

Statement on principal adverse impacts of investment decisions on sustainability factors

30 June 2024

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, som ligger til grund for erklæringen: 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 2023.

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.

Værdierne, der er indført i tabellen nedenfor, stammer fra de aktiver, hvor data har været tilgængelig for referenceperioden.

Kinnerton fortsætter som følge af denne erklæring i 2024 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 en sammenligning med forrige referenceperiode.

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 that adds up to this statement: 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 2023.

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.

The values that are reported in the table below stem from these assets, where data has been available for the reference period.

During 2024 Kinnerton will as a result of this statement initiate 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 contains a historical comparison with the previous reference period.

Table 1 Indicators applicable to investments in real estate assets

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	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%	0%	Unchanged strategic focus	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.	75,30%	75%	Caused by a slight change in fund valuation	Most direct investments are categorised as energy efficient. Indirect investments are all reported as inefficient as a precautionary measure. Kinnerton succeeded in measuring some investments more accurately in 2023.

Other indicators for principal adverse impacts on sustainability factors

Table 2 Additional climate and other environment-related indicators

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	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	0,0000 044	N/A	The value represents 27,42 % of assets under management	Kinnerton succeeded in estimating consumption data for all property investments.
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%	0%	Unchanged strategic focus	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 2024.

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 June 20th 2023; The responsible person is the Compliance Officer*)
- Investment policy (“AIFMD - Business procedures and portfolio management AIFs”) (*Approved December 5th 2023; The responsible unit is the Investment Committee*).
- Investment policy (“non-AIFMD - Business procedures and portfolio management non-AIFs”) (*Approved December 5th 2023; 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 and impacts (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 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. For instance for some properties it has not been possible to measure the exact energy consumption, GWh/Square meter. For these properties the highest value allowed according to the properties' Energy Label has been reported as a proxy instead. This proxy provides a conservative but fair value 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

This is the second year Kinnerton Credit Management A/S has published this statement. The changes in the PAI-indicators in table 1 and 2 are mainly due to slight changes in fund valuations.

For the additional PAI-indicator 19, Energy consumption intensity, it has been possible to measure the exact energy consumption, GWh/Square meter, for one fund. For the direct investments in the remaining funds that invest directly in real estate assets, the highest value allowed according to the properties' Energy Label (A2010, A2015, B and C) has been reported as a proxy instead. This proxy provides a conservative but fair value for the properties in question. The measured and proxy value for PAI 19 covers 27,42 pct. of all assets under management, which is an increased scope compared to last year's statement.