

Responsible Investment Policy

May 2020

Genesta

Responsible Investment Policy

This Responsible Investment Policy reflects our holistic approach on ESG matters and sustainable business practices that apply to Genesta as an organization, fund manager, real estate owner and investor. Genesta signed the UN-supported Principles for Responsible Investment in the end of 2019 and we are committed to the six principles reflecting responsible investment practices.

The objective of Genesta's fund management practices is to achieve strong risk adjusted returns in a sustainable manner. The key elements in reaching this are sound and responsible investment and management processes, and strong governance through the entire lifecycle of an investment. We are committed to adhere to our values, corporate governance best practices and ethical business behavior and we strive to prevent corruption in all its forms.

Climate change is one of the most urgent global challenges and built environment is responsible for a significant share of global energy consumption and greenhouse gas emissions. Therefore we, as an actor in the real estate industry, have an important role in the transition towards a low-carbon future.

Our vision is to make the existing building stock more sustainable.

As a real estate investor, we have a direct impact on the environment through property development and management. Acquiring low performing properties and extending their lifecycle by improving their efficiency and overall condition, we contribute to the targets set in the Paris Climate Agreement for reaching near carbon-neutral built environment and limiting global temperature rise. The choice of energy sources, level of recycling, types of building materials used in construction projects, active engagement and the operation of our buildings are among the key aspects to fight climate change.

Our sustainability priorities steer our work and are incorporated into our business strategy. These priorities are based on active interaction with our stakeholders and define the basis for our practical sustainability targets on organization, fund and asset level.

ECONOMIC RESPONSIBILITY AND GOVERNANCE

Business ethics, integrity and transparency	Solid governance and transparency are vital for Genesta's business operations and recognized as a value as well. We are committed to the highest standards of ethical behavior. Compliance and ethical business conduct are enforced through all our operations.
Risk assessment and risk management	A special risk management process is implemented and under continuous development to detect, measure, manage and follow in an adequate manner all the risks of each new investment or material changes for existing investments. Precautionary principle in terms of ecological responsibility is applied. Sustainability and Health & Safety (H&S) risk assessments are carried out periodically on fund properties.

ENVIRONMENTAL RESPONSIBILITY

Improving energy efficiency at the properties	Managing, measuring and improving the energy efficiency of fund properties is our key, long-term sustainability objective.
Environmental awareness of tenants, suppliers and service providers	We aim for a behavioral change among our stakeholders, tenants and business partners. We recognize the need to improve our communication and interaction with tenants; we want to help them to act more sustainably.
Providing tenants with feedback data on waste recycling, energy and water consumption	We are aware of the importance to give feedback to tenants about their sustainability performance. Our target is to have automated energy and waste metering in all new assets.

SOCIAL RESPONSIBILITY

Health, safety of tenants and property users	We have a zero-injuries policy. We reinforced our H&S taskforce to implement planned operations, to identify and assess any H&S risks systematically and to develop H&S management further.
Wellbeing of employees	Wellbeing of employees is considered as one of the most important factors of success. We offer extensive occupational healthcare, nurse diversity and growth on an individual employee level. We support our employees in combining private life, parental duties and professional life by offering flexible working hours and the possibility of working remotely. For continuous improvements the employee satisfaction survey is conducted annually.
Tenant satisfaction	Measuring and continuous improvement of tenant satisfaction ensures our business continuity. We strive for a deeper customer focus and enhanced tenant interaction in our business operations.

Managing Climate Change Related Risks

The consensus within the scientific community is that climate change is a real and severe 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 built environment.

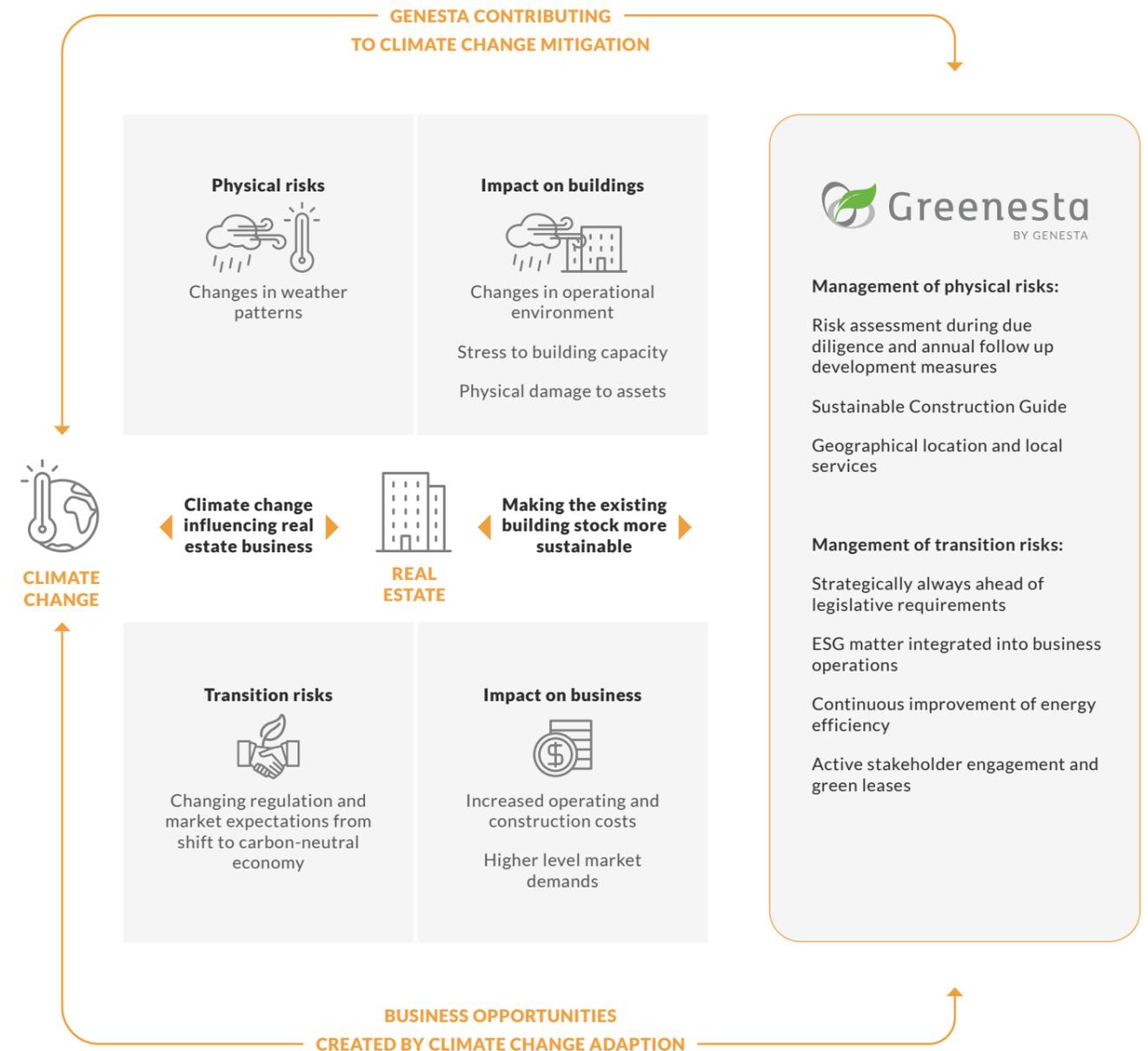


Transition risks are societal changes resulting from adaptation and mitigation of climate change. Transition towards low-carbon economy can inflict changes in society such as legislation (carbon and emission taxes or limitations), changes in service and product markets and availability and increased cost of energy and raw materials.

By taking into account the before mentioned physical issues when developing our buildings, we increase the resilience of our properties against the changing natural stressors. When we renovate old buildings and work towards the sustainability goals of our funds by increasing the energy efficiency and reducing carbon emissions, optimizing waste management and water consumption and set demands for sustainable construction materials, we address transition related risks like energy cost rise and raw material scarcity and strengthen our position on the path to a low carbon future. We see that an efficient climate change mitigation process is a way for us to generate value whilst reducing risks.

¹Task 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.

Genesta's approach to climate change related risk management and value generation process.



Evaluation of climate change related risks and their influence on Genesta's business and properties.

	RISK TYPE	WHAT?	IMPACT ON REAL ESTATE	GENESTA MITIGATION PLAN
PHYSICAL RISKS	Changes in weather patterns	Increased temperature	<ul style="list-style-type: none"> Shift in energy use: Decrease in heating, increase in cooling Requirements for HVAC systems and capacity change 	<p>Evaluation of physical risks is integrated in the technical due diligence process and annual follow up process of rectification measures</p> <p>Sustainable Construction Guide includes climate risk mitigation and adaptation measures by addressing energy efficiency issues, water consumption, sustainable commuting and material selection aspects</p>
		Increased precipitation	<ul style="list-style-type: none"> Increased need for drainage capacity Increased need for runoff water storage and buffering Durability of façade materials 	
		Decreased rainfall, water scarcity, water stress	<ul style="list-style-type: none"> Water availability 	
		Increased wind	<ul style="list-style-type: none"> Peak structural loads for the building Danger and discomfort 	
		Flood and increased sea levels	<ul style="list-style-type: none"> Challenging the building structures and systems 	
	Extreme weather events	Hurricanes / Cyclones	<ul style="list-style-type: none"> Danger for occupiers Damage for building and its surroundings Supply chain disruptions 	<p>Geographical location of the portfolio in low-risk areas in consideration to extreme weather events and selection of local products and services</p>
		Wildfires	<ul style="list-style-type: none"> Danger for occupiers Impacts of air quality Damage for building and its surroundings 	

	RISK TYPE	WHAT?	IMPACT ON REAL ESTATE	GENESTA MITIGATION PLAN
TRANSITION RISKS	Shift to low-carbon or carbon-neutral economy	Regulation and requirements for energy efficiency and lower emissions	<ul style="list-style-type: none"> Higher tax rates for low performing properties Compulsory improvements on energy efficiency 	<p>Continuous follow-up of ESG-related political discourse and decision-making to assure Genesta's requirements are well ahead of regulatory requirements</p> <p>ESG-matters integrated into business operations</p> <p>Continuous improvement of energy efficiency and carbon intensity to manage risk of increased costs</p> <p>Active stakeholder engagement and green leases</p>
	Changes in service and material markets	Availability and costs of materials and energy	<ul style="list-style-type: none"> Increased operating costs due to higher energy costs Increased construction costs due to higher raw materials costs 	
	Client demands	Market requirements for sustainable premises	<ul style="list-style-type: none"> Low performing properties may decrease occupancy and rent rates Opportunities for companies that contribute to climate mitigations 	

Genesta's Responsible Investment Approach

Our long-term environmental goals are in line with the targets of the Paris Climate Agreement. To mitigate climate change and reduce our carbon emission, we are committed to reduce energy intensity per square meter on average by 30% by 2030 (compared to 2015) to meet global climate ambitions set out in the Paris Agreement. To meet this goal, we acquire properties that we can develop to perform better and therefore it is essential to analyze gaps and weaknesses in the ESG performance to recognize the development potential.

Investment Decision Making

The Management Company has appointed three committees to give advice and recommendations on its decision-making: The Finance and Investment Committee (FIC), the Valuing and Risk Committee (VaRC) and the Executive Committee (ExCo). The Fund Board has the overall responsibility for the fund's strategy and the implementation of policies and procedures in relation to portfolio management, risk management, fund operations, conflict of interest, investor relations, fund marketing, investment compliance and regulatory compliance. The Fund Board is the highest level of the escalation line for risk, audit and compliance matters.

Policies and Codes Guiding Decision Making

In addition to policies guiding our sustainability work, Genesta's responsible investment practices are guided by the following documents

- Genesta's Code of Ethics
- Genesta's Code of Conduct
- Best Execution Policy
- Transparency Policy
- Conflict of Interest Policy
- Fraud and Corruption Management Policy
- Fund-specific ESG targets

Sustainability policies and the documents mentioned above cover and are applied in all Genesta's business operations. In addition to these, all Genesta operations are guided by a set of hands-on policies and procedures defining both responsible parties within Genesta and our service providers, and our management approach on matters such as Corporate Governance, Health and Safety, Risk Management and Compliance, and Sustainability throughout the whole investment cycle from acquisition to disposal.

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.

Genesta's investment process in phases, guiding policies, duties and responsibilities.

RESPONSIBLE INVESTMENT CYCLE

PHASE	Acquisition	Development	Ownership	Exit
ACTIVITIES DURING EACH PHASE	Acquire properties and develop a sustainable business plan with ESG-targets Definition of technical & environmental status and impacts Identify and review relevant climate stress factors and their economic impacts Identifying key areas for development and value creation Develop a business plan for the whole owning period	Mitigate negative risks and enhance positive impacts, create value through risk management Implementation of business plan Rectifying issues discovered during acquisition process Improving of building performance Lowering energy consumption Lowering operating costs Increasing tenant satisfaction and wellbeing	Assure performance and engage stakeholders into sustainable building management and use Active monitoring of environmental performance KPIs Assuring sustainable building management Active tenant engagement and encouraging building user's sustainable behavior	Sell sustainable assets with increased value Assurance of sustainable product at exit Verification of rectified acquisition due diligence findings
POLICIES IMPLEMENTED	Acquisition Master Process: Corporate Governance in Acquisitions Health and Safety in Acquisition Risk Management and Compliance in Acquisition Sustainability in Acquisition Business Planning and Budgeting: Corporate Governance in Business planning and budgeting Risk Management and Compliance in Business Planning and budgeting Sustainable Business Planning and budgeting	Construction: Corporate Governance in Construction Health and Safety for Construction Risk Management and Compliance in Construction Sustainable Construction	Property Operations: Health and Safety in Property Operations Managing Property Manager & Property Manager Agreement Risk Management and Compliance in Property Operations Sustainable Property Operations Stakeholder Engagement Guide Leasing Operations: Corporate Governance in Leasing Health and Safety in Leasing Risk Management and Compliance in Leasing Sustainable Leasing	Disposal Master Process: Corporate Governance in Disposals Health and Safety in Disposals Risk Management and Compliance in Disposals Sustainability in Disposals
RESPONSIBLE TEAMS	FIC, VaRC, ExCo Transaction team • Due diligence service providers Investment Management/ "IM" Team • Specialist for construction, H&S, sustainability	IM Team • Specialist for construction, H&S, sustainability	IM Team • Specialist for construction, H&S, sustainability • Building managers	Transaction team IM Team



Disclosure and Reporting

The aim of annual sustainability reporting is to increase openness and transparency of Genesta and our funds. The annual sustainability report is publicly available on our webpage thereby giving stakeholders better opportunity to assess our sustainability performance, operations and decision-making processes. The report is in line with the Global Reporting Initiative (GRI) Standards and INREV Sustainability Reporting Recommendations. In addition to the annual sustainability report, Genesta participates in the UN-supported PRI's transparency reporting.

Funds participate in GRESB reporting after being operational for one full year giving us a framework to holistically assess and steer the sustainability work of the funds while transparently communicate sustainability performance to the investors and other stakeholders.

Metrics and targets related to responsible investment and climate change mitigation are tailored for each fund and asset separately and disclosed in the annual report. Quarterly investor reporting includes key ESG-metrics and performance.

The funds' economic performances are assessed quarterly and annually against the IPD Nordic Property Index⁴ and INREV Index⁵. The fund's board continuously assesses the fund's economic performance against the targeted internal rate of return (IRR).



FOR FURTHER INFORMATION,

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