



DNB Asset Management

# Principal Adverse Impact Statement



# Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: DNB Asset Management AS.

LEI: 549300MX4M35DP7FZQ31

## Sammendrag

DNB Asset Management AS (DNB AM) vurderer vesentlige negative konsekvenser (PAI) av sine investeringsbeslutninger med hensyn til bærekraftsfaktorer. Denne rapporten er den konsoliderte erklæringen om vesentlige negative konsekvenser av investeringsbeslutninger på bærekraftsfaktorer for DNB AM. Noen produktsegmenter er imidlertid ekskludert fra denne erklæringen.<sup>1</sup>

Denne erklæringen om PAI av investeringsbeslutninger på bærekraftsfaktorer dekker referanseperioden fra 1. januar 2024 til 31. desember 2024.

Denne erklæringen gjelder for DNB AM og kreves i henhold til EUs offentliggjøringsforordning (SFDR)<sup>2</sup>. Den beskriver hvordan vi vurderer PAI av våre investeringsbeslutninger med hensyn til bærekraftsfaktorer, i henhold til artikkel 4 i SFDR.

SFDR definerer bærekraftsfaktorer som «alle miljømessige, sosiale og ansattrelaterte saker, og saker knyttet til respekt for menneskerettigheter, antikorrupsjon og antibestikkelser». PAI forstås generelt som negative konsekvenser for disse faktorene som skyldes eller er direkte knyttet til en investeringsbeslutning.

I denne erklæringen vil vi beskrive hvordan vi har vurdert PAI av våre investeringsbeslutninger i 2024, inkludert settet med mål for 2025 i tillegg til en historisk sammenligning. Erklæringen vil dekke ti obligatoriske klima- og miljørelaterte indikatorer, og fem obligatoriske indikatorer knyttet til sosiale forhold og ansatte, og saker knyttet til respekt for menneskerettigheter, antikorrupsjon og antibestikkelser. I tillegg har vi valgt ytterligere én miljøindikator relatert til investeringer i selskaper uten tiltak for karbonutslippsreduksjon, og ytterligere én sosial indikator relatert til andelen investeringer i enheter uten menneskerettighetspolicy.

PAI for 2024 viser ingen overordnet trend. Dette er ikke uventet, da den vedvarende økningen i rapporteringsomfang fortsatt medfører varierende resultater. DNB AM vurderer kontinuerlig potensielle negative konsekvenser fra aktivitetene til selskapene i porteføljen. For selskaper med forhøyet risiko for negative konsekvenser utfører vårt team for ansvarlige investeringer en analyse av risikoen og fastsetter videre tiltak, som engasjement overfor selskapet eller en anbefaling om å ekskludere selskapet.

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<sup>1</sup> Erklæringen begrenser seg til (i) investeringsfond forvaltet av DNB AM og (ii) diskresjonære mandater forvaltet på vegne av individuelle kunder. Private Equity (PE)-produkter er utelatt fra uttalelsen på grunn av tilgjengelighet på data.

<sup>2</sup> Europaparlaments- og Rådsforordning (EU) 2019/2088 av 27. november 2019 om bærekraftsrelaterte opplysninger i sektoren for finansielle tjenester.

For å fastsette om PAI er vurdert i forvaltningen av et bestemt fond, viser vi til den førkontraktuelle dokumentasjonen for det aktuelle produktet.

## **Description of the principal adverse impacts on sustainability factors**

DNB AM has gathered data and is monitoring the PAIs associated with mandatory as well as additional indicators. Additional indicators will be reviewed annually and updated accordingly when access to, and quality of data, improves.

The mandatory and additional PAI indicators, as set out and defined in the detailed rules in the SFDR RTS<sup>3</sup>, along with their respective impacts and associated actions, are set out in the tables below.

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<sup>3</sup> Commission Delegated Regulation (EU) 2022/1288.

**Table 1: Indicators applicable to investments in investee companies**

Indicators applicable to investments in investee companies					
Adverse sustainability impact indicator	Metric	Impact 2024	Impact 2023	Explanation*	Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1 544 946 tonnes	1 374 923 tonnes	<p>PAI indicators related to Greenhouse gas emissions primarily use data provided by MSCI ESG. Scope 1 and 2 emissions consists of reported and estimated data. Scope 3 reflects estimated data, due to the lack of investee companies' disclosure on the metric as well as inconsistent reporting methodologies.</p> <p>GHG emissions are calculated as the sum of each investee company's total greenhouse gas emissions in proportion to the value of the investment relative to the company's enterprise value including cash.</p> <p>Carbon Footprint is calculated as the aggregated GHG emissions relative to the value of all investments with data coverage.</p> <p>GHG intensity is calculated as the weighted average total GHG emissions of investee companies per million EUR of revenues. The portfolio weights are normalized to compensate for the portion of investments with missing data.</p>
		Scope 2 GHG emissions	359 433 tonnes	320 278 tonnes	
		Scope 3 GHG emissions	17 237 837 tonnes	14 668 268 tonnes	
		Total GHG emissions	19 142 207 tonnes	16 360 077 tonnes	
	2. Carbon footprint	Carbon footprint	340 tonnes per million EUR invested	379 tonnes per million EUR invested	<p>The data coverage for 2024 was 76% for GHG emissions, 76% for carbon footprint, and 78% for GHG intensity. These figures show an improvement from 2023, which had 71%, 71% and 77%, respectively.</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies	701 tonnes per million EUR revenue	784 tonnes per million EUR revenue	

Actions taken in 2024

- Conducted 70 company engagements on the topic of climate change. A key discussion point has been for companies to set science-based emissions reduction targets in line with DNB AMs targets in the DNB transition strategy.
- Scored companies using our internal framework for assessing the strength of companies' emissions reduction targets.
- Engaged with the largest holdings in the most carbon intense sectors as well as the companies with the largest carbon footprint, both in direct operations and in their supply chains.
- Continued collaborations with investors groups, including participation in Climate Action 100+ in the second phase. This included meetings with Equinor ASA.
- Increased reporting of DNB AM's own emissions, and utilisation of forward-looking metrics in assessment of companies' trajectories. This has included the development of a dashboard for climate-risk for use by portfolio managers and investment professionals in DNB AM.
- Updated our expectation document on climate change in line with changes in best practice, which is a useful tool for company dialogues.

Targets and actions planned for 2025

- Increase the assets under management in sustainability-themed funds and portfolios to NOK 200 billion by the end of 2025.
- 50 per cent of net inflows are targeted to be allocated to sustainability-themed funds by end of 2025.
- In 2030, 58 per cent of assets under management should be in companies that have set a science-based target.
- Continue active ownership with increased focus on the largest holdings with the largest carbon footprint, as part of the implementation of the transition strategy.
- Continued investor collaboration as part of the second phase of Climate Action 100+. In 2025, this will include meetings with A.P. Møller - Mærsk.
- Refine the DNB AM science-based target assessment framework to align with best practice.

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6.21 %	8.17 %	MSCI ESG is the primary data source for companies active in the fossil fuel sector. The aggregated PAI indicator is calculated as the weighted portion of investee companies active in the fossil fuel sector relative to the portion of investee companies for which data is available.  The data coverage for the PAI indicator is 79% in 2024 and 77% in 2023.	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	58.86 % Non-renewable energy consumption	63.97 % Non-renewable energy consumption	MSCI ESG is the primary data source for companies' non-renewable energy consumption and production.  The aggregated PAI indicators are calculated as the weighted average share of non-renewable energy consumption and production of investee companies. The portfolio weights are normalized to compensate for missing data.	
			59.04 % Non-renewable energy production	46.82 % Non-renewable energy production	The data coverage for non-renewable energy consumption and production is 73% and 1% for 2024, and 45% and 2% for 2023, respectively.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Sector A: 0.45 Sector B: 0.94 Sector C: 0.37 Sector D: 4.16 Sector E: 0.83 Sector F: 1.15 Sector G: 0.25 Sector H: 2.46 Sector L: 0.57	Sector A: 0.27 Sector B: 4.11 Sector C: 0.47 Sector D: 2.39 Sector E: 1.00 Sector F: 0.61 Sector G: 0.09 Sector H: 1.83 Sector L: 0.44	MSCI ESG is the primary data source for companies' energy consumption intensity and sector data. The aggregated PAI indicator is calculated as the weighted average energy consumption intensity of investee companies within each sector. The portfolio weights are normalized to compensate for missing data.  The data coverage is calculated based on investee companies within each sector and not relative to all investments. The data coverage for sector A-H and L is 100%, 100%, 99%, 100%, 100%, 98%,100%, and 100% for 2024 and 100%, 90%, 91%, 76%, 91%, 35%, 79%, 48%, and 88% for 2023, respectively.	

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	5.83 %	0.01 %	<p>MSCI ESG is the primary data source for biodiversity data. The aggregated PAI indicator is calculated as the weighted portion of investee companies with activities negatively affecting biodiversity-sensitive areas relative to the portion of investee companies for which data is available.</p> <p>The data coverage for the PAI indicator is 78% in 2024 and 77% in 2023.</p> <p>Note that our data provider changed their methodology for PAI 7 data in 2024, which has led to an increase of companies considered to be negatively affecting biodiversity-sensitive areas.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• Conducted 40 company engagements on the topic of biodiversity, including deforestation. A key discussion point has been for companies to develop strategies for addressing biodiversity risks and opportunities as well as setting relevant targets.</li> <li>• Significant progress in our commitments to the Finance for Biodiversity Pledge, including the publication of the DNB AM targets for biodiversity.</li> <li>• Taken active part in major collaborative engagements on biodiversity such as Nature Action 100 and FAIRR.</li> <li>• Published an expectation document on health and sustainable foods systems, covering biodiversity issues driven by sectors such as aquaculture and agriculture.</li> <li>• Further advanced the use of the TNFD framework with regards to assessment, reporting, and engagements.</li> <li>• Developed an interactive dashboard that integrated portfolio holdings with company-specific location data for the extraction sector, with data from the World Wide Fund for Nature (WWF) and the Rainforest Foundation Norway.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Follow up the DNB AM targets for biodiversity, report on progress in assessment and engagements.</li> <li>• Continue to take active part in major collaborative engagements on biodiversity such as Nature Action 100 and FAIRR.</li> <li>• Further the work with incorporating location-based biodiversity data in DNB AMs internal tools including additional data on exposure to biodiversity sensitive areas.</li> </ul>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.03 tonnes per million EUR invested	0.03 tonnes per million EUR invested	<p>S&amp;P Global is the primary data source for companies' emission to water, while MSCI ESG is the primary data source for enterprise value including cash (EVIC). Note that due to limited company reporting on emissions to water, the PAI indicator consists of both reported and estimated data.</p> <p>The aggregated ratio is calculated as the weighted average tonnes of emissions per million EUR invested in companies. The portfolio weights are normalized to compensate for missing data.</p> <p>The data coverage for the PAI indicator is 23% in 2024 and 2023.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• Continued the proactive engagements on water, prioritizing companies and sectors that are water intensive and impacting water quality.</li> <li>• Continued participation in collaborative initiatives such as the Global Investor Commission on Mining 2030, FAIRR, the ChemSec Business Group, and the Global Plastic Treaty coalition.</li> <li>• Published an expectation document on health and sustainable foods systems, covering water issues such as water scarcity, excessive use of water and pollution from chemical fertilizers and pesticides.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Continue the proactive engagements on water, prioritizing companies and sectors that are water intensive and impacting water quality/ water stressed areas, such as chemicals and mining.</li> <li>• Continue participation in key collaborative engagements such as the ChemSec Business Group, and FAIRR.</li> </ul>

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	9.1 tonnes per million EUR invested	16.76 tonnes per million EUR invested	<p>S&amp;P Global and MSCI ESG are the primary data sources for companies' generation of hazardous waste and radioactive waste, and MSCI ESG is the primary data source for enterprise value including cash (EVIC). Note that due to limited company reporting on hazardous waste and radioactive waste, the PAI indicator consists of both reported and estimated data.</p> <p>The aggregated ratio is calculated as a weighted average tonnes of emissions per million EUR invested in companies. The portfolio weights are normalized to compensate for missing data.</p> <p>The data coverage for the PAI indicator is 73% in 2024 and 39% in 2023.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>Continued our collaborative engagements with the world's largest publicly traded chemical companies through the ChemSec investor initiative with the aim of reducing the adverse impacts of hazardous chemicals and thereby exposure to the financial risks to which they are linked.</li> <li>Continued our collaborative engagements with mining companies through the agenda set by the Global Investor Commission on Mining 2030, that aims to create a socially and environmentally responsible mining sector.</li> <li>Published an expectation document on health and sustainable food systems, covering relevant topics such as the threat of health by harmful chemicals including endocrine-disrupting chemicals and the use of chemical fertilisers and pesticides in food production.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>Continue engaging with relevant companies, both directly and through investor collaborations, to drive the reduction of hazardous and radioactive waste.</li> </ul>
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#### INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.16 %	0.50 %	<p>Sustainalytics is the primary data source for the PAI. The aggregated indicator is calculated as the weighted portion of investee companies subject to violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises relative to the portion of investee companies for which data is available.</p> <p>Note that the percentage derived from third-party data may not always align with our own assessments of the companies.</p> <p>The data coverage for the PAI indicator is 85% in 2024 and 86% in 2023.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>Exclusion of 13 companies considered to have violated norms-based criteria defined in the <a href="#">Group Instruction</a>. Among these exclusions, four companies was found to have caused environmental harm, one company was excluded based on controversies relating to corruption, while eight companies were found to have violated human rights and/or labour rights. Two of the companies excluded for violating human right and/or labour rights, were excluded due to implication in alleged serious and systematic human rights abuses taking part in daughter companies operating palm oil and rubber plantations in Africa and Asia.</li> <li>Updated our country risk assessment to guide engagements with companies operating in high-risk markets.</li> <li>Conducted assessment and reporting in line with the Norwegian Transparency Act.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>Continued screening and assessment of exclusion criteria connected to verified violations.</li> <li>Continued engagement with companies with verified or alleged violations of UNGC principles or OECD Guidelines for Multinational Enterprises.</li> </ul> <p>DNB AM screens the investment universe regularly to identify potential violations of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. Where companies are flagged for possible breaches, the matter is further assessed in line with the exclusion criteria outlined in the <a href="#">Group Instruction</a>. Depending on the severity of the incident, the investee company may either be excluded directly or encouraged to rectify its actions and improve processes to prevent future incidents. While promoting best practices is preferred over exclusions, if active ownership does not result in an acceptable solution, a company may be excluded from the investment universe.</p>
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	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1.06 %	34.69 %	<p>MSCI ESG is the primary data source for the PAI. The aggregated indicator is calculated as the weighted portion of investee companies with no evidence of mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises, relative to the portion of investee companies for which data is available.</p> <p>Note that our data provider changed their methodology for PAI 11 data in 2024, which has led to a decrease in the portion of investee companies lacking compliance mechanisms.</p> <p>The data coverage for the PAI indicator is 79% in 2024 and 77% in 2023.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• In 2024, 86 engagement dialogues related to human rights and labour rights with various companies were conducted. The absence of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises is seen as a deviation from best practices and serves as a basis for initiating an engagement.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Continued active ownership towards companies with lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.</li> </ul>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.74 %	13.09 %	<p>MSCI ESG is the primary data source for companies' unadjusted gender pay gap. The aggregated PAI indicator is calculated as the weighted average gender pay gap of investee companies. The portfolio weights are normalized to compensate for missing data.</p> <p>Note that company reporting on gender pay gap is limited.</p> <p>The data coverage for the PAI indicator is 63% in 2024 and 24% in 2023.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• Human capital was introduced as a new thematic focus area in 2023 and 2024 marked the first full year with the development of the initial strategy and tools to further this work. The focus area include our work with diversity and inclusion and workplace-rights related matters beyond internationally recognised standards on labour rights. The topic is also covered from a governance perspective with respect to board gender diversity, outlined in the <a href="#">global</a> and <a href="#">Norwegian</a> Voting Guidelines.</li> <li>• Diversity and inclusion are central topics both within our engagements and our voting activity. DNB AM encourage transparency and granular reporting, including an overview of wage gaps across different employee groups with comparable responsibilities, in line with the Equality and Anti-Discrimination Act.</li> <li>• Participated in key engagements such as World Benchmark Alliance (WBA) Collective Impact Coalition for Ethical AI and Big Tech and Human Rights. The WBA coalition builds on the findings of their digital inclusion benchmark and the Big Tech and Human Rights engagement is targeting large companies within the technology sector targeting issues such as efforts to prevent discrimination.</li> <li>• DNB AM has voted on several shareholder resolutions with implications for diversity and inclusion, in addition to carrying out engagements with nomination committees, boards and representatives from the relevant company.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Publish an expectation document on Human Capital, covering issues such as diversity and inclusion.</li> <li>• Continue our engagement with the WBA on Ethical AI and Big Tech and Human Rights, to ensure good human capital management in both the digital and environmental transition.</li> <li>• Engage companies on the use of data analytics for human resources and talent development.</li> </ul>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	38.74 %	38.82 %	<p>MSCI ESG is the primary data source for companies' board gender diversity. The aggregated PAI indicator is calculated as the weighted average gender pay gap of investee companies. The portfolio weights are normalized to compensate for missing data.</p> <p>The data coverage for the PAI indicator is 78% in 2024 and 77% in 2023.</p>	<p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Publish an expectation document on Human Capital, covering issues such as diversity and inclusion.</li> <li>• Continue our engagement with the WBA on Ethical AI and Big Tech and Human Rights, to ensure good human capital management in both the digital and environmental transition.</li> <li>• Engage companies on the use of data analytics for human resources and talent development.</li> </ul>



	14. Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00 %	0.00 %	<p>MSCI ESG is the primary data source for companies' exposure to controversial weapons.</p> <p>The aggregated PAI indicator is calculated as the weighted portion of investee companies with exposure to controversial weapons, relative to the portion of investee companies for which data is available.</p> <p>Note that the percentage derived from third-party data may not always align with our own assessments of the companies.</p> <p>The data coverage for the PAI indicator is 79% in 2024 and 77% in 2023.</p>	<p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• Screening and strict exclusion criteria.</li> <li>• No changes were made to our exclusion criteria on controversial weapons compared to the previous year.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Continuous screening and strict exclusion criteria.</li> </ul> <p><u>Exclusion criteria:</u></p> <p>The <a href="#">Group Instruction</a> outlines that there shall be no investments in companies that themselves or through the entities they control produce weapons which through normal use violate basic humanitarian principles. 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 is not exhaustive.</p> <p>MSCI is the primary data source for evaluating company involvement in controversial weapons. This data is supplemented with DNB AMs internal assessments of the companies flagged for involvement by MSCI ESG based on the exclusion criteria outlined in the <a href="#">Group Instruction</a>. DNB AM conduct internal research or use complementary data sources where data from MSCI ESG is unavailable, ensuring no investments are made in companies that produce controversial weapons. This aligns with the requirements of the Group Instruction.</p>
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**Table 2: Indicators applicable to investments in sovereigns and supnationals**

Indicators applicable to investments in sovereigns and supnationals					
Adverse sustainability impact indicator		Metric	Impact 2024	Impact 2023	Explanation*  Actions taken, and actions planned and targets set for the next reference period**
Environmental	15. GHG intensity	GHG intensity of investee countries	147.48 tonnes per million EUR GDP of investee countries	214.44 tonnes per million EUR GDP of investee countries	<p>MSCI ESG is the primary data source for GHG intensity of investee countries. The aggregated PAI indicator is calculated as the weighted average GHG emission intensity of investee countries. The portfolio weights are normalized to compensate for the portion of investee countries with missing data.</p> <p>Data is available for 2% of all investments for the PAI indicator, which corresponds to approximately 92% of eligible investments in 2024.</p> <p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• The carbon intensity of countries will be driven by the ambition of the countries to reduce emissions as part of their Nationally Determined Contributions under the Paris Agreement. As we have a limited ability to influence countries' pledges and the targets set, we prioritise engaging with companies regarding their GHG emissions reduction targets.</li> <li>• Engaged with companies regarding their GHG emissions reduction targets, which will impact the overall carbon intensity of the countries in which they are based.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Continued engagements to influence companies to set GHG emissions reduction targets, focusing on the largest holdings with the largest carbon footprint, as part of the implementation of the transition strategy.</li> </ul>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0 countries  0.00 %	0 countries  0.00 %	<p>MSCI ESG is the primary data source for companies' subject to social violations. The aggregated PAI indicator is calculated as the weighted portion of investee countries subject to social violations. The portfolio weights are normalized to compensate for the portion of investee countries with missing data.</p> <p>Data is available for 2% of all investments for the PAI indicator, which corresponds to approximately 92 % of eligible investments in 2024.</p> <p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• Screening and strict exclusion criteria.</li> <li>• Updated our country risk assessment to guide engagements with companies operating in high-risk markets.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Continuous screening and strict exclusion criteria on social violations.</li> </ul> <p><u>Exclusion criteria:</u></p> <p>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, grave violations of individual rights in wars or conflict situations, serious violations of basic labour rights or other particularly critical violations of basic ethical norm. The list is not exhaustive. Complete overview of our norms-based exclusion criteria including social violations are outline in our <a href="#">Group Instruction</a>.</p>

**Table 3: Other indicators for principal adverse impacts on sustainability factors**

Other indicators for principal adverse impacts on sustainability factors						
Additional climate and other environment-related indicators						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2024	Impact 2023	Explanation*	Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	47.63 %	26.67 %	<p>MSCI ESG is the primary data source for companies without carbon emission reduction initiatives. The metric from MSCI is calculated based on estimated data. The aggregated PAI indicator is calculated as the weighted portion of investee companies without carbon emission initiatives. The portfolio weights are normalized to compensate for missing data.</p> <p>The data coverage for the PAI indicator is 77% in 2024 and 72% in 2023.</p> <p>Note that our data provider changed their methodology for PAI 2.4 data in 2024, which has led to an increase in the portion of investee companies without carbon reduction initiatives.</p>	<p>See PAI 1-6 for climate related actions and targets.</p> <p>DNB AM has set a target based on the SBTi's portfolio coverage methodology, in line with market practice for asset managers. The target entails that we aim to increase the proportion of our investments that have science-based emissions reduction targets. Our target covers equities and corporate bonds. We have set a target based on the baseline AUM with science-based targets (SBTs) at year-end 2022. A linear path was drawn to 100 per cent in 2040, giving a target for 2030 of 58 per cent of AUM with science-based targets.</p> <p>At year-end 2024, 37% of our AUM was in companies that have set a science-based target.</p>
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact indicator	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2024	Impact 2023	Explanation*	Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies						

Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	4.40 %	3.65 %	<p>MSCI ESG is the primary data source on companies without a human rights policy. The aggregated PAI indicator is calculated as the weighted portion of investee companies without human rights policies. The portfolio weights are normalized to compensate for missing data.</p> <p>The data coverage for the PAI indicator is 79% in 2024 and 77% in 2023.</p> <p><u>Actions taken in 2024</u></p> <ul style="list-style-type: none"> <li>• Lack of a human rights policy is considered a deviation from best practices and serves as a basis for initiating engagement. In 2024, 86 engagement dialogues related to human rights and labour rights with various companies were conducted.</li> <li>• Participated in PRI Advance, a PRI-led collaborative stewardship initiative on human rights.</li> <li>• Updated our country risk assessment and engaged with companies with exposure to markets identified as having elevated risks.</li> <li>• Conducted engagements with companies on human and labour rights supply chain due diligence in line with requirements in the Norwegian Transparency Act.</li> </ul> <p><u>Targets and actions planned for 2025</u></p> <ul style="list-style-type: none"> <li>• Engage with technology companies on developing robust AI ethics frameworks and human rights impact assessments for AI applications.</li> <li>• Continued participation in the collaborative engagement initiatives such as the PRI Advance.</li> <li>• Promote comprehensive human rights and environmental due diligence aligned with emerging supply legislation in Norway and the EU, emphasizing risk assessment and impact mitigation across the value chain.</li> </ul>
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\* Note:

- The scope of this statement is limited to (i) investment funds managed by DNB AM and (ii) discretionary mandates managed on behalf of individual clients. Private Equity (PE) products have not been included in the calculation. This is due to several factors, including scarcity of reported data from underlying holdings as well as data improvement priorities for 2024.
- Considering the incomplete data coverage, the PAI indicators could undermine the potential adverse impact of investments. To address limited data coverage, investee companies or countries with missing data are assigned the weighted average PAI calculated from those with available data, unless otherwise specified under the explanation column of the table. This approach assumes the weighted principal adverse impact of investee companies and countries with available data is representative of those with missing data. This may not be accurate and could underestimate or misrepresent actual impacts.
- Each PAI indicator is presented with its corresponding data coverage, measured as the current value of the portion of investments with available data relative to the current value of all investments. The calculation of coverage does not include private equity funds. The data coverage for PAI 1.6 is presented as a ratio of the current value of applicable investments within each sector.
- Principal adverse impact is only considered for investments through applicable financial instruments. Investments in currencies and related derivatives, futures, cash, interest rate derivatives, and securities lending are not considered to be directly associated with the principal adverse impact of underlying companies or countries in this report.

\*\* Note: Statements regarding actions taken, actions planned, and targets set for the next reference period are limited to instances where DNB labeled funds maintains ownership of the underlying holdings and, as such, DNB AM is in a state to exercise active ownership or to divest from the position, as appropriate.

## Description of policies to identify and prioritise principal adverse impacts on sustainability factors

### Methodology to identify and prioritize principal adverse impact

[The DNB Group Instruction for Responsible Investments](#) (Group Instruction) forms the basis of our work. The instruction seeks to ensure that DNB does not contribute to human or labor rights violations, corruption, serious environmental harm and other actions which may be perceived to be unethical. The instruction applies to all financial investments and covers all asset classes. Nevertheless, there are some specific and divergent guidelines for individual portfolio management agreements and private equity funds. Particularities of these product types are further detailed in the [DNB AM Sustainability Risk Integration Policy](#), that in line with the regulation is updated annually.

### Identifying principal adverse impact

Reducing adverse impacts of our portfolios is an integral part of our work with responsible investments in DNB AM. The starting point for reducing negative impact is identifying PAIs of investment decisions on sustainability factors. Our main tools for identification of adverse impact are screening and active ownership.

The Responsible Investments team (RI team) of DNB AM work closely with all portfolio managers and key portfolio management teams have their own dedicated analyst from the RI team. The RI team screen companies biannually, prior to inclusion into our investment universe and quarterly for benchmark rebalancing. The purpose of this screening is to uncover potential breaches of the [Group Instruction](#). The identification of negative impact intends to take into consideration the likelihood of events, the degree of severity, as well as whether the consequences are irreversible. Based on the screening, and in-house research, we highlight potential negative impacts to the portfolio managers.

Sustainability data, including PAI data, is incorporated into DNB AM's portfolio management and information systems and is available to investment professionals. The data is updated on a daily basis, and portfolio managers use this data in their financial modelling and investment decision making. The availability of this data in the front office system also often acts a flag for the portfolio managers, triggering further investigation and discussion with the RI team regarding potential adverse impact. These discussions may trigger actions such as further investigation, engagement with the company, or impact on the investment decision.

DNB AM's active ownership practices are further elaborated in the section on engagement policies.

### Prioritizing principal adverse impact

The prioritization of mitigation of PAI is based on the [Group Instruction](#) and our engagement strategy. Our engagement strategy is outlined in our [Engagement Guidelines](#), in the [DNB AM Annual Report on Responsible Investments](#) (page 21-22), and further detailed in the section on engagement policies below.

Supporting the active ownership prioritization and process are our long-term and thematic focus areas. Our long-term focus areas in 2024 were climate change, water, human rights, and biodiversity including deforestation. In addition to the long-term focus areas, our engagement strategy consists of selected shorter-term thematic focus areas, which in 2024 were human capital and artificial intelligence, and health and sustainable food systems. The focus areas are selected based on their relevance, financial materiality, and the potential for meaningful engagement with companies on these issues. The focus

areas are the backdrop of our engagement activities, and we set goals and measure achievements for each of the areas (see [DNB AM Annual Report on Responsible Investments](#) page 28).

To ensure alignment with DNB AM's priorities, the focus areas were the starting point for selecting the additional PAI indicators. Furthermore, DNB's Transition Strategy and Sustainability Policy, coverage and data quality were assessed in the selection. DNB AM has selected the following two additional indicators:

*1. Environmental Indicator: Investments in companies without carbon emission reduction initiatives – Share of investments in investee companies without carbon emissions reduction initiatives aimed at aligning with the Paris Agreement.*

This environmental indicator was selected as it is underpinning DNB AM's climate change focus area and related targets. Climate change has been defined as a long-term focus area for DNB AM since we first defined focus areas for our work on responsible investments in 2017. Our general expectations towards portfolio companies on climate are outlined in our [expectations document on climate change](#).

The indicator is supporting DNB's [transition plan](#), which was published in 2023. The ambition is to reach Net zero emissions by 2050, including from DNB's investment portfolios. DNB AM seeks to drive real-world impact in terms of emissions reductions. To reduce our emissions as an asset manager, we are dependent on emissions reductions from the companies we invest in. We have therefore been engaging with companies on setting emissions reduction targets for their operations and their value chain for years and we see this as our main lever for contributing to emissions reductions in our portfolios going forward.

*2. Social indicator: Lack of a human rights policy – Share of investments in entities without a human rights policy.*

This social indicator was selected as it is a fundamental part of DNB AM's expectations towards portfolio companies on human rights. Human rights have been defined as a long-term focus area for DNB AM since we first defined focus areas for our work on responsible investments in 2017, and we engage with companies on their adverse human rights impacts. Our general expectations to companies on human rights are outlined in the expectations document on [human rights](#).

DNB AM expects that companies develop a stand-alone public commitment to respect human rights, covering operations, supply chains and other business relationships. The policy should include how human rights are integrated into governance, strategy, risk management, goals, metrics, and reporting. It should also include measures to address salient human rights risks, including cessation.

Measuring the share of investments in entities without a human rights policy serves as a key social indicator for DNB AM. It reflects our commitment to human rights and allows us to identify and address potential risks within our investment portfolio. Companies with a robust human rights policy are more likely to manage and mitigate adverse human rights impacts effectively, thereby reducing the risk of complicity in human rights abuses.

While the indicator for the presence of a human rights policy is binary (yes/no), the reality is more granular, as the quality and implementation of these policies vary widely. Through our engagement activities, we assess and encourage companies to strengthen their human rights policies, advocating for specific commitments like ensuring living wages.

Please note that our prioritization methodology for engagements is described in the [section on engagements](#) in this document.



## Governance

The DNB Group has a well-established governance structure that is led by the Board, see page 16 in the [Annual Report for Responsible Investments](#). DNB AM is working within DNB's governance structure. Through the DNB AM Board, relevant Committees, and senior management, we further integrate sustainability risks and opportunities and other ESG considerations into decision making and business processes. Sustainability at DNB AM is addressed at senior management level through the CEO, Head of Responsible Investments, CIO Equity and CIO Fixed Income.

DNB's Committee for Responsible Investments implements and monitors the [Group Instruction](#). It is owned by the EVP Group Sustainability and approved by the Group Chief Financial Officer of DNB Bank ASA. The last version of the Group Instruction was approved in December 2023 and is available on our website. The daily responsibility to implement the Group Instruction in DNB AM lies with the RI team.

## Data processes

DNB AM's internal processes are designed to provide investment professionals with high-quality, standardized and consistent data. This data also serves transparency and reporting purposes. External data providers supply data primarily on a daily basis, which then integrates into our internal data systems. Aggregated data for each portfolio, along with company specific data, is available in our internal systems for all investment professionals.

For the fiscal year of 2024, we have aimed to use company reported data collected by external providers on PAI indicators. The reported data varies significantly across different PAI indicators in terms of data quality and coverage. Both quality and coverage are key considerations in selecting external data providers. In certain cases, we use multiple data providers to enhance coverage without compromising quality. Where sufficient coverage is lacking, reported data has been supplemented with estimated data from external providers. Additionally, DNB AM's RI team has collected company reported data where external data providers lack coverage or where the PAI indicator appears incorrect according to company reporting.

The methodology for measuring adverse impact is based on a best-effort approach and current interpretation of the regulation. Aggregated PAI indicators, as presented in this report, are calculated on the basis of the latest available information related to the investee companies and countries until the end of fiscal year 2024. To ensure comparability over time and to avoid undermining the potential adverse impact of investments, the PAI indicators represent the principal adverse impact of investee companies or countries for which data is available and not based on the total market value of all investment.<sup>4</sup> Each PAI indicator is complemented with data coverage, which is calculated on the basis of total market value of all investments, except where otherwise specified in the PAI explanation section of the PAI table.

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<sup>4</sup> For specific information about the calculation of each PAI indicator, please refer to the explanation column in the tables in the previous section.

This report is subject to several limitations that may affect the accuracy, completeness, and comparability of the data presented. This include, but is not limited to:

- The calculation of PAI indicators and other sustainability metrics relies on data from external providers, including MSCI ESG, S&P Global, and Sustainalytics. Differences in methodologies, coverage, and data quality across these sources may result in discrepancies. In addition, certain aspects of the identification and assessment of PAIs involve subjective judgement, which may introduce biases.
- Comparability across the industry is further challenged by differing interpretations of regulatory requirements and evolving market practices. Data limitations, including incomplete coverage, reliance on estimates for certain indicators, and time lags in data updates, may also affect the reliability of the aggregated figures.
- Insufficient data coverage can lead to underestimation of adverse impacts, while changes in data availability over time may distort the trend analyses. Moreover, updates to calculation methodologies between reporting periods may affect the comparability of results over time.
- The PAI indicators have been calculated based on the subset of investee companies and countries for which relevant data is available. This normalization approach was applied to avoid underestimating adverse impacts by not assuming zero impact for investments with missing data. This approach may lead to inaccuracies in the aggregated results. Where data coverage is limited, and the portion of investments without available data differs materially from those included in the calculations, the normalized values may not fully reflect the adverse impact profile of the entire portfolio. This limitation should be considered when interpreting the reported indicators.

In 2024, we have been working to increase the data coverage on PAIs for our fixed income portfolio by entering into an agreement with a new service provider. Furthermore, we have also assessed multiple third-party data providers delivering PAI data for private equity. This work has not been concluded. DNB AM aims for continuous improvement in our PAI monitoring and reporting by assessing our data providers as well as engaging with companies to encourage them to improve their reporting in this area.

**Table 4: Overview of data sources**

Adverse sustainability indicator	Primary data sources used for reporting
<b>Mandatory indicators</b>	
1. GHG emissions scope 1	MSCI ESG
1. GHG emissions scope 2	MSCI ESG
1. GHG emissions scope 3	MSCI ESG
1. GHG emissions scope 1, 2 and 3	MSCI ESG
2. Carbon footprint	MSCI ESG

3. GHG intensity of investee companies	MSCI ESG
4. Exposure to companies active in the fossil fuel sector	MSCI ESG
5. Share of non-renewable energy consumption and production	MSCI ESG
6. Energy consumption intensity per high impact climate sector	MSCI ESG
7. Activities negatively affecting biodiversity-sensitive areas	MSCI ESG
8. Emissions to water	S&P Global MSCI ESG
9. Hazardous waste and radioactive waste ratio	S&P Global MSCI ESG
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Sustainalytics
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	MSCI ESG
12. Unadjusted gender pay gap	MSCI ESG
13. Board gender diversity	MSCI ESG
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	MSCI ESG
15. GHG intensity of investee countries	MSCI ESG
16. Investee countries subject to social violations	MSCI ESG
<b>Additional indicators</b>	
4. Investments in companies without carbon emission reduction initiatives	MSCI ESG
9. Lack of a human rights policy	MSCI ESG

## Engagement policies

We practice active ownership through voting and engagement with companies our funds invest in. Our overarching aim is to influence companies to improve their practices, thereby securing long-term shareholder value and mitigating sustainability risks as well as the adverse impacts of companies, in the best interest of our clients.

### Engagement

Active ownership through engagement intend to ensure that our investments are in compliance with the [Group Instruction](#), as well as pushing companies towards best practice. Our engagement strategy is outlined in the [Engagement Guidelines](#). All the PAI indicators applicable for investee companies may be addressed in our engagement activities when considered material. Engagements may either take place directly with companies, or in collaboration with other investors, for example through our external service provider.

Engagement goals can be related to a specific incident (reactive), or they can aim to improve companies' general performance on sustainability-related processes and issues (proactive), which may otherwise lead to underperformance. This is consistent with the concept of double materiality, which speaks to the fact that issues or information that are material to environmental and social objectives may develop to have financial consequences over time.

- In general, **incident-based engagement processes** should aim to not exceed two years. If the desired outcome is not achieved, the engagement process will be evaluated and may be terminated if significant progress has not been made. Several points of action will be considered at such a point, including renewal of the objectives of engagement, or the exclusion of the relevant company/companies from our portfolios or investment universe.
- For **proactive engagements**, the aim of our dialogue is continuous improvement, and the engagement periods may therefore be more flexible and long-term.

Our engagement strategy centres on long-term and shorter-term, thematic focus areas. Our long-term focus areas rarely change as they are fully integrated into our way of working. Thematic focus areas, on the other hand, involves engagement with companies within defined areas of concern, that are more topical. Inputs to determining such focus areas include UN Sustainable Development Goals (SDGs), international initiatives, regulations, client's interests, media, and non-governmental organisations. Our approach to the different focus areas is further detailed in DNB AM's expectations documents, all publicly available on our [website](#).

Expectations documents are often the starting point for our dialogues with companies. The purpose of our expectations document is to define our expectations and asks towards companies. They serve as the basis for communicating our expectations to companies regarding best practice in terms of sustainability. The documents are approved and owned by the Head of Responsible Investments and implemented by the RI team.

For an overview of how the different PAIs are related to our expectations documents, please see Table 5. Note that several indicators are also addressed in the [Group Instruction](#) as outlined in the previous section.

**Table 5. DNB AM expectations documents with relevant PAI indicators**

<a href="#">Climate Change</a>	<ul style="list-style-type: none"> <li>• PAI 1: GHG emissions</li> <li>• PAI 2: Carbon footprint</li> <li>• PAI 3: GHG intensity</li> <li>• PAI 4: Exposure to companies active in the fossil fuel sector</li> <li>• PAI 5: Share of non-renewable energy consumption and production</li> <li>• PAI 6: Energy consumption intensity per high impact climate sector</li> <li>• Additional PAI: Investments in companies without carbon emission reduction initiatives</li> </ul>
<a href="#">Human Rights</a>	<ul style="list-style-type: none"> <li>• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> <li>• PAI 11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> <li>• PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</li> <li>• PAI 16: Investee countries subject to social violations</li> <li>• Additional PAI: Lack of a human rights policy</li> </ul>
<a href="#">Biodiversity including deforestation</a>	<ul style="list-style-type: none"> <li>• PAI 1: GHG emissions</li> <li>• PAI 2: Carbon footprint</li> <li>• PAI 3: GHG intensity</li> <li>• PAI 7: Activities negatively affecting biodiversity-sensitive areas</li> <li>• PAI 8: Emissions to water</li> <li>• PAI 9: Hazardous waste and radioactive waste ratio</li> </ul>
<a href="#">Water</a>	<ul style="list-style-type: none"> <li>• PAI 8: Emissions to water</li> </ul>
<a href="#">Sustainable Oceans</a>	<ul style="list-style-type: none"> <li>• PAI 1: GHG emissions</li> <li>• PAI 7: Activities negatively affecting biodiversity-sensitive areas</li> <li>• PAI 8: Emissions to water</li> <li>• PAI 9: Hazardous waste and radioactive waste ratio</li> <li>• Additional PAI: Investments in companies without carbon emission reduction initiatives</li> </ul>
<a href="#">Serious Environmental Harm</a>	<ul style="list-style-type: none"> <li>• PAI 7: Activities negatively affecting biodiversity-sensitive areas</li> <li>• PAI 8: Emissions to water</li> <li>• PAI 9: Hazardous waste and radioactive waste ratio</li> <li>• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> </ul>
<a href="#">Diversity and Inclusion</a>	<ul style="list-style-type: none"> <li>• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> <li>• PAI 12: Unadjusted gender pay gap</li> <li>• PAI 13: Board gender diversity</li> </ul>
<a href="#">Responsible Tax Practices</a>	<ul style="list-style-type: none"> <li>• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> </ul>
<a href="#">Health and Sustainable Food Systems</a>	<ul style="list-style-type: none"> <li>• PAI 1: GHG emissions</li> <li>• PAI 2: Carbon footprint</li> <li>• PAI 3: GHG intensity</li> <li>• PAI 7: Activities negatively affecting biodiversity-sensitive areas</li> <li>• PAI 8: Emissions to water</li> <li>• PAI 9: Hazardous waste and radioactive waste ratio</li> <li>• Additional PAI: Investments in companies without carbon emission reduction initiatives</li> <li>• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> <li>• PAI 11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> </ul>

How we prioritize our engagements is further dependent on the type of fund that have exposure to companies and/or sectors. We prioritize proactive engagements with companies that are part of actively managed funds, companies that DNB AM has a large holding in, or which DNB AM may have a large holding in in the future. For both passively and actively managed funds, incident-based engagements are conducted, when necessary, for example in connection to controversies.

DNB AM does not necessarily have to be a current holder of the companies addressed in engagements. For example, engagement with excluded companies are considered a duty to our clients to ensure that our exclusion list remain current and accurate. However, we prioritise dialogues where we directly, or in collaboration with other investors, can have the greatest impact and contribute to positive change.

DNB AM prefers promoting best practice through active ownership over exclusions, but companies may be excluded from the DNB AM investment universe if they are found to be in breach of our [Group Instruction](#) such as our product-based criteria or international norms and standards.

## Voting

Our voting guideline is to vote at all general meetings for Norwegian listed companies our funds are shareholders in. Furthermore, we aim to vote at general meetings of all listed companies we hold in our actively managed funds and all annual general meetings of listed companies where shareholder resolutions are brought forward<sup>5</sup>. We engage with boards, management and nomination committees prior or in connection to such meetings.

Our voting guidelines are defined in our [global](#) and [Norwegian](#) voting guidelines, approved by DNB AM's board. The board grants voting authority to the CEO, who can further delegate authority to the RI team at his discretion. The RI team then coordinate the voting procedures. How voting is carried out is reported to the board regularly, and voting on certain items might be discussed in board meetings when necessary. The global guidelines were last updated in December 2022, and Norwegian guidelines in December 2021.

Voting will primarily happen by proxy, but we will physically attend shareholder meetings in certain cases. Our proxy voting service provider, ISS, facilitates the voting process by providing both standard voting analyses, and analyses based on our own voting guidelines. These resources are used to inform our voting decision.

PAI indicators such as excessive CEO pay ratio (PAI 8), unadjusted gender pay gap (PAI 12) and board gender diversity (PAI 13), in addition to PAI indicators related to greenhouse gas emissions, are addressed through our voting activities. DNB AM actively engages in voting on shareholder proposals and resolutions that specifically target these issues. By voting in favor of proposals that promote fair and equitable compensation practices, advocate for reducing gender pay disparities, and encourage diverse board representation, we signal our support for companies to take concrete actions in addressing these PAIs.

DNB AM discloses voting activities at [VDS Dashboard \(issgovernance.com\)](#).

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<sup>5</sup> With the exception of DNB Global Enhanced Small Cap, where we do not vote.

## Policy Adjustments

DNB AM regularly evaluates the extent to which there has been an increase or a decrease in the PAIs. In cases where progress is insufficient, our engagement policies may be adapted in terms of engagement themes, selection of companies for engagement, and the overall engagement process, including escalation strategies and objective setting. Furthermore, if engagement efforts prove to be ineffective, DNB AM can exclude companies from our investment universe.



## References to international standards

In the next paragraphs, the internationally recognized standards with a concrete link to the PAIs are outlined.

### Paris Agreement

#### Link to sustainability indicators

- PAI 1: GHG emissions
- PAI 2: Carbon footprint
- PAI 3: GHG intensity
- PAI 4: Exposure to companies active in the fossil fuel sector
- PAI 5: Share of non-renewable energy consumption and production
- PAI 6: Energy consumption intensity per high impact climate sector
- Additional PAI: Investments in companies without carbon emission reduction initiatives

#### Methodology and data used

DNB AM strives to make a meaningful contribution towards the goals of the Paris Agreement, in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As part of this, in 2021, the DNB Group announced the ambition to have Net zero emissions from financing and investment activities by 2050. This was followed by the launch of a transition plan in 2023. DNB AM's related goals are:

- Increasing total AUM in sustainability-themed funds and portfolios to NOK 200 billion by 2025.
- In 2025, at least 50 per cent of net flows will go to sustainability-themed funds and portfolios.
- 58 per cent of AUM in companies that have set a science-based target in 2030.
  - Engage with high emitting companies on climate, starting with the 30 companies with the largest contribution to DNB AM's Weighted Average Carbon Intensity (WACI) in 2023.
  - Report on the number of climate-related proposals we have voted on at general meetings.

At a global level, to limit warming, net total GHG emissions emission must move to zero. To achieve this, the companies responsible for these emissions must reduce them. We will continue to leverage our role as an active owner and work with companies to reduce their emissions and target Net zero by 2050 within a recognized, scientifically developed carbon budget.

We have set a target based on the baseline AUM with science-based targets (SBTs) at year-end 2022. A linear path was drawn to 100 per cent in 2040, giving a target for 2030 of 58 per cent of AUM with science-based targets. We have set the target deadline in 2040, as that year is the last chance for companies if they are going to reach their target in 2050 given the 5–10-year timeline of short-term climate targets. This is in line with renowned methodologies such as the SBTi's portfolio coverage approach for the Financial Sector. DNV Supply Chain Business Assurance Services UK Limited performed a third-party science-based target alignment assessment of DNB's 2030-targets in 2024, including DNB AMs target, finding it to be set in line with science.

For company targets in DNB AMs assessments of companies in our portfolios to be considered science-based, they should be approved by the SBTi. However, DNB AM may accept targets that are not SBTi approved but that are science-based. We have developed an in-house framework to review companies' science-based targets and can accept targets and actions by companies that meet our criteria. The

framework was developed using the framework of Climate Action 100+, along with input from other sources including the Carbon Disclosure Project (CDP), the Institutional Investors Group on Climate Change (IIGCC), the TCFD, Transition Pathway Initiative (TPI) and the SBTi.

DNB AM managed funds contain companies across all sectors, from those offering climate solutions to those in hard-to-abate sectors with high emissions. While DNB AM expects all companies to set emission reduction targets and make efforts to reduce emissions, the scale of emission reductions is dependent on the technological feasibility of the sector. For this purpose, assessments of the science-based emission reduction potential of companies are important when discussing the setting of targets.

To assess the alignment of the funds we manage, DNB AM measures the WACI daily. The data for these calculations are sourced primarily from MSCI ESG and supplemented with other sources in situations where data is not available from the data providers.

To undertake the climate scenario analysis, DNB AM uses the MSCI ESG CVaR assessment tool. The output is a forward-looking CVaR metric comprised of an assessment of policy risk, transition opportunities, and physical risks. The CVaR assessment aims to “measure the potential impact of different climate scenarios on individual securities’ valuation” and provides a percentage value of the potential impact resulting from climate change under each scenario. These security level results are then aggregated up to the fund level to provide a fund level CVaR. Please see the [Annual Report on Responsible Investments](#) (page 36-40) for more information.

DNB AM’s expectations towards companies as well as references to international standards on climate change is further detailed in our [expectations document on climate change](#).

## UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights

### **Link to sustainability indicators**

- PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises)
- Additional PAI: Lack of a human rights policy

### **Methodology and data used**

Engagement with companies and the exercise of ownership rights shall be based on international norms and standards, including the UN Global Compact (UNGC), and the OECD Guidelines for Multinational Enterprises, and be consistent with the United Nations Guiding Principles on Business and Human Rights.

Active ownership and screening, as detailed in previous sections of this document, is conducted to uncover actual or potential breaches of the [Group Instruction](#) and internationally recognized standards and conventions. Companies that are in breach with our [Group Instruction](#) and which show unwillingness to change, may be excluded from our investment universe.

Relevant data sources include the Sustainalytics Global Standards Screening and Controversy screening. We also use data on controversies from MSCI ESG.

DNB AM’s expectations towards companies, as well as references to international standards on human rights, is further detailed in our [expectations document on human rights](#).

## Taskforce on Nature-related Financial Disclosures (TNFD)

### Link to sustainability indicators

PAI 7: Activities negatively affecting biodiversity sensitive areas

### Methodology and data used

Managing the impact on biodiversity arising from our portfolio is an important part of our work on responsible investments. Some of the challenges for investors and companies in fighting biodiversity loss have been the local nature of biodiversity challenges, the lack of good data and metrics, no broadly accepted assessment tools, and no globally accepted reporting standards. TNFD is a key initiative that might help solve these challenges. After several years of work, the TNFD recommendations were launched in September 2023. The TNFD complements the TCFD climate-related framework, to give companies and financial institutions a more complete picture of their environmental risks and opportunities. DNB AMs TNFD reporting can be found in our [Annual Report for Responsible Investments](#) (page 47-51).

To ensure adherence to international standards on biodiversity, DNB AM has signed the multiyear global initiative Finance for Biodiversity Pledge. As part of this initiative, we are committed to work on many aspects of biodiversity, including setting targets, development of metrics, engagements, collaboration, and progress reporting. In 2024, we published a [policy document](#), outlining four targets for our work with biodiversity:

- Assess and quantify biodiversity impacts and dependencies.
  - Yearly assessment as part of our annual reporting including all managed equity funds.
- Engage companies in the most material industries (impact and dependencies).
  - End of 2027: Engaged at least 40% of AUM in the most material industries.
  - End of 2030: Engaged at least 50% of AUM in the most material industries.
- Provide education in biodiversity topics for all employees in DNB AM.
  - At the end of 2024 all employees in DNB AM received relevant training in biodiversity related topics and obtain a specific sustainability certification covering a broader range of sustainability topics.
- Aim to set targets for AUM in companies with biodiversity related commitments.
  - No specific target formulated yet because of challenges with the lack of global consensus on relevant commitments as well as the level of maturity of several frameworks for setting targets.

To complement this work, we are part of the UNEP FI Sustainable Blue Economy Initiative, which promotes “blue” healthy economy/ocean-related activities. Furthermore, DNB Group is also a member of Partnership for Biodiversity Accounting Financials (PBAF). The PBAF will help DNB AM assess and disclose impact and dependencies on biodiversity related to investments. Several of the European Union’s regulatory initiatives of which we report in line with, including the Taxonomy, CSRD and the SFDR, also contain biodiversity elements and metrics.

Relevant data sources include MSCI ESG.

DNB AM’s expectations towards companies as well as references to international standards on biodiversity is further detailed in our [expectations document on biodiversity](#), which is closely linked to our expectations documents on [water](#), [oceans](#) and [health and sustainable food systems](#).

## The G20/OECD Principles of Corporate Governance

### Link to sustainability indicators

- PAI 8: Excessive CEO pay ratio
- PAI 12: Unadjusted gender pay gap
- PAI 13: Board gender diversity

### Methodology and data used

The G20/OECD Principles of Corporate Governance is important in DNB AM's capacity of shareholder. The principles establish recommended practices and expectations with respect to shareholder rights, the role of stakeholders, the responsibilities of the board of directors and disclosure.

DNB AM utilizes two sets of voting guidelines:

- [Global Voting Guidelines](#)
- [Norwegian Voting Guidelines](#)

DNB AM's [Global Voting Guidelines](#) build on best practice within active ownership, including the G20/OECD Principles of Corporate Governance. The [Group Instruction](#) forms the basis for our approach to voting at shareholder meetings globally. DNB AM's previously mentioned expectations documents also help to inform voting decisions.

Our [Norwegian Voting Guidelines](#) are specifically based on the Norwegian Code of Practice for Corporate Governance. The purpose of the Code of Practice is to clarify the respective roles of shareholders, board of directors and executive officers beyond the requirements of the legislation. The Code of Practice has been produced and published by the Norwegian Corporate Governance Board (NUES). The Norwegian Voting Guidelines are also influenced by the [Group Instruction](#) and our expectations documents.

The voting guidelines are applied on a case-by-case basis to cater to the specific circumstances of individual companies. The purpose is to support long term shareholder value and to act responsibly on behalf of our unit holders towards individual companies, shareholder communities and the society as a whole.

Relevant data sources include ISS and MSCI ESG.

For information on our voting process, please see section "Engagement policies".

## Historical comparison

Due to a change in reporting scope from 2022 to 2023, 2024 is the first year we have comparable data and the first time we have included a historical comparison in our reporting. The historical comparison is included in a separate table set out below.<sup>6</sup> We have observed an overall increase in data coverage for most PAIs, which may impact the results. Additionally, variations can arise from changes in the weight of funds within the total portfolio, fluctuations in sector weights driven by market developments, and shifts in the weighting of individual companies within the funds.

Adverse sustainability impact indicator		Metric	Impact 2024	Impact 2023	Impact 2022	Impact 2021	Impact 2020
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1 544 947 tonnes	1 374 923 tonnes	N/A	N/A	N/A
		Scope 2 GHG emissions	359 433 tonnes	320 278 tonnes	N/A	N/A	N/A
		Scope 3 GHG emissions	17 237 837 tonnes	14 668 268 tonnes	N/A	N/A	N/A
		Total GHG emissions	19 142 207 tonnes	16 360 077 tonnes	N/A	N/A	N/A

<sup>6</sup> The impact information for 2023 and 2024, respectively, is also included in the tables under the section "Description of the principal adverse impacts on sustainability factors" above.

	2. Carbon footprint	Carbon footprint	340 tonnes per million EUR invested	379 tonnes per million EUR invested	N/A	N/A	N/A
	3. GHG intensity of investee companies	GHG intensity of investee companies	701 tonnes per million EUR sales	784 tonnes per million EUR sales	N/A	N/A	N/A
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6.21 %	8.17 %	N/A	N/A	N/A
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	58.86 % Non-renewable energy consumption	63.97 % Non-renewable energy consumption	N/A	N/A	N/A
			59.04 % Non-renewable energy production	46.82 % Non-renewable energy production	N/A	N/A	N/A
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Sector A: 0.45 Sector B: 0.94 Sector C: 0.37 Sector D: 4.16 Sector E: 0.83 Sector F: 1.15 Sector G: 0.25 Sector H: 2.46 Sector L: 0.57	Sector A: 0.27 Sector B: 4.11 Sector C: 0.47 Sector D: 2.39 Sector E: 1.00 Sector F: 0.61 Sector G: 0.09 Sector H: 1.83 Sector L: 0.44	N/A	N/A	N/A
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	5.83 %	0.01 %	N/A	N/A	N/A

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.03 tonnes per million EUR invested	0.03 tonnes per million EUR invested	N/A	N/A	N/A
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	9.1 tonnes per million EUR invested	16.76 tonnes per million EUR invested	N/A	N/A	N/A
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.16 %	0.50 %	N/A	N/A	N/A
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	1.06 %	34.69 %	N/A	N/A	N/A
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.74 %	13.09 %	N/A	N/A	N/A
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	38.74 %	38.82 %	N/A	N/A	N/A



	14. Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00 %	0.00 %	N/A	N/A	N/A
Environmental	15. GHG intensity	GHG intensity of investee countries	147.48 tonnes per million EUR GDP of investee countries	214.44 tonnes per million EUR GDP of investee countries	N/A	N/A	N/A
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0 countries 0.00 %	0 countries 0.00 %	N/A	N/A	N/A
Additional climate and other environment-related indicators/Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters							
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	47.63 %	26.67 %	N/A	N/A	N/A
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	4.40 %	3.65 %	N/A	N/A	N/A

## Change log

Date	Version number	Comments / changes
10 March 2021	Version 1.0	<ul style="list-style-type: none"> <li>First PAI Statement published</li> </ul>
30 June 2022	Version 2.0	<ul style="list-style-type: none"> <li>Name of document changed from "Statement on Due Diligence Policy" to "Principal Adverse Impact Statement"</li> <li>Updated structure of document according to SFDR RTS.</li> </ul>
01 January 2023	Version 3.0	<ul style="list-style-type: none"> <li>Minor changes to the text regarding specifying PAI considerations on product and entity-level.</li> </ul>
30 June 2023	Version 4.0	<ul style="list-style-type: none"> <li>Significant changes to align the document to SFDR regulatory technical standards ("RTS") requirements, as laid out in Annex 1 of the delegated regulation ("Delegated Regulation") supplementing Regulation (EU) 2019/2088. First reporting on PAI indicators on entity level for the reference period 01 Jan 2022 to 31 Dec 2022.</li> </ul>
30 June 2024	Version 5.0	<ul style="list-style-type: none"> <li>Updated reporting scope from DNB AM S.A. to DNB AM AS. Updated data, action taken and targets for PAI indicators, updated links to relevant documents, updated methodology for selecting additional indicators, plus minor changes to the text.</li> </ul>
30 June 2025	Version 6.0	<ul style="list-style-type: none"> <li>Updated data, action taken and targets for PAI indicators, updated links to relevant documents, plus minor changes to the text.</li> <li>Added section on historical comparison in line with RTS Art. 10.</li> </ul>

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