

## Transparency and disclosure under Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”)

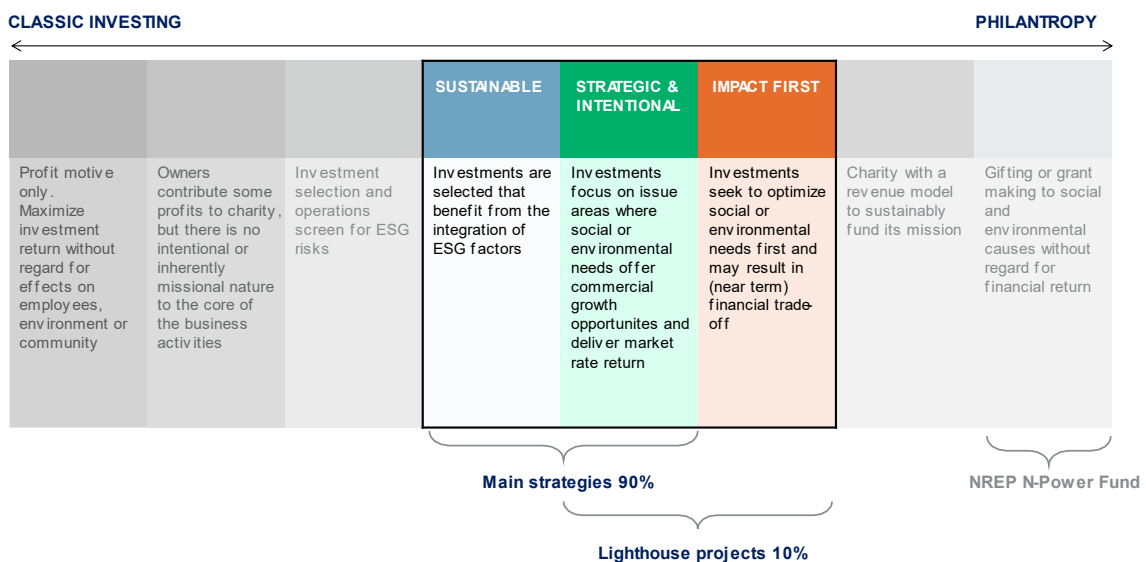
SFDR governs the transparency requirements regarding the integration of Sustainability Risks (as defined below) into the investment decisions, the results of the assessment of the likely impacts of Sustainability Risks on the returns of the Fund, the consideration of adverse sustainability impacts and disclosure of environmental, social and governance (“ESG”) and sustainability-related information.

### Sustainability Related Disclosures

“Sustainability Risk” refers to an environmental, social, or governance (“ESG”) factors that, if they occur, could cause an actual or a potential material negative impact on the value of the Fund’s investments. Sustainability Risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks. The integration of Sustainability Risks is therefore crucial in order to generate sustainable long-term risk adjusted returns for investors and determine the Fund’s strategy risks and opportunities.

NREP A/S, as funds’ Sponsor, with the assistance of the AIFM, promotes ESG elements into its investment decisions. It integrates and assesses on a continuous basis Sustainability Risks and opportunities into its research, due diligence, analysis and investment decision-making processes.

**Sustainability: We take a strategic & intentional approach on most of our portfolio, and try to really push the bar on selected lighthouse projects**



The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk, asset class and region. The assessment of the likely impact of Sustainability Risks on a Fund's return must therefore be conducted at the portfolio level.

The following types of Sustainability Risks have been assessed as likely to impact the return of the Fund:

- Environmental risks include, but are not limited to, the ability of the investment entities to mitigate and adapt to climate change, higher carbon prices, waste management challenges, and impact on global and local ecosystems.
- Social risks include, but are not limited to, product safety, supply chain management and labour standards, health and safety and human rights, employee welfare and data & privacy concerns.
- Governance risks include, but are not limited to, board composition and effectiveness, management incentives and management quality.

#### Adverse sustainability impacts

The AIFM, when considering potential investments, 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 A/S objectives are to promote and integrate ESG elements in its activities for the benefits of its investors and especially of the society. NREP A/S 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.

#### **Social and Environmental Characteristics Disclosures**

In order for the Fund to meet ESG characteristics, the AIFM implements the following steps in investment analysis and decision-making processes:

- 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: The AIFM 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

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 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 strategies and covered in detail in the quarterly Risk Assessments where relevant. NREP strives to ensure that the assets undergo environmental improvement during the ownership.
- NREP has implemented Anti-Bribery and Corruption Policy, reviewed annually by the board of directors of the AIFM, prohibiting any form of corruption and bribery in connection with its business activities.
- NREP has implemented Work Environment and Diversity Policy, the purpose of which is to provide equality, fairness and diversity for all and avoid unlawful and unfair discrimination towards customers, partners, investors, tenants, service providers, suppliers, candidates and/or employees. This Policy is also reviewed annually.
- NREP has implemented a Supplier Code of Conduct to ensure that its main suppliers are aligned to NREP's main ESG objectives.
- NREP has included Sustainability factors in its remuneration policy with the purpose of promoting NREP's responsible conduct with respect to ESG. When defining variable remunerations and more in general when evaluating employees' professional developments, NREP will make sure that:
  - o The remuneration systems should be in conformity with NREP's long term goals, including sustainability and ESG factors;
  - o The remuneration and bonus systems shall not be constructed in such manner that they are in conflict with or encourages to not observing the NREP Sustainability goals;
  - o The remuneration system, other than attracting competent personnel, shall promote a sustainable development in accordance with NREP's objectives. Additionally, each year every employee needs to fulfil an Annual Performance Review, a mandatory item is to define a sustainability related goal. The achievements of the overall goals will influence the respective employee's bonus.

In order to increase transparency about how the ESG characteristics are met, the different Policies with respect to anti-bribery and corruption, anti-trafficking and slavery, work environment and diversity as well as the transaction and risk management are available for your information on <https://nrep.com/policies/>.