

Statement on principal adverse impacts of investment decisions on sustainability factors

30 June 2023

Financial market participant: Kinnerton Credit Management A/S (LEI-code: 984500145F4C1D8C3E18)

Sammenfatning (English below)

Kinnerton Credit Management (Kinnerton eller Selskabet) (LEI-kode 984500145F4C1D8C3E18) tager hensyn til de væsentligste negative indvirkninger (Principal Adverse Impacts, PAI) af sine investeringsbeslutninger på bæredygtighedsfaktorer. Denne erklæring er den konsoliderede erklæring om de væsentligste negative indvirkninger på bæredygtighedsfaktorer for Selskabet. Kinnerton forvalter følgende fondene: Kinnerton Bæredygtige Boliger/Kinnerton Sustainable Housing II K/S, Nordics Residential Development I and II DAC, Kinnerton Residential Development II DAC, Kinnerton Boligudlejning K/S, Kinnerton Opportunistic Credits C DAC, Kinnerton Mortgages Funds Plc Sub-Fund Opportunistic Credits B, Kinnerton Mortgage Funds Plc Sub-Fund Danish Mortgages A og Kinnerton Properties II ApS.

Denne erklæring om de vigtigste negative indvirkninger på bæredygtighedsfaktorer omfatter referenceperioden fra den 1. januar til den 31. december 2022.

Kinnertons "ESG Politik og Procedurer", "AIFMD - Business Procedures and Portfolio Management AIFs" og "non-AIFMD - Business procedures and portfolio management non-AIFs" understøtter denne erklæring, og sætter rammen for Selskabets arbejde med bæredygtighed og bæredygtighedsrelaterede risici, når Selskabet investerer på sine kunders vegne.

Kinnerton har udover de obligatoriske PAI-indikatorer for investering i fast ejendom, valgt også at rapportere på indikator "19. Intensitet i energiforbrug" og "20. Affaldsproduktion i driften" fra skema 2, der fremgår i EU Kommissionens delegerede forordning (EU) 2022/1288.

I løbet af 2022 har Kinnerton implementeret de regulatoriske (SFDR) bestemmelser i sin investeringspraksis samt i kommunikationen til kunder og omverden. Som en del heraf har Selskabet besluttet at offentliggøre denne erklæring, hvorefter arbejdet med at etablere datagrundlaget i sin investeringspraksis er påbegyndt i samarbejde med Selskabets eksterne rådgivere herunder ejendomsudviklere og administratorer.

Værdierne, der er indført i tabellen nedenfor, stammer fra de aktiver, hvor data har været tilgængelig for referenceperioden, eller hvor det har været muligt at indhente den forventede værdi for den kommende referenceperiode.

Kinnerton har som følge af denne erklæring i 2023 iværksat yderligere tiltag for at udvide og styrke data- og informationsgrundlaget, som skal indgå i de kommende referenceperioder. For hver indikator i tabellen nedenfor kommenteres implementerede tiltag, samt trufne og planlagte foranstaltninger og mål kort.

Denne erklæring indeholder ikke en historisk sammenligning med forrige referenceperiode, da det er første gang, at erklæringen understøttes med konkrete datapunkter for investeringsbeslutninger på skemaets PAI-indikatorer. En historisk sammenligning vil fremgå i erklæringen for den kommende referenceperiode for kalenderåret 2023.

Summary (Danish above)

Kinnerton Credit Management (LEI-code: 984500145F4C1D8C3E18) (Kinnerton or the Company) considers the principal adverse impacts (PAI) of its investment decisions on sustainability factors. This statement is the consolidated statement of the principal adverse impacts on sustainability factors for the Company. Kinnerton manages the following funds: Kinnerton Bæredygtige Boliger/Kinnerton

Sustainable Housing II K/S, Nordics Residential Development I and II DAC, Kinnerton Residential Development II DAC, Kinnerton Boligudlejning K/S, Kinnerton Opportunistic Credits C DAC, Kinnerton Mortgages Funds Plc Sub-Fund Opportunistic Credits B, Kinnerton Mortgage Funds Plc Sub-Fund Danish Mortgages A and Kinnerton Properties II ApS.

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

Kinnerton's "ESG Policy and Procedures", "AIFMD - Business Procedures and Portfolio Management AIFs" and "non-AIFMD - Business procedures and portfolio management non-AIFs" support this statement, and set the framework for the Company's work with sustainability and sustainability-related risks when the Company invests on behalf of its clients.

In addition to the mandatory indicators for investment in real estate assets, Kinnerton has also chosen to report on indicators "19. Intensity of energy consumption" and "20. Waste production in operations" from table 2 in the EU Commission's delegated regulation (EU) 2022/1288.

During 2022, Kinnerton has implemented the regulatory (SFDR) provisions in its investment practice and in communication to customers and the general public. As part of this, the Company has decided to publish this statement, after which the work to establish the data basis for its investment practice has begun in collaboration with the Company's external advisers, including property developers and administrators.

The values that are reported in the table below stem from these assets, where data has been available for the reference period, or where it has been possible to collect the expected value for the coming reference period.

During 2023 Kinnerton has as a result of this statement initiated more actions to expand the coverage and strengthen the basis for data and information, that will be reported in coming reference periods. For each PAI-indicator in the table below implemented actions; as well as taken and planned actions and goals are briefly commented on.

This statement does not contain a historical comparison with the previous reference period, as it is the first time that the statement is supported with concrete data points for investment decisions in relation to the table's set indicators. A historical comparison will be included in the statement for the upcoming reference period for the calendar year 2023.

Table 1

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.	
Climate and other environment-related indicators						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
		Scope 2 GHG emissions	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
		Scope 3 GHG emissions	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
		Total GHG emissions	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.

	2. Carbon footprint	Carbon footprint	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.

		average				
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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.

	biological weapons)					
Indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
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	N/A	N/A	N/A	Not applicable given Kinnerton's focus on real estate only.
Indicators applicable to investments in real estate assets						
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%	N/A	N/A	Kinnerton only invests in residential properties and has no exposure to fossil fuels. It is an unchanged target for 2023.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets.	75%	N/A	N/A	Most direct investments are categorised as energy efficient. Indirect investments are all reported as inefficient as a precautionary measure. Kinnerton plans to analyse and categorize indirect investments more accurately in 2023.

Additional indicators for principal adverse impacts on sustainability factors

Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period.
Energy Consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	N/A	N/A	N/A	Kinnerton has a target energy consumption of 0,0000028 GWh/m2 for one fund investment that was under construction by the end of 2022. Further, Kinnerton has planned to gather consumption data for properties where possible.
Waste production in operations	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract.	0%	N/A	N/A	All of Kinnerton’s investments are equipped with facilities for waste sorting and covered by a waste recovery or recycling contract. It is an unchanged target for 2023.

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

Kinnerton has the following internal policies and documents in place to identify and prioritise principal adverse impacts on sustainability factors:

- ESG policy (*Approved 14 June 2022 and 18 April 2023; The responsible person is the Compliance Officer*)
- Investment policy (“AIFMD - Business procedures and portfolio management AIFs”) (*Approved 7 December 2022; The responsible unit is the Investment Committee*).
- Investment policy (“non-AIFMD - Business procedures and portfolio management non-AIFs”) (*Approved 14 September 2022; The responsible unit is the Investment Committee*).

Kinnerton’s Board of Directors reviews and approves these policies at least annually. The policies are subsequently implemented in the investment process under the COO’s responsibility and supervision. The Board of Directors receives a quarterly reporting – or an immediate report when imminent - on the activities that are implemented as a consequence of the policy. In order to meet the ESG characteristics and to identify and prioritise principal adverse impacts on sustainability factors, Kinnerton does the following:

- When investing, Kinnerton strives to ensure that the assets are in line with best practice with regards to environmental, social, and health and safety aspects, whereby e.g. all new equity investments are made in new builds that have a DGNB gold certificate and which qualify as energy efficient according to the building code. In this process, selected PAI-indicators are considered and identified by available information such as information received from developers and DGNB auditors constructing or advising on the projects respectively. The additional indicators have been selected based on the severity of the potential negative impact and, in particular, the availability of data which can help measure the impact. Investments in existing real estate and property loans undergoes an assessment of the properties’ underlying ESG characteristics. It is important for Kinnerton to get an understanding of the sustainability related risk, and to evaluate and prioritise measures to mitigate unacceptable adverse impacts on sustainability factors.

- Before an investment is made, a due diligence review of the property and the project addressing sustainability, including selected principal adverse impact indicators on sustainability factors, is performed and overseen by Kinnerton's Investment Committee. The due diligence findings, e.g. findings related to principal adverse impact indicators on sustainability factors, are reported and reviewed within the investment memoranda.

- During the process of each project, due diligence and checks are carried out on a continuous basis to make sure the project does not deviate from the ESG standards underpinning the original investment decision. In making the due diligence and checks, Kinnerton is assisted by its property developer and other trusted advisors. The due diligence and checks are always important parameters for the investment decision.

- ESG risks (such as noise, air, soil and water pollution, carbon footprint and climate changes) are always considered by Kinnerton. Kinnerton does not have an exclusion list but intends to refrain from collaborating with companies that produce or trade fossil fuel products or with counterparties that use illegal labour or use child- and/or forced labour or other activities considered unacceptable.

In evaluating PAI-indicators, Kinnerton is, to a large extent, dependent upon publicly available data and information sources or data and information from providers close to the projects (e.g. property developers or DGNB advisers). Therefore, the ability to consider and monitor the selected PAI-indicators depends on the availability of correct and corresponding data and information that is currently outside Kinnerton's control.

To this statement, the Company has received data and information from its property developer and administrators where possible. For the next reference period Kinnerton has planned to gather information on relevant PAI-indicators for those investment funds, where it is commercially feasible and where data was not readily available. Kinnerton expects limitations and a margin of error in the calculated and reported values in this statement due to the fact that it was not possible to retrieve PAI-data from all investment funds. The data that has been possible to retrieve provides a fair picture for the properties in question.

Engagement policies

Kinnerton's engagement activities are described in the ESG policy. Kinnerton conducts engagement activities with the ambition to reduce principal adverse impacts on sustainability factors. Kinnerton engages through partnering with local organisations and businesses to support economic development and job creation in the communities where the fund's properties are located. Kinnerton is engaging with stakeholders, including tenants and community members, to understand their needs and concerns and to identify opportunities for collaboration and impact. Kinnerton will disclose information about the fund's social and environmental performance and impact to stakeholders.

International standards

The Company's consideration of the principal adverse impacts on sustainability factors is based on international conventions, norms and best practice, and the Company expects that its counterparties consider relevant international conventions. This involves, for instance:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises

The Company aims to align ESG factors in investments with the above mentioned principles and guidelines. Kinnerton has decided to establish a forward-looking climate scenario. Understanding the impact of climate changes will be an integral component of assessing the resilience of funds and their sustainability risks in the future.

Historical comparison

Kinnerton Credit Management A/S will include a historical comparison from 2024 onwards.