

2023 SFDR Art 4 – Principal Adverse Impact Statement



DNB REIM - 1. July 2024

1. Introduction

Pursuant to Regulation 2019/2088 ("SFDR") Article 4, financial market participants are required to provide a statement on the principal adverse impacts of investment decisions on sustainability factors, and disclose the policies and processes the company has applied in these assessments.

This document provides such information as required under SFDR Article 4.

1.1 Summary

DNB Næringseiendom AS (hereinafter referred to as DNB REIM) takes into account negative consequences in investment decisions for sustainability factors. Prinicpal Adverse Impact, «PAI»). This document provides a comprehensive overview of how PAI is taken into account in DNB REIM.

DNB REIM has three main lines of activities:

- (i) Management of individual real estate mandates on behalf of DNB Livsforsikring AS;
- (ii) Management of the alternative investment fund *DNB Scandinavian Property Fund*, which has a portfolio of direct investments in Norwegian and Swedish real estate assets;
- (iii) management of the alternative investment fund *DNB Eiendomsfond Core Plus* (DNB ECP), which invests in Nordic real estate directly and indirectly through syndicates and real estate funds.

This statement explains how DNB REIM has assessed the negative impacts on sustainability factors (PAI's) in its investment decisions for 2023 and includes the sustainability goals that DNB REIM has identified for its operations and reported on under section 2. DNB REIM reports two mandatory indicators as well as several additional indicators for negative impacts on sustainability factors that are relevant to DNB REIM's investments.

The statement is valid for the reporting period from January 1, 2023, to December 31, 2023.

1.2 Details about DNB ECP

DNB REIM aims to consider PAI throughout its management operations. However, as of today this is not possible in the management of DNB ECP. The portfolio in DNB ECP mainly consists of investment structures managed by external parties who do not consider PAI themselves. Therefore, DNB REIM does not have sufficient data to consider PAI in investment decisions or calculate DNB ECP's exposure to the SFDR indicators for PAI. For this reason, the statement below only covers DNB REIM's activities related to the DNB Scandinavian Property Fund and the mandates managed on behalf of DNB Livsforsikring AS (collectively, the "Reporting Basis"). Subsequent statements on PAI are therefore neither comprehensive nor relevant to the management of DNB ECP.

2. Description of the principal adverse impacts on sustainability factors

DNB REIM has gathered data and monitors the principal adverse impact (PAI-indicators) associated with mandatory and additional indicators for investments in real estate assets. PAI- indicators will be reviewed annually and updated accordingly when access to, and quality of data, improves.

Due to limited data availability figures provided in this report are based on a year-end basis, rather than averaging quarter-end results as per the expectations expressed by European regulators.

Indicators applicable to investments in real estate assets						
Climate and other environmental-related indicators						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	0%	Not applicable as DNB REIM does not invest in real estate assets involved in fossil fuels	DNB REIM does not invest in Real Estate Assets involved in the extraction, storage, transport or manufacture of fossil fuels.
Energy efficiency	18. Exposure to energy- inefficient real estate assets	Share of investments in energy- inefficient real estate assets	55,8%	64%	Calculated by dividing the value of Real Estate Assets with Norwegian EPC of C or below over the total value of Real Estate Assets Required to abide by EPC and NZEB rules.	 DNB REIM's goal was to reduce energy consumption by 6% for 2023 compared to the reference year (2019). The actual achieved result exceeded the goal, with a reduction of 12%. Action Taken: Energy Performance Analyses (EPC) were conducted for nine buildings in 2023 by DNB REIM, contributing to raising awareness about energy consumption and indicating necessary energy reduction measures to improve the energy label. Goals set for the next reference period: Upgrade 15% of the building stock with an energy rating lower than E. Conduct energy rating analyses for additional buildings in the portfolio.
		Additional clir	nate and othe	r environment	-related indicator	S
		indicators aj	pplicable to in	vestments in r	eal estate assets	
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	18. GHG Emissions	Scope 1 GHG emissions generated by real estate assets Scope 2 GHG emissions generated by real estate	0 tonn 8595 tonn	3,9 tonn 12043 tonn	Figures reported based on the Greenhouse Gas Protocol (GHG Protocol) standard. PAI's reported	Each individual building in the portfolios of DNB REIM has its own environmental subgoals with measures and a plan to achieve such goals. DNB REIM goal for 2023 was to achieve 6% reduction in emissions compared to the reference year 2019.
		assets Scope 3 GHG emissions generated by	1601 tonn	1608 tonn	based approach.	Emissions in 2023 showed an improvement, with a reduction of

		real estate			48% (location-based calculation) and
		assets			a decrease of 26% (market-based
		Total GHG	10196 tonn	13655 tonn	calculation) in CO2 emissions
		emissions			compared to the reference year 2019.
		generated by			Action taken:
		assets			In 2023. DNB REIM developed a
					net-zero target for its property
					portfolio based on the 1.5
					degree scenario set by the
					Carbon Risk Real Estate Monitor
					(In the with SBT and the goal of the Paris Agreement). The work
					was carried out in accordance
					with DNB's transition plan, and
					DNB REIM has set a target of a
					35% reduction in greenhouse
					gas emissions by 2030.
					DNB REIM uses BREEAM In Use
					as a tool for environmental
					certification. In the reference
					period, five buildings were
					certified in accordance with
					BREEAM IN Use.
					For projects larger than NOK 75
					million, a CO2 accounting is
					prepared.
					Fossil-free construction sites
					are required for larger projects.
					DNB REIM offers green leases
					that commit both the tenant and
					the property owner to
					energy consumption.
					Action planned
					All our buildings should have a
					BREEAM certificate of very good
					or higher
					Goals set for the next reference
					period:
					Reduce CO2 intensity by 5%
					during 2024.
Energy	19. Energy	Energy	186 (14) M/b (mm 2 (r x)	194 (I))//b (m 2 (i))	Action Taken:
consumption	consumption	consumption in	(KVVN/m2/y)	(KVVN/m2/y)	All proportion follow aposition
	intensity	real estate			All properties follow specific energy consumption targets and
		assets per			implement measures to achieve
		square meter			these targets.
					Increase in LED lighting
					Operational optimization
					Rehabilitation projects
					Ennanced energy measurements systems using
					automated meters
					Research project for managing
					district heating consumption
					using artificial intelligence
					Action Planned:
					Energy audite
					Upgrade of ventilation systems
					Increased use of LED lighting
					Operational optimization

Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for	0%	0%	All properties are equipped with waste sorting	 Enhances ventilation control Goals set for the next reference period: Reduce energy consumption by 2,3% during 2024. All commercial properties comply with Norwegian legal requirements for waste management, specifically the Pollution Control Act and the
		waste sorting and not covered by a waste recovery or recycling contract			facilities and are covered by a waste recycling contract.	 Waste Regulations. This includes fully equipped waste sorting facilities on each property and contracts ensuring waste recycling, in accordance with the provisions for efficient waste management and reduction of landfill waste as prescribed in the Waste Regulations (Regulation of June 1, 2004 No. 930 on recycling and treatment of waste). Goals set for the next reference period: Increase the sorting rate by 2% during 2024
Resource consumption	21. Raw materials consumptions for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations	49,6%	NA*	*For the reporting year 2022, the absence of accurate data at the time meant there was no basis to calculate this PAI	 Actions Taken: Mapping suppliers that deliver reused materials and furniture. Reuse of construction materials in rehabilitation projects. Reuse of existing building components. Reuse of furniture. New materials designed for reuse or recycling. Actions Planned: At construction sites, at least five waste fractions will be established. The following will be sorted: cardboard and paper, plastic, organic material, glass, and electronics. Set environmental competency requirements for major suppliers and emphasize innovative solutions and risk management. All projects will identify which materials can be reused in the project or otherwise. Additionally, a plan will be developed for how materials introduced through the project can later be dismantled and reused. Goals set for the reference period: Waste sorting rate in projects of 90% or better in 2024.

3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors

3.1 Methodology to identify and prioritize principal adverse impact

DNB REIM has an environmental manual and an environmental management system to ensure that the company complies with all regulatory requirements related to the external environment. How DNB REIM will work with the external environment is described in the company's environmental manual, where all routines and processes related to the external environment are compiled. The environmental management system is thus described in DNB REIM's environmental manual, outlining how DNB REIM will work with the external environment to help reduce negative impacts on the environment and climate, with the goal of reducing CO2 emissions, among other things. Environmental and climate considerations are integrated into the company's daily operations through the environmental management system.

DNB REIM's environmental policy is approved by the management of DNB REIM and signed by the CEO of DNB REIM as of November 17, 2020. Each section leader is responsible for ensuring that the environmental manual is followed within their own section and that the environmental management system is integrated into ongoing processes.

DNB REIM has clear expectations for its subcontractors, including hired contractors and others who supply goods and services to our buildings. DNB REIM expects suppliers to align with DNB REIM's environmental policy, and when selecting suppliers, their environmental performance is taken into account. We require service providers to have environmental labeling or certification in accordance with the Nordic Swan, ISO 14001, Green Business Norway, EU Eco-label, or equivalent standards. All suppliers with whom DNB REIM have an agreement are risk assessed in DNB's third-party risk management program (TPRM), which includes supplier approval, monitoring, and annual audits of selected suppliers. In the TPRM system, suppliers are assessed against a range of ESG requirements related to their industry affiliation. For companies in the construction industry, DNB REIM also uses StartBANK's comprehensive supplier follow-up system, which also includes a range of ESG questions.

When assessing the principal adverse impacts on sustainability factors of our real estate investments, DNB REIM thus integrates environmental considerations, including DNB REIM's identified PAIs, as criteria for our suppliers and contractors.

3.2 Identifying principal adverse impact

Consideration of the environment is an integral part of the investment process and property management in DNB REIM, rooted in the company's environmental plan. In all investment processes, a comprehensive Due Diligence (DD) is carried out. The DD process also includes a sustainability DD to uncover the property's sustainability and climate risks. During the DD process, we aim to identify the investment object's energy status and further its potential, where sustainability indicators are important parameters.

DNB REIM has a dedicated property management section responsible for all the properties managed by DNB REIM. The routines and processes in the environmental manual are integrated into the property management section's work processes, ensuring that waste, energy, CO2 emissions, and other PAI indicators are measured and followed up in the usual work processes. This applies to both operational phases and projects. For projects, DNB REIM has a dedicated project handbook to ensure good follow-up in project phases. For example, climate accounts for projects related to material use, waste, energy, and CO2 emissions are prepared, and other PAI indicators are measured and registered.

The property sector is working to establish good sustainability KPIs (key performance indicators) across the sector, and both the Sustainable Finance Disclosure Regulation (SFDR) and taxonomy provide premises for this work.

As part of this work, all properties in the portfolio are to be BREEAM certified over time. BREEAM is a management tool and an international certification system that is owned and managed by The Building Research Establishment (BRE) in England. BREEAM NOR is a Norwegian adaptation and is today Norway's most widely used environmental certification for new buildings and major renovations. BREEAM provides a holistic assessment of various aspects of a building's environmental impact, including energy use, water consumption, waste management, pollution, materials selection, and ecological value. By evaluating these factors, BREEAM is used to identify the specific areas where a building's environmental performance may be falling short and where improvements can be made.

DNB REIM has thus established processes in various phases, including the investment phase, the operational phase, and in projects, to identify negative impacts on sustainability factors.

Prioritizing principal adverse impact

The prioritization of mitigating principal adverse impact is determined by assessing the relevance and impact of the most significant topics for the commercial real estate sector. At DNB Real Estate Investment Management (REIM), we have incorporated these aspects into our comprehensive environmental program, which aligns with the United Nations' sustainability goals.

Within the UN's sustainability framework, DNB REIM has chosen to concentrate its efforts on contributing to Goal 7 (Affordable and Clean Energy), Goal 11 (Sustainable Cities and Communities), and Goal 12 (Responsible Consumption and Production). This focus is supported by proposed measures put forth by Grønn Byggallianse (Norwegian Green Building Counsil) and Norsk Eiendom (the industry association for the Norwegian real estate sector).

DNB REIM recognizes several core environmental aspects that are relevant to our operations, with a focus on:

- Reduction in greenhouse gas emissions
- Decrease in energy consumption
- Minimization of water consumption
- Increase in waste sorting rate
- Pursuit of third-party building certifications

By prioritizing these areas, we aim to proactively address climate risks, promote sustainability, and contribute to the overall well-being of our stakeholders and the environment.

3.3 Data Sources

DNB REIM has implemented an energy monitoring system (EOS) called Optima to improve the organization's environmental performance. Individual environmental goals for each property managed by DNB REIM are planned, measured, and evaluated. Optima functions as an environmental compliance system for the operations organization, displaying targets set for energy consumption, water, waste, and emissions. The system is web-based and highly accessible.

Optima measures all of DNB REIM's key indicators, making it a very important tool for ensuring accurate PAI data. Each supplier exports data to the EOS system in various ways, preferably automatically and through digital solutions. Energy measurement data is imported directly from meters and control systems installed on each property. Optima provides control for both operational personnel and property owners. The data takes into account seasonal changes for benchmarking purposes. Energy data is temperature-adjusted (corrected according to degree days).

Entro AS is engaged to ensure data quality through data processing and analysis of both input data and results. Since the data is monitored by Optima and continuously followed up by both Entro AS and the manager DNB REIM through the operational management of the properties, any major or sudden deviations will be addressed both on-site and in dialogue with the data suppliers. The audit firm Ernst & Young is also engaged to provide an ISA 3000 Limited Assurance audit on an annual basis of the environmental data for DNB SPF.

Optima Energy and Water module is the energy monitoring system (EOS). This module is the most important tool in controlling energy consumption. This module also monitors the water consumption.

Metering data is imported directly from meters installed at each property. Optima Energy provides control for both operating personnel and building owners. The data also considers seasonal changes for benchmarking, by getting the recorded outside temperatures daily. The data is corrected according to degree days.

Optima Waste is a waste monitoring system, allowing the user to register waste volumes (including individual waste fractions), origin and date, making it easy to keep track of the waste and recycling rate. Optima Waste provides multi-tiered reports and a tool the organization can use to monitor waste volumes to make improvements, generate savings, and improve environmental reporting. The waste data is imported from various waste handling companies or manually read. Supports both the Norwegian Standard and the European Standard EWC (European Waste Codes). All assets report on separation rate, recycling rate and amount in kg.

Optima Environment automatically calculates greenhouse gas emissions based on the data entered in the energy, waste, and transport modules. This tool allows the users to monitor GHG emissions over time, compare performance to previous years, compare performance relative to saving targets, and evaluate the effect of the implemented measures.

Optima Economy collates information on meters, technical installations and building space with all the data concerning energy subscriptions, grid tariffs, power prices, invoiced energy consumption and costs. This provides a simple, effective overview of the financial aspects of energy consumption. Optima Economy controls all energy costs and shows the economic effects on energy and environmental measures.

Optima Technical is a module where the organization register all measures to be done on each property. The module provides a complete overview of the measures taken and their status. The measurements of their effects are shown in the other modules. Optima Admin is the control module that allows registering changes, like adding a meter, a building, changing names, areas, switching the ET-curve, adding goals, etc.

Limitations related to monitoring energy, water, waste, and emission may be:

- · Late import of data where data is reported manually
- · Equipment that stops working as intended
- Tenants that do not approve that their energy and resource use is monitored

4. Engagement policies

We have defined our stakeholders as investors, service providers, tenants, authorities and local communities. We actively manage our portfolios of real estate investments with regular and ongoing engagement with stakeholders to ensure we understand their needs to address sustainability risks and opportunities.

According to the DNB Group policy, engagement with companies and the exercise of active ownership is to be based on the UN's Global Compact and the OECD's guidelines for multinational companies and align with the UN's guiding principles for business and human rights.

4.1 Engagement

In DNB REIM, we have established green lease agreements to commit ourselves, both landlord and tenant, to measures aimed at reducing energy consumption and achieving qualities in the property that align with the environmental strategy. We have established robust measurement structures that are logged. Environmental and energy topics are always on the agenda in annual tenant meetings.

4.2 Influence of the Board of directors

The activities in the buildings in DNB REIM's portfolio are governed by decisions made by the board of directors of each company. The boards are elected by the largest shareholders in the various

companies. Through effective governance, the board ensures that the portfolio's buildings are managed optimally, in accordance with the goals set in the strategy.

The use of third-party environmental certification serves as a crucial means to gain valuable insights and maintain high standards, both before and after an investment. This also involves evaluating the business practices of tenants and key suppliers to promote collaboration and limit any negative effects in property management. All properties in our portfolio are to be BREEAM certified over time. BREEAM is a management tool and an international certification system owned and managed by The Building Research Establishment (BRE) in England. BREEAM NOR is a Norwegian adaptation and is today Norway's most widely used environmental certification for new buildings and major renovations. BREEAM provides a holistic assessment of various aspects of a building's environmental impact, including energy use, water consumption, waste management, pollution, materials selection, and ecological value. By evaluating these factors, BREEAM is used to identify specific areas where a building's environmental performance may be lacking and where improvements can be made.

BREEAM certification involves a two-step process: an initial certification and subsequent recertification cycles. After achieving the initial certification, which assesses the building's environmental performance, an annual audit is conducted to ensure ongoing compliance and improvement. The annual audits provide an opportunity to review and update the building's performance, ensuring it continues to meet the necessary sustainability standards set by BREEAM.

4.3 Policy Adjustments

For policy adjustments in DNB REIM the management team takes the responsibility to evaluate and assess the necessary actions required. When it comes to significant investments or policy changes, decisions are escalated to the board for their deliberation and final approval. The management team carefully analyzes the implications, conducts thorough due diligence, and presents well-supported proposals to the board. This collaborative approach ensures that major decisions regarding policy adjustments are carefully processed, allowing for informed and strategic choices that align with the fund's environmental objectives and best interests.

5. References to international standards

In its work, DNB REIM has considered and drawn inspiration to a greater or lesser extent from international norms and standards:

- The Paris Agreement, adopted at the Climate Change Conference in Paris in December 2015
- The EU Action Plan for the Circular Economy, presented by the European Commission in December 2015
- The United Nations Sustainable Development Goals
- The Green Deal

In its property management, DNB REIM is subject to DNB's group standards, including the standard for responsible investment.

6. Historical comparison

See Art 4 reporting as of June 2023.

7. Change log

Date	Version number	Comments / changes
1 October 2022	Version 1.0	First Sustainability statement prepared.Published in Norwegian
30 June 2023	Version 2.0	 Updated structure of document according to SFDR RTS. Updated text Published in English
30 June 2024	Version 3.0	 New version for the reporting period 01.01.2023 – 31.12.2023. Additional PAI's added to the report Published in English