

Kinnerton Residential Development III Designated Activity Company – Sustainable Finance Disclosure Regulation

1 June 2023.

The following regards oversight and operations of a Credit Fund managed by Kinnerton Credit Management A/S, referred to collectively as the “Funds”, and individually as the “Fund”, at the date of this disclosure Kinnerton Residential Development III Designated Activity Company (company no. 718565) as managed by Kinnerton Credit Management A/S (company no. 39951932) as the AIFM. The Fund is not in scope of the Sustainability-related disclosure regulation 2019/2088 (“SFDR”), but has proactively chosen to disclose in accordance with the principles as an article 8 product.

Summary

(English)

The Fund promotes environmental and social characteristics but does not have sustainable investment as its primary objective. The Fund's investment strategy is focused on financing affordable family homes in the Nordics while promoting environmental and social characteristics. The fund aims to support projects that meet sustainability certifications such as DGNB Gold, BREEAM Very Good, or LEED Gold, which prioritize energy efficiency, sustainable design, and environmentally friendly materials. At least 75% of the fund's net assets are invested in certified sustainable real estate projects, while the remaining portion is allocated to ancillary investments. The Fund actively monitors its investments' environmental and social characteristics using indicators like Life Cycle Assessment and engages with stakeholders to ensure compliance. Thorough due diligence is performed, considering environmental risks, and ongoing monitoring activities are conducted to ensure promotion of environmental and social characteristics.

(Danish)

Fonden fremmer miljømæssige og sociale karakteristika men har ikke bæredygtige investeringer som sit mål. Fondens investeringsstrategi er fokuseret på finansiering af billige familieboliger i Norden samtidig med at miljømæssige og sociale karakteristika fremmes. Fonden tilstræber at støtte projekter der lever op til bæredygtighedscertificeringer som DGNB GOLD, BREEM Very Good eller LEED Gold, som prioriterer energieffektivitet, bæredygtigt design og miljøvenlige materialer. Mindst 75% af fondens nettoaktiver investeres i certificerede bæredygtige ejendomsprojekter, mens den resterende del allokeres til accessoriske investeringer. Fonden overvåger aktivt sine investeringers miljømæssige og sociale karakteristika ved brug af indikatorer som LCA og engagerer sig med interessenter for at sikre compliance. Grundig due diligence udføres, miljømæssige risici overvejes og løbende overvågning af aktiviteterne udføres for at sikre fremme af miljømæssige og sociale karakteristika.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Environmental or social characteristics of the financial product

Kinnerton Residential Development III (the “Fund”) promotes environmental and social characteristics. It is the Fund's strategy to finance residential real estate loans to housing projects with strong environmental and social characteristics. The Fund finances development of affordable family homes in the Nordics. The

majority of these projects will be certified under at least one of the following schemes: DGNB Gold, BREEAM Very Good and LEED Gold. These schemes are all sustainability certifications awarded to buildings that meet specific criteria related to environmental performance, energy efficiency, and sustainable design. While they are different certification systems, they share similarities in their goals and assessment criteria. They all promote sustainable building practices, prioritise energy efficiency and environmental performance, and encourage the use of environmentally friendly materials and technologies. These certifications aim to reduce the environmental impact of buildings, enhance occupant health and well-being, and contribute to a more sustainable built environment. Additionally, all three certification systems adopt a holistic approach by considering various aspects of sustainable building design and operation. They assess criteria such as energy efficiency, water conservation, waste management, indoor air quality, and the use of sustainable materials. The certifications also require compliance with applicable regulations and encourage continuous improvement through ongoing monitoring and performance optimization.

Investment strategy

The investment strategy of this Fund is focused on financing development of affordable middle-income homes in growth cities with good infrastructure, public services, and quality of life amenities. The strategy is implemented in the investment process on a continuous basis to provide downside protection and mitigate risks. The Fund acts as the sole lender, ensuring control over the project. Compliance certificates are issued by building surveyors, ensuring adherence to regulations and quality standards. The Fund aims to finance development projects that are certified with sustainability certificates and promotes environmental and social characteristics such as an anti-social dumping strategy that aims to ensure fair competition, protect workers' rights, and maintain high standards in the construction sector. It typically involves a combination of legislative, regulatory, and enforcement actions.

In accordance with the Fund's ESG strategy, the Fund applies a mandatory ESG due diligence with a defined set of environmental and social KPIs. A screening is used in the selection of investments to ensure that the chosen environmental and social characteristics are promoted by the Fund. Furthermore, at least 75% of assets must be compliant with the sustainability indicators for the environmental and social characteristics. This means that the Fund aims to be at least 75% compliant with each of the KPIs within each of the sustainability indicators and this threshold will also apply to all assets under management.

At last, the Fund considers the following principal adverse impacts (PAI's) on the following indicators:

- Exposure to fossil fuels.
- Exposure to energy-inefficient real estate assets.

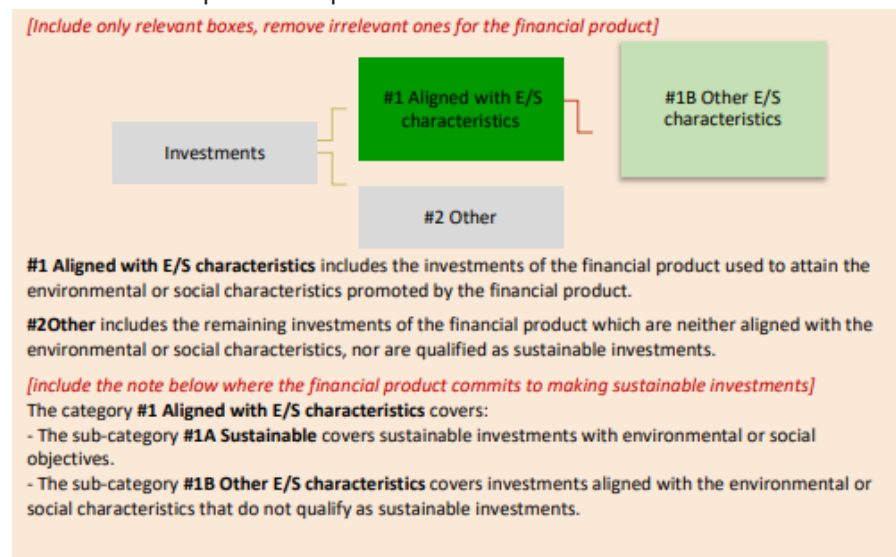
In addition to the above indicators, the Fund considers the following principal adverse indicator to be particularly significant, and in-keeping with the environmental characteristics promoted by the Fund:

- Waste production in operations.
- Energy consumption intensity.

Proportion of investments

In accordance with the Fund's investment strategy, the Fund invests primarily in real estate where a minimum of 75 % of the Fund's net assets will be invested according with the sustainability indicator criterias and will

be certified with one of the following sustainability schemes; DGNB Gold, BREEAM Very Good or LEED Gold. The remaining (up to 25%) will be additional investments, cash and cash equivalents and will not in the out-set incorporate the promoted environmental and/or social characteristics.



Monitoring of environmental or social characteristics

The fund monitors its environmental and social characteristics on an ongoing basis.

Specifically, the following indicators are used to measure the attainment of its environmental and social characteristics:

- Life Cycle Assessment (LCA)
 - In the early stages, an LCA
 - CO2 emissions and costs from materials are an important parameter in the decision-making process.
- New Build Sustainability certification
 - DGNB gold, LEED Gold and/or BREEAM Very Good certified properties
- Reduced pollution, emissions and energy efficiency.
- Sustainable use of resources
- Labor standards and human rights
- Accessible and connected spaces

The fund works with its asset managers, developers, facility managers and other parties to ensure the Fund's attainment of its environmental and social characteristics. The Fund obtains its data related to monitoring through direct engagement with these parties, ensuring the Fund is capable of reporting to its required external frameworks or to be in line with international best practice. The Fund report the invested projects on the selected indicators every quarter

Methodologies for environmental or social characteristics

Financed development projects are required to achieve a New Build certification of either DGNB Gold, LEED Gold or BREEAM Very Good. This methodical work with the assets is made to ensure attainment of the environmental and social characteristics.

Data sources and processing

The Fund relies on a variety of data sources and processing techniques to make informed investment decisions. Some of the data sources and processing techniques include:

- Market research: The Fund gathers market research from various sources, such as real estate listings, government data, industry reports, and news articles, to better understand local and regional real estate markets.
- Property data: The Fund access property data from sources such as property appraisals, inspections, and real estate listings to assess the quality and value of individual properties.
- Financial data: The Fund reviews financial data from its developers.

The Fund seeks to limit data estimations but will assess the usage of estimations on a case-by-case approach. On external reporting frameworks we adhere to the rules of the individual framework and follow their guidelines for use of estimations.

Limitations to methodologies and data

Data and methodological limitations relevant to the Fund's operation and social and environmental characteristics are not unique to the Fund, but represent common challenges for measuring, interpreting, and reporting ESG relevant information.

The Fund expects an ongoing process to increase data coverage and data quality, in line with how the general ESG reporting area evolves with new international best practices and accounting standards going forward.

These limitations do not affect the attainment of the environmental and social characteristics.

Overall, the limitations to data and methodologies highlight the importance of conducting thorough due diligence and being mindful of potential risks when evaluating and managing real estate investments.

Due diligence

The Fund performs a thorough ESG due diligence process to assess environmental risks before investing in a property development. The Fund considers various environmental factors, such as anti-social dumping strategy and air pollution, carbon emissions, construction waste recycling, and water, as part of its risk and value assessment. If material environmental issues are identified during due diligence, they are prioritized and included in investment papers for review by the Investment Committee before an investment is approved.

Engagement policies

The Fund does not have a formal engagement policy. The Fund however, does have engagement activities. All assets are continuously monitored on their ESG performance by asset managers to increase the value of its assets.

Designated reference benchmark

A specific reference benchmark index is not designated.