are subject to an independent responsible investment policy. DNB's pension fund has been a signatory of the PRI since 2011.

# DNB's Responsible Investment policy is based on five commitments



**1. Screen**  
DNB will **screen** the investment universe and its potential counterparties on ESG criteria.



**2. Integrate**  
DNB will **integrate** ESG criteria in its investment processes.



**3. Promote**  
DNB will **promote** green finance and responsible investing.



**4. Report**  
DNB will **report** on its responsible investment approach.



**5. Develop**  
DNB will further **develop** its responsible investment approach.

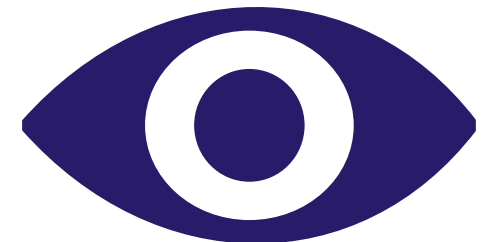
# 1 Screen

DNB aims to screen its investment universe and potential counterparties to ensure that they meet its ESG investment criteria. Specifically, any company that is involved in the production of cluster munition, anti-personnel mines, chemical, biological or certain nuclear weapons (to the extent that they violate the below mentioned treaty) will not be included in the investment universe. As such, the investment universe will be aligned with the following international treaties:

- Oslo convention on cluster munitions (2008) and the Dutch Market Abuse Regulation (*Besluit Marktmisbruik*)
- Ottawa Treaty on anti-personnel mines (1997)
- Chemical Weapons Convention (1997)
- Biological Weapons Convention (1975)
- Treaty on Non-Proliferation of Nuclear Weapons (1968)

Secondly, DNB strives to screen its potential counterparties and issuers in its investment universe to meet a set of minimum ethical standards. Again, international standards, such as the UN Global Compact principles, will serve as a standard for screening. For its internally managed assets, DNB will construct a red flag framework. An ad hoc Responsible Investment Committee will be created that will be responsible for reviewing red flag events and deciding upon appropriate measures, while taking operational continuity into account.

For its externally managed assets, DNB expects its managers have a policy in place that defines the appropriate actions and steps that can or need be taken in case of a violation of ethical standards. These actions can for example include exclusion or engagement.



## 2 Integrate

DNB is committed to integrating ESG criteria in its investment processes. DNB believes that the inclusion of ESG criteria enhances the understanding of long-term risks and opportunities. As such, DNB will integrate ESG criteria in both its internally and externally managed assets.

Currently, part of DNB's internally managed assets is invested in bonds issued by development banks and green bonds. DNB is in the process of developing a framework to include ESG criteria in the investment process. To this end, DNB will consider the use of external ESG data sources.

ESG criteria are included in the selection, appointment and monitoring of external managers. All managers are required to be a signatory of the PRI. Furthermore, DNB expects its external managers to incorporate ESG criteria in the fundamental financial analysis of companies they invest in and to vote and engage on ESG related issues. Engagement can be based on violations of ethical standards (see [Screen](#)), but can also include a more (pro-active) thematic based approach.



## 3 Promote

DNB is committed to promoting green finance and ESG aware investing in the financial sector and seeks to have a pioneering role in the central banking community. In doing this, DNB believes that it can lever its own responsible investment approach to contribute to the transition towards a greener financial sector.

To this end, DNB strives to be as transparent as possible about its responsible investment approach and works with other institutions to enhance its impact. DNB will sustain its efforts to keep the topic on the agenda of international forums, networks and working groups in which it participates. In this context, DNB contributes in both its capacity as a supervisor and central bank to various networks on the topic of sustainable finance.

DNB:

- Chairs and is a member of the Central Banks and Supervisors Network for Greening the Financial System (NGFS);
- Chairs and hosts the secretariat of the Netherlands' Sustainable Finance Platform;
- Co-chairs the EIOPA Sustainable Finance Project Group;
- Is a member of the Sustainable Insurance Forum;
- Is a member of the ESRB Project Group on Sustainable Finance.

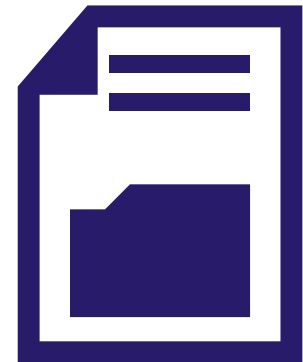


## 4 Report

DNB is committed to report on a yearly basis on the progress of its responsible investment approach and policy changes. This will be addressed in a dedicated paragraph of the annual report. Where possible, DNB will consider disclosing along the recommendations of the Task Force on Climate-related Financial Disclosures.<sup>2</sup> In this context, DNB commits to disclosing the estimated carbon footprint of the investment portfolios in the annual report of 2020. Furthermore, DNB will investigate the possibility to measure and report other relevant ESG metrics. As a PRI signatory, DNB will also start reporting through the standardized channel of the PRI from 2020 onwards.

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<sup>2</sup> Final TCFD Recommendations Report, June 2017.



## 5 Develop

DNB is committed to further develop its responsible investment approach. As a signatory of the PRI, DNB will continuously strive to improve its ability to abide by these principles. As such, DNB has currently identified three specific areas for development in the coming two years.

Firstly, DNB will strive to further implement the various elements of the responsible investment policy in the investment funds that are managed externally. The characteristics of each asset class will determine the specific way of implementation.

Secondly, DNB has the ambition to deepen its understanding of climate-related risks in its investment portfolios and to take a more proactive stance on these risks.

As such, DNB will start to measure the carbon footprint of the portfolios and examine to what extent it can apply its self-developed climate stress test to its own portfolios to measure the possible impact of different transition risk scenarios.<sup>3</sup> Based on the results of this risk identification exercise, risk mitigating measures such as specific climate related targets may be considered.

And finally, on a strategic asset allocation level, DNB will investigate the suitability of a target allocation towards green bonds and an impact investing approach in general. In this endeavour DNB will consider the possibility to invest in a selection of sustainable themes. The UN Sustainable Development Goals will be considered as a framework for these themes.

In addition to these areas for development, DNB will continue to monitor the developments in the field of responsible investment and examine the scope for strengthening its own investment practices.



<sup>3</sup> An energy transition risk stress test for the financial system of the Netherlands, De Nederlandsche Bank, 2018.