

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: KINNERTON RESIDENTIAL DEVELOPMENT III DESIGNATED ACTIVITY COMPANY
Legal entity identifier: 213800BAOZY64RU8QF27

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



What environmental and/or social characteristics are promoted by this financial product? *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

Kinnerton Residential Development III (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. 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.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund and are assessed both at the due diligence stage when financing projects and throughout the hold period. As a minimum, the indicators that are disclosed in the periodic reporting (Annex IV) will include:

Environmental:

- ***Reduced pollution***

In order to achieve reduced pollution, two key performance indicators (KPIs) have been identified: an **air pollution prevention plan** and a **surface water run-off plan**. The air pollution prevention plan aims to prevent dust and other pollutants on-site and in the local community, while the surface water run-off plan aims to minimize the discharge of rainfall to public sewers and watercourses, reducing the risk of flooding and watercourse pollution. These KPIs work together to address different aspects of pollution and promote a cleaner environment. The project aims to protect the health and well-being of the community, preserve natural resources, and create a more sustainable environment.

- ***Reduced emissions and energy efficiency***

To achieve reduced emissions and improve energy efficiency, four KPIs have been identified: a completed life cycle assessment (LCA) for new developments, an energy rating for a finished project, embodied carbon emissions, and operational carbon emissions. These KPIs aim to increase the use of sustainable materials, promote energy efficiency, and minimize the environmental and economic impacts of excessive energy use and greenhouse gas emissions. By considering the entire life cycle of products, showcasing energy performance, reducing carbon emissions during construction, and addressing operational emissions, the specific project aims to enhance its overall environmental performance and contribute to a more sustainable future.

- ***Sustainable use of resources***

To ensure the sustainable use of resources, two KPIs have been identified: construction waste recycled and a waste management plan during the construction phase. These indicators aim to reduce the amount of waste sent to landfills or incineration facilities by promoting waste prevention, material reuse, recovery, and recycling. The goals are to conserve resources for future generations, minimise environmental impacts, avoid the need for new landfill facilities in frontline communities, and stimulate the growth of green jobs and materials markets in the construction sector. By implementing these KPIs, the project aims to achieve sustainable

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

resource management and contribute to a more environmentally and socially responsible construction industry.

Social:

- **Labour standards and human rights**

To uphold labour standards and protect human rights, two KPIs have been identified: an anti-social dumping strategy and a report on work-related incidents. The anti-social dumping strategy aims to prevent unfair labour practices and ensure fair treatment, compensation, and working conditions for all project workers. The KPI related to work-related incidents involves reporting and addressing any accidents, injuries, or health issues that may occur during a project's execution. These KPIs demonstrate the project's commitment to labour standards, worker well-being, and ethical practices. By implementing these indicators, the project aims to create a responsible and safe working environment that respects human rights and prioritises the welfare of its workers.

- **Accessible and connected spaces**

To create accessible and connected spaces, three KPIs have been identified: accessibility, public transport, and affordable housing. The accessibility KPI focuses on designing spaces that empower a diverse population by considering their unique needs and characteristics. The public transport KPI aims to reduce greenhouse gas emissions and air pollution by promoting multimodal transportation options. The affordable housing KPI aims to provide reasonably priced housing to those in need. By implementing these indicators, the project aims to foster inclusive, sustainable, and affordable communities.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?** *[include, for financial products that make sustainable investments, a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]*

Not applicable.

While the Fund considers sustainability factors in the investment process and promotes environmental and/or social characteristics, it does not intend to make any sustainable investments in accordance with this definition.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?** *[include a description for the financial product that partially intends to make sustainable investments]*

Not applicable.

- **How have the indicators for adverse impacts on sustainability factors been taken into account?** *[include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I, are taken into account]*

Not applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: *[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

Not applicable.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, _____ *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

No

The Fund considers the following principal adverse impacts (PAI's) on the following indicators:

Exposure to fossil fuels: The Fund does not invest in real estate assets that are exposed to fossil fuels.

Exposure to energy-inefficient real estate assets: When investing, The Fund aims to only invest in buildings that qualify as energy efficient. As the Fund only invests in new buildings, these should have PED (Primary Energy Demand) below the NZEB (Nearly-Zero Energy Building) threshold or have the potential to be lifted to qualify as efficient through renovations.

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: All of the real estate assets in the Fund are equipped with facilities for waste sorting and covered by a waste recovery or recycling contract.

Energy consumption intensity: The Fund measures the amount of energy used per owned real estate assets per square meter. It provides insight into the efficiency of energy usage and helps assess the environmental impact of energy consumption.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.



In addition, the integration of the negative impact of investments on sustainability factors (PAI) is taken into account as an integral part of the investment process and will be reported as part of the fund-specific reporting disclosure.

What investment strategy does this financial product follow? *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

The investment strategy of the 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 the majority of its development projects that are certified with sustainability certificates and promote 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.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

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. The Fund reports on the selected indicators for the invested projects every quarter. 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 then per default also applies to all assets under management.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?*** *[include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]*

There is no committed minimum rate to reduce the scope of investments.

[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

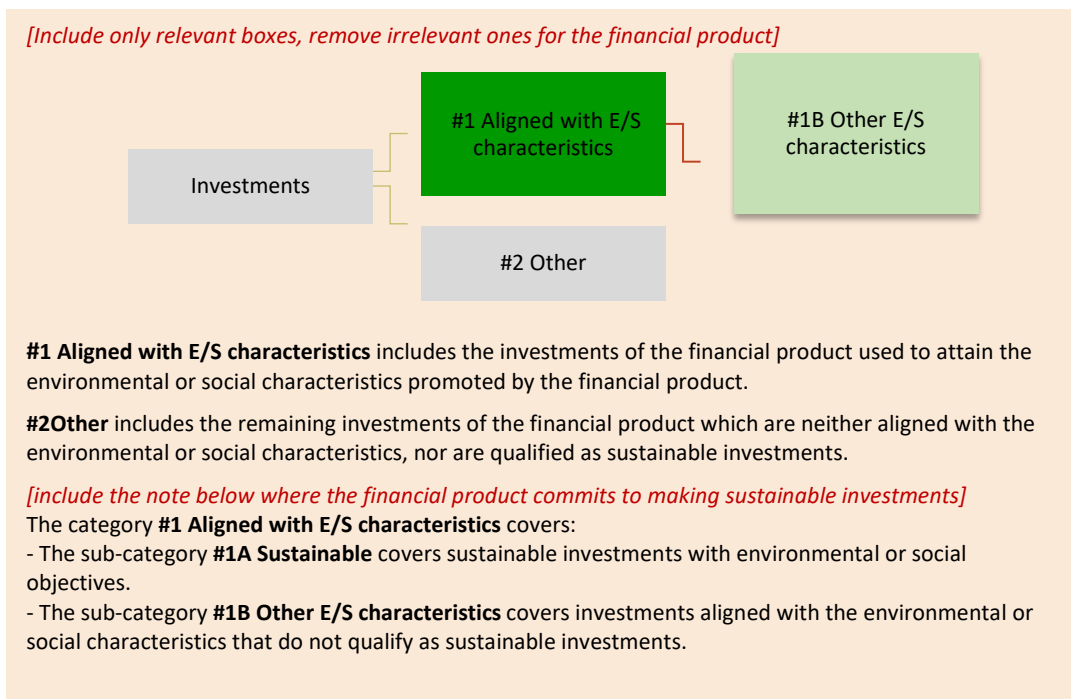
The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the policy to assess good governance practices of the investee companies?** *[include a short description of the policy to assess good governance practices of the investee companies]*

Not Applicable - The Fund does not hold any investee companies and therefore has no policy to assess good governance of companies.



Asset allocation describes the share of investments in specific assets.

[Include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852]

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



What is the asset allocation planned for this financial product? *[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy, including the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*

In accordance with the Fund's investment strategy, the Fund invests primarily in real estate were 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.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?** *[for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*

Not applicable.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(2) and (3) of this Regulation]*

[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels

[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

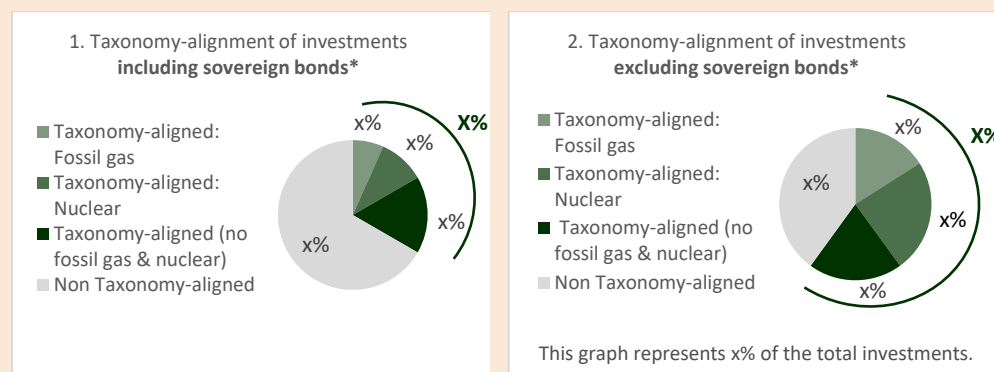
While the Fund considers a range of environmental and social factors in the investment process and promotes the characteristics mentioned herein, it does not intend to make sustainable investments with an environmental objective aligned with the EU Taxonomy. The minimum allocation of assets aligned with the EU Taxonomy is 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

- Yes: [specify below, and details in the graphs of the box]
 - In fossil gas
 - In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

[only include in the graphs the figures for Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy]



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?** [include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

Not applicable.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy? [include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]

Not applicable.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



What is the minimum share of socially sustainable investments? *[include section only where the financial product includes sustainable investments with a social objective]*

Not applicable.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Investments that do not fall under the sustainability indicators are constrained by the 25% threshold and can deviate from the ESG strategy. This can be additional investments, cash and cash equivalents and will not in the out-set incorporate the promoted environmental and/or social characteristics.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes? *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]*

Not applicable.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable.

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable.

- **How does the designated index differ from a relevant broad market index?**

Not applicable.

- **Where can the methodology used for the calculation of the designated index be found?**

Not applicable.

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



Where can I find more product specific information online?

More product-specific information can be found on the website: *[include a hyperlink to the website referred to in Article 23 of this Regulation]*

Find more information at Kinnerton’s website: <https://kinnertoncap.dk/sustainability/>