

Nordea Life & Pensions
Business procedures
NLP Capital & Investments

Document Title **NLP Business Procedure for Responsible Investment in Direct Real Estate**

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1 (12) Page

Approved by Head of Capital & Investment Management

Business unit	NLP Capital & Investment
Countries	SE – Sweden NO – Norway FI – Finland DK - Denmark
Maintenance	Last review: January 2025 Scheduled review: January 2027
NLP Policy	NLP Responsible Investment Policy
Responsible updating	Head of Real Estate, Nils Arne Gundersen
Connected to procedures	Working instructions for Corporate (SE, NO, FI, DK), Know Your Customer. Nordea Code of Conduct, Nordea Supplier Code of Conduct.
Appendix	

1 Objective

This procedure applies to all own managed directly held real estate assets in Nordea Life & Pension and all its subsidiaries (hereafter collectively “NLP”).

This document together with Nordea’s Code of Conduct should be regarded as a common Nordic minimum ESG standard for investments in real estate. The procedure follows the principles and intentions in the NLP Responsible Investment Policy and makes these relevant for real estate. The local entities shall produce and approve their own ESG action plan with targets based on the local requirements and possibilities. All managers, managing assets on behalf of NLP, shall have policies and processes in place to meet the criteria and requirements outlined in this procedure.

This procedure shall be reviewed at least every second year.

2 Roles and Responsibilities

2.1 Head of Capital & Investment Management

The Head of Capital & Investment Management approves this procedure in a NICO meeting.

2.2 The Local Investment Committees

Makes investment decisions and oversees the management and implementation of this procedure. The committee reviews or approves the entities ESG targets and action plan.

2.3 Head of Real Estate

The Heads of Real Estate in the local NLP entities are responsible for ensuring that this procedure is implemented in the real estate organisation and that new and existing investments are compliant with this procedure.

2.4 Manager

The Manager (Internal as well as external Property Managers or Project Managers) are according to the management agreement responsible for implementing the targets and commitments of this procedure and action plans in their routines and daily operation and projects.

3 Targets and commitments

The Real Estate investments shall contribute to Nordea Life and Pensions overall sustainability goals and strategies. Each entity's contribution to the targets is coordinated locally.

NLP is committed by the UN-convened Net-Zero Asset Owner Alliance to transition all assets to net-zero emissions by 2050 at the latest and is therefore setting interim targets every five years. The local entity shall set energy- and GHG emission reduction targets for their respective directly held real estate portfolio. The targets shall be based on an assessment of the portfolio and realistic measures for the coming period.

Nordea Life and Pensions has a new 2030 group target of increasing the share of assets under management in investments supporting nature and the climate transition.

For real estate the share of AuM invested in taxonomy-aligned buildings will be measured¹.

The energy- and emission intensity is to be measured per square meters, and the baseline and yearly measurement are related to the properties owned at the time. The properties need to be held all year for it to be included in the measurement when used for calculating KPIs.

Energy and environmental measures must be included in the early design of new buildings and renovation projects, to ensure alignment with the set targets.

The targets and action plan may include improved energy rating, taxonomy alignment, sustainability benchmarks, sustainability classification system, reduction in water consumption, increasing the properties sorting rate for waste and identify potential environmental effects on how new properties and rehab projects may affect ecosystems and biodiversity. It may also include targets for Social and Governance standards and improvements.

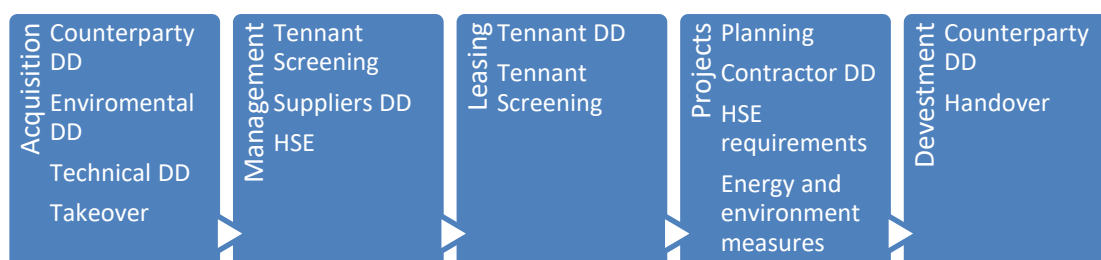
The Real Estate portfolios will be included in the Nordea Group's CSRD reporting and the Real Estate teams will contribute with the necessary input.

¹ In practice this mean AUM in buildings that comply with the technical screening criteria for mitigation and adaptation of the EU Taxonomy's section for the acquisition and ownership of buildings.

4 ESG integration strategy and governance

4.1 The Life Cycle of Real Estate Investments

The real estate investment starts with an acquisition and ends with divestment. In these processes, and in the holding period in between, several processes need to be performed in order to achieve our ESG ambitions.



NLP is well aware of its responsibility regarding environmental, social and governance issues and will be a responsible owner and investor and protect NLP's reputation in all its processes. We shall have a proactive approach to ESG-risks, and assess them regularly. This can be carried out by implementing Environmental Management Systems (EMS), Governance Policies, Scenario analysis etc. We always perform the necessary research before engaging in any financial transaction, here named Due Diligence, or DD. NLP will always follow Nordea's Code of Conduct and implement Nordea Suppliers Code of Conduct as a part of the contract with our suppliers.

4.2 Acquisition

The Head of Real Estate shall ensure that ESG aspects are incorporated into the investment decision process in all new real estate investments. All new properties must be evaluated on ESG aspects and in turn have strategies and targets related to energy performance and carbon emissions incorporated in our net-zero commitment.

All ESG assessments, including DD and screening of all our counterparties, are documented and available for the local investment committee deciding on the investment.

4.2.1 Counterparty Due Diligence

Counterparty DD is a process that helps in collecting relevant information about our financial counterpart. The aim is to make sure that we as buyer is not contributing to

any possible illegal activities connected to purchase and upgrades on the property. It helps in validating facts and eliminating assumptions about seller, so we can ensure that the counterparty has been compliant towards AML, tax and labour requirements. This shall also limit the reputational risk for Nordea so that we do not establish relationship with a counterparty that can give adverse media attention. It will also uncover any conflict of interest or controversies related to the counterparty. The counterparties are screened according to Nordea's KYC and Sanctions standards.

The Counterparty DD shall be performed by the local Risk Control Function according to their procedures and checklists. The Head of Real Estate makes sure this is done before the SPA² is signed.

4.2.2 **Technical and environmental Due Diligence**

Technical Due Diligence is an investigation and analysis of the technical aspects covering compliance to approvals, codes, and complete audit of asset. This multi-point review is done according to local checklists to identify unknown risks related to the property.

Environmental due diligence is performed simultaneously as the technical, legal, and financial due diligence and is conducted to satisfy certain liability protections using environmental laws or standards. In connection with the sustainability due diligence, a screening related to compliance with the EU Taxonomy will be conducted. Environmental DD can also be used to develop information about environmental conditions used to allocate liability and manage environmental risks.

The Technical DD should e.g. contain:

- List of previous owners and use of the land.
- List of necessary immediate asset upgrades including cost estimate (red flags)
- List of necessary asset upgrades over the next five years including cost estimate (maintenance costs)
- Evaluation of the functionality of the technical systems
- Documentation on Internal Control and Fire-safety.

² SPA Sales and purchase agreement

- Documentation of systems for HSE³.
- Documentation of any PCB and asbestos

The Environmental DD should e.g. contain:

- Energy certificate etc.
- Documentation on any sustainability certifications.
- GAP evaluation of the possibility to achieve a “Taxonomy compliant asset”
- Climate risk assessment, including Environmental and ground surveys.
- Evaluation of future tenant adaption
- Evaluation of indoor climate and tenant comfort
- CO₂-emissions related to asset operation
- Environmental declarations (EPD) and LCA analysis for the building products.
- Actual or expected public orders regarding environmental issues

The energy consumption and intensity of the property as well as GHG emissions are investigated, and an assessment of potential improvement according to current targets and strategy is done.

Head of Real Estate shall ensure that technical and environmental Due Diligence is conducted before the SPA is signed.

4.3 Management and leasing

4.3.1 Tenant Due Diligence

Before accepting new tenants, the Manager perform a Tenant Due Diligence This is an investigation and analysis of the tenant's operations. Tenants and associated parties are also screened towards Nordea PEP and Sanction lists as described in 4.3.2. The tenant's financial position is also assessed. The Heads of Real Estate is responsible to ensure that this is performed.

For some high-risk industries, background checks should be carried out. Nordea have limited risk appetite and shall perform additional controls before entering business

³ HSE Health, Safety & Environment

relationship with companies within certain industries such as Payment Service Providers, Money Service Business, Virtual Currencies etc. The extra controls should be performed according to local Enhanced Due Diligence (EDD) procedures.

NLP must be able to report on tenants who are involved in the extraction, storage, transport or manufacture of fossil fuels according to PAI (Principal Adverse Impact) requirements.

Head of Real Estate shall specifically approve tenants from industries mentioned above.

4.3.2 **Tenant Screening**

New and existing tenants must be screened before signing new lease contract. They are screened according to group instructions against Nordea's own Ad Hoc Screening Tool and against Dow Jones/Factiva sanction lists (or similar tools) to ensure e.g. that the tenants are not registered on international sanctions lists

Screening is carried out for the company, CEO, Chairman and for the beneficial owners. All existing tenants are also regularly screened accordingly to local procedures.

The Head of Real Estate makes sure that the screening has been carried out before the lease contract is signed.

4.3.3 **Health, Safety and Environment**

NLP shall ensure that no one working or living in our buildings gets sick or injured because of the building conditions. We shall strive to obtain a good and healthy indoor climate and only install building products that do not contain hazardous substances. Properties must always meet regulatory requirements as a minimum. NLP will further keep a high level of maintenance to reduce accidents for tenants that relates to negligence or decay of NLP's properties. NLP will keep the outdoor premises accessible, tidy and clean so that the public can access the property on a safe and welcoming manor. Certification system like WELL⁴ can be used to benchmark the buildings attributes.

⁴ WELL is a performance-based system for measuring, certifying, and monitoring features of the built environment that impact human health and well-being, through air, water, nourishment, light, fitness, comfort and mind.

The Real Estate Team in each local NLP entity should have regularly visits to all the properties, and HSE topics should also be regularly discussed in the reporting meetings with the manager. Yearly tenant surveys shall be conducted where these issues are addressed.

The Head of Real Estate shall ensure that this is followed up.

4.3.4 **Suppliers**

The requirement of suppliers for the property management or operations are the same as described in 4.4.3

4.4 **Projects, Contractors and Suppliers**

4.4.1 **Definitions**

Projects are defined as planned work on the property that is not a part of the regular operation. It may be large projects as new buildings or major renovations, or small projects as maintenance and outfitting for the tenants.

Contractor in this context is a firm that undertakes a contract to provide materials or labour to perform a service or do a job related to a project. The contractor has a contract with NLP or the Manager.

Subcontractors provides a product or service in the project and have a contract with the Contractor.

Supplier is a person or organization that provides a product or service as a part of the operation or for a project. The contract may be with NLP, the Manager or the Contractor.

4.4.2 **Aesthetics**

NLP shall focus on aesthetics when renovating existing properties and constructing new properties. NLP prioritizes good architecture and ensure that properties owned by NLP will contribute positively to the immediate surroundings. The level of ambition is adapted to each property and approved by the Head of Real Estate.

4.4.3 **Contractor and supplier Due Diligence**

NLP shall only use contractors and suppliers that have high standards with regard to workers' rights, health and safety practices and business ethics. Nordea Suppliers Code of Conduct must be added to the contracts and followed up.

Counterparty DD of the suppliers are carried out as described in 4.2.1 The Head of Real Estate shall ensure that this is done.

4.4.4 **Health, Safety and Environment (HSE)**

NLP demands high standards on worksite safety to minimize the number and severity of accidents for construction workers. NLP prioritize contractors that have a good track record, clear focus on safety and live by best HSE practise. The Manager must have routines and checklists to ensure that all suppliers are following NLPs requirements.

All suppliers must have a safety policy in line with the ILO conventions.

All major suppliers and large contractors shall be certified according to the ISO standards 14001 or 9001 or have an equivalent quality management system or an industry certification that includes ongoing systematic quality work. If not, they must have the intention and ability to fulfil the above within one year. The Head of Real Estate decides on the necessary certification for the current supplier or contractor in the project.

All suppliers must have a written environmental policy that is known to the employees. Suppliers must have performed and documented training regarding good and safe workplace. Suppliers and subcontractors must be authorized in accordance with current industry rules for their respective work-category. Contract work must be carried out in accordance with current regulations and industry rules and standards.

Suppliers and contractors need to be properly insured.

The contractor must perform a self-evaluation to monitor the HSE requirements defined in the project before the procurement. Checks are made by the Manager during the project and the Contractor must make self-inspections continuously. Safety inspections shall be conducted regularly on site to ensure safe and clean workplaces. This must be documented in minutes from meetings with the project management.

These HSE requirements must be controlled and checked by the Manager before the contract is signed. The Head of Real Estate makes sure this is done.

4.4.5 **Energy and environment measures**

For larger development projects, the design instructions for BREEAM⁵ Very Good or better should be applied. Similar classification systems may be used. New buildings must be built with an energy mark of A or B to ensure taxonomy compliance. Rehab projects should aim for the highest obtainable marking.

The supplier or contractor must actively work to minimise the environmental footprint from the raw materials and the construction and installation processes used in the construction or refurbishment of the asset. Refurbishments shall strive to have a positive impact on the asset's energy consumption. Building materials shall be classified by a renowned environmental certifying association. These demands must be stated in the contract, and project management can ask for documentation if needed.

The supplier should strive to reduce the environmental impact by planning and choosing sustainable travels to the asset. The Head of Real Estate makes sure this is done.

5 Monitoring and follow up

The Heads of Real Estate will make their own action plans to ensure implementation of this procedure in the local NLP entities.

The Head of Real Estate and the Real Estate Teams shall have regular meetings with the Managers, to discuss and follow up on the targets and their ESG integration capabilities and processes.

All portfolios are monitored on a regular basis and ESG reports are delivered on a yearly basis to the RI-team, the board of directors, the Sustainability Committee and the local investment committees. These reports include, but are not limited to, ESG performance, climate risk exposures, status on targets and engagement activities.

Severe incidents and breaches of this routine must be reported immediately to the Head of Real Estate, who decides on further actions and notification. A list of incidents and breaches is reported quarterly to the local investment committee.

⁵ BREEAM - **Building Research Establishment Environmental Assessment Method** is touted as the world's longest established method of identifying the sustainability of buildings.

5.1 Divestment

The Head of Real Estate must ensure that the sale process is performed in an orderly manner and according to industry standards. Any conflict of interest from the involved parties must be handled, documented, and reported to the local investment committee.

The property should in general be broadly marketed to obtain the best price in the market. Off market bids can be accepted if deemed favourable compared to valuations and other market comparable. Potential vendors must be cleared in a KYC⁶ DD-process.

Counterparty due diligence and screening is carried out with the same demands as those who are described under acquisitions (see 4.2.1). A particular care must be taken on establishing that the source of the funds used for the purchase is legal.

All relevant information and documents needed for safe and sustainable operation of the property is to be transferred to the new owner in an orderly manner during handover.

5.2 External reporting

NLP shall be open and transparent towards customers, authorities and other external stakeholders with regards to how we work with and incorporate ESG and sustainability factors in our investment decisions. Also, how these impact our real estate portfolios and how our portfolios impact our society and environment.

We report and disclose on ESG and sustainability in accordance with current regulatory requirements and according to the commitments we have made.

The real estate portfolios sustainability profile is benchmarked annually in GRESB⁷ for the entities that have chosen to do so.

Annually NLP Group discloses various sustainability related information in line with regulations and voluntary standards. The local Head of Real Estate is responsible for

⁶ KYC - Know Your Customer

⁷ GRESB- Global Real Estate Sustainability Benchmark.

ensuring legal compliance related to reporting and timely delivery of data and information to the Nordic RI team.

NLP annual reporting shall be incorporated in a stand-alone report, in our annual financial filings or as part of the Nordea Group's annual sustainability reporting.