CAPMAN HOTELS II FCP-RAIF

Green Finance Framework

November 2024

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CapMan Hotels II Real Estate Fund

CapMan is a leading Nordic private assets expert with an active approach to value creation since 1989. CapMan's funds invest in real estate, infrastructure, natural capital and unlisted companies. The objective is to provide attractive returns and innovative solutions to investors across the private assets spectrum by enabling change across the portfolio companies and assets. Within real estate CapMan acquires transitional properties that can be enhanced through redevelopment or repurposing, as well as seeking high-quality investments that generate risk-adjusted returns for investors. Altogether, CapMan employs approximately 200 professionals in Helsinki, Jyväskylä, Stockholm, Copenhagen, Oslo, London and Luxembourg. CapMan's stock is listed on Nasdaq Helsinki since 2001.

CapMan Real Estate is a Nordic property investor. CapMan Real Estate acquires, improves, and develops flexible real estate in major Nordic cities, with a clear focus on developing their environmental and social aspects, recognising its responsibility to create a positive impact on communities. The investor base comprises some of the largest global institutional investors and investment management companies who consistently support CapMan Real Estate's ability to deliver strong investment returns through market cycles and across the risk spectrum of the funds. CapMan Real Estate executes both value-add and income-focused investment strategies across all major property sectors in Sweden, Finland, Denmark, and Norway.

CapMan Hotels Fund II (CMH II) is a semi-open-ended / evergreen structure that invests in income-focused real estate hotel properties in the Nordic countries and is offered for institutional investors. We seek well-located, high-quality investments that generate attractive risk-adjusted returns in the long term. The income-profile of our Core and Core+ assets is continuously improved by active asset and lease management. Assets are well-maintained and further developed by diligently following long-term investment programs designed for each property. At the end of 2023, we had a portfolio of 27 hotels with a market value close to EUR 700m.

PORTFOLIO OVERVIEW

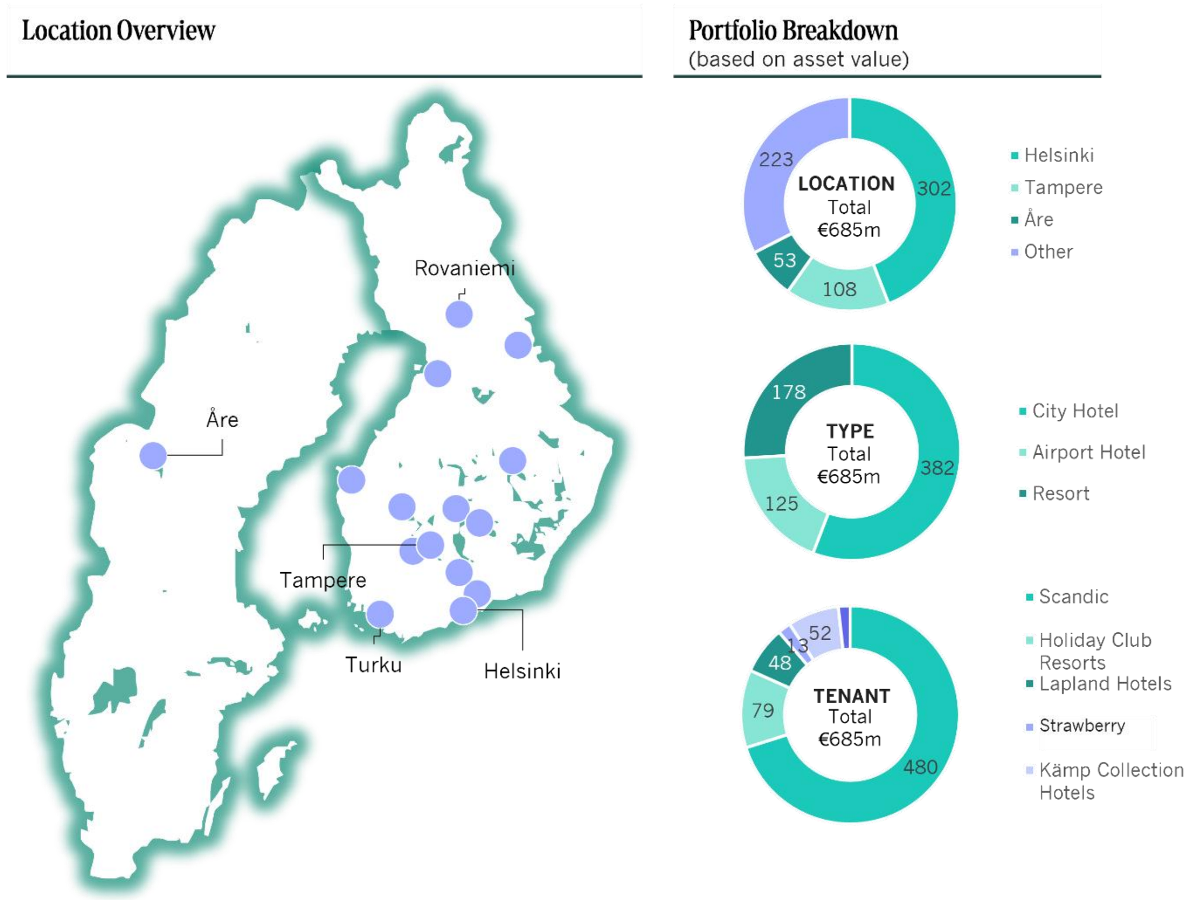

Figure 1 CapMan Hotels II portfolio overview

This Green Finance Framework has been established to enable the issuance of green finance instruments by (CMH II), providing a structured approach for financing assets that support the transition to a low-carbon and sustainable economy and the sustainability targets of the CMH II fund. Through this framework, CMH II aims to allocate capital toward eligible assets that align with the criteria defined in Use of Proceeds section of this framework and thus link the fund’s sustainability initiatives closer to its funding. We have already existing sustainability-linked loan with our core relationship banks and we feel green financing through Green Finance Framework is a rational next step in our sustainability journey.

Approach to Sustainability

CapMan's vision is to become the most responsible Nordic private asset company. To achieve this, we anchor our sustainability work in science, focusing on material topics and incorporating a comprehensive approach that includes our various stakeholders, the communities where we operate, and the environment. Our goal is to reduce negative impacts on people and nature throughout our value chain. We are developing a holistic approach to nature, mapping up how we start moving towards no net loss on nature. We also promote inclusive and happy workplaces, while also ensuring respect for human rights throughout the value chain.

We provide practical support to our portfolio companies and the individuals managing our assets, helping them develop their operations. Our commitment to transparency ensures accountability for everything we do. This is how we at CapMan continue to build value for the enrichment of society toward 2040 and beyond. In line with our vision, we do not limit our investments to sustainable assets alone. Instead, we believe that we can create more value by supporting the development of and transition toward sustainable operating models across various industries and sectors.

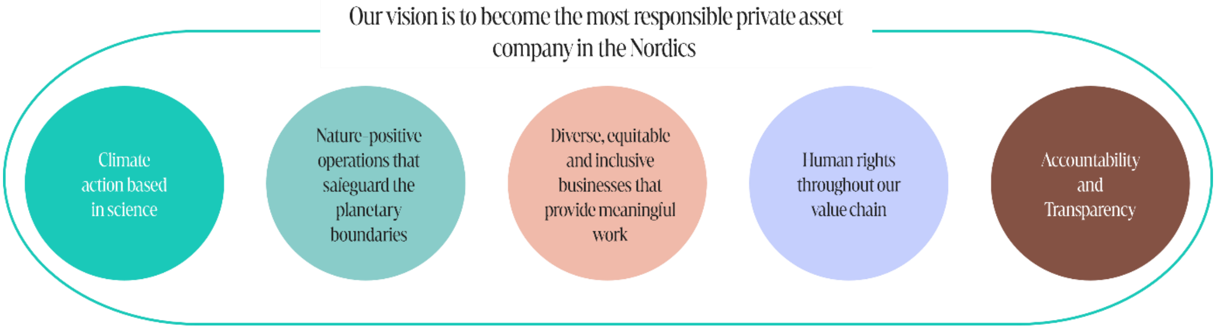

Figure 2 CapMan sustainability themes

As an active owner with significant reach in the Nordic society, CapMan is ideally positioned to drive positive transitions in real estate, infrastructure assets and companies. We have organised our sustainability roadmap under five overall themes, which cover environmental, social and governance topics. The sustainability themes are:

- Climate action based in science
- Nature-positive operations that safeguard the planetary boundaries
- Diverse, equitable and inclusive businesses that provide meaningful work
- Human rights throughout our value chain
- Accountability and transparency

Climate action based in science

CapMan is committed to climate net-zero by 2040, building on short-term targets, which have been validated by the Science Based Targets initiative (SBTi). This commitment means that CapMan will manage its overall real estate and infrastructure assets and portfolio companies in line with net-zero by 2040 at the latest, a decade earlier than the global target of 2050. Further and specifically, the real estate portfolio is targeting in-use operational net-zero emissions by 2035, and upfront and in-use embodied net-zero emissions by 2040.

The Science Based Targets initiative (SBTi) validated CapMan's target to reduce absolute Scope 1 and 2 GHG emissions and the targets to reduce Scope 3 GHG emissions. CapMan Plc's Scope 3 portfolio targets cover 72% of its total investment and lending by assets under management as of 2022. As of that year, required activities made up 82% of CapMan Plc's total investment and lending by assets under management while optional activities made up 18%.

Scope 1 and 2 targets:

- CapMan Plc commits to reduce absolute scope 1 and 2 GHG emissions 51% by 2032 from a 2021 base year.
- CapMan Plc commits to increase annual sourcing of renewable electricity from 46% in 2021 to 100% by 2030.

CapMan follows the SBTi guidelines for private asset companies and sets GHG emission reduction targets as a private asset company. As such, CapMan sets Scope 3 asset level targets for Real Estate business as follows:

Real Estate:

- CapMan Plc commits to reduce its real estate portfolio GHG emissions from residential buildings within its direct investment portfolio 50% per square meter by 2032 from a 2021 base year.
- CapMan Plc commits to reduce its real estate portfolio GHG emissions from service buildings within its direct investment portfolio 72% per square meter by 2032 from a 2021 base year.
- The targets follow a sector decarbonisation approach.

CapMan Real Estate, a part of CapMan Group, was selected to participate in the SBTi Buildings pilot test project, where the real estate specific net-zero target setting methodologies were tested. The real estate net-zero targets will be submitted for validation by the end of 2024.

Nature-positive operations that safeguard the planetary boundaries

Over the past year, CapMan has developed its understanding of what moving towards no net loss on nature and further towards nature positive operations would mean for our Real Estate, Infrastructure and Private Equity businesses. CapMan's approach is aligned with current and upcoming nature-related frameworks, such as Science Based Targets for Nature and Taskforce for Nature-related Financial Disclosures (TNFD).

For Real Estate and Infrastructure, a double materiality impact assessment focusing on nature has been conducted. A Nature Impact and Dependency tool has been created, that can be used by the Infrastructure and Private Equity investment teams. Six nature transition pilots have been conducted; three for Real Estate assets, two for Infrastructure companies and one for a private equity company. In addition, transition plans for Real Estate focused on standing investments, major renovations and new construction have been finalised, as has transition plans for seven infrastructure industries and a generic transition plan for Private Equity focusing on how to develop the plans with the portfolio companies. As a sign of this commitment, CapMan has signed up as an early-adopter of TNFD, which is the premier global risk management and disclosure framework for nature.

Diverse, equitable and inclusive businesses that provide meaningful work

CapMan plays an integral role in society through the properties and businesses in which we invest. We build real estate, infrastructure assets, and companies that we can take pride in and that become places where employees enjoy working and customers and tenants want to frequent and endorse.

At CapMan, we target an eNPS (employee Net Promoter Score) above 50 and an inclusion index score above 70. For our investments, we aim for employee satisfaction above 3.5/5 or an eNPS above 25, and tenant satisfaction above 4/5 or an NPS (Net Promoter Score) above 0.

The promotion and realisation of diversity and equity is a key sustainability topic for CapMan. CapMan's organisation and activities should reflect its stakeholders and markets in which we operate. We believe that companies that take Diversity, Equity and Inclusion (DEI) into account also tend to be more innovative and profitable, which in turn has positive effects on the societies in which the companies operate. We expect portfolio companies with over 75 employees and where CapMan is a majority owner to implement a DEI policy. CapMan promotes diversity among decision makers both within CapMan and across our portfolio companies. We target a maximum of 70 % representation of any gender in new appointments to portfolio company boards and management teams.

In 2023 CapMan established an internal working group that focuses on discussing and highlighting pertinent DEI issues across the organisation. Composed of various members across teams, functions, seniorities and geographic locations, the DEI working group provides practical guidelines and recommendations to management in biannual workshops. The DEI working group is sponsored by the Audit and Risk Committee Chair of CapMan's Board of Directors. We expect portfolio companies with over 75 employees and where CapMan is a majority owner to implement a DEI policy.

Human rights throughout our value chain

We respect human rights for all people, including our employees, those working for and with our investments, and local communities. Our target is to promote human rights throughout our investments' value chains and continuously improve human rights governance. To ensure human rights in practice, CapMan has conducted an assessment of salient human rights risks and impacts with external experts. The assessment was based on the UN Guiding Principles of Business and Human Rights and the OECD Guidelines on Multinational Enterprises. These frameworks also form the basis for Minimum Social Safeguards under the EU Taxonomy. Based on this assessment CapMan has developed a roadmap to strengthen current human rights governance, risk management, and policies and procedures and is currently working on implementation across the organisation. Concrete guidance for implementation throughout our portfolio companies, asset and property management is being finalised during 2024 and implementation throughout our investments will commence during end of 2024.

Accountability and transparency

The promotion of good governance, business ethics, and integrity has always been an essential part of CapMan's investment operations. To improve accountability among decision-makers at CapMan and our portfolio companies, we integrate sustainability factors into remuneration. This approach strongly aligns the incentives of decision-makers with sustainability targets, ensuring that actions prioritize sustainability matters and ultimately lead to the achievement of overall sustainability goals. CapMan develops its sustainability reporting to enhance transparency regarding sustainability measures and to prepare for the upcoming Corporate Sustainability Reporting Directive (CSRD). Our largest portfolio companies will begin reporting according to CSRD requirements simultaneously with CapMan, and we actively assist them in their preparations. Additionally, CapMan aims to enhance transparency related to the sustainability impacts of our funds under management, providing relevant disclosures in accordance with the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation. CapMan also takes part in voluntary reporting, such as ESG Data Convergence Initiative, PRI, UN Global Compact, Task Force for Climate related Financial Disclosures (TCFD), TNFD and GRESB.

CAPMAN REAL ESTATE SUSTAINABILITY

Within CapMan Real Estate, the sustainability vision is developing human-centric real estate with a net positive environmental impact. The aim is to generate attractive returns for investors while driving a green transition in the industry, optimizing real estate life-cycle value creation to all stakeholders, from the environment to local communities.

The three themes build into the vision are developing human-centric real estate, moving towards real estate development with a net positive environmental impact, and basing the operations on transparent and accountable governance.

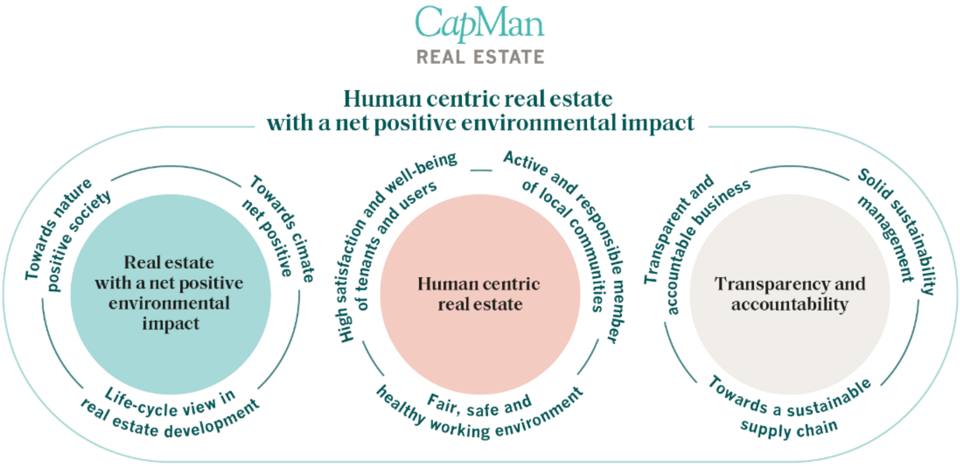

Figure 3 CapMan Real Estate sustainability vision

Human centric real estate

This means developing real estate truly centered around its users and the surrounding community. The aim is to develop real estate that is inclusive, delights the tenants and contributes to the development of liveable communities. Naturally, developing human centric real estate includes ensuring a fair, safe and healthy work environment in the operations and throughout the supply chains.

Real estate with a net positive environmental impact

This means moving towards real estate that ultimately gives more than it takes in terms of climate and nature. They key to this is the life-cycle view to real estate development which means that in both renovations and new builds, CapMan Real Estate invests in and chooses new solutions and innovative approaches that allows for maximising the buildings overall life-cycle value and minimizing the life-cycle emissions and negative nature related impacts.

Transparency and accountability

CapMan Real Estate is accountable for its actions and transparent about the environmental, social and governance impact. CapMan Real Estate engages in solid sustainability practices, management and reporting. Transparency is promoted throughout the value chain and CapMan Real Estate engages in robust supply-chain management. CapMan Real Estate provides trainings to ensure that employees and partners have the tools awareness needed to comply with and be active partners on our sustainability path.

EU Taxonomy and green building certifications

CapMan Real Estate targets to increase the share of certified and EU Taxonomy aligned properties. In 2023, the area of properties with green building certifications, such as LEED or BREEAM increased to 38%. The share of EU Taxonomy aligned properties was 18% in 2023. In 2023, the share of green building certifications has increased from the baseline 2021 by 233% in terms of square meters. The increase was mainly due to an increased focus on certifying properties in the funds, as well as the acquisition of properties that are already certified with a green building certification. CapMan has also had an increased focus on aligning properties in accordance with the EU Taxonomy as well as acquiring properties that are already EU Taxonomy aligned. In 2023, the EU Taxonomy alignment increased by 20% since 2022. CapMan Real Estate has conducted EU Taxonomy assessments of all real estate funds under management. The funds' activities are EU Taxonomy eligible in the categories Construction of new buildings, Renovation of existing buildings and Acquisition and ownership of buildings. The fund defines 'sustainable investments' according to EU Taxonomy alignment.

CMH II SUSTAINABILITY

Sustainability is a strong focus area for the CMH II fund. CMH II Fund strategy is compliant with Article 8 under the sustainable financing disclosure regulation (SFDR), which enables green transitions.

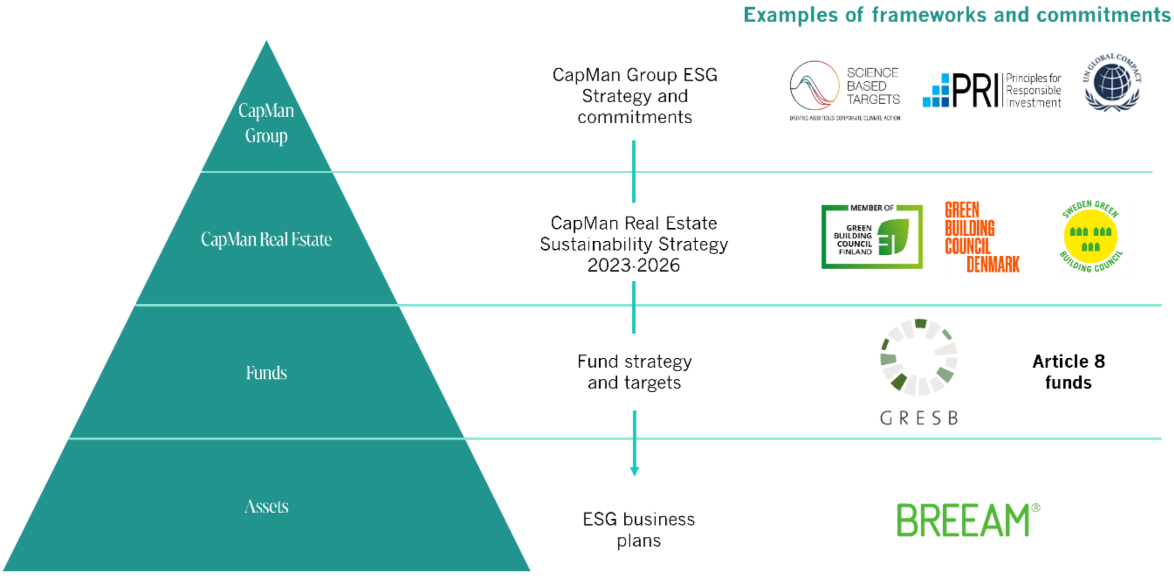

Figure 4 Sustainability dimensions at CapMan

In 2024, the Hotels II fund improved its GRESB result from a two-star rating in 2022 to a five-star rating in 2024. This result was achieved through a combination of CapMan Real Estate wide sustainability developments and concrete actions performed across the funds' assets. CapMan Real Estate wide sustainability targets were set, sustainability policies and tools created, and personnel remuneration was linked to sustainability targets. The Hotels II fund, improved energy efficiency, updated its energy performance certificates, performed energy surveys and improved data quality and availability, completed an external assurance for the energy, GHG, water and waste data and improved their tenant engagement, sustainability risk assessments and increased their share of green building certifications.

CMH II sustainability targets (baseline 2021):

- Reducing commercial properties operational GHG emissions by 72 % per sqm by 2032 from a 2021 base year. (Interim/short-term Science Based Targets)
- Reaching in-use operational net-zero emissions by 2035.
- Reaching upfront and in-use embodied net-zero emissions by 2040.
- Reduce energy intensity by 26% by 2032
- Increase number of green building certifications
- Increasing the share of EU taxonomy aligned properties
- Assessing both physical and transitional climate-related risks for all assets in accordance with IFRS, CRREM and/or EU Taxonomy, and creating adaptation plans to mitigate risks.
- Conducting annual biodiversity risk assessment for all properties
- Ensuring waste recycling facilities including bio, paper, cardboard, plastic, glass and metal sorting are established for all assets, if municipality/private waste services available
- Reduce water intensity by 4% by 2026 (for hotels, adjusted to the number of guest nights)
- Improve waste management (utilisation rate of 60%)
- Increase tenant satisfaction (>29 NPS) by 2026
- Overall satisfaction 4.0 from bi-annual tenant satisfaction survey
- Identifying human rights risks throughout the supply chain by conducting a human rights risk assessment, and plan mitigative actions
- Ensuring fair working conditions throughout the supply chain by at least requiring all relevant suppliers to follow CapMan Supplier Code of Conduct
- Requiring suppliers to meet CapMan sustainability standards (Supplier Code of Conduct and CapMan Real Estate Sustainable Procurement Policy, CapMan Real Estate Design & Construction Manual and CapMan Real Estate Tenant Fit-Out and Refurbishment Manual).
- Including ESG clauses in all new lease contracts ("green leases")

The CapMan Hotels II fund has taken significant steps to transform its portfolio in a more sustainable direction. Between 2021 and 2022 the Fund was able to decrease its energy usage and intensity, GHG emissions and intensity – all amidst increasing occupancy rates in a market gaining speed post-pandemic. Overall, the fund reduced its operational market-based CO2 emissions and GHG intensity by 37% and its absolute energy consumption and energy intensity by 8%. The Hotels Fund accounted for around 45% of CapMan Real Estate total emissions in 2021 but 34% in 2022 making this progress even more significant.

This energy and GHG reduction progress was a result of a coordinated joint effort to enhance the funds sustainability performance on multiple fronts. Key efforts behind these results were:

- The fund switched to carbon-free energy in most of its assets and encouraged its tenants to do the same.
- Energy consumption monitoring system Enerkey was taken into use.
- When major renovation projects took place, measures improving energy efficiency were integrated into them. These included for instance improved heat recovery, pool technology renewal improving water and energy efficiency, life cycle design and renewal of glass roof.
- Building automation optimization projects.
- Energy audits which helped assess where improvements can and should be made.
- Solar panel feasibility studies for all assets.
- Alternative heating systems, such as geothermal heating, were assessed.
- Energy data quality was improved by connecting properties to energy data.
- Active tenant engagement, increase of ESG related awareness and collaboration.

Going forward the fund continues to invest in green transition especially due to the age of the building stock. The fund plans to further decrease its energy intensity and emissions as outlined in its carbon reduction roadmap to achieve short and long-term GHG emission targets in 2027 and 2032. The roadmap was created in 2022 in line with the mid-term short-term climate targets which are validated by the Science Based Targets initiative. The roadmap has been updated with the upfront embodied carbon targets.

MATERIALITY

In order to focus on the topics where CapMan can have the biggest impact, CapMan builds its sustainability strategy around a double materiality framework. Material sustainability topics are factors that have a significant direct or indirect economic, environmental or social impact on CapMan, its stakeholders and broader society. CapMan looks at both its effect on the world as well as the impact of external sustainability issues on its activities.

The promotion and realisation of diversity and equity in the operations are considered the most material topic, followed by governance in investment practices, board diversity and business ethics and integrity. Energy use, emissions and the impact of travel habits on climate change are the most material environmental topics for CapMan. The resulting materiality map forms CapMan's priorities for managing sustainability topics. CapMan sets annual and long-term targets that monitor progress related to these material topics.

CapMan is in the process of updating the assessment during 2024 to reflect the double materiality principle of CSRD. CapMan's reporting obligations start as of 2025.The materiality assessment focuses on the activities of CapMan Group and applies weighting based on the most material impacts of the Group's overall activities. CapMan will extend this assessment by including a broader assessment of its impacts across the value chain, including the activities of CapMan's real estate, infrastructure and private equity funds under management.

CapMan Real Estate has assessed that the most material sustainability topics are tenant satisfaction and well-being, energy efficiency, GHG emissions, business integrity and waste and hazardous materials management, which also apply to CMH-II at fund level.

MATERIAL TOPIC		MATERIAL SUBTOPIC
ENVIRONMENT		
Climate action based in science **Nature-positive operations**	**Climate Change**	Travel habits Energy use, energy efficiency
SOCIAL		
Strong and equitable businesses and meaningful work **Respect for human rights**	**Diversity and equity**	Employee diversity and equity Non-discrimination
	Attractive workplace	Employee wellbeing Talent development and retention Performance based remuneration
GOVERNANCE		
Diverse, transparency and accountability	**Good governance in investment practices**	Active ownership
	Board diversity	Board diversity
	Business ethics and integrity	Compliance with laws and regulations Ethical business practices that are based on CapMan's values
	Tax responsibility	Tax revenue and tax transparency

Figure 5 Material topics identified for CapMan Plc.

GOVERNANCE

At the CapMan group level, the Board of Directors is responsible for assessing sustainability risks as part of overseeing risk management for the company. The sustainability governance and reporting framework is evolving with the Corporate Sustainability Reporting Directive. CapMan's Board of Directors have approved the company's sustainability programme and its central topics have been discussed at board meetings.

At the CapMan Hotels II fund level, the CapMan Real Estate Managing Partner is ultimately responsible for ensuring that the fund complies with CapMan's Sustainable Investment Policy, and that in the real estate process, the sustainability risks and opportunities are analysed as described below in *Sustainability in the real estate investment process*. The CapMan Real Estate Managing Partner is also ultimately responsible in ensuring that the asset management plan is implemented and the improvements leading to progress towards meeting sustainability targets on the fund and asset level are taken. The CapMan Real Estate sustainability team in collaboration with asset management teams are operationally responsible of both items.

Sustainability in the real estate investment process

CMH II integrates sustainability criteria throughout the investment process, from sourcing of an investment to exit. When screening for potential investments and assets, CMH II first utilizes high level sustainability screening, which includes an analysis of the asset through sustainability restriction criteria. This criterion and a list of restrictions have been published by CapMan in 2023. Following the initial screening, CMH II conducts detailed analysis on sustainability topics, which includes a high-level analysis of potential sustainability risks and opportunities. Potential topics included are such as CRREM 1.5-degree decarbonization and energy pathways, green building certifications, EU Taxonomy alignment, physical climate risks, indoor air quality, accessibility, noise, contaminated land, the incidence of PCBs, radon, nature conservation areas, the history of the asset, the site and the neighborhood. Based on this analysis, sustainability value creation opportunities and potential risks are documented, and a sustainability asset management plan is developed. Following the investments, in the ownership and value creation phase, CMH II implements an asset management sustainability plan, identifies further value creation initiatives and reports on the progress towards sustainability targets to stakeholders. Even when exiting an asset, as the new owner is taking over the sustainability improvements completed during CapMan's ownership are detailed and areas for further development are highlighted to continue sustainability work in the asset.

1. Sourcing and Screening

The first step includes initial and high-level sustainability screening, including sustainability restriction criteria analysis. In 2023, CapMan published a real estate specific restriction list that serves as a starting point for the investment process.

2. Due Diligence

Following the initial screening, CapMan conducts detailed analysis on sustainability topics, including high-level analysis of potential sustainability risks and opportunities.

- Potential topics included are:
- CRREM 1.5°C decarbonisation and energy pathways
- Green building certification
- EU Taxonomy alignment
- Physical climate risks
- Indoor air quality
- Accessibility
- Noise
- Contaminated land
- The incidence of PCBs
- Radon
- Nature conservation areas
- History, site and neighbourhood

Sustainability value creation opportunities and potential issues are documented, and a sustainability asset management plan is developed.

3. Ownership and Value Creation

The investment initiates the ownership and value creation phase. Value creation is based on active ownership. During the ownership phase, CapMan implements an asset management sustainability plan, identifies further value creation initiatives and reports on the progress towards sustainability targets to stakeholders.

4. Exit

Ownership change is part of a continuum for the asset. All value creation and asset management activities throughout the lifecycle of the investments are targeted at managing and reducing risks as well as maximising value at exit. As a new owner is taking over, sustainability improvements completed during CapMan's ownership are detailed and areas for further development are highlighted in order to continue sustainability work in the asset.

Figure 6 4. Sustainability in the real estate investment process

Green Finance Framework

This Green Finance Framework ("The Framework") has been developed in accordance with the Green Bond Principles (GBP) 2021 (with June 2022 Appendix I) established by the International Capital Markets Association (ICMA), as well the APLMA, LMA and the LSTA Green Loan Principles (GLP) 2023. CMH II may under this framework issue green debt instruments including but not limited to green bonds, green loans, green commercial papers and Schuldscheins.

The Green Finance Framework has been developed to be aligned with the core components of the GBP and GLP:

1. Use of Proceeds (UoP)
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

Moody's has provided a Second Party Opinion on this Green Finance Framework, which will be made publicly available at CMH II's website.

USE OF PROCEEDS

The proceeds from CMH II's issuances of Green Debt Instruments will exclusively be used to finance and/or refinance new and existing capital expenditures, projects and assets, whole or in part, as defined in the eligibility criteria below. These eligible assets can be financed within CMH II, its Joint Ventures, or any acquired entities[1]. These eligible investments and assets promote environmental and societal benefits and CMH II manages the potential social and environmental risks as defined in the chapter *Sustainability in the real estate investment process* and in alignment with CapMan sustainability standards, such as CapMan Sustainable Investments Policy, CapMan Code of Conduct, Supplier Code of Conduct and CapMan Real Estate Sustainable Procurement Policy, CapMan Real Estate Design & Construction Manual and CapMan Real Estate Tenant Fit-Out and Refurbishment Manual. Green Debt Instruments issued under this framework will be referenced in the associated legal document.

To guarantee that all Eligible Green Projects and Assets provide environmental benefits, CMH II will ensure that they fall into and comply with at least one of the Eligibility Criteria set out in the Eligible Green Categories below. Conscious of the importance of a common definition of sustainable activities, each of the Eligible Green Categories are mapped to the relevant UN Sustainable Development Goals as well as EU environmental objectives. In addition, CMH II will ensure that the Eligibility Criteria of the Eligible Green Projects and Asset are consistent, where relevant, possible and on a best effort basis, with the EU Taxonomy Regulation eligibility

[1] Only the value of Eligible Assets and Projects as defined in this framework within joint ventures or acquired companies is eligible for green financing. i.e not the entire financing cost. CMH II will also make sure those projects and assets are not financed with other green debt instruments to safeguard double counting of environmental impacts.

criteria and the Delegated Acts on Climate Change Mitigation and Adaptation adopted in June 2021 (the EU Taxonomy).

Financing and Refinancing

The net proceeds raised from green debt will be allocated to finance and refinance Eligible Assets and Projects as determined by CMH II Green Finance Committee in accordance with this Green Finance Framework.

Financing is defined as allocation of the proceeds of the issuance of Green Financing Instruments to fund current and future Eligible Green Assets and Projects realized after green debt issuances, with a look back period of up to 12 months.

Refinancing is defined as allocation of the proceeds of the issuance of Green Financing Instruments to Eligible Assets and Projects with a look-back beyond 12 months with a maximum lookback period of three years as long as they provide clear environmental benefits.

When investments take place over several years the total investment might not fully be reported at once.

Eligible Assets and Projects are reviewed annually and will qualify for financing/refinancing subject to meeting the eligibility criteria below at the time of allocation of proceeds. CMH II intends to allocate the proceeds from Green Finance Instrument at the earliest convenience and to the extent possible reach full allocation within two financial years. Information about the split between financed and refinanced assets will be included in the annual Green Finance Report.

The legal documentation for each Green Finance Instrument will refer to this Framework.

Exclusions

This framework will exclude investments directly related to activities associated with operations running fossil fuel energy.

ELIGIBLE GREEN CATEGORIES

Green Buildings

ICMA Green Project Category: *Green Buildings*

Substantial Contribution to EU Environmental objective: Climate change mitigation

Relevant EU Taxonomy Activities: *7.1. Construction of new buildings, 7.2 Renovation of existing buildings, and 7.7 Acquisition and ownership of buildings*

Criteria: *Financing of the acquisition and ownership of:*

<u>Existing Buildings (built before 31 December 2020):</u>

- *the building has at least an Energy Performance Certificate (EPC) class A,* ***OR***
- *the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock.*

<u>New Buildings (built after 31 December 2020):</u>

- *The building has at least an Energy Performance Certificate (EPC) class A,* ***OR***
- *The Primary Energy Demand (PED) defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures.*

<u>Certifications:</u>

New and Existing Buildings that have or are intended to receive a design, post-construction or in-use stage certification in any of the following building certification schemes at the defined threshold level or better:

- *LEED "Gold",*
- *BREEAM "Very Good",*
- *The Nordic Swan Ecolabel certification*
- *The Green Key certification*

<u>Renovations:</u>

- *Major renovations of buildings that have or will lead to a reduction of primary energy demand (PED) of at least 30 %*
- *The building renovation complies with the applicable regional requirements for major renovations (Directive 2010/31/EU)*
- *The renovation leads to an improvement in the energy class of a building with at least two notches (for example from D to B or from E to C)*

UN SDGs:

Energy Efficiency

ICMA Green Project Category: *Energy Efficiency*

Substantial Contribution to EU Environmental objective: Climate change mitigation

Relevant EU Taxonomy Activities: *7.3 Installation, maintenance and repair of energy efficiency equipment*

Criteria: *Investments into projects or technologies that improve the energy efficiency of buildings, parts of buildings and/or construction sites targeting 30% compared to the current level*

- *addition of insulation to existing envelope components, such as external walls, roofs, lofts, basements and ground floors and products for the application of the insulation to the building envelope;*
- *replacement of existing windows with new energy efficient windows;*
- *replacement of existing external doors with new energy efficient doors;*
- *installation and replacement of energy efficient light sources;*
- *installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies;*
- *installation of low water and energy equipment*

UN SDGs:

Renewable Energy

ICMA Green Project Category: *Renewable Energy*

Substantial Contribution to EU Environmental objective: Climate change mitigation

Relevant EU Taxonomy Activities: *7.6 Installation, maintenance and repair of renewable energy technologies*

Criteria: *Installation, maintenance and repair of renewable energy technologies:*

- *Onsite renewable energy including solar photovoltaic systems, water panels, heat pumps, wind turbines, transpired collectors, energy storage, micro combined heat and power plants as well as heat exchangers/recovery systems*

UN SDGs:

Clean Transportation	
ICMA Green Project Category: *Clean Transportation*	
Substantial Contribution to EU Environmental objective: Climate change mitigation	
Relevant EU Taxonomy Activities: *7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)*	
Criteria:	• *Activities enabling clean transportation such as the installation, maintenance or repair of charging stations for electric vehicles.*
UN SDGs: 	

PROCESS FOR PROJECT EVALUATION AND SELECTION

Project evaluation and selection is a key process in ensuring that the Projects and Assets financed by Green Finance Instruments meet the Eligibility Criteria set out in the Use of Proceeds section.

To ensure that proceeds from Green Debt Instruments are allocated to assets aligned with the criteria of this Green Finance Framework CMH II has established a Green Finance Committee (“GFC”) to coordinate, validate, perform and review the selection of Eligible Green Projects and Assets. GFC also reviews the environmental and social risks related to the green assets or projects. The GFC has permanent members from fund management, CapMan Real Estate management, and sustainability and may consult other internal stakeholders as necessary.

The Eligible Green Projects and Assets will be selected through the Fund management and Responsibility reaching a consensus, with both having opportunity to veto. The GFC meets at least semi-annually or when appropriate.

The main responsibilities of the Green Finance Committee include but are not limited to:

1. Reviewing and validating the register of the Eligible Green Projects and Assets proposed by the investment or other relevant team, based on the Eligibility Criteria, and removing Projects and Assets that do not meet the criteria.
2. Monitoring the Eligible Green Projects and Assets register during the lifetime of the Green Finance Instruments.
3. Approving any changes or updates to the Framework.
4. Developing the Green Finance Report.
5. Monitoring the changes related to the sustainable finance markets in terms of disclosure and reporting requirements.
6. Identifying and managing environmental and social risks

The GFC follows the below process when selecting and evaluating projects for the Eligible Assets and Projects.

1. Potential Eligible Green Projects and Assets are identified in connection with the investment planning process and pre-evaluation is carried out by the Fund management and Responsibility teams.
2. The list of potential Eligible Green Projects and Assets is then submitted to the Green Finance Committee that verifies the eligibility of the potential Assets and Projects with the Eligibility Criteria.
3. Eligible Green Projects and Assets added to the register will be tracked and monitored by the GFC to make sure they remain aligned with the eligibility criteria in this Framework. In the case where an asset from the Green Debt Register no longer meets the eligibility criteria outlined in this Framework (e.g. following divestment, liquidation, other concerns regarding alignment with eligibility criteria), the GFC will adjust the Eligible Green Asset Portfolio accordingly.

MANAGEMENT OF PROCEEDS

CMH II maintains a Green Finance Register with the purpose to monitor that projects and assets financed by Green Finance instruments will be entirely allocated to Eligible Green Projects and Assets. CMH II intends to allocate the proceeds of the Green Debt Instrument at the earliest convenience and commits on a best effort basis to reach full allocation within two years after the issuance.

Unallocated proceeds may be temporarily placed in line with the liquidity reserves, taking the exclusion criteria into account, managed by the Finance department. Relevant information regarding the issuance of Green Finance Instruments, as well as Projects and Assets financed/re-financed will be monitored and documented. The balance of the proceeds will be checked at least annually to account for any need to re-allocate proceeds which no longer fulfil the Eligibility Criteria. The Green Debt Register will form the basis for the impact and allocation reporting.

REPORTING

CMH II is committed to transparent allocation and impact reporting on any relevant Green Finance Instrument. Over the duration of outstanding Green Debt Instruments, CMH II will publish a Green Finance Report on the allocation and impact of the Green Debt Instruments issued under the Green Finance Framework. Where relevant, CMH II will seek to align the reporting with the latest standards and practices as identified by ICMA in the Handbook Harmonised Framework for Impact Reporting issued in June 2023 or any update of this document.

The Green Finance Report will provide information on the allocation of the proceeds of Green Finance Instruments and the environmental impacts of Green Finance Projects financed by the instruments. The impact report will, to the extent feasible, also include a section with methodology, baselines and relevant impact metrics. The information will be made publicly available CMH II's website.

If competitive considerations, or a large number of underlying Assets and Projects limit the amount of detail that can be made available CMH II may present information in generic terms or on an aggregated basis.

In addition to Green Debt Instruments issued in the capital market, the company may have Green Loans provided by lending institutions. Green Loans taken by CMH II may be provided by lending institutions that finance these by issuing Green Bonds. CMH II will report the aggregate amount of Green Loans taken and specify Eligible Assets and Projects that have been financed by a Green Loan in a separate section of the Green Finance Report.

Allocation Reporting

The allocation report will, to the extent feasible, include the following components:

1. A list of all Eligible Green Projects and Assets funded, including amounts allocated to each category as defined in the Use of Proceeds section.
2. The relative share of new financing versus refinancing.
3. A closer description of some of the Eligible Assets and Projects financed.
4. Geographical distribution.
5. The amount of unallocated proceeds.
6. The EU Taxonomy eligibility/alignment estimation (if feasible).

Impact Reporting

CMH II recognises the importance of transparency and impact reporting and will strive to report on the actual or expected environmental impact of the investments financed by Green Finance Instruments according to the proposed metrics outlined in the below table.

These metrics may change over time subject to providing a relevant understanding of the impact. If the actual impact of an Eligible Project or Asset cannot be systematically measured and reported (e.g. R&D), or proves unreasonably difficult to establish, CMH II will seek to provide information on the goals, estimated positive impact and results of the financed activities.

If competitive considerations or a large number of underlying Projects and Assets limit the amount of detail that can be made available, CMH II may present information in generic terms or on an aggregated basis to certain project categories.

Use of Proceeds category	Examples of proposed impact metrics
Green Buildings	➢ *Environmental certification and certification level* ➢ *PED (Primary Energy Demand), kWh per sq.m.* ➢ *Energy savings (kWh per year)* ➢ *Energy generated (kWh)*
Energy Efficiency	➢ *Annual energy savings (GWh)* ➢ *Examples of energy efficiency projects conducted and description of the expected improvement in energy efficiency*
Renewable Energy	➢ *Annual renewable energy generation (GWh)* ➢ *Capacity of renewable energy (MW)*
Renewable Energy	➢ *Number of charging stations for electric vehicles*

EXTERNAL REVIEW

Second Party Opinion (pre-issuance)

CMH II has appointed Moody's as an external reviewer to provide, in accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews developed by the Green and Social Bond Principles, an independent, ex-ante Second Party Opinion on CMH II's Green Finance Framework. The full Second Party Opinion and this Framework will be publicly available on CMH II website.

External verification (post issuance)

On an annual basis, CMH II will engage an independent external auditor to provide a limited assurance on both allocation and impact reporting, until the proceeds of the Green Finance Instrument have been fully allocated. This will confirm that the allocation has been carried out in all material respects in compliance with the Eligibility Criteria set forth in this Framework and that the impacts reported are in accordance with the applicable reporting criteria and free from material misstatement. The Green Finance Report and the related limited assurance report will be available on CMH II's website.

Appendix

ADDITIONAL INFORMATION:

- CapMan Code of Conduct (link)
- CapMan Supplier Code of Conduct (link)
- CapMan's Sustainable Investment Policy (link)
- CapMan Annual Report 2023 (link)
- CapMan Investments Sustainability Report 2023 (link)