

GENESTA NORDIC REAL ESTATE FUND III, FCP-RAIF

Sustainable Finance Disclosure Regulation (2019/2088) (the "Disclosure Regulation")

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Genesta Nordic Capital Fund Management S.à r.l. ("**Genesta**"), Genesta's Luxembourg alternative investment fund manager, makes the following disclosures in accordance with Articles 6(1) and 8(1) of the Disclosure Regulation.

The objective of the Fund is to achieve strong risk adjusted returns in a sustainable manner by acquiring well-located Real Estate Assets in major Nordic metropolitan areas where there is an opportunity to enhance investment returns through active asset management. The key elements employed to reach this are sound and responsible investment and management processes, and strong governance through the entire lifecycle of an investment. The target investments consist of office, retail, warehouse, light industrial and logistics properties. The Fund cannot invest in any assets, such as residential, or locations outside of these target markets without the recommendation of the Investment Advisory Committee.

Genesta seeks to construct a portfolio of Real Estate Assets that will deliver attractive returns from existing cash flows and from asset management initiatives leading to increases in net operating income and hence capital value appreciation

Typical value-add activities include, amongst others, the improvement of the quality of tenant profile as well as undertaking refurbishments and generally repositioning a property. The investment strategy aims to increase and enhance the quality of cash flow generated from investments and also increase their attractiveness and capital value in the process.

In doing so, Genesta considers sustainability risk and sustainability impacts of its choices and strategy and it is actively engaged in the promotion of Environmental, Social and Governance ('ESG') characteristics in the management of the assets.

Since the inception of the Fund, one of its objectives has been to improve the sustainable position of its portfolio and reduce the carbon footprint and operating costs. Through the implementation of our *Responsible Investment Policy*, our assets are managed holistically, whereby we conduct ESG due diligence at the acquisition stage and immediately integrate ESG initiatives into our business plan.

Moreover, Genesta's *Sustainable Property Guide*, established in 2014, and the *Sustainable Property Operations*, established in 2017, set out the guidelines to respectively identify, assess and implement sustainability initiatives in property refurbishments and in daily operations.

The sustainable initiatives that meet cost-benefit criteria set out in those policies are then approved and implemented throughout the life of the asset. Examples of such initiatives include installation of solar panels, e-chargers for cars, bicycle racks, replacement of lighting with LED lights, modernizing of the HVAC systems, smart meters to measure energy, water and GHG consumption, installing water efficient toilets, replacing the windows; and installing insulation in the buildings.

The Funds sets such objectives upon acquisition and then also sets sustainability reduction targets for energy consumption (kWh / m² occupied), greenhouse gas emissions (CO₂e / m² occupied), water consumption (liters / m² occupied) and recycled portion of waste products. Performance against these targets is then measured through the life of the ownership of the assets.

We report ESG progress and achievements in our quarterly and annual report as well as Investor Notices. In addition, starting from the financial year 2021, the Fund will participate in GRESB reporting which provides a framework for assessment against our peers and the market as a whole. The GRESB report will be then reported to our investors.

Investment Cycle

We include ESG-aspects into the investment process from the early beginning and all prospective investments go through a comprehensive due diligence process including evaluation of technical and environmental performance in order to identify the key development areas and potential climate and ESG-related risks. Before any decisions are made, a detailed business plan, that includes development of the ESG-performance, is prepared to assure ESG-matters are incorporated into the property development plan before the acquisition of the property.

Managing Climate Change Related Risks

The consensus within the scientific community is that climate change is a real and serious threat affecting our nature and economy. Climate change may have a significant impact on the financial stability, both directly and indirectly through the actions taken to address it. TCFD¹ recommends dividing climate change related risks into two categories: physical risks and transition risks.

- Physical risks vary depending on the geographic location. They can be acute, such as increased number of extreme weather events, or chronic like increased precipitation, temperature or rising sea level causing long-term stress to build environment;
- Transition risks are societal changes resulting from adaptation and mitigation of climate change. Transition towards low-carbon economy can inflict changes in society such as legislation (carbon and emission taxes or limitations), changes in service and product markets and availability and increased cost of energy and raw materials.

The physical and transition risks are assessed, monitored and mitigated through the following procedures:

- Management of physical risks:
 - Risk assessment during due diligence and annual follow up development measures
 - Sustainable Construction Guide
 - Geographical location and local services.
 - Management of transition risks:
 - Strategically always ahead of legislative requirements
 - ESG matter integrated into business operations
 - Continuous improvement of energy efficiency
 - Active stakeholder engagement and green leases.

The Fund has nominated to be classified as an Article 8 Fund in accordance with the SFDR.

More information on the underlying sustainability risks, Genesta's approach to investment decision making and ESG components of the investment cycle can be found in our website where Sustainable Finance Disclosure Regulation (2019/2088) (the Disclosure Regulation) is disclosed.

For further information, please contact:

¹ Task Force on Climate-Related Financial Disclosures is a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings developed by the Financial Stability Board.



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