

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant SKAGEN AS (5493000QVDNLYZSXR67)

Summary

SKAGEN AS (5493000QVDNLYZSXR67) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts of investment decisions on sustainability factors of SKAGEN AS (5493000QVDNLYZSXR67) and includes SKAGEN SICAV products.

This statement on principal adverse impacts of investment decisions on sustainability factors covers the reference period from 1 January to 31 December 2022.

Summary of principal adverse impact statement:

As a member of Storebrand Asset Management As ("SAM" Group), all of SKAGEN's products are committed to adhering to the group-wide exclusion list ('Storebrand Standard'), which comprises a comprehensive set of exclusion criteria. These exclusion criteria are the first filter applied to reduce and manage the principal adverse impacts of the investment activity of the products in the wider group. Alignment with exclusion criteria and management of the most harmful principal adverse impacts is enforced and executed both at SAM level and at SKAGEN level on a routine basis in accordance with our Sustainable Investment Policy, SFDR disclosures and internal routine description document. Beyond the Storebrand Standard, SKAGEN's equity funds apply an ESG Integration Strategy throughout the investment process which places the products under SFDR Art 8 ('light-green') reporting and disclosure requirements. Financially material principal adverse impacts are considered, measured, and documented at various stages of the investment decision making process as part of our ESG Integration Process, exclusion criteria and materiality matrix. This is documented in quarterly screening controls and in the ESG factsheets and further summarized in external reporting (SFDR Periodic Report and Annual Sustainability Report).

Information on the principal adverse impacts of our funds' investments for the reference period from 1 January to 31 December 2022 will be reported, subject to data availability and quality, by 30 June 2023.

¹⁶ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13

Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the SFDR are set out in Table 1 below. These indicators must be considered to ensure that adverse impacts on key sustainability factors are taken into consideration. For each of these indicators, we include information on actions taken to manage the principal adverse impacts identified.

Information about the funds' investments on these indicators will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period from 1 January to 31 December of the preceding year. Information on year-on-year change compared to previous year(s) will commence by 30 June 2024, and continue to be provided on an annual basis.

[Information referred to in Article 7 in the format set out below]

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
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CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	432279.58	External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Potential factor to be analysed at the integration stage, and as potential topic of engagement. Coverage 94%
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Scope 2 GHG emissions	99795.8		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Potential factor to be analysed at integration stage, and potential topic of engagement. Coverage 94%
Scope 3 GHG emissions	2179912.93		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Potential factor to be analysed at integration stage, and potential topic of engagement. Coverage 94%
Total GHG emissions	2711989.18		External data providers used to derive the data comprise	Proxy for product-based exclusion criteria.

				Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Potential factor to be analysed at integration stage, and potential topic of engagement. Coverage 94%
2. Carbon footprint	Carbon footprint	474.62		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Quarterly reports, client reporting Coverage 93%
3. GHG intensity of investee companies	GHG intensity of investee companies	830.23		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing,	Due diligence of high emitting industries Coverage 94%

				estimates from mentioned third-party providers are used where available.	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	4.01		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Subject to data availability Coverage 90%
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	Consumption: 62.19 Production: 1.44		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are	Subject to data availability Consumption coverage 93% Production coverage: 91%

				used where available.	
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: 0.23 Sector B: 1.01 Sector C: 1.23 Sector D: 0 Sector E: 0.56 Sector F: 0.07 Sector G: 0.11 Sector H: 0.97 Sector L: 0.47		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Subject to data availability Coverage: Sector A: 100% Sector B: 100% Sector C: 100% Sector D: 0 Sector E: 100% Sector F: 100% Sector G: 100% Sector H: 100% Sector L: 100%

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	4.67		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Subject to data availability Coverage: 93%
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.66		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Subject to data availability Coverage 11%

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	85.68		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Potential factor to be analysed at integration stage, and potential topic of engagement. Coverage: 42%
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		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Basis for exclusion criteria, Potential factor to be analysed at integration stage, and potential topic. Coverage: 93%

<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>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</p>	<p>69.74</p>		<p>External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.</p>	<p>Factor for potential norm-based exclusions Binary variable on investee level. Assess quality and accuracy of input. Coverage: 88%</p>
<p>12. Unadjusted gender pay gap</p>	<p>Average unadjusted gender pay gap of investee companies</p>	<p>17.74</p>		<p>External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.</p>	<p>Subject to data availability Coverage: 3%</p>

13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	27.02		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Potential factor to be analysed at integration stage, and potential topic of engagement. Coverage: 94%
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		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Exclusion criteria Coverage: 93%

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	257.11		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Subject to data availability Coverage: 100%

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 e	0		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party providers are used where available.	Basis for exclusion of sovereign bonds Coverage: 100%
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Indicators applicable to investments in real estate assets

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0		Subject to data availability Data currently not available. Working on data

						availability
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0		Subject to data availability	Data currently not available. Working on data availability
Other indicators for principal adverse impacts on sustainability factors						
In addition to the set of mandatory indicators above, we consider two additional indicators subject to data availability and quality.						
We consider the voluntary indicator relating to deforestation measured as share of companies without a policy to address deforestation (Table 2, indicator 15. Deforestation).						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water, waste and material emissions	15. Deforestation	Share of investments in companies without a policy to address deforestation	72.03		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is	Factor for potential norm-based exclusions Binary variable at

					missing, estimates from mentioned third-party providers are used where available.	investee level. Coverage: 92%
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We also consider the voluntary indicator supplier code of conduct measured as share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) (Table 3, indicator 4. Lack of a supplier code of conduct).

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	10.63		External data providers used to derive the data comprise Sustainalytics and Trucost. Where data is missing, estimates from mentioned third-party	Factor for potential norm-based exclusions Binary variable at investee level Coverage: 92%

					providers are used where available.	
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Description of policies to identify and prioritise principal adverse impacts on sustainability factors

SKAGEN's investment philosophy focuses on a holistic set of factors that can inform value creation positively and/or negatively. The key is to identify which factors we believe to be financially material from a double-materiality perspective. SKAGEN has developed a materiality matrix to help identify and assess those ESG factors of most direct relevance for any given investment case. By extension, the same framework is used to identify and prioritise principal adverse impacts on sustainability factors, particularly negative screening of potential investments to manage potential adverse impacts that can result from the funds' investment activities. Our approach to integrating sustainability risks in our investment process is set out in the Sustainable Investment Policy and further elucidated in Sustainability Related Disclosures. SKAGEN identifies and prioritises principal adverse impacts on sustainability factors through four pillars: Exclusion, Enhanced due diligence of climate risks, ESG factsheets and Active Ownership. Each method is applied in different circumstances and leads to different investment outcomes. The full potential of a sustainable investment strategy is only realised when all four pillars are applied together. Exclusion sits at the start and end of the investment process. Each potential investment must be screened in advance to ensure that it complies with our minimum criteria. Further information about sustainability risks is provided for companies that pass the initial negative screening to be used in the construction of the investment case. Companies in high emitting industries are subject to an enhanced due diligence of climate risks. ESG factsheets ensure that material and company specific double-materiality (sustainability risks and adverse impacts) are considered in the investment case. When a company has entered our equity funds, it is routinely monitored through a quarterly ESG screening control process. Our policies and procedures for analysing and prioritising PAIs are continuously reviewed, and formally approved on an annual basis – (March 2023 last review).

Engagement policies

SKAGEN's Sustainable Investment Policy includes a section on how we organise our stewardship and engagement activities. In principle, all PAIs are relevant under this scope, depending on the level of financial materiality and/or level of sustainability risk and adverse impact. SKAGEN adapts our engagement policies in step change with industry evolution and maturing data quality, but will not target entity level reduction of our PAI figures as such, as doing so will drive false incentives and decouple from real economy realities. Rather, we view it as incumbent on us to focus this effort at the level of underlying holdings through analysis, stock selection and stewardship (for which there is an annual turnover in our products impacting the year-on-year entity level PAI figure for each PAI indicator).

SKAGEN's stewardship and engagement efforts include PAI factors when deemed necessary and financially material. SKAGEN believes in exercising our rights as shareholders. We employ two main ways of doing this. Either through voting at shareholder meetings or engaging – through direct dialogue – with the management and board members of our various holdings. Both tools can be very effective in addressing concerns regarding environmental, social and corporate governance matters. Combined they can strengthen one another and be an effective signal to companies on where we stand on various important issues. We will therefore use both methods to influence companies' behaviour over time.

The decision to engage with select companies is made based on our assessment of the significance of a particular matter, the size of the holdings,

scope to effect change and the opportunity to collaborate with other investors. Dialogue with companies can be exercised by expressing views, in writing or orally, to the company's management on all levels, advisers, and Board of Directors.

Active ownership is a key pillar for our equity products. We do not exercise active ownership for our fixed income products as they do not have voting rights nor do the products engage with their constituent holdings. Whilst our fund-of-funds products do not have voting rights, they nonetheless engage with external products on ESG topics.

In addition, we will also seek to engage with companies on climate change. For some of our funds – and given the nature of the investment style – the carbon footprint may vary substantially over time. Still, we are committed to working with our holdings to reduce their carbon footprint and operate more efficiently over time. Climate change is one aspect considered when monitoring companies and those companies lagging in their efforts to reduce their carbon footprint may be subject to engagement. We will engage with and encourage those companies that are in a position to make improvements to reduce their carbon footprint.

Policy for Assessing Good Corporate Governance Practices in Investee Companies

SKAGEN is a signatory to the UN PRI, whereby we commit our funds to investing according to its principles. Assessing the corporate governance of an investee company is a company-specific process. We steer clear of investing in companies where there are concerns that the corporate governance of the company could jeopardise the financial interests of our unit holders.

USE OF VOTING RIGHTS

The framework for the use of voting rights for funds managed by SKAGEN is set out in the Norwegian Regulations on Securities Funds Section 2-24 and in the industry recommendations from the Norwegian Fund and Asset Management Association.

The ultimate responsibility for execution of corporate governance in SKAGEN lies with the Board of Directors. The daily execution is delegated to the portfolio managers of each fund and activities are reported back to the Board. The Board annually evaluates the execution of corporate governance.

Guidelines for Voting

Voting rights must be exercised to the benefit of the fund in question, with the objective of securing the best possible risk-adjusted returns for unit holders. Normally, the portfolio manager assesses how the voting rights are to be used. In all cases where we vote, the respective portfolio manager familiarises him or herself with the matters to be discussed at the general meeting and decides how to vote. Voting rights are exercised directly by the fund management company or by using a proxy voting platform.

Specific situations may call for a unique response and we will always take market and company conditions into consideration. To the extent that voting rights have been exercised in controversial cases or where we have voted against the Board or management's recommended course of action, we will disclose the voting rationale.

Voting Process

We have selected Institutional Shareholder Services (“ISS”), an independent service provider, as the platform for our proxy voting activities. ISS provides notices of general meetings and comprehensive information about the companies, the voting items on the agenda and recommendations. Funds managed by SKAGEN will vote according to our own voting policy, and always in what we deem to be the best interests of our unit

holders. When we do not have a policy in place for a specific ballot item, we will typically follow the ISS recommendation. We will review the relationship with ISS on an annual basis, including the quality and effectiveness of the services provided. Each fund has a custodian approved by the Financial Supervisory Authority of Norway. The custodian bank also provides information related to general meetings. Our voting record is publicly available on our website and is disclosed in our annual sustainability report.

References to international standards

SKAGEN AS is a member of and adheres to a range of international standards as part of our commitment to managing responsible investment principles:

- The UNPRI
- The OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- ILO Core Convention

As per Article 9 SFDR RTS, SKAGEN does not offer products with an explicit Paris-aligned mandate and therefore does not deem further disclosures of the listed provisions to be relevant. However, SKAGEN tracks and monitors the targeted decarbonisation plans of the investee companies within SKAGEN's equity funds. Data sources for analysing the carbon intensity of the investee companies mainly include Sustainalytics, Bloomberg, company-reported disclosures and the Transition Pathway Initiative for industry and peer group comparisons. SKAGEN does not make its own assumptions about the investee companies' future carbon intensity, as this would involve large uncertainties in the forecasted emissions. However, by using the investee companies communicated decarbonisation targets, we are able to compile and aggregate the expected route of emissions in our portfolios. Furthermore, a lack of communicated decarbonisation targets will be a topic for engagement with investee companies.

Historical comparison

2023 is the first year that SKAGEN is reporting its statement on principal adverse impacts of investment decisions on sustainability factors. As a result, the historical comparison will only be available in next year's PAI entity level report and will be provided annually from then on.

[Information referred to in Article 10]