

ANNEX II

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: Heimdal Credit Fund K/S Legal entity identifier: 984500BDF5783EEFA130

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



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?

Heimdal Credit Fund K/S (the "Fund") promotes three environmental and one social characteristics. The fund's investment strategy is to provide loans to finance properties in the segments of residential, office, retail and logistics properties. The loans will mainly be senior loans with a smaller share of junior loans and project-/construction loans.

The Fund promotes the following environmental characteristics:

Resilience to climate change

The Fund is subject to the Managers Policy for Sustainability, which describes the environmental/climate, social and governance conditions that support the Fund and the Managers ambition and work with the green transition. The policy integrates the environmental and social characteristics as binding elements for the period, and the Fund will provide information on the Fund's performance during the past year in the periodic reporting.

When issuing new loans or purchasing existing loans, the Fund undertakes to carry out a risk assessment of the consequences of climate change for the financed property. The risk assessment is an integral part of the investment process, as set out in the Manager's investment process policy, and the outcome of the assessment is included in the overall assessment of the investment.

Energy efficiency

When issuing new loans or purchasing existing loans that finance existing properties, the Fund undertakes to investigate and document the energy performance certificate (EPC) of the financed property. Financed properties must have economically feasible opportunities to improve the Energy Performance certificate to at least D, or an action plan to improve the Energy Performance certificate by at least two levels (e.g. from G to E).

The financed properties must also be supplied entirely or partially by self-produced renewable energy (e.g., solar panels). Alternatively, district heating, heat pump or gas. If the heating source is oil, there must be a phase-out plan.

Furthermore, the Fund undertakes to annually calculate the energy consumption for the operation of the financed properties on the basis of the EPCs and to collect data for the actual energy consumption of the financed properties from a "whole-property" point of view.

Sustainable design and construction

When issuing new loans for the construction of new buildings, the Fund undertakes to collect a number of data:

- documentation that the financed new construction will get a recognised building certification or will be in compliance with EU Taxonomy (cat. 7.1);
- a copy of the draft or completed LCA calculation incl. documentation that the result is 5% lower than the building regulation (when obtaining building permit);
- a copy of the completed LCC calculation and documented results;
- documentation that relevant indoor air pollution limits (volatile organic compounds) are met when obtaining occupation permit.

which must be included in the manager's sustainability due diligence. This is an integral part of the investment process and the result of the due diligence must be included in the overall assessment of the investment.

The periodic reporting will state the proportion of invested capital (Asset Under management AUM) that meets the set KPIs.

The Fund promotes the following social characteristics:

Tax policy and justice

The Fund only issues loans to borrowers who comply with Danish legislation and where their employees are guaranteed wages (including special benefits), working hours and other working

conditions that are no less favourable than those that apply to work of the same kind under a collective agreement entered into by the most representative social partners in Denmark within the relevant professional area, and which applies to the entire Danish area.

This also applies to maintenance and/or construction projects of the underlying real estate assets in the Fund, where it is contractually ensured that the contractors and their subcontractors, if any, comply with Danish legislation and that their employees are guaranteed wages (including special benefits), working hours and other working conditions that are no less favourable than those that apply to work of the same kind under a collective agreement entered into by those within the professional area in question most representative social partners in Denmark, and which applies to the entire Danish area.

The Fund only issues loans to borrowers who do not engage in aggressive tax planning. The Borrowers must ensure that the Borrowers are liable to tax in Denmark and that the Borrowers or the Borrowers' (indirect) shareholders are taxed in Denmark.

Borrowers must comply with the OECD BEPS principles and must not abuse double taxation treaties with entities without sufficient substance to reduce or avoid tax payments at source, must not use transfer pricing for tax evasion purposes, must not use financial instruments for aggressive tax planning, and must not use hybrid entities for aggressive tax planning.

The manager undertakes to obtain an annual confirmation of compliance from the borrowers, which is part of the reporting and compliance certificate.

Consideration of the main adverse impacts on sustainability factors

The Fund does not take into account the main negative impacts of investments on sustainability factors, due to the structure and profile of the Fund.

Instead, the Fund has identified four sustainability factors that the Fund believes are the most important with relevance to the underlying assets.

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

For existing properties, the Fund has chosen to use the Global Real Estate Sustainability Benchmarks ("GRESB") recognised reporting structure, and for new construction, the Fund has chosen to use DGNB's structure. These standards have been chosen in order to be able to measure, document and assess how the Fund promotes the environmental characteristics in question. The manager or the Fund does not intend to be an active member of GRESB, but will only use the structure set up by GRESB. Both GRESB and DGNB establish a standardised framework for collecting ESG data consistently and uniformly across the Fund's underlying real estate assets. The use of GRESB and DGNB's holistic view of the sustainability indicators gives the Fund the opportunity to select the most relevant KPIs that contribute to promoting the environmental characteristics.

The following KPIs promote the environmental and social characteristics of the Fund:

Tax policy and justice

- Contractual terms or better (confirmed annually by the borrower)
- No aggressive tax planning (confirmed annually by the borrower)

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

Climate change resilience

- Climate risk assessments (part of the Manager's sustainability due diligence)

Sustainable design and construction

- Certification or EU Taxonomy aligned (7.1)
- Life cycle assessment performed and result documented (copy of LCA calculation)
- Life cycle costs examined (copy of LCC calculation)
- Indoor air pollution limits (volatile organic compounds) are met (typically stated in the certification or EU Taxonomy alignment)

Energy efficiency

- There must be economically feasible opportunities to improve the Energy Performance certificate to at least D, or an action plan to improve the Energy Performance certificate by at least two levels (e.g. from G to E).
- Emissions of GHG gases (calculated based on the EPC)
- Collection of the property's actual energy consumption from a "whole-property" point of view
- Collection of data for energy supply

	Asset types	Characteristics	KPI	Data sources	Units of measurement	Target % of total AUM (% of allocated AUM)
Sociale	All assets	Tax policy and justice	Terms at least equal to collective (bargaining) agreement terms	Borrower guarantees according to the loan agreement	%	100%
			No aggressive tax planning	Borrower guarantees according to the loan agreement	%	100%
Environmental	All assets	Climate change resilience	Climate risk assessment	DinGeo, external advisors, and possibly other relevant sources	%	100%
	Construction of new assets	Sustainable design and construction	Certification or EU Taxonomy aligned (7.1)	DGNB, BREEAM, LEED, or other recognized building certifications or an external verification of compliance with EU Taxonomy	%	19% (75%)
			Life cycle assessment performed and result documented	LCA	%	19% (75%)
			Life cycle costs examined and documented	DGNB, BREEAM, LEED, and other recognized certifications	%	15% (60%)
			Avoid toxic materials	DGNB, BREEAM, LEED, and other recognized certifications or an external verification of compliance with EU Taxonomy	%	19% (75%)
	Standing assets	Energy efficiency	Energy Performance certificate/improvement of Energy Performance certificate	Energy Performance certificate	%	53% (70%)
			Greenhouse gas emissions	Energy Performance certificate	%	53% (70%)
			Actual energy consumption	Borrower reports based on consumption accounts	%	53% (70%)
			Energy supply	Borrower reports or Energy Performance certificate	%	53% (70%)

In accordance with Article 11(2) of the SFDR, the Fund will provide information on the extent to which the environmental and social characteristics have been fulfilled as part of the Fund's annual reporting.

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.

- ***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?***

Not applicable.

The Fund does not intend to make sustainable investments in line with the EU Taxonomy, but rather promotes both environmental and social characteristics in its investment strategy and actively integrates sustainability risks into the investment decision.

- ***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?***

Not applicable.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable.

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



- Yes
- No



What investment strategy does this financial product follow?

The fund invests in senior and junior loans for office, retail, residential and logistics properties in Denmark, as well as the construction of the same. A maximum of 25% of AuM can be invested in the construction of new properties and/or junior loans for existing properties. There is no investment restriction for senior loans for existing properties. The property types logistics (35%) and retail (15%) are limited to the specified percentages, and a maximum of 50% of AuM may be invested outside the capital region.

The fund creates added value through a constant presence in the market and the ability to act quickly on the opportunities that arise. The fund approaches the market with a flexibility and agility that is appreciated by borrowers, as very few lenders can act in the same way.

The Fund is aware of the legislative work that has taken place and is ongoing in both the EU and Denmark, with a focus on improving energy efficiency in properties. The Foundation believes that the legislative work is an important part of the transformation to a more sustainable society, as well as a significant business opportunity. Therefore, the fund will continuously assess whether changed legislation provides the opportunity and need to underline specific sustainability objectives.

When making investments on behalf of the Fund, the manager must be able to identify, measure, manage and monitor risks to which the Fund may be exposed based on the investment strategy and objectives. As part of the Due Diligence that is always carried out before investments (lending), an ESG Due Diligence is included and it is assessed whether the investment is in accordance with the characteristics and KPIs chosen by the fund. If the investment as a whole is not considered to sufficiently promote sustainability, the investment will not be made. There is no deviation from the requirement that employees must be paid on at least collective agreement-like terms and that aggressive tax planning may not be used, i.e. no loans are granted if the borrower does not comply with these requirements.

Good governance practice is defined in the Fund's sustainability policy. The management practices of potential borrowers are assessed with a special focus on business ethics, and is an integral part of the Due Diligence that is carried out before the Fund makes an investment.

Sustainability risks

There are sustainability risks associated with lending to finance real estate. Sustainability risks can lead to a decrease in the valuation of the property or reduce refinancing options. Therefore, before granting a loan for a given property, it is important to identify and mitigate the sustainability risks

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.

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

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

associated with investing in the property. Mitigation can be done by not granting a loan to a given property or making the loan conditional on measures that can address or eliminate the identified sustainability risks.

The primary sustainability risks identified in relation to real estate lending are:

Climate change

There may be increased rainfall and/or increased water levels, which can affect properties in exposed areas.

Environmental pollution

Properties can be affected by pollution from previous use of the property, the property's own activities or activities in the vicinity of the property, e.g. production or traffic. Pollution can be in the form of soil, air or noise pollution. There may also be pollution as a result of the materials used in the property.

Social risks

Breach of labour rights can lead to strikes, blockades or the like.

The sustainability DD that is carried out before investment (lending) will identify the above sustainability risks. If significant sustainability risks are identified, mitigating measures must be taken to address the identified risks, or the investment (lending) will not be carried out. Sustainability risks are expected to be managed before investment, which is why sustainability risks are assessed as low.

● ***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?***

The KPIs set for each AIF are set out in the appendix to the Manager's Sustainability Policy.

The manager has incorporated sustainability due diligence as part of the investment process to ensure that approved investments promote the set characteristics. All investments must undergo sustainability due diligence as defined in the investment process. In addition to assessing a number of defined sustainability risks, a screening of borrowers is also carried out. This screening focuses on the borrowers' ESG policy and the derived activities, as well as whether they comply with human rights and whether the investment is related to other companies involved in or contributing to the production of tobacco and weapons, among other things.

The Fund has set the following thresholds for meeting the selected KPIs.

The fund's KPIs are divided into two parts 1) loans for existing properties (both senior and junior loans) and 2) loans for construction projects.

The calculated % of total AuM is calculated based on a benchmark commitment of DKK 4 billion.

1. Loans for existing properties – a total of 0-100% of total AuM.

At least 70% of AuM for loans for existing properties (corresponding to 52.5% of total AuM) must meet these KPIs:

- Energy Performance Certificate (EPC): The fund conducts a screening of investment opportunities to ensure that the financed properties meet the requirement of having economically feasible opportunities to improve the Energy Performance certificate to at least D, or an action plan to improve the Energy Performance certificate by at least two levels above the current level.
- Energy supply: The Fund must ensure that if the heating source is oil, the borrower must have a phase-out plan.
- Actual consumption: The fund must ensure that the loan documentation includes an obligation to report on the property's actual energy consumption from a "whole-property" point of view.

2. Loans for new constructions - a total of 0-25% of total AuM.

At least 75% of AuM for loans for new constructions (equivalent to 19% of total AuM) must meet these KPIs:

- Certification or EU Taxonomi aligned: To obtain a construction loan, the borrower must document that the property will be certified according to DGNB, LEED, BREEAM or similar or comply with the EU Taxonomy. The Fund monitors the status of the certification or compliance with EU Taxonomy at least quarterly during the construction period.
- LCA: The fund always requires a copy of the LCA calculation performed and its result. LCA result must be 5% lower than the building regulation (when obtaining building permit). Documentation is a condition for disbursement of the loan.
- Avoid toxic materials: Relevant indoor air pollution limits (volatile organic compounds) must be met when obtaining occupation permit. The Fund monitors the status at least quarterly during the construction period.

At least 60% of AuM for loans for new constructions (equivalent to 15% of total AuM) must meet these KPIs:

- LCC: The fund always requires a copy (or other documentation) of the LCC calculation performed and its result.

All investments must live up to these KPIs.:

- Borrowers must not engage in aggressive tax planning; and
- Borrowers must comply with all collective agreements or at least similar conditions.

The Fund must ensure that all loan agreements contain sufficient undertakings and *covenants* regarding tax planning and employee relations. The Fund undertakes to obtain confirmation from the borrowers of compliance with *covenants* on a quarterly basis.

The Fund will collect data for the underlying KPIs on an ongoing basis throughout the year, initially quarterly and, where this is not possible, on an annual basis. Data will be included as part of the periodic reporting for the Fund in accordance with Article 11(2) of the SFDR.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

As the Fund is newly established, there are no investments that precede the mentioned investment strategy.

● **What is the policy to assess good governance practices of the investee companies?**

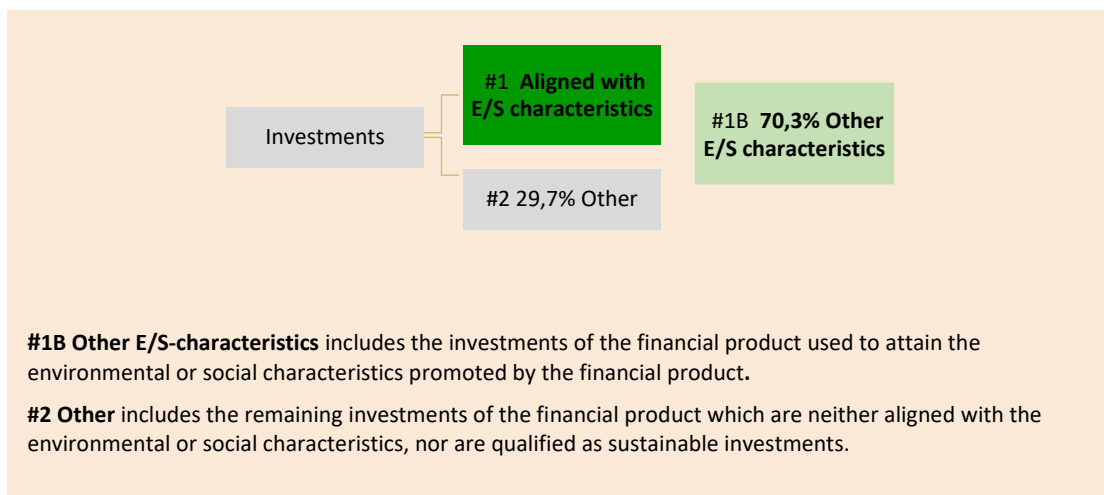
The Fund does not have a policy for assessing good governance practices, but assesses the borrowers' management in connection with the analysis and assessment of creditworthiness. The Fund also undertakes to comply with the manager's sustainability policy.



What is the asset allocation planned for this financial product?

The Fund commits to a minimum share of the investments as illustrated below. It is the Fund's target that a minimum of 70.3% of the Fund's investments are in accordance with each of the selected sustainability indicators for the environmental and social characteristics, which together contribute to the Fund promoting the selected characteristics. The remaining 29.7% will be investments that do not commit to promoting the environmental and social characteristics of the Fund.

The minimum share is calculated based on the fund's benchmark commitment. According to the fund's investment strategy, AuM for new construction may not exceed 25%. There are different characteristics of AuM for new construction and AUM for existing properties (senior and junior loans). It is the Fund's target that 71% of the AUM for new construction and 70% of the AUM for existing properties are in accordance with the selected characteristics.



Asset allocation describes the share of

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.

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 corresponding to the best performance.

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

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Fund does not use derivatives.



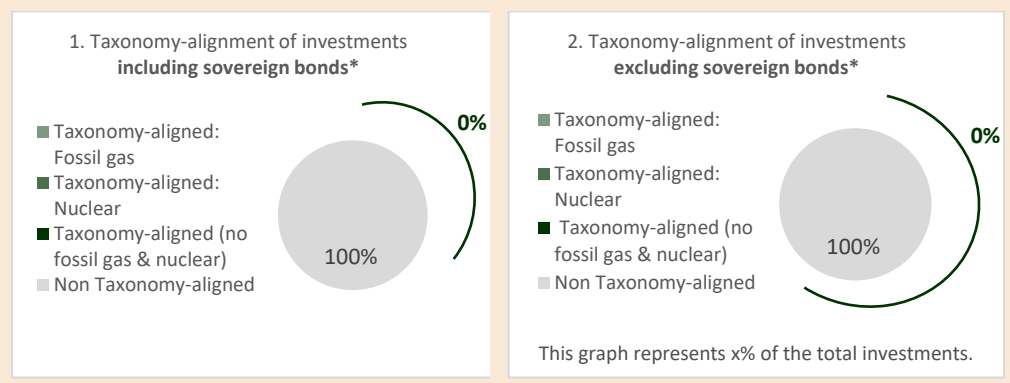
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The fund promotes both environmental and social characteristics, but has no intention of making sustainable investments in accordance with the Taxonomy Regulation 2020/852 (EU Taxonomy).

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

- Yes:
 - 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.*



* 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?**

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.

The Fund does not commit to a minimum share of investments in transition and enabling activities under the Taxonomy Regulation.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable.



What is the minimum share of socially sustainable investments?

The Fund does not make sustainable investments in accordance with SFDR Article 2 (17).



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

The investments under #2 Others are investments that only partially meet the specified characteristics. There are certain characteristics that all investments must live up to, but there are also certain characteristics that, regardless of the fact that it is the fund's general ambition to invest in assets that promote the sustainable characteristics, cannot be sufficiently documented for the investment to be categorised to promote the fund's 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?

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?***

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

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://fokusasset.dk/fokus-fund-management/>

The product-specific sustainability-related information is available via the link above.