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.[1]

Denne erklæringen om PAI av investeringsbeslutninger på bærekraftsfaktorer dekker referanseperioden fra 1. januar 2023 til 31. desember 2023.

Denne erklæringen gjelder for DNB AM og kreves i henhold til EUs offentliggjøringsforordning (SFDR)[2]. 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 2023, inkludert settet med mål for 2024. 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.

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.

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

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[1] 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 begrenset tilgjengelighet og kvalitet på data i segmentets investeringsunivers. Av samme grunner er ikke fond-av-fond-aktiva investert i investeringsfond som ikke forvaltes av DNB AM inkludert. DNB AM har som mål å samle inn disse manglende dataene fra eksterne forvaltere ved å bruke European ESG Template (EET) i fremtiden og inkludere dem i fremtidige beregninger.

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

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 defined by the SFDR RTS, along with their respective impacts and associated actions, are set out in the tables below.

Table 1: Indicators applicable to investments in investee companies

Indicators applicable to investments in investee companies					
Adverse sustainability impact indicator	**Metric**	**Impact 2023**	**Impact 2022**	**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	1 374 923 tonnes	N/A	PAI indicators related to GHG 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. The PAI indicators for carbon footprint and GHG intensity is measured as the weighted carbon emissions relative to enterprise value and revenues respectively, of investee companies for which data is available. Total coverage is 71%, 71% and 77% for GHG emissions, carbon footprint and GHG intensity respectively.	Actions taken in 2023 • More than 60 engagements with companies on the topic of climate change. A key discussion point has been emissions reduction target setting, including supply chain emissions. • Engaged the most significant contributors to DNB AM's Weighted Average Carbon Intensity (WACI). • Developed and launched the DNB transition strategy that is an important strategic tool to help us understand the business implications of our Net zero commitment, and to navigate the challenges and opportunities presented by the transition to a low-carbon economy. The DNB transition strategy include specific targets set for DNB AM. • Developed a framework for assessing companies on strength of emission reduction targets. • Contributed to Finance Norway's working group on financed emissions, resulting in the publication of the report: "Veileder for beregning av finansierte klimagassutslipp" (in Norwegian). • A new phase of the Climate Action 100+ work started in September 2023. DNB AM participated in the initial meeting with the engagement group for Equinor. Targets and actions planned • Increase the assets under management in sustainability-themed funds to NOK 200 billion by 2025. • 50 per cent of net inflows are targeted to be allocated to sustainability-themed funds by 2025. • In 2030, 58 per cent of assets under management should be in companies that have set a science-based target. •Engage with high emitting companies on climate, including the 30 companies with the largest contribution to DNB AM's WACI in 2024. • Continued collaborations with investors groups for greater impact, including participation in Climate Action 100+ in the second phase in 2024.
	Scope 2 GHG emissions	320 278 tonnes	N/A		
	Scope 3 GHG emissions	14 668 268 tonnes	N/A		
	Total GHG emissions	16 360 077 tonnes	N/A		
	2. Carbon footprint — Carbon footprint	379 tonnes per million EUR invested	N/A		
	3. GHG intensity of investee companies — GHG intensity of investee companies	784 tonnes per million EUR sales	N/A		
	4. Exposure to companies active in the fossil fuel sector — Share of investments in companies active in the fossil fuel sector	8.17 %	N/A	MSCI ESG is the primary data source for companies active in the fossil fuel sector. The PAI indicator is measured as the weighted portion of investee companies active in the fossil fuel sector for which data is available. Total data coverage is 77% for the PAI indicator.	

					• Increased reporting of DNB AM's own emissions, and utilisation of forward-looking metrics in assessment of companies' trajectories. • Release an updated climate expectation document.
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	63.97 %	N/A	MSCI ESG is the primary data source for companies' non-renewable energy consumption and production. The aggregated indicators are measured as the weighted average share of non- renewable energy consumption and production of investee companies for which data coverage is available. The data coverage is 45% and 2% for share of non-renewable energy consumption and production respectively.	
		46.82 %	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: 0.27 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	MSCI ESG is the primary data source for companies' energy consumption intensity. The aggregated indicator is measured as the weighted average energy consumption intensity of investee companies for which data is available within each sector. 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%, 90%, 91%, 76%, 91%, 35%, 79%, 48%, and 88% 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	0.01%	N/A	MSCI ESG is the primary data source for biodiversity data for investee companies. The aggregated indicator is measured 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. Total data coverage is 77% for the PAI indicator.	Actions taken in 2023 • Biodiversity was upgraded to a long-term focus area in 2023, and engagement activities were intensified, with more than 40 engagements on the topic, both alone and in investor collaborations. • Participated in investor collaborations such as FAIRR initiatives, the Working Group on Responsible Mining, the Mining & Tailings Safety Initiative, and the Investor Working Group for a Deforestation-free Automotive Industry. • Broad knowledge sharing including meetings and a roundtable targeting a Chinese audience (together with the Rainforest Foundation). • Initial TNFD-aligned reporting in the 2023 reporting, utilising learnings from TCFD, the Finance for Biodiversity Pledge, and PBAF. • Joined the Nature Action 100 initiative where the initial engagement activities have started. Targets and actions planned for 2024 • Further progress on the commitments of the Finance for Biodiversity Pledge, including target setting, metrics, engagements, reporting and knowledge sharing. • Take active part in the company engagements of Nature Action 100, as well as other relevant investor collaborations, including FAIRR. • Advance the use of the TNFD framework with regards to target setting, reporting and engagements.
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	N/A	S&P Global Sustainable1 is the primary data source for companies' emission to water, while MSCI 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. The ratio is measured as the weighted average tonnes of emissions per million EUR invested in companies for which data is available. Total data coverage is 23% for the PAI indicator.	Actions taken in 2023 • Engaged with mining companies on issues such as tailings management and progress towards conformance with the Global Industry Standard on Tailings Management. • Joined the Global Investor Commission on Mining 2030, formerly known as the Mining and Tailings Safety Initiative. • Engaged companies through the ChemSec investor initiative with the aim of reducing the adverse impacts of emissions to water. • Engaged with leading technology companies concerning water management and water risk assessments of the supply chain. The engagements addressed issues related to water for data centers and production of semiconductors. • Conducted the fourth consecutive questionnaires sent out to Norwegian fixed income issuers in the utilities sector. The questionnaire is used to assess companies' performance on sustainability topics including water. Targets and actions planned for 2024 • Continue proactive engagements on water, prioritising companies and sectors that are water intensive and impacting water quality. • Continued participation in collaborative engagements such as the Global Investor Commission on Mining 2030 and the ChemSec investor initiative. • Engage with companies on the alignment to the ambitions of the Global Plastic Treaty coalition.

| V: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 | 16.76 tonnes per million EUR invested | N/A | S&P Global Sustainable1 and MSCI ESG are the primary data sources for companies' generation of hazardous waste and radioactive waste, and MSCI 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.

The ratio is measured as a weighted average tonnes of emissions per million EUR invested in companies for which data is available.

Total data coverage is 39% for the PAI indicator. | Actions taken in 2023
 • 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.
• Engagements with several mining companies on the topic of hazardous waste, including wastewater treatment. DNB AM is expecting portfolio companies to ensure strong practices for managing toxic waste and emissions, in addition to demonstrate impact of R&D spend to reduce radioactivity of waste produced.
• Engaged with a leading chemical manufacturer on per- and polyfluoroalkyl substances (PFAS). DNB AM expect that companies provide a detailed plan for the phase-out and risks that might impact the feasibility of the phase-out. In addition, evidence that substitutes to PFAS do not pose adverse impact to the environment should be provided. All substitutes for PFAS should be tested and verified in line with best practice.
• Addressed toxic emissions and waste from the pharmaceutical industry. Company engagements on the topic aimed to encourage companies to set targets for toxic emissions and waste and ensure that audits are being conducted.

Targets and actions planned for 2024
• Continued support of the ChemSec investor initiative on hazardous chemicals.
• Continue engaging with relevant companies to drive the reduction of hazardous and radioactive waste. |

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	0.50 %	N/A	Sustainalytics is the primary data source. The aggregated indicator is measured 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. Total data coverage is 86% for the PAI indicator. Note that DNB AM conduct internal research or use complementary data sources where data from Sustainalytics is missing, to ensure no investments are made in companies that violate global international norms and standards. This is in line with requirements from the Group Instruction. All investments are screened on a continuous basis. If a company is suspected of acting contrary to the DNB Group Instruction for Responsible Investments, we will assess if an actual violation has occurred. If confirmed, we will, dependent on the severity of the breach, either exclude the company directly or actively encourage the company to rectify actions and improve processes to prevent future incidents. DNB AM prefer to promote best practice over exclusions, but when active ownership does not lead to an acceptable solution, a company may be excluded from our investment universe.	Actions taken in 2023 • Exclusion of seven companies considered to have violated norms-based criteria defined in the DNB Group Instruction for Responsible Investments. Among these exclusions, one company was found to have caused environmental harm, while five companies were found to have violated human rights. One company is excluded due to critical violation of basic ethical norms, connected to petroleum prospecting offshore Western Sahara. • Developed country risk assessment tool to guide engagements with companies operating in high-risk markets. • Conducted assessment and reporting in line with the Norwegian Transparency Act. • Updated our DNB AM's publicly available expectations to companies on human rights. Targets and actions planned for 2024 • Continued screening and assessment of exclusion criteria connected to verified violations. • Continued engagement with companies with verified or alleged violations of UNGC principles.
	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	34.69 %	N/A	MSCI ESG is the primary data source. The aggregated indicator is measured 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. Total coverage is 77% for the PAI indicator.	Actions taken in 2023 • In 2023, over 100 engagement dialogues related to human rights and labour rights with various companies were conducted, either directly or together with other stakeholders and investors. 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 engagement. Targets and actions planned for 2024 • 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.

12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.09 %	N/A	MSCI ESG is the primary data source for companies' unadjusted gender pay gap. The aggregated indicator is measured as the weighted average gender pay gap of investee companies for which data is available. Note that company reporting on gender pay gap is limited. Total coverage is 24% for the PAI indicator.	Actions taken in 2023 • In 2023, Human capital was introduced as a new thematic focus area, including Diversity, Equity and Inclusion (DEI) initiatives 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 global and Norwegian Voting Guidelines. • DEI was a central topic 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 recommendations from BUFDIR on "the activity duty and the duty to issue a statement", outlined in the Equality and Anti-Discrimination Act. • The importance of DEI in shareholder resolutions was considerable, though DEI is also important considerations in numerous votes on board composition under ordinary voting items. The shareholder resolutions are typically asking for more transparency on issues such as diversity in the workplace, gender/racial pay gap, and efforts to prevent discrimination, abuse, and harassment. DNB AM has voted on several shareholder resolutions with implications for DEI, in addition to carrying out engagements on human capital.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	38.82 %	N/A	MSCI ESG is the primary data source for companies' board gender diversity. The aggregated indicator is measured as the weighted average gender pay gap of investee companies for which data is available. Total coverage is 77% for the PAI indicator.	Targets and actions planned for 2024 • Launch updated expectations document on human capital, which includes DEI. • Continue to address DEI in active ownership activities.
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 %	N/A	MSCI ESG is the primary data source for companies' exposure to 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 DNB Group Instruction for Responsible Investment. The aggregated indicator is measured as the weighted portion of investee companies with exposure to controversial weapons, relative to the portion of investee companies for which data is available. DNB AM is continuously screening the investment universe for exposure to controversial weapons, as well as companies outside the investment universe before any investment is made. We conduct internal research and use complementary data sources to fill gaps 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. If a holding with exposure to controversial weapons is detected, the RI team conducts further analysis. The findings are then presented to the Committee for Responsible Investments, which determines the appropriate actions. Total coverage is 77% for the PAI indicator.	Actions taken in 2023 • Screening and strict exclusion criteria. Targets and actions planned for 2024 • Continuous screening and strict exclusion criteria. Exclusion criteria: The DNB Instruction for Responsible Investments 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.

Table 2: Indicators applicable to investments in sovereigns and supranationals

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability impact indicator		Metric	Impact 2023	Impact 2022	Explanation*	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	214.44 tonnes per million EUR GDP of investee countries	N/A	MSCI ESG is the primary data source for GHG intensity of investee countries. The aggregated indicator is measured as the weighted average GHG emission intensity of investee countries for which data is available. Data is available for 5% of all investments for the PAI indicator, which corresponds to approximately 94% of eligible investee countries.	Actions taken in 2023 • Gathered data to make calculations on the carbon intensity of our government bonds. • Engaged with companies regarding their GHG emissions reduction targets, which will impact the overall carbon intensity of the countries in which they are based. Targets and actions planned for 2024 • 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.
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 %	N/A	MSCI ESG is the primary data source for companies' subject to social violations. The aggregated indicator is measured as the weighted portion of investee countries subject to social violations, for which data is available. Data is available for 2% of all investments for the PAI indicator, which corresponds to approximately 94% of eligible investee countries. All investments into sovereign debt securities are screened for sanctions outlined by the United Nations Security Council.	Actions taken in 2023 • Screening and strict exclusion criteria. • Targeted engagements towards companies operating in high-risk regions and areas. • Developed country risk assessment tool to guide engagements with companies operating in high-risk markets. Targets and actions planned for 2024 • Continuous screening and strict exclusion criteria on social violations. Exclusion criteria: 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.

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 2023	Impact 2022	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	26.67 %	N/A	MSCI ESG is the primary data source for companies without carbon emission reduction initiatives. The metric is calculated based on reported and estimated data. The aggregated indicator is measured as the weighted portion of investee companies without carbon emission initiatives, for which data is available. Total coverage is 72% for the PAI indicator.	See PAI 1-6 for climate related actions and targets. DNB Asset Management 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.
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 2023	Impact 2022	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	3.65 %	N/A	MSCI ESG is the primary data source on companies without a human rights policy. The aggregated indicator is measured as the weighted portion of investee companies without human	Actions taken in 2023 • Lack of a human rights policy is considered a deviation from best practices and serves as a basis for initiating engagement. Within the human rights topic, we conducted over 100 engagement dialogues with various companies in 2023.

| | | | | | rights policies, for which data is available. For information about the limitations of the PAI indicator, refer to the section on prioritising principal adverse impact.

Total coverage is 77% for the PAI indicator. | • Participated in a collaborative engagement as part of Advance, a PRI-led collaborative stewardship initiative on human rights.
• Engaged with companies with exposure to markets identified as having elevated risks in the country risk review.
• Conducted engagements with companies on human and labour rights supply chain due diligence in line with requirements in the Norwegian Transparency Act.
• Utilised Global Child Forum data for screening companies for human rights engagements.
• Updated DNB AM's publicly available expectations on human rights.

Targets and actions planned for 2024
• Continue participation in PRI Advance.
• Further expand engagements on human rights supply chain due diligence.
• Continue engagements with the investor collaboration KnowTheChain. |

Note:
- Considering the incomplete data coverage, the PAI indicators could undermine the principal adverse impact of the investments. The PAI indicators are calculated based on the portion of investee companies or countries for which data is available and not based on all investments.
- All calculations exclude investments in Contract for Differences (CFDs) from the numerator as these financial instruments are primarily used for obtaining short exposure to underlying investee companies. Other derivatives with short positions are also excluded from the calculation of the numerator. 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.
- 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 external funds or internal 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.

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

Methodology to identify and prioritise 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.

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 RI team works closely with all portfolio managers and key portfolio management teams have their own dedicated analyst from the RI team. The RI team screen companies prior to inclusion into our investment universe, quarterly for benchmark rebalancing, and on a weekly and daily basis for changes to ESG-ratings or alerts on potential and realised breaches in international norms and standards.

The purpose of the 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 in addition to the portfolio managers receiving alerts on controversial issues directly.

Sustainability data, including PAI data, is incorporated into DNB AM's portfolio management and information systems and is available to investment professionals. 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.

Prioritising principal adverse impact
The prioritisation 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 28), and further detailed in the section on engagement policies below.

Supporting the active ownership prioritisation and process are our long-term and thematic focus areas. Our long-term focus areas in 2023 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 are oceans, human capital, 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](#) from page 38).

To ensure alignment with DNB AM's priorities, the focus areas were the starting point for selecting the additional PAI indicators. Furthermore, 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 the 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 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 the 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 prioritisation methodology for engagements is described in section 5.

Governance

The DNB Group has a well-established governance structure that is led by the Board, see page 23 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 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 & Head of Group Sustainability and approved by the Group Chief Executive 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, standardised and consistent data. This data also serves transparency and reporting purposes. External data providers supply data primarily on a daily basis via FTP delivery, 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 2023, we have aimed to use company reported data 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 indictors, 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 2023. 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.[3] Each PAI indicator is complemented with data coverage, which is calculated on the basis of total market value of all investments.

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[3] For specific information about the calculation of each PAI indicator, please refer to the explanation column in the tables in the previous section.

Note that there are several limitations in our methodology for calculating and assessing PAI indicators. These include, but are not limited to:

- Our reported data relies on MSCI ESG, S&P Global Sustainable1 and Sustainalytics, just three of several data providers in the market. Variations in data and methodologies employed by different providers can lead to discrepancies in the reported PAI across sources.
- Subjective judgements in identifying and assessing PAI introduce the possibility of biases and inconsistencies.
- Variations in the interpretation of regulation across the industry reduce comparability.
- Limitations related to data availability and potential delays in reflecting the most current assessments.
- Several of the reported PAI indicators rely on estimated data which could lead to inaccurate aggregated figures.
- For indicators with insufficient data coverage, the aggregated PAI indicator could undermine the adverse impact of the investments.
- Changes to the data coverage for later PAI statements could result in a misleading evolution over time, as we expect the coverage to increase as companies begin reporting on relevant metrics.
- The PAIs are calculated based on the portion of the investee companies and countries with available data and not based on all investments, to avoid underestimating the adverse impact. However, insufficient data coverage of certain PAI indicators could generate inaccurate normalised aggregates, where the portion of the investments missing data is significantly different from the portion included in the data coverage.

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 been excluded from the statement due to limited data availability and quality in the segment's investment universe. For the same reasons DNB AM has not included fund-of-fund assets invested in investment funds not managed by DNB AM. DNB AM aims to collect these missing data from external managers by utilising the European ESG Template (EET) going forward and include them in future calculations.

Our priority for 2024 is to increase the coverage and quality of sustainability data, and specifically data on PAIs. We expect improvements in the quantity and quality of the data going forward, especially following the application of the expanded scope of sustainability reporting obligations for investee companies as is expected under the Corporate Sustainability Reporting Directive (CSRD). 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 source used for reporting
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 Sustainable1
9. Hazardous waste and radioactive waste ratio	S&P Global Sustainable1 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
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 as a 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.

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 criteria towards companies. The documents consist of descriptions of our interpretation of the [Group Instruction]() and defines our expectations towards companies we invest in or plan to invest in, and further, describes how DNB AM assesses companies once an issue has occurred. 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 4. 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

DNB AM expectations document	Relevant PAI indicators
Climate Change	• 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
Human Rights	• 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 • PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) • PAI 16: Investee countries subject to social violations • Additional PAI: Lack of a human rights policy
Biodiversity including deforestation	• PAI 1: GHG emissions • PAI 7: Activities negatively affecting biodiversity-sensitive areas • PAI 8: Emissions to water • PAI 9: Hazardous waste and radioactive waste ratio
Water	• PAI 8: Emissions to water
Sustainable Oceans	• PAI 1: GHG emissions • PAI 7: Activities negatively affecting biodiversity-sensitive areas • PAI 8: Emissions to water • PAI 9: Hazardous waste and radioactive waste ratio • Additional PAI: Investments in companies without carbon emission reduction initiatives
Serious Environmental Harm	• PAI 7: Activities negatively affecting biodiversity-sensitive areas • PAI 8: Emissions to water • PAI 9: Hazardous waste and radioactive waste ratio • PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Diversity and Inclusion	• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises • PAI 12: Unadjusted gender pay gap • PAI 13: Board gender diversity
Responsible Tax Practices	• PAI 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

How we prioritise our engagements is further dependent on the type of fund that have exposure to companies and/or sectors. We prioritise 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. 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 DNB Instruction for Responsible Investments 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. 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. The RI team then coordinate the voting guidelines and voting procedures. How voting is carried out is reported to the board, 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)](#).

Policy Adjustments

DNB AM regularly evaluates the extent to which there has been 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 recognised 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 to NOK 200 billion by 2025.
- In 2025, at least 50 per cent of net flows will go to sustainability-themed funds.
- 58 per cent of AUM in companies that have set a science-based target in 2030.
  - Engage with high emitting companies on climate, including the 30 companies with the largest contribution to DNB AM's Weighted Average Carbon Intensity (WACI) in 2024.
  - 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 recognised, 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.

For company targets 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 80) 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 recognised 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. Our first attempt at TNFD-aligned reporting can be found at page 61 in our [Annual Report on Responsible Investments.](#)

To ensure adherence to international standards on biodiversity, DNB AM has signed the Finance for Biodiversity Pledge, a multiyear global initiative. 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. 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 became 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, 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 and oceans.

The G20/OCED 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 utilises 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

RTS Art. 10 is non-applicable as of 2024 due to changed reporting scope from 2023. Historical comparison will be provided in the next statement.

Change log

Date	Version number	Comments / changes
10 March 2021	Version 1.0	• First PAI Statement published
30 June 2022	Version 2.0	• Name of document changed from "Statement on Due Diligence Policy" to "Principal Adverse Impact Statement" • Updated structure of document according to SFDR RTS.
01 January 2023	Version 3.0	• Minor changes to the text regarding specifying PAI considerations on product and entity-level.
30 June 2023	Version 4.0	• 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.
30 June 2024	Version 5.0	• 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.

DNB