

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

NRP Maritime 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**).

NRP Maritime Asset Management AS ("NRP MAM")

The shipping industry accounts for 90% of global trade and has a fundamental role and impact on social development and welfare. The sector is responsible for 3% of global greenhouse gas (GHG) emissions. However, according to the UN, it is by far the most efficient mode of transport. In general, the industry also sometimes faces other challenges such as human rights issues, social inequality, bribery and corruption. As a result, the industry is working hard to improve in line with the integration of ESG practices. A driving force that has a major impact on the industry is the increasing awareness of climate issues. Both the industry and authorities are uniting to achieve the ambitious goal set by the International Maritime Organization (IMO) of reaching net zero by 2050. In summary, the awareness and sense of responsibility are deemed generally high in the sector.

NRP MAM believes that there are mainly two types of sustainability risks associated with investments in the shipping industry. Firstly, there is a risk that the investment contributes to the company's negative impact on sustainability. Secondly, there is a risk that the return on investments may be negatively affected as a result of the companies' possible shortcomings regarding all aspects of the industry's sustainability issues. Any shortcomings may lead to difficulties in attracting investors.

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 NRP MAM.

On an overall level, NRP MAM has adapted the guidelines described in the NRP Group document "Ness, Risan and partners AS – ESG and Responsible Investment Policy".¹

Ness, Risan & Partners AS is a signatory to the UN Principles for Responsible Investment (UNPRI). NRP MAM is committed to the six principles of the UNPRI and a supporter of the UN's Sustainable Development Goals.

Integration of sustainability risks into the investment decision-making process

"Sustainability risks" are environmental, social, or governance events or conditions that the Fund's investments are exposed to, and which if they occur, could cause an actual or a potential material negative impact on the value of the investment in the Fund and the Fund's projected returns.

Due to the nature of the fund's investment objectives and strategies, the funds are exposed to varied sustainability risk, including, but not limited to:

- Transitional risk due to changes in regulation and consumer behaviour (e.g. greenhouse gas restrictions and governance codes);
- Physical risk due to e.g. extreme weather, climate change, water shortages, energy, water and waste efficiency and embodied carbon, which can cause severe damages and/or damage to property (vessels)

¹ The documents can be found on www.nrp.no

and cargoes are subject to perils particular to marine operations, including capsizing, grounding, collision and loss and damage from severe weather or storms);

- Liability risk due to pollution (the Fund may in the event of pollution be subject to strict liability and the Fund or any Portfolio Company may incur liabilities for pollution and other environmental damage without being able to recur the said liabilities through insurance); and
- Governance risks, including brand and reputational risk (e.g. poor health and safety records, forces/child labour), supply chain management (e.g. increase in fatalities, lost time injury rates, labor relations), work practices (e.g. observation of health, safety and human rights provisions; labor relations in service providers) and other governance related aspects (e.g., investment decisions approval process, valuation issue, fee structures, related party transactions, bribery and corruption).

NRP MAM seeks to mitigate the impact of sustainability risks on the returns of the funds by considering such risks during the research and due diligence process and through the monitoring measures (as explained above). However, it cannot rule out that, notwithstanding such attempts, one or more sustainability risks may materialise and have a material negative impact on the value of the funds, and therefore on the performance of the funds and their likely returns for investors. A materialised sustainability risk can affect a specific investment or the portfolio as a whole, of which the latter will have a more significant impact on the investors likely returns. Further, among the counterparties in which the Fund will invest, some may have higher exposure to sustainability risks than others.

Before any investment decisions are made, NRP MAM identifies sustainability risks and, to the extent an identified risk represents a potential or actual material risk and/or opportunity for maximizing the long-term risk-adjusted returns of the funds, takes into account such risk in the investment decision. The identification and assessments of risks, including sustainability risks, will take place on an investment-by-investment basis. NRP MAM considers sustainability risks as part of its broader analysis of potential investments by identifying and assessing sustainability risk as part of the internal due diligence process, with the aim to uncover all relevant risks and adverse impacts related to an investment. NRP MAM also applies risk mitigating measures throughout the investment holding period by mitigating climate related risk through optimizing investments in terms of environmental factors found relevant to reduce the Fund's carbon footprint, which in turn will reduce the financial risk and increase the value of the investment.

No consideration of sustainability adverse impacts

NRP MAM does not consider the adverse impacts of investment decisions on sustainability factors. This is predominantly due to the nature of its investment and the limited capacity of NRP MAM to materially engage with, and report on, these issues in a relevant and meaningful way. There is currently limited relevant information available to assess the impact of the funds on sustainability factors based on the funds' investments and the NRP MAM does not expect to be able to gather consistent, accessible, and accurate data in respect of its investments that would allow NRP MAM to consider principal adverse impacts at a reasonable cost to the funds investors.

In terms of whether NRP MAM intends to consider such adverse impacts in the future it confirms that it intends to monitor the industry position closely and update its approach in due course as the position evolves.

Remuneration policy

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

Version history of this document

Version	Date of publication
Version 1 (original publication)	21.11.2022
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