KINNERTON
CREDIT MANAGEMENT

ESG Policy and Procedures

February 2025 v.6

Contents

1. Introduction

1.1. Purpose of ESG policy ("Policy")

Kinnerton Credit Management ("Kinnerton", "Company" or the "AIFM") is a manager of pension fund and institutional capital and the purpose of this Policy is to describe how Kinnerton pursue Environmental, Social and Corporate Governance ("ESG") guidelines, as well as ethical guidelines, in line with our clients' needs, our fiduciary obligations and a desire to manage sustainability-related risks and explore sustainability-related opportunities. We believe that we have the duty to carefully assess the implications of any potential investment or other action we take, on the environment and society. From the outset in the Policy, it's the purpose to promote environmental and social characteristics identified by Kinnerton.

Kinnerton is also obliged to protect our client's investments from the impacts of financial as well as other risks – sustainable risks in particular - and we are well aware of this responsibility. Therefore, one of the main purposes with this Policy is to describe how our investors' investments are protected.

1.1.1. Scope

We are focused on understanding the assets we invest in to achieve risk-adjusted returns. We also analyze and assess the ability of each investment to grow and we aim to protect the value of the investments against events and factors that can have an effect on the value of an investment. Therefore, where possible we are also focused on reducing sustainability risks in order to protect investments.

We are also very cognizant of the fact that the assessment that needs to be undertaken is often complex, opaque and multi-faceted, and that a suitable infrastructure is required when making such assessments. Furthermore, we need to be dynamic and adapt our policies as the effects on the environment and on society are better evidenced and understood.

We also believe that we have an important role to play in society, promoting positive change and engagement with other organizations while continuously educating ourselves. This, in turn, will benefit our clients. Finally, a frequent dialogue with our clients is a critical part of the process, as we decide what the next step in this journey should be.

With an investment strategy that includes lending to property construction as well as ownership of residential real estate, Kinnerton aims at creating a positive contribution through job creation, employee safety and reduction of carbon footprint (achieved through adherence to strict Building Regulations for new builds, which include compliance to energy use thresholds) as well as pursuing ownership of DGNB certified assets (see below).

This Policy therefore sets out our approach to ESG from a wide range of perspectives, from (inter alia) approach to investments, monitoring of the same and corporate governance. It further describes how sustainability risks are integrated into the investment decision processes for Kinnerton in connection with management of alternative investment funds ("**The AIF's**"), as per Article 3 of The Sustainable Finance Disclosure Regulation ("**SFDR**"). It also sets out overall ESG guidelines from other perspectives and touches PRI membership.

The principles of this Policy apply to Kinnerton in general – AIFs as well as non-AIFs. Whilst the Policy is not designed to cover the non-AIF products under management, which funds are closed ended, issue profit participating notes and are <u>not</u> technically classified as AIFs, they are included (in part) within the Policy for completeness. However, two of the non-AIF's, Kinnerton Residential Development III DAC and Nordics Residential Development DAC, are as such not in the scope of SFDR but they have proactively chosen to disclose in accordance with the principles as article 8 products. These two funds are therefore included within the Policy at the same level as the AIF's.

Kinnerton is regulated by the AIFM Act and some of the funds under management are subject to the SFDR regulation. Though Kinnerton manage funds that are not covered by SFDR – most non-AIFs – the mentioned regulation is reflected in the Policy.

The Policy applies to all the employees at Kinnerton when acting on behalf of Kinnerton or when involved in decisions on behalf of the AIFs. The Policy also applies to the management of Kinnerton.

1.2. Reporting

At least once a year the Compliance Officer ("**CO**") must report to the board of directors, whether the Policy has been complied with.

1.3. Review and revision of policy

This Policy is subject to periodic review when required and at least on an annual basis. Reviews are undertaken whenever internal or external events indicate that such a review is needed.

In each instance, the review will be undertaken by the CO. Each time a review is undertaken, the output of the review process will be formally considered by the Board. The Board will determine whether any changes are required to Kinnerton's systems as a result and whether any changes made are material and require notification to the Danish FSA.

A version/changes log is set out in Annex 1.

2. ESG and Sustainability Risk Integration

2.1. Introduction

The Policy establishes the Company's general set of rules regarding integration of and information about sustainability risks (see below under 2.3). Its purpose is to make sure that the Company, at all times, complies with applicable legislation and conducts business in a responsible manner including consideration of sustainability risks and other factors in the investment decision making process. The Policy is made taking into account the size of the Company and the organization as well as the nature, scope and complexity of the Company's business.

The Policy applies on all the Company's investments made on behalf of the AIFs.

The Company has the following AIFs under management:

- Kinnerton Boligudlejning K/S
- Kinnerton Bæredygtige Boliger/Kinnerton Sustainable Housing II K/S
- Kinnerton Mortgage Funds PLC

In addition, the Company manages the following non-AIF's:

- Kinnerton Opportunistic Credits C DAC
- Kinnerton Residential Development II DAC
- Kinnerton Residential Development III DAC
- Nordics Residential Development DAC
- Kinnerton Property Finance DAC

(together, the non-AIFs").

2.2 ESG integration

The AIFM recognizes that it is important to pursue ESG matters as well as broader ethical issues when determining potential investments of the Company. The AIFM believes we have a duty to carefully consider ESG matters as well as assessing the implications of any investment of the Company to ensure the Company's investment contribute to a positive net aggregate outcome from an environmental and/or social perspective.

2.3 Sustainability risk integration into investment decisions

As set out in the SFDR, "sustainability risk" means an ESG event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. Such risks could, as mentioned below, for example be extreme weather events or social factors as labor conditions and are considered for all funds. This is not to be confused with the Environmental and Social characteristics the SFDR article 8 funds promote and which are: Reduced pollution, reduced emissions and energy efficiency, sustainable use of resources, labor standards and human rights and accessible and connected spaces. As part of the AIFM's ESG assessment process, the AIFM seeks to identify the sustainability risks (the "**Sustainability Risks**") which might cause a material negative impact on the value of the Company's investments and assess the Sustainability Risks identified as part of the AIFM's ESG assessment. The AIFM may (if necessary) use specialist external consultants ("**External Consultants**") to help assess potential Sustainability Risks, which could affect the Company's investment.

The AIFM carries out due diligence on an initial and ongoing basis on any investment made, where the circumstances in the investment case and the databases available are considered and where screenings of potential Sustainability Risks are made as an important part of the work towards integration of Sustainability Risks into investments decisions. The initial due diligence also consists of an analysis of a potential investment where the overall costs and benefits to the environment and society an investment might generate are included along with an assessment on how the market value of an investment may be affected by Sustainability Risks. The analyses are made by the AIFM's Investment Committee. Furthermore, our collaborators – mainly developers – are doing ongoing screenings of Sustainability Risks, where our target is that some of the Sustainability Risks identified in this policy (see below) – or other identified Sustainability Risks - are reduced by the developer. It could for example be screening towards identifying violation of human rights, labor conditions, combating corruption. If a breach/violation is ascertained a dialog will be initiated to correct the violation. In case the violation is still not corrected the corporation with the developer or subcontractor in question will be ceased. These mechanisms are described in agreements with our collaborators.

As mentioned focus is not only on the environmental Sustainability Risks. The Company also aims to identify other Sustainability Risks that can have a negative impact on an investment such as social characteristics. For example, this can be increasing social inequality which can impact on the ability to pay rent, with the effect that the demand for leaseholds reduces.

Other Sustainability Risks we have identified that could negatively affect the value of an investment include the following specific examples:

- Physical risks/environmental: Extreme weather events such as flooding, storms, pollution incidents, long term climate changes such as rising water levels and increasing average temperatures
- Social factors: Violation of human rights, poor working conditions, child labour, labour strikes and health incidents
- Governance: Corruption, bribery and discrimination with a workforce

- Regulatory: New regulations

We also know that tenants in properties with high energy consumption are more vulnerable towards rising energy prices that could be caused for example by political decisions, meaning that the tenants in the end will have to pay a higher rent. Reduction of the carbon footprint is therefore, in particular, increasingly a focus point in relation to property investments. Kinnerton believes that real estate assets which have been constructed to reduce the carbon footprint, is not only sensible from an environmental point of view but also sound from a commercial standpoint. In this respect, a lower carbon footprint means reduced energy costs from living in the property, justifying a slightly higher rent and attracting a larger audience for end use.

The AIFM's approach to Sustainability Risk integration into investment decisions is further set out below for each of the products it manages together with the ESG strategies for the products.

<u>Kinnerton Boligudlejning K/S and Kinnerton Bæredygtige Boliger/Kinnerton Sustainable Housing II K/S ("KSH")</u>

In respect of Kinnerton Boligudlejning K/S (article 6 fund), the fund has invested in properties all with Energy A ratings/certificates. However, it is no longer investing / acquiring assets and is therefore not reviewing sustainability risk in this regard.

Kinnerton Bæredygtige Boliger/Kinnerton Sustainable Housing II K/S, an article 8 fund, will only invest in new builds that have a DGNB gold certificate (see below) or similar standards (like BREEAM or LEED). As well as supporting the firm's ESG Policy, this is also designed to preserve exit value and long-term value creation.

Building according to the DGNB standard includes looking at the whole building process. The certificate has been developed by the German Sustainable Building Council (DGNB) together with the Federal Ministry of Transport, Building, and Urban Affairs to be used as a tool for the planning and evaluation of buildings. This allows for an extremely comprehensive perspective on sustainability and quality. In particular the elements are based on the original sustainability aspects from the RIO declaration which in the DGNB scheme are supplemented with the assessment of technical quality and process quality.
Assets must be DGNB audited throughout construction and are designed such that buildings: (i) are beneficial to the environment, (ii) conserve resources, (iii) are comfortable and healthy for users, and (iv) fit optimally into their socio-cultural surroundings. For example, reduce environmental impact through sustainable materials and construction.

The DGNB certification system is considered the most advanced system of its kind in the world and is internationally recognized as the global benchmark for sustainability. Though climate changes are unpredictable the risk of negative impact on the fund's investments are regarded less likely with the achievement of the DGNB-certification as the criteria covered by the certification reduce the sustainability risk.

As an article 8 ("light green") fund KSH promotes environmental and social characteristics.

The investment process includes consideration of Sustainability Risks throughout the investment lifecycle. The decision basis also includes an environmental, social and governance due diligence carried out before an investment decision is made in order to understand the Sustainability Risks. Environmental factors we view as the most important include air pollution, water use, energy, carbon and waste management. On Social factors it is important that housing is affordable and well connected to public transportation. From a governance prospective focus is on good governance including compliance with building regulations, human rights and anti-social dumping. If material Sustainable Risks do happen to be identified by the AIFM (or External Consultants) during the assessment process, the AIFM will prioritize the identified material Sustainable Risks as part of its decision making process with respect to the prospective investment. All the Sustainability Risks, which are identified, by the AIFM or the External Consultants will be included in the AIFM's investment memoranda, which are subsequently presented to and considered by the AIFM's investment committee ("**Investment Committee**") that consists of the CEO and COO.

The Investment Committee must give its approval before any investment by the Company is approved by the AIFM.

Kinnerton Mortgages Funds Plc

In respect of Kinnerton Mortgages Funds Plc, the fund has historically invested in residential and commercial mortgages. Accordingly, the strategy of the Funds does not take account of the criteria for environmentally sustainable economic activities.. In addition, its investment period has expired and therefore no new investment activity is taking place and therefore sustainability risks are not reviewed. The fund is an article 6 fund and does not promote neither environmental or social characteristics.

The non-AIFs

The non-AIFs are investing by way of lending credit for the development of residential real estate.

The AIFM aims also for the non-AIFs to identify environmental characteristics such as noise pollution, air pollution, carbon footprint (including Deutsche Gesellschaft für Nachhaltiges Bauen ("**DGNB**") certification opportunities), soil pollution, water pollution and climate changes when assessing the Sustainability Risks associated with prospective investments of the Company. In this respect, Kinnerton looks very favourably upon potential credits to properties with a "DGNB certification", which is considered a strength within its investment papers. This environmental assessment process is an integral part of the AIFM's due diligence and overall ESG assessment process with respect to prospective investments of the Company.

As above, if – for non-AIFs - material Sustainable Risks are identified by the AIFM or External Consultants during the ESG assessment process, the AIFM will prioritize the identified material Sustainable Risks as part of its decision-making process with respect to the prospective investment. All the identified Sustainability Risks are included in the AIFM's investment memoranda that are presented to the AIFM's Investment Committee.

For conversion of existing properties, the minimum standard of energy use is A while the Building Regulation (in Denmark *Bygningsreglementet* and in Sweden *Boverkets Byggregler, BBR*) sets out the standards for new-builds in order to obtain a building permission and hence obtain an A rating. New builds and conversions have a threshold for energy use aimed at reducing carbon footprint. This is typically achieved through use of district heating, which allows large amounts of renewable energy into the grid (wind and waste incineration) as well as through robust insulation, minimizing heat loss and choice of materials. Compliance with regulation is monitored throughout the building phase by Kinnerton's independently appointed building surveyor.

The two non-AIFs Kinnerton Residential Development III DAC and Nordics Residential Development DAC have chosen to follow the principles in article 8 ("light green") to promote environmental and social characteristics.

2.4 Active ownership/Engagement

The Company exercises active ownership by making demands to counterparties regarding societal considerations and ESG. For example, as regards the non-AIFs, the AIFM includes within its loan agreements covenants and representations such as compliance with working environmental regulations and that there's no use of illegal labor or use of child- and/or forced labor in respect of the same and which the counterparties are contractually obliged to adhere to. In this way, and as part of the active ownership the Company screen and/or monitor their counterparties in order to make sure they comply with relevant environmental, social and governance issues. If a counterparty violates ESG issues/norms the Company will contact the counterparty and have a dialog to advance ESG issues etc. It is expected that counterparties will use their influence to effect ESG issues. Ultimately, if a counterparty repeatedly or deliberately violates ESG regulations/norms the Company will decide to exclude that counterparty from its investment universe.

The Company has also agreed to the six Principals of Responsible Investment (PRI) which among others is to be an active owner and incorporate ESG issues into our ownership policies and practices.

2.5 Remuneration

There is no direct connection between the Company's variable remuneration and the Company's work with sustainability risks. Consequently, the remuneration policy is not consistent with the integration of sustainability risks.

3. Social Considerations: Workplace and employees

Kinnerton requires all counterparties to comply with national rules and regulations and that every counterparty is a reputable and prudent employer in relation to its employees.

As regards construction of real estate development projects, work safety is usually a challenge in relation to construction sites. Kinnerton ensures that the counterparty takes this seriously and acts responsibly. This is enforced in all loan agreements, where Kinnerton, among other things, has unfettered rights of site inspection.

In addition Kinnerton's representatives verify the progress of the project, which gives Kinnerton and the building surveyor the opportunity to check that the site is well organized and maintained, such that (i) risks can be managed from start to finish, (ii) rules are enforced regarding health and safety, (iii) there are procedures for ongoing controls and monitoring of safety equipment and potentially risky events, and (iv) employees have the right information about the risks involved and how they are managed. This is managed via independently appointed building surveyors in respect of both Kinnerton's lending strategy and the alternative investment fund, KSH.

With respect to Kinnerton's own social practice, it is key that the firm actively encourages a diverse and inclusive workplace with no discrimination. All employees are aware of the company's stance regarding diversity and inclusion, which is set out in a separate Diversity and Inclusion policy.

4 Governance and Ethics

(a) Kinnerton always seeks to comply with both the letter and spirit of the law, wherever it applies. The CO monitors new regulation and implements the legislation into Kinnerton's internal policies and procedures.

(b) Kinnerton ensures that the management structures and policies reflect the need for transparency, accountability, equality and probity in the management of our businesses

(c) We will seek to ensure that there is no bribery or corruption in any of our dealings. Kinnerton has in place policies and procedures regarding conflicts of interest, gifts and personal transactions to ensure that this constantly holds firm.

(d) Kinnerton provides an organisation and internal procedures (AML/CTF) allowing to ensure the identification and knowledge of its customers, including debtor clients and investors and the detection of atypical transactions.

(e) As regards all customers, the firm has a KYC / AML policy for on-boarding (distributed to all employees) as well as Politically Exposed Person (PEP) checks and negative news screenings.

(f) As a regulated entity, the Investment Manager has policies and procedures in place regarding (among other) GDPR/data protection, remuneration and risk management.

(g) Within its loan agreements, Kinnerton includes a wide ranging ESG covenant, breach of which is an event of default as well as covenants regarding GDPR and compliance with law and regulation. This is managed by Kinnerton's commercial team together with external legal counsel.

(h) If a counterparty violates generally accepted norms (e.g. human rights, child labour), Kinnerton excludes that counterparty from its investment universe. Kinnerton ensures that it does not offer credit to any counterparty which deliberately and repeatedly violates laws and regulations laid down by national authorities in the markets in which the counterparty operates, or deliberately and repeatedly violates laws and regulations laid down by international organizations ratified by the countries in which Kinnerton operates.

(i) Whilst Kinnerton invests in real estate, it would never involve itself in any business or venture which in any way involves child or forced labour, gambling, pornography, weapons or armaments, tobacco or tobacco related businesses or other "ethically challenged" businesses.

5. PRI

Kinnerton has signed the six Principles of Responsible Investment, as set out by the PRI which are to:

1. Incorporate ESG issues into our investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

We have incorporated these Principles into our business processes and practices, where compatible with our fiduciary duties towards investors.

Kinnerton became a member of UNPRI on 28 April 2021.

6. Approval, maintenance and amendments

All amendments to this Policy are subject to written approval from the CO and the board of directors. The CO must ensure that any amendments required under section 1.3 above (Review and revision of policy) are implemented.

Annex 1. Version/change control log

DATE	REASON FOR REVIEW	COMMENTS/CHANGES
19 March 2021	Approval of original policy	
14 June 2022	Reviewed by compliance officer and approved by the Board	
24 January 2023	Merged with “Policy on sustainability risk integration in the investment decision-making process” to comply with the SFDR	Approved by the board
20 June 2023	Amendments of the funds (Non-AIFs) NRD and RDIII	Approved by the board
1 February 2024	Annual review	Approved by board 19 April 2024
1 February 2025	Annual review	Approved by Board 25 April 2025