



# Statement on principal adverse impacts of investment decisions on sustainability factors

OP Real Estate Asset Management Ltd  
June 2024

# Statement on principal adverse impacts of investment decisions on sustainability factors

## Version history

Applied (date)	Version	Changes
30.6.2021	1.0	Consideration of Principal Adverse Sustainability Impacts in Investing and Insurance Operations
28.6.2023	2.0	Added a list of indicators (including indicators applied to investments in governments and supranational organisations and property investments).
30.6.2024	3.0	The statement on principal adverse impacts of investment decisions on sustainability factors was changed from an OP Financial Group-level statement to a company-level statement.

## Financial market participant: OP Real Estate Asset Management Ltd

### Summary

OP Real Estate Asset Management considers the principal adverse impacts of its investment decisions on sustainability factors. This statement on principal adverse impacts of investment decisions on sustainability factors applies to OP Real Estate Asset Management Ltd. This statement on principal adverse sustainability impacts covers the reference period from 1 January 2023 to 31 December 2023.

This statement is issued in the manner required by the Sustainable Finance Disclosure Regulation, SFDR (2019/2088, Article 4). Reports related to the indicators of adverse impacts during the reference period are presented in Tables 1 and 2 in Appendix I of the SFDR Delegated Regulation (EU 2022/1288). The statement is reviewed annually.

OP Real Estate Asset Management Ltd considers the principal adverse sustainability impacts (PAI) of investment decisions and monitors them systematically in its investment activities. Tables 1 and 2 present the indicators applied to investment assets managed by OP Real Estate Asset Management Ltd. The applicable indicators are exposure to fossil fuels through real estate assets, exposure to energy-inefficient real estate assets, greenhouse gas emissions, energy consumption intensity, and waste production in operations. Because OP Real Estate Asset Management Ltd invests in real estate assets, indicators 1–16 in Table 1 are left blank, as they do not apply to the investment activities.

This statement describes the principles applied at OP Financial Group, including OP Real Estate Asset Management Ltd, in relation to the identification and prioritisation of the principal adverse impacts on sustainability factors, and how these principles are updated and applied. The Board of Directors of OP Real Estate Asset Management Ltd has approved the operating principles referred to in section 2 of this document for identifying and prioritising principal adverse impacts on sustainability factors on 29 May 2023.

OP Real Estate Asset Management Ltd has issued principles for responsible real estate investment that are applied in investment activities related to real estate portfolios managed by the company. In addition, the company complies with international standards binding on OP Financial Group to the extent that they apply to real estate investment activities.

## **Description of the principal adverse impacts on sustainability factors**

Sustainability factors refer to environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Companies included in the portfolio may have adverse impacts on sustainability factors through their economic activities. OP Asset Management Ltd aims to make transparent the adverse sustainability impacts that the business operations may have on the environment or society. The principal adverse sustainability impacts are acknowledged by screening the investments using the key climate, environmental and social principal adverse impact (PAI) indicators (see Table 1). The table also includes a description of the current and planned measures and goals to prevent and/or reduce adverse sustainability impacts.

Table 1

Sijoituskohteina oleviin yrityksiin tehtyihin sijoituksiin sovellettavat indikaattorit

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	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	N/A	N/A	
		Scope 2 GHG emissions	N/A	N/A	
		Scope 3 GHG emissions	N/A	N/A	
		Total GHG emissions	N/A	N/A	
	2. Carbon footprint	Carbon footprint	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	
	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	
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		
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		

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		
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		
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	N/A	N/A		

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		
	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		
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A		
	13. Board gender diversity	Average ratio of female to male board members in investee	N/A	N/A		

		companies, expressed as a percentage of all board members				
	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	N/A	N/A		

**Indicators applicable to investments in sovereigns and supranationals**

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A		
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		

## 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	1,8 %	1,7 %	The impact has been calculated based on the owned investment products and current net values at the end of the reference period.	Funds managed by OP Real Estate Asset Management or portfolios of asset management clients contain properties rented to a service station operator (including retail sales of petrol to consumers). These units have been acknowledged in this PAI metric. There are no past or planned action related to these, and there can be tenants retailing fuels in future too. The PAI metric in question is monitored annually. The metric does not acknowledge investment in plots or forest estates that are not exposed to a risk related to fossil fuels either.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	33 %	63,4 %	The impact has been calculated based on the owned investment products and current net values at the end of the reference period.	The average energy class of real estate units owned by the funds is monitored annually. In connection to new acquisitions, the funds have an energy efficiency target (energy class C or better), and the funds acknowledge investment that improves energy efficiency in the construction phase. The funds will investigate which real estate units are the most energy inefficient and devise a plan to improve energy efficiency.

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
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets	67 tCO2	107 tCO2	Scope 1 emissions cover 100% of the total value of real estate assets, while Scope 2 emissions cover 75%, and Scope 3 approximately 10%, of emissions from energy and water, and approximately 58% of emissions from waste (2023).	Self-produced energy on properties (ground source heat, solar power) will be increased where feasible. Local district heating producers are encouraged to achieve net zero emissions from energy production through engagement measures. The electricity we use is 100% carbon neutral. We are constantly developing our calculation methods to improve the coverage of data.
		Scope 2 GHG emissions generated by real estate assets	9.492 tCO2	9.233 tCO2		
		Scope 3 GHG emissions generated by real estate assets	7.271 tCO2	n/a		
		Total GHG emissions generated by real estate assets	16.827 tCO2	n/a		
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	0,00018GWh/m2	n/a	Consumption data for 2023 covers approximately 75% of the total value of real estate assets.	The calculation does not include triple net rent properties where the tenant is responsible for maintenance. We are developing our data collection methods to improve coverage. Consumption data is adjusted in proportion to the leasable floor area of properties at the end of the reporting year.
Waste	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 %	Coverage 100 %	Guidance offered to tenants to reduce the amount of waste produced is developed constantly by updating lease agreements, among other means.



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

The operating principles for identifying and prioritising the principal adverse sustainability factors applied in OP Financial Group (including OP Real Estate Asset Management) are described below.

The Board of Directors of OP Real Estate Asset Management Ltd has approved the operating principles for identifying and prioritising principal adverse sustainability factors as described in this document on 29.5.2023. The need to update the principles is assessed annually.

## **Information on how the responsibility for the implementation of those policies within organisational strategies and procedures is allocated**

Responsible investing, including the implementation of these principles, is organized in OP Real Estate Asset Management in a way that enables appropriate decision-making, monitoring, risk and conflict of interest management, as well as remuneration systems. These principles are approved by the board of OP Real Estate Asset Management Ltd. Decisions in line with the guidelines are made in the responsibility steering group and investment committee of OP Real Estate Asset Management, as well as in portfolio management. The implementation of actual ESG strategies is carried out on a case-by-case basis by ESG specialists or portfolio managers in collaboration.

## **Methodologies**

Regular screening of adverse sustainability impacts: Principal adverse sustainability impacts are analysed through regular screening by ESG Specialists using the indicators describing the level of harm presented in Table 1. If screening reveals investments with significant principal adverse impacts on sustainability in comparison to its peers and if the said PAI indicator is deemed material for the company, the company will be monitored more closely and excluded, if necessary. Also, an engagement process to influence the company's behaviour can be initiated. The funds' investments are also screened regularly for violations of international standards using an external service provider's analysis. If a violation is detected, the preferred option is to influence the company's behaviour. If that is impossible or unsuccessful, the company may be removed from the fund portfolio and placed on the list of exclusions. Identified standard violations and their related engagement processes are reported twice a year in connection with shareholder engagement reporting.

ESG analysis: Investment operations use ESG indicators and sector specific ESG analysis to help with prioritising and identifying which adverse sustainability impacts are the most relevant for each investment.

Exclusion: The funds exclude, from their active direct investments, controversial weapon manufacturers, tobacco producers, mining companies producing thermal coal, power companies using thermal coal, and firms that have violated international norms and where engagement has been unsuccessful. The list of exclusions is public and is available online at [www.op.fi/responsible-investing](http://www.op.fi/responsible-investing).

General meetings of shareholders: OP Fund Management Company, OP Asset Management and OP Life Assurance Company participate in shareholders' meetings in Finland and abroad, in accordance with the shareholder engagement principles, which take into account the responsibility perspectives. Voting at the general meeting applies only to certain funds managed by OP Fund Management Company.

Violation of international norms: International norms, such as the UN Global Compact, define the minimum level for responsible business. In active direct investments in OP funds, OP Asset Management exercises influence on companies that are considered to have violated international norms. The aim is to make non-compliant companies change their practices and begin to comply with international standards in their operations.

External asset managers: OP Asset Management has established minimum criteria, which the external asset managers must comply with regarding the ESG factors. Additionally, the annual review of external asset managers analyses how the external asset managers take the adverse sustainability impacts into account in their investments.

Real estate: Adverse impacts on sustainability are regularly assessed by considering the PAI indicators applicable to investments in real estate assets. The indicators apply to risks related to fossil fuels and energy inefficiency, as well as greenhouse gas emissions and intensity of energy consumption. Each fund also has defined sustainability indicators (such as energy class of buildings or environmental certification) which are determined in connection to new investments and reported annually.

## **The error margin and margin description related to the above methodologies**

Opportunities to identify and analyse the principal adverse impacts related to sustainability factors depend on the availability and quality of data. The information reported by the portfolio companies are the primary source, but companies do not yet publish data related to many of the adverse sustainability impacts. In addition to the portfolio companies, the data also comes from third-party information service providers. We continuously try to improve the quality and coverage of information.

## Data sources

The main data sources used by OP Real Estate Asset Management are emission and consumption data specific to each investment target, as well as climate and other risk analyses carried out with the help of service providers (Newsec, Afry, Ramboll), which provide information on, among other things, sustainability risks, shares of harmful business operations, climate risks and opportunities. The aforementioned service providers utilize both reported information from the companies and estimated information based on the evaluation models developed by each service provider.

## Engagement policies

As an alternative investment fund manager, OP Real Estate Asset Management Ltd does not have a shareholder engagement policy, as the company does not invest the funds of its managed alternative investment funds in securities of companies traded in a regulated market referred to in the Finnish Act on Trading in Financial Instruments.

## International standards

As part of OP Financial Group, OP Real Estate Asset Management Ltd is committed to complying with several international norms and uses international frameworks in the screening of investments. The methods used take into account the following international standards and conventions:

- UN Global Compact principles (UNGC)
- UN Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for multinational enterprises
- Conventions of the International Labour Organization (ILO)
- Partnership for Carbon Accounting Financials (PCAF)
- Net Zero Asset Managers Initiative (NZAM)
- Net Zero Carbon Buildings

## Paris Agreement

In reporting on the information and risks related to climate change, we follow TCFD's recommendations about the financial impacts of climate change. In its real estate investment activities, OP Real Estate Asset Management has the goal of achieving net zero emissions from energy consumption in directly managed properties by 2030. In addition, our goal is to achieve net zero emissions from construction by 2050 in our real estate investment activities.

## Historical comparison

OP Real Estate Asset Management Ltd has prepared a historical comparison of indicators applicable to investments in real estate assets (Tables 1 and 2) between the current reporting period from 1 January 2023 to 31 December 2023 and the previous reporting period from 1 January 2022 to 31 December 2022. Ongoing transactions change the basis used in the comparison.