

The EU Sustainable Finance Disclosure Regulation | Article 3, 4 and 5 Disclosures

NRP Asset Management AS

Background

Legal Framework

This document has been prepared for the purpose of meeting the specific disclosure requirements set out in Articles 3, 4 and 5 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (**SFDR**).

This document may be further updated to consider the Regulatory Technical Standards supplementing the SFDR, and the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852) (the "Taxonomy Regulation") once it comes into effect on 1 January 2022.

NRP Asset Management AS

The construction and real estate sector is responsible for approximately 40% of the global energy consumption and 50% of the use of our natural resources.¹ The industry also faces other risks, such as skewed gender composition, health and safety challenges at construction sites, and the risks of bribes/corruption when private capital meets public politically controlled authorities in connection with planning for societal development and construction activities.

NRP Asset Management AS (**NAM**) has considerable Assets Under Management and is a substantial owner of commercial real estate by Nordic standards. By implementing ESG and sustainability as an important element in our discussions and decisions, we invite and encourage stakeholders to act within this policy framework, as we believe it will be beneficial for our environment and our society, as well as for long term financial returns. NAM believes that creating real value in the future is dependent on a shared understanding of what is sustainable for the environment, our society, our employees and the way we do business. NAM seeks to contribute to the development towards a sustainable society where both the needs of current and future generations are met.

ESG Governance

The responsibility for integration of ESG practices in our investment decisions rests with the Investment teams and ultimately the Portfolio Managers. ESG considerations are fully embedded in the investment process at NAM.

On an overall level, NAM has adapted the guidelines described in the NRP Group document "Ness, Risan and partners Sustainability - our approach".²

Ness, Risan & Partners AS is a signatory to the UN Principles for Responsible Investment (UNPRI). NAM is committed to the six principles of the UNPRI and a supporter of the UN's Sustainable Development Goals. NAM promotes sustainable Real Estate management through a GRESB Membership.

Integration of sustainability risks into the investment decision-making process

Sustainability risk is defined as "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment". Sustainability risks may arise in NAM's portfolio in the course of the investment management process, and may affect future projected returns.

NAM strives to mitigate the potential adverse impacts on the returns for our investors caused by sustainability risks by applying risk mitigating measures throughout in the investment process. Assessment of sustainability

¹ According to UN Environmental Programme Financial Initiative (UNEPFI), 2016

² The documents can be found on www.nrp.no

risks and opportunities are considered continuously, and sustainability is a fully integrated part of the investment process.

NAM has adopted several documents that guide our investment process and how we integrate sustainability risk in the process leading up to an investment decision. These include, but are not limited to:

- *NRP Asset Management AS Environmental, Social and Governance Policy*, which states that NAM's overall goal is to increase ESG performance, through defined environmental, social and governance targets.
- *NRP Asset Management Code of Conduct*, which constitutes NAMs commitment to act in compliance with all relevant legal requirements, as well as acting in a sustainable, ethical, and socially responsible manner.
- *Ness, Risan & Partners AS ESG and Responsible Investment Policy²*, with pre-defined exclusion criteria for all members of the NRP Group, including NAM.
- *Ness, Risan & Partners AS Sustainability – our approach²*, which communicates NRP and NAMs approach on ESG and sustainability and includes KPI targets for the NRP Group, including NAM.

NAM's policies and internal procedures govern the investment process and ensures that all relevant ESG factors are analyzed and taken into consideration in the investment process. The internal due diligence process aims to uncover all relevant risks and adverse impacts related to an investment, and follows a standard format developed for the types of investments that NAM is involved in.

To mitigate sustainability risks in NAM's portfolio, NAM applies risk mitigating measures in all stages of the decision-making process, from sourcing, screening, analysis and due diligence. As set out in the ESG and Responsible Investment Policy applicable to NAM, certain investments are excluded from NAM's investment universe for ESG purposes. This includes investments in companies that are involved in serious and/or systematic violations of widely accepted international norms of responsible corporate behaviour as regards human rights, working conditions, the environment, corruption, and financial crime. In addition, NAM will not invest in companies that are directly related to the following industries: gambling, illegal and nuclear weapons, and adult entertainment.

Provided an investment does not violate the exclusion criteria set out above, NAM performs further due diligence on the potential investment. This includes an ESG screening of potential investments on specific ESG factors defined by NAM and tailored to NAM's investment strategy and investments in the real estate segment. The ESG screening includes assessing the investment on factors such as tenant's focus on sustainability, building certifications, renewable energy, and available consumption data. Based on these factors, NAM is better suited for including ESG factors in the business plan of the potential investment.

The findings in the internal due diligence process may result in NAM declining the investment proposal or initiating measures and actions to align the investment with the ESG objectives as they are defined in the *NRP Asset Management AS Environmental, Social and Governance Policy* and the NRP Groups ESG and Responsible Investment Policy. NAM has defined the following targets on environmental factors on portfolio level:

- Reduce energy use by 5%
- Reduce water use by 5%
- Reduce waste diverted from landfill by 5%
- Reduce GHG emission by 5%

NAM believes that the mitigation of climate related risk is done by improving and optimizing the investments in terms of environmental factors found relevant to reduce the Funds carbon footprint. By reaching these targets,

NAM believes that the financial risk is reduced, as this is a way of adapting to investor demands and also increasing the value of the investment.

Principal adverse impacts of investment decisions on sustainability factors

NAM is consciously aware that our investment decisions can have a negative impact on sustainability factors. One of NAM's overall goals is to enhance ESG performance in our portfolio by using our ownership to influence the companies in the right direction.

NAM does not currently consider principal adverse impacts of investment decisions on sustainability factors within the meaning of SFDR. This is due to, inter alia, the regulatory uncertainty related to the regulatory technical standards supplementing SFDR which are not yet finally adopted or published. It is expected that consideration of principal adverse impacts within the meaning of SFDR will require collecting, measuring, validating and reporting correct and precise data on a number of mandatory sustainability indicators, whereas this information may not be readily available. NAM will on an ongoing basis reassess its position on whether to consider principal adverse impacts on sustainability factors within the meaning of SFDR, based on the availability of relevant data from the portfolio investments.

On a general level, NAM has identified energy use, water use, waste and GHG emissions as principal adverse impacts of our investment decisions. As set out in the NRP Group's annual sustainability report, NAM has initiated several measures in order to mitigate those adverse impacts, such as implementing energy saving measures, reduce water usage and optimize waste management. During the ownership period, NAM will actively engage with investee companies to monitor the performance on the KPIs and assess appropriate mitigating measures.

Remuneration policy

NAM has adopted a remuneration policy which states that certain employees of NAM may receive variable remuneration. Whether to award variable remuneration, and the amount of the remuneration, shall be determined by the general manager of NAM based on an assessment of several factors. The employee's contribution towards reaching NAM's defined ESG targets is part of the remuneration criteria.