

## APPENDIX I

### ANNEX

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Product name:** Global Property Fund (the “Sub-Fund”)

**Legal entity identifier:** 2138003LIW4LCGOWXL30

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective



Yes



No

☐ It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_\_%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective:** \_\_\_\_%

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this financial product?

The Sub-Fund invests in real estate securities listed on major exchanges globally. The Sub-Fund is managed by Resolution Capital Limited (the “**Sub-Investment Manager**”). The Sub-Investment Manager adopts an ESG integration approach and takes environmental and social characteristics into account when performing due diligence on potential investee companies and in monitoring the performance of companies held within the Sub-Fund’s portfolio.

The Sub-Investment Manager’s Responsible Investment Policy (Responsible-Investment-Policy.pdf (rescap.com)) which applies to the Sub-Fund aligns to the principles of the UN Principles of Responsible Investment (the **PRI**). With respect to environmental factors, the Sub-Investment Manager considers the quality of the environmental disclosures, the existence of green buildings in investee companies’ portfolios, energy consumption, and environmental pollution (including water, air and waste) management. The social factors considered by the Sub-Investment Manager include human rights, health and safety, diversity and corruption.

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



On environmental issues, the Sub-Investment Manager is particularly interested in the following:

- Whether companies have carbon reduction targets that align with the requirements of the Paris Agreement, as well as policies to increase energy, water, and waste efficiencies in their properties. These practices lower operating expenses, making properties more profitable and sustainable in operations;
- A company's capability to meet the sustainability standards of potential customers through high levels of energy, water and waste efficiency, as well as healthy indoor environments. Having the capability to meet these standards will enable the company to take advantage of the greater tenant, and buyer, demand for properties with high environmental standards; and
- Plans to renovate acquired properties with poor environmental ratings to increase their environmental performance.
- Whether companies have undertaken physical risk assessments of their portfolios in line with the recommendations of the Taskforce for Climate-related Financial Disclosures.

When assessing social issues, the Sub-Investment Manager includes a review of an entity's overall social impact on stakeholders in its research process as these can also have a consequential impact on the value of each entity if a company does not manage this appropriately. Factors that are considered, *inter alia*, in this process include:

- Overall social impact of activities of the company;
- Where activities do have a detrimental social effect, how strong is the regulation of the company's activities?
- Does the company adhere to all the regulatory requirements that apply to them; and
- Has the company been subject to many complaints from stakeholders (whether they are employees, shareholders or other parties interacting with them)?

Nedgroup Investments (IOM) Limited (the "**Investment Manager**") assumes an oversight function with regards to responsible investing, while the Sub-Investment Manager is responsible for the day-to-day integration and management of ESG factors. To effectively perform the oversight function, the Investment Manager's annual Responsible Investment Review is built on a framework of five key pillars: 1) Commitment to responsible investing, 2) ESG integration in the investment process, 3) Proxy voting and corporate engagement, 4) Transparency and disclosure, and 5) Broader industry participation regarding responsible investing.

The review also looks to gain insight into how the Sub-Investment Manager views the risks and opportunities associated with Investment Manager's four key sustainability focus areas of Climate Change, Biodiversity Loss, Labour and Human Rights, and People Diversity and Inclusion.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The Sub-Investment Manager monitors ESG factors on a regular basis through measurement of characteristics such as the investee company's energy consumption per square metre, like for like change and stated targets for energy, greenhouse gas emission, water and waste management. Information is sourced via publicly available company disclosures, from third parties (including Global Real Estate Sustainability Benchmark (**GRESB**) and MSCI, Bloomberg) and through direct engagement with investee companies. The Sub-Investment Manager also identifies whether the investee company has in place appropriate social policies such as Human Rights, Workplace Health and Safety, and Anti-Bribery/Ethics policies and whether there have been any reported breaches/incidents. The Sub-Investment Manager engages with the investee companies in the Sub-Fund as another way of monitoring that the companies are on track to meet their stated targets.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A - the Sub-Fund does not make any sustainable investments.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

N/A

How have the indicators for adverse impacts on sustainability factors been taken into account?

N/A

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

N/A

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

☐ Yes

☒ No



**What investment strategy does this financial product follow?**

The Sub-Fund’s objective is to achieve an annual total return that exceeds the total return of the FTSE EPRA/NAREIT Developed Index NET TRI after fees measured on a rolling three year basis. The Sub-Fund invests in global listed real estate securities (i.e. equity securities which derive a significant portion of their revenue from property related activities) listed on key exchanges globally. The Sub-Fund’s investments provide exposure to a diverse range of underlying property types from around the world including office buildings, shopping centres, industrial warehouses, residential communities, hotels, self-storage and healthcare facilities. While the Sub-Fund will invest in equities that derive most of their returns from rental income, the Sub-Fund may also have exposure to companies which undertake activities such as real estate development, real estate construction, contracting and fund management activities.

The Sub-Investment Manager believes that optimum risk adjusted returns can be achieved through a concentrated portfolio of 30 to 60 equities and are intent on identifying and avoiding factors which could reasonably result in permanent capital impairment of the underlying investments.

The Sub-Investment Manager believes that the ultimate driver of real estate securities is the quality and level of sustainable cash earnings generated by the underlying properties. As a result, the Sub-Investment Manager’s proprietary research process focuses on consistently evaluating these cash flows across real estate sectors and regions.

The Sub-Investment Manager is focused on fundamentals-driven stock selection. The global portfolio is constructed using bottom-up stock selection formulas. The Sub-Investment Manager believes optimum risk adjusted returns can be achieved through a concentrated portfolio which is biased towards:

- High quality, high barrier, hard-to-replicate strategic assets that are located in key cities and

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

primary markets capable of achieving some level of pricing power in rent negotiations; and

- Entities with sustainable capital structures which are run by disciplined and aligned management teams.

The bottom up analysis is reviewed in conjunction with the identification of 'top down', broader investment and direct real estate specific themes, e.g., macro-economic conditions, demand and supply levels, construction costs, etc. which may influence the risk level of the stock.

Supporting the bottom up philosophy is the division of research responsibilities amongst the Investment Team by property sector rather than geographic region. The Investment Team are experts in their respective sectors, having travelled widely and been exposed to world best practices in the retail, office, residential, industrial and hotel sectors. They are uniquely equipped to evaluate companies and their management teams against global peers.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

As the investment universe of the Sub-Fund is strictly listed real estate companies, a number of activities that can have a negative impact on consumers and society are excluded from the investment universe. Activities related to tobacco production, nuclear weapons, guns and ammunition, and gambling are excluded.

While the Sub-Investment Manager does not have a minimum threshold for ESG performance, in addition to the items above, it identifies companies that it considers are lagging in comparison to their peers or industry best practices, and engage with them to encourage improvement. Companies may be considered lagging where they do not have and/or do not publish targets for energy, greenhouse gas emissions, water or waste usage, or where the targets that are published are less than peers in the same sector/industry/region. It is expected that investee companies will perform physical risk assessments. The Sub-Investment Manager will engage with investee companies which have not performed a physical risk assessment in an effort to encourage them to do so.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy.

- ***What is the policy to assess good governance practices of the investee companies?***

As an active investor, governance is a key screen for companies in the Sub-Fund. The Sub-Investment Manager believes that good governance and good management are imperative to an entity's long-term success. The Sub-Investment Manager has observed that companies with aligned and committed management typically outperform companies with inferior alignment over the long term. To assess this, the Sub-Investment Manager focuses on:

- Management share ownership;
- Remuneration structure and KPIs;
- Board composition (including independence, tenure, diversity and other board commitments);
- Track record, transparency, integrity;
- Minority shareholder protection; and
- Conflicts of interest/related party transactions.
- The Sub-Investment Manager seeks companies that have strong alignment of interests with shareholders, a consistent strategy, disciplined capital management and a track record of active asset management.

**Good governance**  
practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation planned for this financial product?

The asset allocation for the Sub-Fund is:

- A minimum of 85% of the Net Asset Value of the Sub-Fund will be invested in equities which promote the environmental and social characteristics of the Sub-Fund; and
- Up to 15% of the Net Asset Value of the Sub-Fund will be invested in cash.

**Asset allocation** describes the share of investments in specific assets.

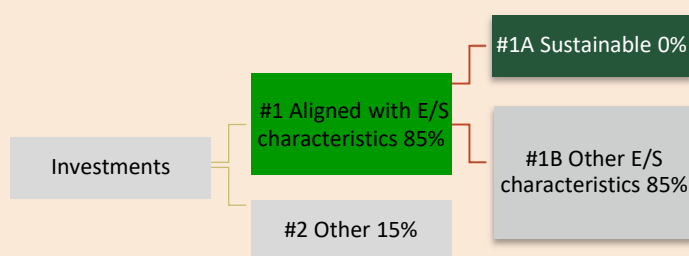
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Sub-Fund does not use derivatives to attain its promoted ESG characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund does not invest in sustainable investment with an environmental objective which are aligned with EU Taxonomy under the Taxonomy Regulation. As a result the percentage of the Sub-Fund's investments that will be in economic activities that qualify as environmentally sustainable is 0%.

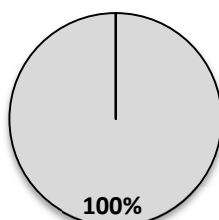
## Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

- Yes: ☐ In fossil gas ☐ In nuclear energy
- No: ☒

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

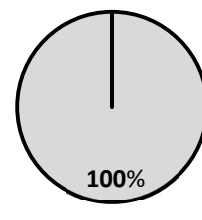
1. Taxonomy-alignment of investments including sovereign bonds\*

- Taxonomy-aligned: Fossil gas
- Taxonomy-aligned: Nuclear
- Taxonomy-aligned (no fossil gas & nuclear)
- Non-Taxonomy-aligned



2. Taxonomy-alignment of investments excluding sovereign bonds\*

- Taxonomy-aligned: Fossil gas
- Taxonomy-aligned: Nuclear
- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned



This graph represents 100% of the total investments

greenhouse gas emission levels corresponding to the best performance.

\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

N/A – the Sub-Fund has no minimum proportion of investment in transitional or enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A



**What is the minimum share of socially sustainable investments?**

N/A



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

Investments included in ‘#2 Other’ may include cash and cash equivalents which are held to maintain the liquidity of the Sub-Fund and for settlement of redemptions, trades, and expenses as and when they fall due.

Up to 15% of the Net Asset Value of the Sub-Fund will be invested in cash.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

N/A

● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

N/A

- *How does the designated index differ from a relevant broad market index?*

N/A

- *Where can the methodology used for the calculation of the designated index be found?*

N/A

**Where can I find more product specific information online?**

**More product-specific information can be found on the website:** The Nedgroup Investments Global Property Fund - [Nedgroup Investments Global Property Fund](#) and further information about the policies employed by the Sub-Investment Manager with regard to the consideration and integration of ESG factors can be found at <https://rescap.com/esg/>

