

**NREP PAI report 2023 covering FY 2022– Sustainable Finance Disclosure Regulation**

NREP AB (company no. 556706-4885) and NREP Management Company S.A. (CSSF code S979) as the AIFM’s, hereafter referred to as NREP.

As NREP Management Company S.A. did not exist during the reporting period (FY 2022), it is not deemed eligible for reporting and are therefore not included in the Principal Adverse Impact indicators.

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

**Financial market participant** *NREP AB, LEI: 529900UE7SH3013VJ109 and NREP Management Company S.A. (CSSF code 2979)*

**Summary**

*NREP* 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 *NREP* and the funds under management.

This report on principal adverse impacts on sustainability factors covers the reference period from *1 January 2022 to 31 December 2022*. The PAI statement that is the subject of this report was published on NREP’s website on 1 January 2023. The PAI statement can be found here: [PAI Statement - Nrep](#).

NREP 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’s ESG Policy highlights the measures, safeguards, and considerations integrated by the Company to ensure that its operations and investment management align with its mission and impact principles. Through adhering to these impact principles, NREP aims to drive positive change and make a lasting impact in the real estate industry while considering environmental, social, and economic factors.

NREP 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.

**Description of the principal adverse impacts on sustainability factors**

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact (2022)	Impact (2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	1. Exposure to fossil fuels through real estate assets.	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.	N/A	N/A	NREP is not aware of any investments which are involved in extraction, storage, transport or manufacture of fossil fuels. However, NREB has since inception been active within the logistics segment and does not have control of goods/services passing through in such properties.	N/A
Energy efficiency	2. Exposure to energy-inefficient real estate assets.	Share of investments in energy-inefficient real estate assets.	54%	N/A	<p><b>Calculation methodology:</b></p> <p>NREP have calculated the figure according to the following formula;</p> <p>"The value of properties built before 31/12/2020, with an energy rating of C or below, divided by the value of properties built before 31/12/2020."</p>	<p>NREP have invested in assets that are both energy efficient and - inefficient. It is NREP's ambition that energy inefficient assets during our ownership will be transformed into energy efficient assets.</p> <p>Work is ongoing to continuously improve data quality.</p>

					<p><b>Missing data points:</b></p> <p>NREP is unable to report on the share of <i>Nearly zero-energy buildings</i> (NZEB) due to insufficient national definitions of NZEB in some of the countries where NREP owns real estate assets, why this element of the original formula has been excluded from the calculation methodology.</p> <p><b>Data sources:</b></p> <p>NREP collects regular information from asset managers, facility managers and other parties on asset level of both quantitative and qualitative nature.</p>	<p>In the period until the next PAI reporting (2024, FY 2023), NREP will try to obtain the necessary knowledge and collect the relevant data in order to include NZEB data points in the PAI reporting going forward.</p>
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Other indicators for principal adverse impacts on sustainability factors						
Adverse sustainability indicator		Metric	Impact (2022)	Impact (2021)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Energy consumption	1. Energy consumption intensity.	Energy consumption in GWh of owned real estate assets per square meter.	0.00010	N/A	NREP has engaged with external service providers, which are able to access metering data to cover consumption data from its properties.	NREP are working continuously on expanding its metering data coverage and will aim to use less estimated figures.

					<p>Work has been initiated to ensure metering data is accessed either directly on the property, from the utility company, through data hubs or through other providers.</p> <p>NREP has for this purpose enrolled an ESG-platform ("Envizi") better suited for capturing, storing and reporting of these data sources.</p> <p><b>Data gaps and estimations:</b></p> <p>Where data has been unobtainable, estimations has been used. Estimations has been done in two ways:</p> <p>For assets with an incomplete data set, an annualization of existing data has been done.</p> <p>For assets with no metering data, a mixture of property type and EPC rating has been the basis of estimations.</p>	
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**Description of policies to identify and prioritise principal adverse impacts on sustainability factors**

In order for the Funds to meet ESG characteristics, NREP has implemented the following steps in investment analysis and decision-making processes as of January 1<sup>st</sup> 2021:

- The standards prescribed by local regulatory requirements in all the jurisdictions that NREP invests in are in line with international industry best practice for environmental, social, health, safety and governance standards.
- In the pre-investment phase: NREP 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. Processes have been drawn up to ensure that the relevant Investment Managers carry out due diligence on potential new investments, while it is the established Investment Committee that makes final investment decisions following submissions from relevant internal parties.

- 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 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, 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 strategies and covered in detail in the quarterly Risk Assessments, where relevant. NREP strives to ensure that the assets undergo environmental improvement, including energy efficiency, during the ownership.
- NREP does not have an exclusion list but does not intend to make any investments in companies that produce or trade fossil fuel products. However, NREP has since inception been active within the logistics segment and does not have control of goods/services passing through in such properties.

Policies are generally reviewed and approved on an ongoing basis and at least once a year.

#### **Engagement policies**

NREP does not have a formal engagement policy, however NREP does have engagement activities. NREB 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 sustainability team to uphold and increase the value of its assets.

If low-performing assets are identified, NREP will work over time to improve the given assets' performance.

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

NREP'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 has been a signatory since 2020.
- The UN Sustainable Development Goals
- Task Force on Climate-related Financial Disclosures

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

NREP currently uses two types of forward-looking climate scenarios:

- Transition risk scenarios: Carbon Risk Real Estate Monitor (CRREM) applying a maximum 1.5 degree global temperature increase pathway.
- Physical climate risks: S&P Global Climonomics applying RCP 2.6-8.5 scenarios.

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 system that enables NREP 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.

As the abovementioned scenarios are part of externally developed solutions, NREP is not aware of the exact date of their creation.

#### **Historical comparison**

NREP 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.

**Change log**

<b>Date</b>	<b>Date Version number</b>	<b>Comments/changes</b>
01.01.2023	1.0	Principal Adverse Impact Statement created
30.06.2023	2.0	Wording updated to be aligned with Annex 1 Template Required data to report on PAI indicators added/updated
07.07.2023	2.1	Wording updated to cover both AIFM's