

Press release NEC Annual Report 2017

March 2018

Nordic Engagement Cooperation (NEC), a collaborative engagement network between some of the largest Nordic institutional investors Folksam, Ilmarinen Mutual Pension Insurance Company, KLP and PFA, has published its 2017 Annual Report. The report describes progress, challenges and successes from the engagement dialogue with investee companies, undertaken by the investor network in cooperation with engagement service provider GES International.

Highlights of NEC's activities in 2017 include:

- NEC welcomed Danish pension fund PFA Asset Management as its newest member. PFA celebrated its 100th birthday in 2017 and has total investment assets of €80 billion. Contributing to positive developments and responsible investments is a core part of PFA's investment philosophy.
- Three new cases were added to the engagement list (NEC Focus List) during 2017:
 - o Enbridge, in relation to indigenous peoples' rights associated with the US Dakota Access Pipeline (DAPL).
 - o Novartis, in relation to alleged corrupt practices in several countries.
 - o L-brands as the first company addressing the theme of sustainable cotton usage and responsible first tier supply chain management.
- A new engagement theme was initiated, focusing on sustainable cotton usage and supply chain management within the textile industry. Cotton is a key raw material for the industry, but conventional cotton cultivation often comes with serious environmental impacts and poor labour conditions. The engagement focuses on mitigation of the most material ESG risks in the cotton supply chain, such as forced and child labour, poor working conditions, operating in water-stressed countries and risk for severe pollution through discharge of toxic waste into the environment.
- Engagement with the French company Vinci, in relation to labour and human rights violations in Qatar, was successfully concluded after two years of dialogue. The company has demonstrated its commitment to address labour issues, has adopted best-practice policies and put in place appropriate implementation systems to address the issues.
- Significant progress has been seen in the case of BHP Billiton regarding the Fundão tailings dam collapse. The company was effective in its emergency response and has since developed 41 socio-economic and environmental programmes, which are being managed through the company-funded Renova Foundation.

The NEC network engages with companies that are, or have been, involved in systematic incidents or an isolated incident that has severe consequences for the environment or humans. The NEC Focus List cases are selected to cover a broad range of environmental, social and governance issues focusing on non-Nordic companies in which all four NEC members have holdings. The NEC engagement is an integrated part of the members' regular engagement work.

Engagement progress is tracked through indicators of the companies' response to engagement activity and progress against clear milestones and goals. These indicators are combined to create an overall performance score. Of the eleven cases on NEC's Focus List, seven had high performance, three had medium performance, and one had low performance.

The NEC Annual Report includes details of companies for which the collaboration has been influential in achieving major positive change.

Link to the report

https://www.folksam.se/media/NEC_Annual_Engagement_Report_GES_2017_tcm5-23324.pdf

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Nordic Engagement Cooperation (NEC) consists of four Nordic institutional investors: Folksam from Sweden (www.folksam.se), Ilmarinen Mutual Pension Insurance Company from Finland (www.ilmarinen.fi), KLP from Norway (www.klp.no) and PFA from Denmark (www.pfa.dk). To complement our own engagement, we have made the strategic decision to coordinate some of our engagement activities with companies on environmental, social and governance issues. Collectively we have approximately €226 billion in assets under management as of the end of 2017. Engagement refers to interactions between investors and current or potential investees undertaken to influence Environmental, Social and Governance (ESG) practices and/or improve ESG disclosure.