Nrep Decarbonization Policy

2023

Contents

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1. Purpose and Principles

Nrep is an investment strategy within **Urban Partners Group** (Urban Partners A/S and all its direct and indirect subsidiaries and associated entities) pursuing equity investments in real estate assets. This policy is applicable for companies belonging to the Urban Partners Group when managing, sponsoring, or advising real estate funds, including NREP AB and Urban Partners Management Company S.A. acting as the alternative investment fund manager (the "**AIFM**") of such funds.

Nrep's Decarbonization Policy embodies our core values and outlines the firm's steadfast commitment to significantly reducing carbon emissions within our real estate funds by 2028, encompassing both operational and embodied greenhouse gas (GHG) emissions. This commitment reflects our dedication to environmental stewardship and human well-being, as envisioned in Urban Partners' mission to create thriving cities.

This policy, tailored specifically to Nrep's real estate business, exemplifies our commitment to excellence and innovation in sustainable urban development. While other business activities under Urban Partner's operational control will be subject to separate targets, our focus remains unwavering in catalysing positive change and promoting sustainability. Nrep communicates this policy to all employees. By doing so, we uphold our guiding principle of blending environmental considerations with strategic investments to pave the way for comprehensive urban solutions.

During 2023 Nrep and Urban Partners have worked to strengthen our ability to measure GHG emissions from our business activities. We have completed a full GHG inventory for 2022. We have also worked to strengthen our decarbonization ambitions by fully adopting the methodology of Science Based Target Initiatives (SBTi). Nrep and Urban Partners expected to submit Science Based Targets to SBTi for validation during 2023, however due to a delay in the publication of the SBTi Buildings Sector Science-Based Target-Setting Guidance (Guidance) we have not been able to submit targets during 2023. Urban Partners and Nrep are working with SBTi by taking part in the SBTi Buildings Project Pilot Testing project to finalize the Guidance. Upon finalization of the Guidance, Nrep and Urban Partners expect to submit targets to SBTi for validation. This policy will be updated with specific targets once submitted to and validated by SBTi.

1.1 Rationale

Our fiduciary duty is to create value for our investors and seek opportunities in what defines the future. We firmly believe that our approach of deeply embedding sustainability into our core decision making will make better real estate and help to de-risk assets.

The construction and operation of buildings account for approximately 37%[1] of global GHG emissions and are an essential part of the transformation to a net-zero economy. We, at Nrep believe that the real estate industry has a responsibility and unique opportunity to lead and accelerate the decarbonization of the built environment. Decarbonizing the built environment is a huge opportunity and a towering challenge, and we strongly believe that acting now will be rewarded.

[1] Source: UN Environment Program: 2021 Global Status Report for Buildings and Construction, 19 October 2021

We believe decarbonizing real estate assets will create value both directly and indirectly. We expect direct value creation from cost savings due to more efficient use of resources, such as energy and building materials. We see strong indications of value creation across our value chain from wider access to investment opportunities, lower vacancy, increased leasing velocity, higher rent, higher exit valuation, better access to financing and more attractive financing terms.

We believe decarbonization is good business and that it will increasingly become a license to operate in the urban environment. New regulatory demands from the EU, governments, cities and municipalities proves the demand for decarbonization and transparency. We welcome regulatory frameworks and requirements that drive impact, and intend to stay ahead of the regulatory requirements and will continue to work actively with NGO's and academia to align our approach and efforts with climate science.

1.2 Risk mitigation

Climate change due to GHG emissions is causing increased risk exposure for real estate asset owners. Decarbonizing real estate is essential in understanding and mitigating this increased risk exposure. The risks associated with climate change include transition risk and physical climate risks.

Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon economies. These risks can include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks. Transition risks result in stranded assets which loose significant value and liquidity. Nreps decarbonization efforts are paramount in understanding, quantifying and mitigating transition risks.

Physical climate rise from climatic events, such as flooding, storms, and extreme temperatures. Physical climate risks are either acute or chronic. Acute risks include droughts, floods, extreme precipitation, and wildfires. Chronic risks include rising temperatures, rising sea level, and an accelerating loss of biodiversity. Physical climate risk result in financial loses to exposed properties due to property damage/repair, loss of revenue due to vacancy, increased insurance premiums, increased operating expenses, and consequently reduced asset value. Nrep is working systematically across our real estate portfolio to understand, quantify and mitigate physical climate risks.

2. Decarbonization Ambition

Nrep has the ambition to significantly decarbonize its real estate business by 2028. The ambition covers GHG emissions from the main activities in terms of emissions volume within Nrep's real estate business[2]. The identified main activities are related to Nrep's real estate assets under management:

- **In-use, Operational Emissions**: Covers operational GHG emissions from total energy consumption and refrigerant leakage in standing real estate assets including tenant energy consumption.
- **Construction, Upfront Embodied Emissions**: Covers embodied emissions from new construction projects, acquisitions of new built projects, and major renovation projects.

We work to reduce the expected GHG emissions from all phases of the useful life of a building. We acknowledge the potential trade offs between embodied, operational, and end-of-life emissions. Nrep is working with specific

[2] Based on 2022 emissions inventory. See Baseline section for details.

targets for reduction of whole life cycle carbon emissions. The targets apply to new construction projects and acquisitions of new built properties.

Our ambition to significantly decarbonize our real estate portfolio by 2028 follows the methodology of Science Based Target Initiative (SBTi). Urban Partners and Nrep are working with SBTi by taking part in the SBTi Buildings Project Pilot Testing project to finalize the Guidance. Upon finalization of the Guidance Nrep and Urban Partners expect to submit targets to SBTi for validation. This policy will be updated with specific targets once submitted to and validated by SBTi

2.1 Baseline

Urban Partners has compiled a GHG emissions baseline for the year 2022. The baseline follows the GHG protocol standard and where an operational control approach has been applied. It includes emissions across scopes 1, 2 and 3. This policy covers the emissions from Nrep's real estate funds of which Nrep has operational control. All emissions from Nrep's real estate funds fall within scope 3 following the guidelines of PCAF[3], CRREM[4] and SBTi[5] and are accounted for following a location based approach as recommended by SBTi. Market based GHG emissions will be disclosed separately.

The emissions from Nrep's real estate funds mainly fall within Scope 3 category 2,: Capital goods and Scope 3, Category 13: Downstream leased assets. We apply a whole building approach as per the guidelines of PCAF and SBTi.

Table 1. Nrep 2022 Baseline, main business activities

Business activity (year)	GHG protocol classification	Absolute emissions (location based)	Emission intensity (location based)
In-use, operational emissions	Scope 3, Category 13: Downstream leased assets	23.604 tCO_2e	8.6 $kgCO_2e/m^2$/year
Construction, upfront embodied emissions	Scope 3 category 2,: Capital goods	111.629 tCO_2e	6.4 $kgCO_2e/m^2$/year[6]

2.2 Monitoring, disclosure and validation

Nrep is monitoring GHG emissions from operations by tracking actual energy consumption and refrigerant leakage for standing assets. Nrep estimates energy consumption and refrigerant leakage where actual data is unavailable. Nrep is monitoring GHG emissions from construction by conduction life cycle assessments (LCA) on all new construction projects.

[3] PCAF: Accounting and Reporting of GHG Emissions from Real Estate Operations, version 1.0 - march 2023
[4] CRREM Risk Assessment Reference Guide – V2
[5] SBTi: SBTi Buildings Sector Science-Based Target-Setting Guidance Version 0.2.1 - Draft for Pilot Testing December 12, 2023
[6] The baseline assumes a 50-year expected property life

Nrep and Urban Partners have established a full baseline GHG inventory including all Nrep's scope 1, 2 and 3 emissions as defined in the GHG protocol with operational control approach. Urban Partners will disclose its GHG footprint for the reporting years 2022 and 2023 following the principles of the GHG Protocol, PCAF and SBTi. The disclosure will be published as part of Urban Partners Impact Report for 2023 which is expected to be published in Q2 2024.

Nrep and Urban Partners GHG emissions baseline and reduction targets are expected to be validated by SBTi during 2024.

2.3 Boundary Conditions

Nrep's GHG measurement and reduction ambition are subject to the boundary conditions outlined in this section.

a) Definitions:

- The ambition encompasses Green House Gas emissions as defined in the GHG Protocol.
- The ambition covers business activities where Nrep has operational control as defined in the GHG Protocol
- The ambition covers whole buildings including tenant controlled areas as defined by PCAF[7] and SBTi[8].

b) Business areas:

- The ambition covers Nrep's Real Estate business.
- Nrep has identified the business areas within Nrep's Private Equity Real Estate business where Nrep has operational control:
    - Real estate assets owned by the following funds where Nrep has operational control
        - NIP fund
        - NSF funds
    - Financed emissions are reported but subject to sperate tragets. Financed emission are reported as Scope 3, Category 15: Investments.
- Other real estate assets managed by Nrep are excluded since Nrep does not have operational control following definition of the GHG protocol.

c) Business activities:

- The ambition covers GHG emissions from the main activities in terms of emissions volume within Nrep's real estate business as set out in the previous section. The identified main activities are related to Nrep's real estate assets under management. The identified main activities are property operation and construction:
    - **In-use, Operational Emissions:** Covers operational GHG emissions from total energy consumption and refrigerant leakage in standing real estate assets including tenant energy consumption:
        - GHG protocol Scope 3, Category 13: Down Stream Leased Assets
        - Measured based on actual and estimated energy consumption and refrigerant leakage in reporting year
    - **Construction, Upfront Embodied Emissions**: Covers embodied emissions from new construction projects, acquisitions of new built projects, and major renovation projects:

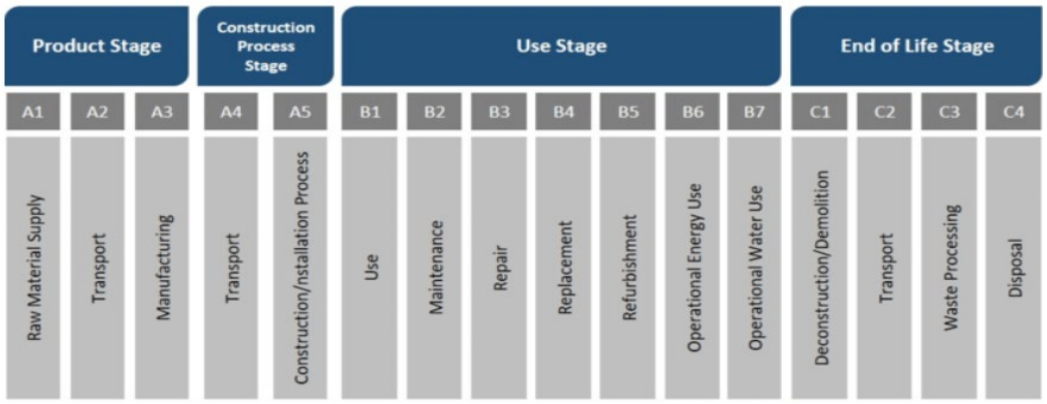
[7] PCAF: Accounting and Reporting of GHG Emissions from Real Estate Operations, version 1.0 - march 2023
[8] SBTi: SBTi Buildings Sector Science-Based Target-Setting Guidance Version 0.2.1 - Draft for Pilot Testing December 12, 2023

- GHG protocol Scope 3, Category 2: Capital Goods
- Measured based on LCA. Including LCA phases A1-A5 (See figure 1)
- Includes building materials, transportation, manufacturing, and construction processes
- Including construction projects completed in the reporting year
- Excluding projects where Nrep is not the first owner

Nrep measures whole life GHG emissions subject to the following boundary conditions

- Measured based on LCA. Including LCA phases A1-A5, B4, B6, C3-C4 (See Figure 1)
- Includes product stage, construction process stage, use stage, end-of-life stage

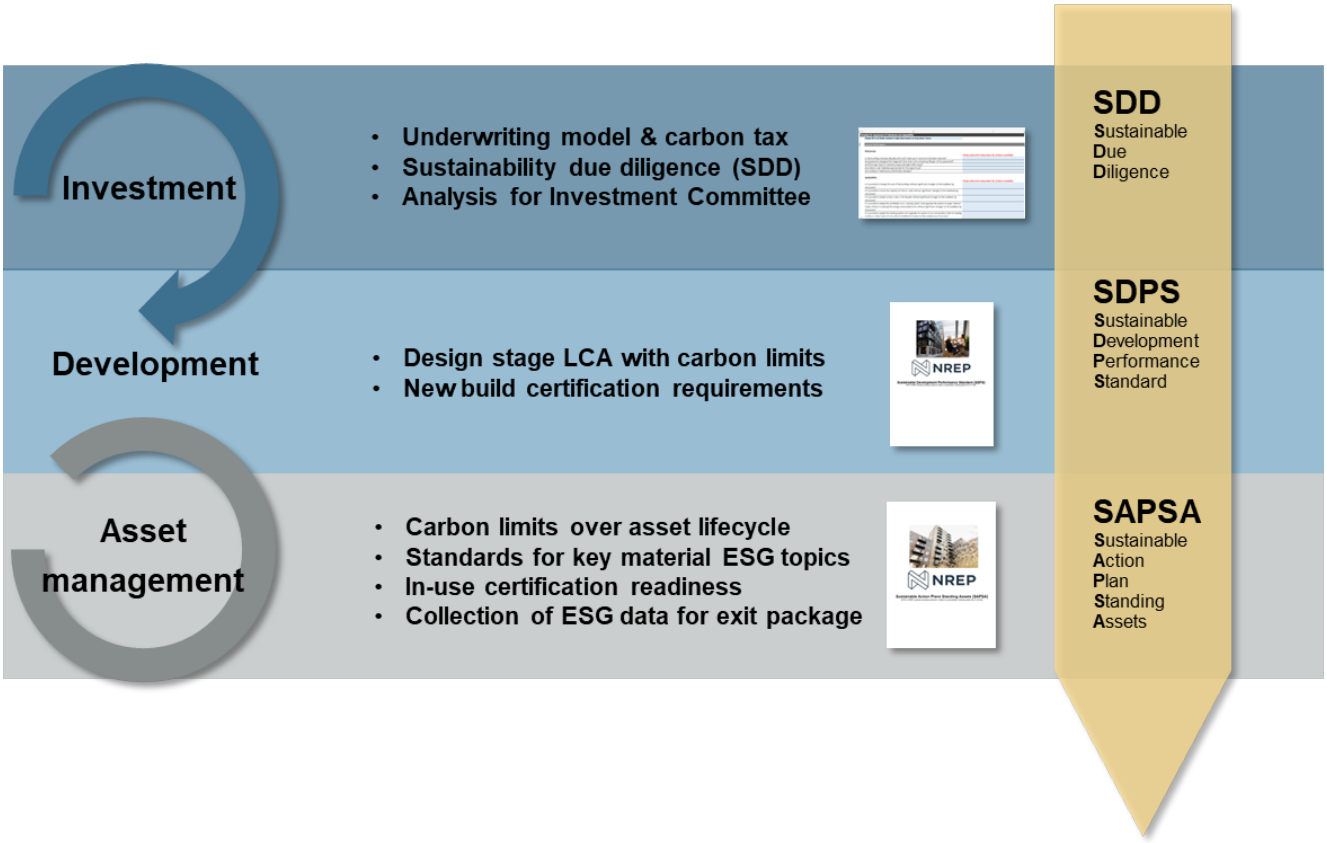
FIGURE 1: LCA STAGES:



3. IMPLEMENTATION

Our path to decarbonizing our real estate portfolio is systematically integrated in our sustainability delivery model. Our delivery model allows us to systematize and scale impactful solutions to reduce carbon emissions. It ensures holistic sustainability integration from initial investment to asset management comprised of strategic frameworks: Sustainability Due Diligence ("SDD"), Sustainable Development Performance Standards ("SDPS"), and Sustainable Action Plans for Standing Assets ("SAPSA").

3.1 DELIVERY MODEL



The main objective of these standards is to translate our sustainability purpose and vision into clear guidance and methodologies, which support decision making in the acquisition stage and throughout the asset ownership period.

SDPS is designed on the premise of empowering development managers to embed impactful sustainable qualities fully aligned with our sector leading ambitions, into the design stage and construction process of projects in our development pipeline. Equally SAPSA is designed to empower asset managers to embed sustainable qualities to all standing assets.

3.2 Abatement Levers

We work with key abatement levers that we have identified as the most effective and impactful initiatives to reduce, avoid and capture GHG emissions. Our abatement levers are categorized following our main emission sources; operation and construction activities. Furthermore, we are working with financial incentives spanning across operation and construction activities.

a) Financial incentives:

All Nrep assets under management of which Nrep has operational control are subject to an internal carbon tax, the Carbon Abatement Reserve. The Carbon Abatement Reserve serves a incentive by way of a shadow price for investment decisions, which accounts for all residual GHG emissions[9]. The proceeds are reserved at fund level to be

[9] subject to the boundary conditions as listed in section Boundary Conditions

used for abatement initiatives. The carbon tax price level is set to 90 EUR / ton CO_2e and revised periodically to reflect actual abatement cost.

b) In-use Operational abatement levers

The decarbonization of our operation builds on two main topics; energy efficiency and renewable energy supply. Making buildings more energy efficient is the most impactful way to decarbonize real estate operations, prioritizing emission reductions within our product and value chain.

We are working with the following levers to decarbonize operations in new construction projects and as a retrofit in standing assets.

Energy efficiency:

- High efficiency building envelope
- High efficiency installations
- Integrated energy systems
    - On site production of renewable energy using solar PV and geothermal energy
    - Energy storage
    - Heat recovery systems
    - Electrified heating and cooling systems, e.g. heat pump technology
    - Intelligent energy management systems

Renewable energy procurement:

- Procurement of electricity generated from renewable sources off site following the definition of RE100[10]
- Procurement of zero or low GHG emitting district heating and cooling

The abatement impact of renewable energy procurement affects market based GHG emissions, and are not accounted for in location based GHG emissions.

c) Construction abatement levers

Nrep uses LCAs as design tool at the very initial design stages to improve the way we build. Conducting LCA scenario analysis already at the initial stages of concept design is crucial to reduce emissions from construction, as approximately 70% of the footprint is locked in during the initial 10% of the development process. Subsequent design changes are often challenging from an economic and process perspective.

LCA is used as a tool to achieve GHG reductions throughout the building design process:

- Conducted on all new construction projects
- Conducted on all major renovation projects[11]
- Demand environmental product declarations on building materials

[10] RE100 Technical Criteria, 12 December 2022

[11] Major renovations are defined as projects which undergo significant changes in the building envelope or systemic changes in the technical systems

Building Design levers:

- Maximize space utilization: challenge function, reduce emissions per user
- Optimize building design and avoid over-engineering
- Use biogenic building materials
- Use low carbon building materials
- Design for disassembly and reuse of building materials

Construction site levers:

- Electrified construction sites
- Reduce waste

4. Approach to decision making

Management and oversight of environmental related risks are integrated into Nrep's general organizational management structure and processes for managing risks to ensure the long term economic value of our assets.

- **The board of directors** of the AIFM is ultimately responsible for oversight and direction of the sustainability performance of the AIFM and Nrep's funds.
- **The risk and compliance committee** of NREP AB and Supervisory Risk Committee of Urban Partners Management Company S.A., where relevant, are responsible for corporate-wide monitoring of the sustainability performance.
- **The sustainability team** is responsible for providing the strategy, tools, systems and expertise required to enable the organization and ensure quality. The Head of Sustainability also participates as an observer on the Investment Committee or provides input / recommendation to the Investment Commitee.
- **The investment committee (IC)** of the AIFM will review key findings from the sustainability due diligence ("SDD") as well as core elements of a mitigation and impact plan for each asset as well as the cost of that plan. The overall purpose of the IC is to discuss the acquisition or divestment, and to decide on all acquisitions and divestments, as well as take part in larger asset management decisions. The IC thoroughly challenge and validate every transaction proposal.

5. Integration of decarbonization strategy

Sustainability is incorporated into every investment process in Nrep by requiring reporting on them in both pipeline and IC approvals. Screening for transition risk and potential begins in the initial pipeline stage with high level estimation of GHG emissions and progresses to a detailed review as part of the required material in the Investment Memorandum presented to the IC. The process will be elaborated below.

5.1 Sustainability due diligence framework (SDD)

Nrep makes use of the SDD framework. A sustainability analysis which includes a detailed assessment of risk and value creation opportunities is a mandatory part of all investment decisions. Identified risks are in subsequent steps investigated in more detail to understand if they can be managed/mitigated by creating both a pre- and post-mitigation assessment. In our SDD, each of the criteria has a concrete target to be met. E.g., minimum requirements for energy efficiency and GHG emissions in compliance with the Carbon Risk Real Estate Monitor

(CRREM)[12] pathways, screening of existing animal species and plants, and the adaptability of the building. The investment committee will review key findings from the SDD as well as core elements of the mitigation and impact plan. The SDD model is continuously reviewed and updated.

5.2 Mitigation criteria

Nrep will review an action plan for each of these criteria and review the cost of the action plan. Assets will be evaluated on these criteria both before and after mitigation.

Physical climate risk	Risk exposure	Exposure to and mitigation of physical climate risks (fire, flooding, etc.)
Decarbonization and transition risk	Embodied carbon emissions	Carbon emissions associated with building constructions (e.g., extracting transporting, manufacturing and installing building materials)
	Operational carbon emissions	Carbon emissions due to operations of the building (electricity, heating, etc.)
	Adaptability	Potential for economically-viable alternative use of the asset in the long-term
Energy efficiency	EPC	EPC level of the asset
	Energy intensity	Asset energy intensity, as measured by CRREM 1.5 degree pathway
Ecosystem & biodiversity	Ecosystem improvements	Compliance with NREP biodiversity action plan incl. plan & budget
	Protected or sensitive areas	Compliance with national and EU legislation to protect sensitive habitats
Health & community	Hazardous materials & contaminated land	Compliance with NREP's material pollution policy
	Indoor climate	Compliance with NREP's indoor climate template, based on national requirements as well as requitements for key certifications (eg. BREEAM, DGNB)
Data & analytics	Data metering	Installation of or plan to install data metering or otherwise systematic data capture of critical data points, incl. NREP access to data (e.g. PoA)
Governance & ESG framework compliance	NREP code of conduct	Key partners/suppliers signed to comply *(if inheriting service agreements)*
	SAPSA readiness	All documentation is in place to ensure SAPSA can be applied
	SAPSA/SPDS compliance	Compliance with and requisite data captured for SAPSA or compliant with NREP's sustainable build standards (SPDS)
	New build certification	Certification levels DGNB gold, BREEAM Very Good, or LEED Gold

Following an investment approval, the ongoing evaluation centers around our operational sustainability framework, which includes the three standards we have developed to ensure systemically and scaled sustainability impact in our asset management and project development: SAPSA, Nrep's SDPS and Nrep's ESG risk management manual.

6 Risk Monitoring

Risk and Compliance Committee of NREP AB / Supervisory Risk Committee of Urban Partners Management Company S.A. will review the identification and mitigation of environmental, social and governance risks on a quarterly basis to ensure adequate risk management.

[12] CRREM Risk Assessment Reference Guide – V2

Nrep's in-house sustainability team is responsible for coordinating and monitoring environmental and social issues both on vehicle and organization levels.

7 Periodic Review

Author	Review	Amended	Date	Version
Johan Hallgren Madsen	Marco Lippi	N/A	30-12-2022	1.0
Johan Hallgren Madsen	Marco Lippi	Annual Review: GHG Baseline and pending target revision following SBTi	31-12-2023	2.0