



DNB Asset Management

Private Equity ESG Guidelines



Reference is made to the DNB Group Instruction for Responsible Investments (the Group Instruction). These guidelines are applicable to DNB Asset Management Private Equity (DAM PE). DAM PE strives to follow the principles as laid out in the Group Instruction but may at times deviate from the Group Instructions in a form as laid out in this document.

Purpose

DAM PE acknowledges the impact we have on society and the environment. The guidelines shall ensure that DAM PE does not contribute to the infringement of human rights, anti-corruption, serious environmental harm or other actions that could be regarded as unethical. It shall also ensure that assessments of risk and opportunities related to ESG (environmental, social and governance) factors are integrated in the investment management.

Integration of environmental, social and governance risk factors into the investment decision making process forms part of our fiduciary duty towards customers and stakeholders. As a responsible investor with a long-term view, we aim to provide high, long-term returns, at an acceptable level of risk.

Scope

This document applies to all permanent and temporary employees in DAM PE. The guidelines apply to all financial investments.

Roles and responsibilities

The Head of DAM PE is the document owner. All employees in DAM PE are responsible for executing according to these guidelines and to report incidents of non-compliance to the Head of DAM PE. References to the DAM RI Team refers to the DNB Asset Management's Responsible Investment Team ("DAM RI Team").

DAM PE implementation of the Group Instruction

Exclusions

The Group Instruction seeks to ensure that assessments of ESG risk factors are integrated into investment decision-making processes. The Group Instruction is based on international norms and standards, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles of Corporate Governance, and the OECD Guidelines for Multinational Enterprises. The Group Instruction covers all asset classes and financial investments throughout the Group, including DAM PE.

Based on the Group Instruction, companies will be excluded from DAM PE's investment universe and portfolios if they themselves or through the entities they control:

- produce weapons¹, which through normal use violate basic humanitarian principles,
- produce tobacco,

¹ DNB shall not invest in companies that are involved in anti-personnel mines and cluster munitions, as described in the Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions, or in companies that develop and produce key components for weapons of mass destruction. Weapons of mass destruction are defined as NBC weapons (nuclear or atomic, biological and chemical weapons). The same applies to non-detectable fragments, incendiary weapons, and blinding laser weapons. Note that the list above is not exhaustive.

- produce cannabis for recreational use, or produce pornography

Companies which derive 30 per cent or more of their income from oil sands extraction², as well as mining companies and power producers which themselves or through entities they control derive 30 per cent or more of their income from thermal coal, or base 30 per cent or more of their operations on thermal coal, may be excluded from the investment universe. In addition, companies which either extract more than 20 million tonnes of thermal coal or with power generating capacity of more than 10000 MW from the combustion of thermal coal, may be excluded from the investment universe or placed under observation. In addition, emphasis shall be placed on forward-looking assessments of the companies, including any plans which will change either the level of thermal coal extraction or the level of power generating capacity derived with thermal coal, and/or reduce the share of their income or operations derived from oil sands or thermal coal, and/or increase the share of their income or operations derived from renewable energy sources. Further, companies may be excluded from the investment universe if there is an unacceptable risk that a company contributes to or is responsible for:

- serious or systematic violations of human rights,
- the sale of weapons to states engaged in armed conflict that use the weapons in ways that constitute serious and systematic violations of international rules on the conduct of hostilities,
- the sale of weapons or military materiel to states that are subject to investment restrictions on government bonds from countries subject to sanctions imposed by the UN Security Council³,
- serious violations of basic labour rights,
- grave harm to the environment,
- acts or omissions that on an aggregate company level lead to unacceptable greenhouse gas emissions,
- serious corruption,
- other particularly critical violations of basic ethical norms.

DAM PE will not invest in government/sovereign bonds from countries subject to sanctions imposed by the UN Security Council.

DAM PE will not invest in companies subject to sanctions (from UN, EU, US (OFAC) and other local sanctions regulations if they are relevant) applicable to financial investments in DNB. Sanctions screening procedures are performed by each PE fund manager that DAM PE invests with for their portfolio according to relevant regulations. DAM PE may invest with PE fund managers that are not obliged to screen against all mentioned sanctions lists under their local regulations. In such a scenario, DAM PE will together with the DAM RI Team do a risk-based assessment of the nature of the investment strategy of the PE fund, and may decide to invest despite such fact, given additional comfort through screening procedures in place at DAM PE referred to in this guideline document.

Exercise of ownership rights

As a limited partner into PE fund vehicles, DAM PE will not be able to exercise direct influence through ownership rights. DAM PE will seek to influence PE fund managers positively, and if acting contrary to DNB's responsible investment guidelines and internationally recognized standards and conventions, DAM PE will encourage them to correct their actions. Furthermore, assessment of risks and opportunities

² Bitumen is the main component of oil sands. Oil sands are typically a mixture of sand, water, clay and bitumen. Bitumen is oil which is too heavy or viscous to flow or be pumped without being diluted or heated. Oil sands are often also referred to as tar sands.

³ May also include other international measures of particularly large scale aimed at a specific country where Norway has supported the measures.

related to ESG factors will be an integral part of the investment management and a starting point for active engagement with PE fund managers on ESG topics.

DAM PE Responsible Investment Approach

DAM PE will strive to invest with responsible PE fund managers who consider ESG factors in its investment decisions and during its active ownership.

ESG assessment

A sustainability risk assessment is performed on PE fund manager level prior to making a fund investment. As a limited partner, DAM PE rely on the PE fund manager and its management of active ownership across its portfolio. To ensure adherence to DAM PE's requirements to ESG prior to investment, DAM PE has established an ESG assessment framework together with the DAM RI Team that is applied as a tool to evaluate the level of ESG integration. The ESG assessment framework is built on the ILPA ESG assessment framework and adapted to DNB Group's integration of ESG. The framework includes components such as:

- i. Sound ESG approach & policies, and contractual commitments to ESG,
- ii. Having good governance practices in place
- iii. Transparency to investors, including ESG reporting
- iv. ESG integration in the investment process
- v. Sanctions screening procedures in place

Should DAM PE identify significant sustainability risks and/or breaches of the exclusions during its assessment that may have associated financial risks or be perceived to be unethical and/or unsustainable, DAM PE may abstain from making the investment.

Side letter

In primary investments, DAM PE will seek to enter into bilateral side letter agreements when investing in PE funds, where PE fund managers are requested to endorse the exclusions as laid out under the section "DAM PE implementation of the Group Instruction" at the time of investment. This is viewed in context with any contractual ESG commitments the PE fund manager may have in its fund agreements. In a scenario where a contractual agreement of the exclusion criteria is not reached in a form acceptable, DAM PE will in close dialogue with the DAM RI Team, consider such implications on a risk-based approach and decide on how to proceed.

Screening

Prior to investment (payment of funds), each portfolio company is screened based on a comprehensive ESG search on a third-party platform, with pre-defined screening criteria. The searches are standard for all investments and have been built up over time by DAM PE together with the DAM RI Team. Through this screening, DAM PE aims to identify any material ESG risks and/or breaches of the exclusion criteria. If such risks and/or breaches are identified, DAM PE will engage with the relevant PE fund manager. If identified risks and/or breach is not remedied, DAM PE may abstain from making the investment and/or sell its ownership stake in such PE fund, as relevant.

Monitoring

All investments are continuously monitored by DAM PE through screening tools, direct engagement on ESG, and reporting from the PE funds.

All portfolio companies are screened on a weekly basis for alerts through a global news and data platform. Reports comprising all alerts are received and reviewed on a weekly basis, and through this screening, DAM PE aims to uncover any material ESG incidents, breaches of international norms and standards and/or breaches of the exclusions.

DAM PE has direct engagement with the PE fund managers on frequent basis, including follow-ups on ESG topics. Ad-hoc, incident-based dialogue will occur to address reported or identified material ESG issues. DAM PE monitors ESG reporting from the PE fund managers if and when received.

All identified material ESG-related incidents and/or breaches of exclusions will be addressed and followed-up in close collaboration with the DAM RI Team. If DAM PE considers that the actual or potential impact of sustainability risks on the value of the investment to be unacceptable, at the earliest opportunity, DAM PE may choose to sell its ownership stake in such investment.

Reporting

DAM PE will provide periodic reporting as per SFDR for all funds classified as article 8.

Change log

Date	Version number	Comments / changes
December 2023	Version 1.0	First PE ESG Guidelines created

DNB