

Board Instruction on Sustainability

DEAS Fund Management DK A/S

Approved by	DFM Board of Directors
Responsible	Managing Director
Policy Owner	Head of Risk and Compliance
Entry into force	31 12 2022
Applicable regulation	<ul style="list-style-type: none"> • EU 2019/2088 of 27 November 2019 • EU 2020/852 of 18 June 2020 • EU 2022/1288 of 6 April 2022 • EU 2013/231 of 19 December 2012 • (DK) FAIF – level I – 2015/2021 • (SE) FAIF – level I – 2013/561 • (FI) AIFM Act – level I – 162/2014 • (NO) FAIF – level I – 28/2014
Relation to relevant internal instructions	<ul style="list-style-type: none"> • Board Instruction on Internal governance • Board Instruction on Remuneration
Review	Yearly, see updates in appendix I.

1. Definitions

1.1 In this Board Instruction on Sustainability (the “Policy” or the “Sustainability Policy”), the following terms and expressions will have the following meaning:

The Disclosures Regulation: Regulation (EU) 2088/2019 of the European Parliament and of the Council of 27 November 2019, as amended.

The Danish FAIF Act: Danish Act no. 2015 of 11 January 2021 on Managers of Alternative Investment Funds etc., as amended.

The Manager: DEAS Fund Management DK A/S.

The Investment Funds: The alternative investment fund(s) which the Manager may have under management at any given time.

The Level II Regulation: Commission Delegated Regulation No 231/2013 of 19 December 2012, as amended

The RTS: Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing The Disclosures Regulation.

The Taxonomy Regulation: Regulation (EU) 852/2020 of the European Parliament and of the Council of 18 June 2020.

Sustainability Risk An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment as defined in article 2(22) of the Disclosures Regulation.

2. Background and purpose

2.1 This Policy has been prepared by the Manager’s Board of Directors in accordance with Article 3 of the Disclosures Regulation, under which financial market participants (including alternative investment fund managers) must publish a policy on the integration of sustainability risks in their investment decision-making process.

2.2 The purpose of the Policy is to describe the main guidelines for (i) how the Manager will identify, measure, manage, mitigate, and monitor Sustainability Risks as part of the risk management of the investment funds and (ii) how the Sustainability Risks are integrated into the Manager’s investment decision-making process.

2.3 The preparation and implementation of this Policy only constitutes part of the measures used by the Manager in the work to comply with the regulatory standards of the Disclosures Regulation. Further measures are:

- Implementation of Sustainability Risks in the risk management process.

- Implementation of Sustainability Risks in the investment process.
- Implementation of Sustainability Risks in the policy on remuneration.
- Published sustainability information on website.
- Compliance with disclosure obligations in the pre-contractual investor material in accordance with section 62 of the Danish FAIF Act and with the RTS.

2.4 Neither the Disclosures Regulation nor the Taxonomy Regulation lays down specific requirements for the contents of the Policy, nor are the requirements mentioned in the RTS. The Policy thus expresses the Board of Directors' best understanding of the requirements for the Policy in the Disclosures Regulation, laid down on the basis of discussions with the Manager's legal advisers.

3. Publication

3.1 The Executive Board will ensure that the latest version of the Policy is always publicly available on the Manager's website.

4. Group of persons

4.1 The Policy guidelines apply to all employees involved in the Manager's risk management or portfolio management activities, as well as to all management team members.

4.2 The relevant employees are personally responsible for familiarizing themselves with the contents of this Policy.

5. Relevant terms and concepts

5.1 Article 3 of the Disclosures Regulation stipulates that the Policy must account for how the Manager integrates Sustainability Risks in its "investment decision-making process".

5.2 It is therefore essential to define those two terms by way of introduction, as this is a prerequisite for the Manager's identification of the correct risks and integration of these risks in the correct process.

5.3 Reference is made to the definition of Sustainability Risk in section 1 of this Policy.

5.4 The Board of Directors finds that the relevant Sustainability Risks for the Investment Funds include the following events and conditions:

5.4.1 Lack of relevant natural resources, energy and resource use, water and marine conditions, biodiversity, pollution and greenhouse gas emissions.

5.4.2 Economic and social inequality, including conditions pertaining to integration and labour market conditions, disadvantaged local communities and social unrest in certain geographical areas.

- 5.4.3 Management conditions for a third party, including ethical issues at governance level, compliance with tax legislation and HR-related matters.
- 5.5 In accordance with the Disclosures Regulation, there is only a Sustainability Risk if the event or condition in question has or may have a material adverse financial impact on the value of the investment. However, the Disclosures Regulation does not define more specifically what is meant by “material” in this context.
- 5.6 The Board of Directors has provisionally assessed that only conditions or events that, if they occur, are found to negatively impact the estimated annual return by more than 20% should be regarded as material. The Board of Directors obviously monitors the regulatory development closely and intends to revise the Policy when a practice has been established for the understanding of the materiality criterion.
- 5.7 The above Sustainability Risks must be implemented in the Manager’s “investment decision-making process”. The Board of Directors understands “investment decision-making process” as the process and examinations that form the basis of the Manager’s decision to acquire an investment asset on behalf of an Investment Fund.
- 5.8 Decisions made by the Manager in connection with the current operation and maintenance of an investment asset are not regarded as an investment decision.
- 5.9 Based on a general prudence concept, the Board of Directors has assessed that there is an investment decision in the sense of the Disclosures Regulation, regardless of whether the final investment decision in the case in question must be submitted to the Investment Fund for approval before the investment can be made.

6. Identification of Sustainability Risks

- 6.1 The manager manages collective investment portfolios consisting of the management and operation of real property.
- 6.2 In the light thereof, the Board of Directors has identified the following environmental, social or governance events or conditions which, if they arise, could have an actual or potential material adverse impact on the value of an Investment Fund’s investment:
- 6.2.1 Natural disasters: A single natural disaster (earthquakes, floods, hurricanes and similar natural events) may potentially damage or destroy an investment property.
- 6.2.2 Tax or duty increases on non-climate-friendly forms of energy: Changes in the rules on taxes and duties on non-climate-friendly forms of energy may increase the costs of running an investment property.
- 6.2.3 Rising sea levels: Higher Sea levels may reduce the value of investment properties in low-lying areas, including at the coasts.
- 6.2.4 Deterioration of air quality: Air quality, especially in major cities, may have an impact on the demand for real estate in these areas, and deteriorated air quality may result in increased regulation, which may make these areas less attractive as residential areas.

- 6.2.5 Rising social inequality: Economic inequality may mean that fewer people can pay a given rent in certain areas. This will reduce demand for more expensive residential properties.
- 6.2.6 Changes in tenants' sustainability demands: The tenants' attitude to sustainability will influence the demands that the tenants make for the energy labelling/sustainability ratio of the investment properties. This will entail a risk of a decrease in the value of non-sustainable investment properties.
- 6.2.7 Changes in the structural labor market: The physical location of jobs, including universities and other central government workplaces, will result in reduced demand for residential properties in cities from which these jobs are moved or for commercial lease holds as employees work from home.
- 6.2.8 Demographic characteristics: The average age of the population and the degree of urbanization affect the demand for different types of properties in various geographical areas.
- 6.2.9 Social development trends: The development in the average number of residents per property, average number of square meters per resident and the number of citizens per square kilometer in certain areas are examples of social conditions that result in increases/decreases in the need for residential properties and their size.

7. Implementation of Sustainability Risks in the risk management process

- 7.1 The Board of Directors has instructed the Executive Board to ensure that the above Sustainability Risks are incorporated in the Manager's risk management processes. Sustainability Risks are subsequently included on an equal footing with other financial risks.
- 7.2 In this connection, the Executive Board must ensure that the Sustainability Risks are incorporated in the operational processes for the risk management function, which can be implemented by updating the Manager's existing procedures or through the preparation of new procedures.
- 7.3 The Executive Board must integrate the identified Sustainability Risks in the Manager's risk management policy and the accompanying procedures. This must enable the risk management function to assess the probability of the realisation of an identified risk, and the potential adverse financial impact of the risk must be assessed in this process. By combining probability with the potential adverse financial impact, a given risk must be assessed on a combined scale that defines how serious the risk is and how it should be handled.
- 7.5 Reference is made to the Manager's risk management policy, which describes the general principles for measurement, monitoring, mitigation, and management of risks.
- 7.6 For investments that are already completed, Sustainability Risks are reviewed on an ongoing basis but at least annually and any new findings are brought to attention of the Risk Management function, who in turn will assess and determine if a change in the exposure to the investment is required. As a result of this process our investment approach on Sustainability Risks is directly reflected in the composition of our portfolios and part of the ongoing monitoring of investments as required pursuant to article 18 of the Level II Regulation.

8. Implementation of Sustainability Risks in the investment process

- 8.1 The Board of Directors has also instructed the Executive Board to ensure that the Sustainability Risks are implemented in the Manager's investment decision-making process, so that any investment decision made by the Manager on behalf of an Investment Fund takes into account an assessment of the Sustainability Risks connected with the investment.
- 8.2 In this connection, the Executive Board must ensure that the Sustainability Risks are incorporated in the operational processes for the asset management function, regardless of whether this is done by updating the Manager's existing procedures or through the preparation of new procedures.
- 8.3 The Executive Board must, in particular, integrate the identified Sustainability Risks in the Manager's investment and portfolio management policy and the accompanying procedures. This must ensure that senior management continuously takes Sustainability Risks into account in the investment decision-making process, so that no investment decisions are made without relevant Sustainability Risks having been considered.
- 8.4 In order to identify, measure, manage, mitigate, and monitor any potential Sustainability Risk, all potential investments will - as an integrated step in the asset selection and prior to the execution of any investment - undergo an assessment of the Sustainability Risks identified by the Manager.
- 8.5 The Manager will not make an investment if the Sustainability Risks, and the related financial exposure, are assessed to be unacceptable and unproportionate in comparison with the overall investment profile.
- 8.6 Reference is made to the Manager's investment and portfolio management policy, which describes the general principles of the Manager's investment management activities.

9. Principal Adverse Impacts (PAI)

- 9.1 The manager is considering relevant Principal Adverse Impacts (PAI) of investment decisions on sustainability factors in accordance with Article 4 of the EU Sustainable Finance Disclosure Regulation (SFDR). For new investments, the Investment Committee integrates PAI indicators as part of the overall ESG evaluation process.
- 9.2 In accordance with Annex I of Delegated Regulation 2022/1288 to the SFDR, the following PAI indicators have been identified as material to the manager's investments in real estate assets.

Mandatory Indicators (Table 1):

Exposure to fossil fuels through real estate assets.

Exposure to energy-inefficient real estate assets.

Optional Indicators (Table 2):

Greenhouse gas emissions.

Energy consumption intensity.

Waste production during operations.

Additional Indicators (Table 3):

N/A

- 9.3 For AIFs managed by the manager and classified under Article 8 of the Disclosure Regulation (SFDR), PAI indicators are taken into consideration. Long-term objectives for addressing adverse impacts are set individually for each AIF and are subject to ongoing evaluation. These objectives, along with ESG performance updates, are reported at least annually as part of the periodic SFDR reporting for the managed Article 8 funds and at an aggregated level in the annual PAI statement.

10. Implementation of Sustainability Risks in the policy on remuneration

- 10.1 In accordance with section 20 of the Danish FAIF Act, the Board of Directors has developed a written policy on remuneration which is in accordance with and promotes sound and effective risk management in the Manager.
- 10.2 Based on the requirements in the Disclosures Regulation for incorporation of Sustainability Risks in the Manager's risk management processes, the Board of Directors has reviewed the Manager's remuneration policy. The Board of Directors finds that the policy on remuneration does not provide any incentives for excessive risk-taking in terms of Sustainability Risks.
- 10.3 The following paragraphs on integration of Sustainability Risks are incorporated in the Manager's policy on remuneration:

"The Company has drawn up a policy on integration of sustainability risks in the investment decision-making process in accordance with the requirements of the Sustainable Finance Disclosure Regulation (SFDR), according to which the Company has identified and assessed the financial Sustainability Risks associated with the Company's activities.

These Sustainability Risks are included in the Company's risk management activities on an equal footing with the other identified financial risks.

According to the Company's policy on integration of sustainability risks in the investment decision-making process, there may be no mismatch between the allocation of variable remuneration elements to material risk takers and the identified financial risks for investors. This also includes the Sustainability Risks identified in the sustainability policy. Sustainability Risks shall thus be included in the criteria when setting KPI's if relevant and on equal terms with other material risk takers."

11. Checks and balances

- 11.1 The Executive Board must ensure that sufficient independent internal checks and balances are introduced for the relevant business areas in which the Sustainability Risks are incorporated to ensure compliance with the principles of the policy in the day-to-day work.
- 11.2 The Board of Directors continuously monitors the Executive Board's implementation of the policy in the organization. Such monitoring is done via the continuous reporting, see section 11.

12. Reporting to the Board of Directors

- 12.1 The Manager's Executive Board reports to the Board of Directors once a year on matters covered by this policy in accordance with the Board of Directors' annual cycle.
- 12.2 The Board of Directors must be informed as soon as possible about any significant breach of the policy or any underlying procedures.

13. Revision

- 13.1 The policy must be reviewed and, if necessary, revised by the Manager's Board of Directors at least once a year to ensure that it continuously takes into account all relevant Sustainability Risks connected with the Manager's business model.
- 13.2 In connection with any change to the policy, the policy must be updated on the Manager's website and the reasons for the change will be given.

Approved by the Board 10 January 2025

Board of Directors:

Mette Seifert
Chairman

Rikke Lykke Talchow

Thomas R. Wolff

Appendix I

Updates based on the yearly review of the Board Instruction

Version	Dato	Changes	Policy Owner
v.1	01 06 2021	New Board Instruction on Sustainability established as part of new legal obligations.	The Compliance Officer
v.2	21 12 2022	Updated Board Instruction on Sustainability as part of general ESG review.	The Compliance Officer
v.3	15 11 2024	Annual Review. Minor editorial and factual changes	Head of Risk and Compliance
v.4	10 01 2025	Inclusion of new section on PAI	Head of Risk and Compliance