

**NREP PAI statement – Sustainable Finance Disclosure Regulation**

NREP AB (company no. 556706-4885) as the AIFM.

**Statement on principal adverse impacts of investment decisions on sustainability factors**

<p><b>Financial market participant</b> <i>NREP AB, 529900UE7SH3013VJ109</i></p>
<p><b>Summary</b></p> <p><i>NREP AB, 529900UE7SH3013VJ109</i> considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of <i>NREP AB</i> and the funds under management.</p> <p>This statement on principal adverse impacts on sustainability factors covers the reference period from <i>1 January</i> to <i>31 December 2022</i>.</p> <p>NREP AB takes into consideration the principal adverse impacts on sustainability factors in the course of assessing sustainability risks and their impacts on the value of investments. NREP AB promote and integrate ESG elements in its activities for the benefits of its investors and especially of the society. NREP AB also believes that real estate investments that perform poorly on material sustainability factors demonstrate higher downside risk that is generally unrewarded in achieving long-term risk adjusted returns. As a result, it is considered whether real estate investments are showing adverse impacts on a range of sustainability factors.</p>
<p><b>Description of the principal adverse impacts on sustainability factors</b></p> <p>Indicators applicable to investments in real estate assets:</p> <ul style="list-style-type: none"><li>- Exposure to fossil fuels through real estate assets</li><li>- Exposure to energy-inefficient real estate assets</li></ul> <p>Other indicators applicable to investments in real estate assets:</p> <ul style="list-style-type: none"><li>- Energy consumption intensity</li></ul>
<p><b>Description of policies to identify and prioritise principal adverse impacts on sustainability factors</b></p> <p>In order for the Funds to meet ESG characteristics, NREP AB has implemented the following steps in investment analysis and decision-making processes as of January 1<sup>st</sup> 2021:</p> <ul style="list-style-type: none"><li>- The standards prescribed by local regulatory requirements in all the jurisdictions that NREP AB invests in are in line with international industry best practice for environmental, social, health, safety and governance standards.</li><li>- In the pre-investment phase: NREP AB takes a bottom-up approach to identify investments based on an assessment of ESG factors which are incorporated into quantitative and qualitative measures of screening across the entirety of the portfolio. A sustainability due diligence is performed for new investments, and while the scope of the due diligence depends on for example the business plan and investment type, it normally focuses on energy efficiency and consumption; health, e.g. indoor climate, as well as, existing or potential sustainability certification.</li><li>- A systematic environmental due diligence is also carried out from the feasibility stage of each potential project to support the investment decision, and similar to above the scope of the due diligence depends on for example the business plan and investment type, but it normally focuses on the contamination risks</li></ul>

of the land and / or building taken over. Trusted advisors are employed in order to assist with this technical element of the due diligence and the result of the environmental due diligence is always an important parameter for the investment decision.

- ESG risks (such as, e.g., climate change impacts mitigation and adaptation, environmental management practices and duty of care, working and safety condition, respect for human rights, anti-bribery and corruption practices, and compliance to relevant laws and regulations) are always considered by NREP AB strategies and covered in detail in the quarterly Risk Assessments where relevant. NREP AB strives to ensure that the assets undergo environmental improvement, including energy efficiency, during the ownership.
- The fund does not have an exclusion list but does not intend to make any investments in companies that produce or trade fossil fuel products. However, the Fund has since inception been active within the logistics segment and does not have control of goods/services passing through in such properties.

#### **Engagement policies**

The Fund does not have a formal engagement policy, the Fund however, does have engagement activities. The Fund takes a collaborative approach with its tenants to jointly agree on measures to improve the ESG profile of relevant assets.

All assets are continuously monitored on their ESG performance by asset managers in collaboration with its central sustainability team to uphold and increase the value of its assets.

#### **References to international standards**

NREP AB's understanding of the integration of sustainability in investments is based on international standards, principles and best practice. This involves e.g.:

- Principles for Responsible Investments (UN-PRI). NREP AB has been a signatory since 2020.
- The UN Sustainable Development Goals
- Task Force on Climate-related Financial Disclosures

NREP AB aims to align ESG factors in investments with the above mentioned standards, principles and best practices, including internally developed frameworks.

NREP AB currently uses two types of forward-looking climate scenarios.

- Carbon Risk Real Estate Monitor (CRREM)
- S&P Global Climonomics

The CRREM tool helps to identify which properties will be at risk of stranding due to the expected increase in the stringent building codes, regulation, and carbon prices. More information is available on: [www.crrem.eu](http://www.crrem.eu).

The S&P Global Climonomics, is a newly acquired system that enables NREP AB to estimate the additional risk associated with climate change, relative to a world without climate-related changes in hazard levels. The system is based on Hazard change modeling.

#### **Historical comparison**

NREP AB intends to include historical comparison in its reporting, in the year 2024 and onwards, as this will be the first reporting period where two reporting periods of data will be available.