2022

# Environmental, Social & Governance Report

AGREE REALTY
RETHINK RETAIL

# Contents

# LETTER FROM OUR CEO

I am pleased to present Agree Realty Corporation's (NYSE: ADC) (the "Company" or "Agree") third annual environmental, social and governance ("ESG") report. Since publishing our inaugural ESG report two years ago, our Company has made significant strides in its ESG journey, forming an ESG Steering Committee and working with a third-party consultant to establish a three-year action plan.

In 2022, the ESG Steering Committee led our efforts to begin executing on that plan, and I'm excited to report that we have achieved several notable milestones during the past year, including:

- Adopted green lease language into our standard lease forms and furthered our engagement with our retail partners to discuss shared sustainability initiatives
- Executed a number of green leases with tenants, resulting in the achievement of Gold Level recognition from Green Lease Leaders
- Formalized and published several ESG-related policies and standards:
  - ESG Policy Statement
  - Human Rights Policy
  - Whistleblower Policy
  - A charter outlining the roles & responsibilities for the ESG Steering Committee
- Worked with our third-party consultant to conduct a complete Scope 1 and 2 greenhouse gas emissions inventory and calculate our Scope 3 downstream leased assets emissions using tenant data
- Enhanced our due diligence process to include an evaluation of prospective tenants' ESG policies

While we have made meaningful progress towards our ESG objectives in the past year, we recognize there is more work to do. Now that we have begun to measure our portfolio's emissions, we look to gather more tenant data to better inform these measurements in the years ahead. This will require continued engagement with our tenants to discuss data sharing and other sustainability initiatives, an area where we have made significant progress over the past year.

In addition, we plan to formalize a procedure for identifying, assessing, and mitigating climate-related risks and opportunities across the business, and disclose time horizons for addressing those risks and opportunities. As we continue to progress on our ESG journey, additional employee training and education will also be a priority.

I would like to once again thank our ESG Steering Committee, our outstanding Team, our Board of Directors, and our stakeholders for their hard work and assistance in achieving our ESG initiatives. We maintain our commitment to social and corporate responsibility and believe our efforts will create long-term value for our stakeholders, reduce the impacts of climate change, and improve the communities in which we operate.

Sincerely,

**JOEY AGREE**
***President and Chief Executive Officer***

## Governance

Published a charter outlining the roles and responsibilities of the ESG Steering Committee

The ESG Steering Committee worked with our third-party consultant to put together a three-year action plan, informed by stakeholder engagement with vendors, top tenants, investors, management and Directors

Published ESG related policies including a Human Rights Policy, a Whistleblower Policy, and an ESG Policy Statement

## Environmental

Worked with our third-party consultant to conduct a complete Scope 1 and 2 greenhouse gas emissions inventory and calculate our Scope 3 downstream leased assets emissions using tenant data

Started tracking common area water usage across the portfolio

Executed several green leases with tenants, resulting in the achievement of Gold Level recognition from the Green Lease Leaders organization

Enhanced our due diligence process to include an evaluation of prospective tenants' ESG policies

## Social

Enhanced our compensation packages by including equity for every team member

Enhanced health and well-being programs for our team members with mental health awareness week and other initiatives

Conducted an employee engagement survey with strong results and implemented a plan to address survey responses

Rolled out updated Core Values that embody the Company's principles

Launched the ADC Rotation Program with three different team members participating in the program

Continued to advance our Diversity, Equity and Inclusion ("DEI") initiatives with unconscious bias training, DEI focus groups, and other initiatives

In 2022, we evaluated the Core Values we had put in place over twelve years ago. We reflected on the behaviors that drove our success and established the new Core Values that clarify how all our team members operate on a daily basis. These values are the keys to entry at ADC and are the foundation for how we make decisions in all functions of the Company.


## CORE PURPOSE

Our purpose is to create opportunities by **RETHINKING RETAIL**

## CORE VALUES

### WE ALL DO THE DISHES

We are a team. We all roll up our sleeves and dig in, no matter the task.

### GREATNESS REQUIRES GRIT

We have a resilient mindset to achieve and exceed our goals.

### PUNCH YOUR TICKET

We push ourselves to be the best we can at our position and embrace the opportunities that new challenges present.

### BRICK BY BRICK

We achieve results by making consistent, disciplined decisions.


# Business Overview 1

# Agree Realty Corporation

Agree is a fully integrated, self-administered, and self-managed real estate investment trust ("REIT") with a market capitalization of $6.4 billion and an enterprise value of $8.6 billion as of March 31, 2023. Our mission is to RETHINK RETAIL through the acquisition and development of properties net leased to industry-leading, omni-channel retail tenants throughout the United States.

Building upon the foundation of excellence established throughout the past five decades, Agree Realty continues to be a market leader in the net lease space. As of March 31, 2023, our growing portfolio consisted of 1,908 assets in all 48 continental states, containing approximately 40.1 million square feet of gross leasable area.

At quarter end, the portfolio was 99.7% leased, had a weighted-average remaining lease term of approximately 8.8 years, and generated 68.0% of annualized base rents from investment grade retail tenants.


## 2022 BUSINESS HIGHLIGHTS

**$1.7B+**
INVESTED

**9.2%**
AFFO PER SHARE GROWTH

**7.7%**
DIVIDEND PER SHARE GROWTH

**$1.7B**
OF CAPITAL RAISED

**$1.5B**
OF TOTAL LIQUIDITY AT YEAR-END

**UPGRADED TO Baa1**
CREDIT RATING BY MOODY'S INVESTORS SERVICE

**3.1**
PROFORMA NET DEBT TO RECURRING EBITDA AT YEAR END

## KEY METRICS AS OF MARCH 31, 2023

**1,908**
PROPERTIES

**40.1MM**
SQUARE FEET

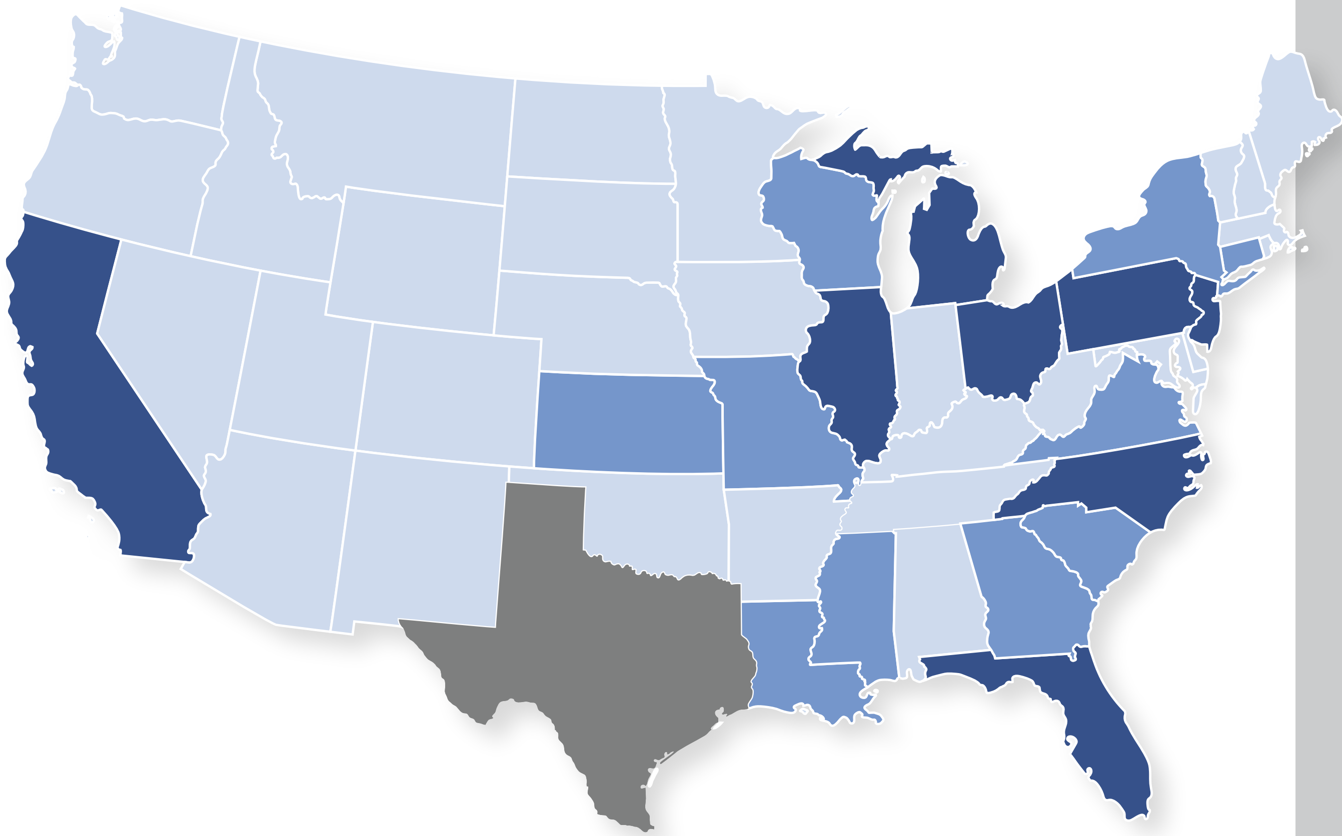
**48**
STATES

**32**
SECTORS

**99.7%**
OCCUPANCY

**68.0%**
INVESTMENT GRADE

# Geographic Exposure





*Shading represents the Company's exposure as of March 31, 2023, measured as a % of total annualized base rent.*

## SECTOR EXPOSURE

| SECTOR | ABR[1] | % OF TOTAL |
|---|---|---|
| Grocery Stores | $51,742 | 10.5% |
| Home Improvement | $45,176 | 9.2% |
| Tire & Auto Service | $43,134 | 8.8% |
| Dollar Stores | $38,170 | 7.8% |
| Convenience Stores | $36,032 | 7.3% |
| General Merchandise | $31,092 | 6.3% |
| Off-Price Retail | $28,944 | 5.9% |
| Auto Parts | $27,992 | 5.7% |
| Farm and Rural Supply | $23,537 | 4.8% |
| Consumer Electronics | $21,724 | 4.4% |
| Pharmacy | $20,853 | 4.2% |
| Crafts And Novelties | $14,773 | 3.0% |
| Discount Stores | $11,842 | 2.4% |
| Equipment Rental | $10,818 | 2.2% |
| Warehouse Clubs | $10,197 | 2.1% |
| Health Services | $9,659 | 2.0% |

| SECTOR | ABR[1] | % OF TOTAL |
|---|---|---|
| Health & Fitness | $8,082 | 1.6% |
| Restaurants: Quick Service | $7,931 | 1.6% |
| Dealerships | $6,506 | 1.3% |
| Specialty Retail | $6,501 | 1.3% |
| Restaurants: Casual Dining | $5,243 | 1.1% |
| Sporting Goods | $4,939 | 1.0% |
| Home Furnishings | $4,898 | 1.0% |
| Financial Services | $4,618 | 0.9% |
| Theaters | $3,848 | 0.8% |
| Pet Supplies | $3,402 | 0.7% |
| Beauty and Cosmetics | $2,338 | 0.5% |
| Entertainment Retail | $2,323 | 0.5% |
| Shoes | $2,206 | 0.4% |
| Apparel | $1,574 | 0.3% |
| Miscellaneous | $1,180 | 0.2% |
| Office Supplies | $795 | 0.2% |
| **TOTAL** | **$492,071** | **100%** |

*All data as of March 31, 2023. Any differences are a result of rounding. (1) Annualized base rent is in thousands.*

## TOP TENANTS

| TENANT | ANNUALIZED BASE RENT[1] | % OF TOTAL | ESG POLICY | CREDIT RATING[2] |
|---|---|---|---|---|
| Walmart | $32,638 | 6.6% | → | AA |
| DOLLAR GENERAL | 23,750 | 4.8% | → | BBB |
| TSC TRACTOR SUPPLY CO | 21,809 | 4.4% | → | BBB |
| BEST BUY | 19,515 | 4.0% | → | BBB+ |
| Kroger | 16,315 | 3.3% | → | BBB |
| DOLLAR TREE | 15,885 | 3.2% | → | BBB |
| TJX | 14,377 | 2.9% | → | A |
| O'Reilly AUTO PARTS | 14,315 | 2.9% | → | BBB |
| CVS pharmacy | 14,118 | 2.9% | → | BBB |
| HOBBY LOBBY | 12,495 | 2.5% | → | NOT RATED |
| LOWE'S | 12,210 | 2.5% | → | BBB+ |
| Burlington | 11,408 | 2.3% | → | BB+ |
| SHERWIN WILLIAMS | 10,850 | 2.2% | → | BBB |
| SUNBELT RENTALS | 10,492 | 2.1% | → | BBB- |
| Wawa | 9,668 | 2.0% | → | NAIC-2B |
| THE HOME DEPOT | 8,880 | 1.8% | → | A |
| TBC CORPORATION / NTB | 8,609 | 1.7% | → | BBB+ |
| gerber COLLISION & GLASS | 8,540 | 1.7% | → | NOT RATED |
| AutoZone | 7,747 | 1.6% | → | BBB |
| GOODYEAR | 7,522 | 1.5% | → | BB- |
| Other | 210,928 | 43.1% | NA | NA |
| **Total** | **$492,071** | **100%** | | |

# Key Stats

OUR TOP TENANTS COMPRISE
**57.1%**
OF ABR

**90%**
OF OUR TOP TENANTS PUBLISH AN ESG REPORT

**85%**
OF OUR TOP TENANTS HAVE EMISSIONS REDUCTION TARGETS[3]

*All data as of March 31, 2023. Any differences are a result of rounding. (1) Annualized base rent is in thousands. (2) Based on credit ratings from S&P Global Ratings, Moody's Investors Service, Fitch Ratings, or the National Association of Insurance Commissioners. (3) Tenants considered to have emissions reductions goals are those who have publicly disclosed their reduction targets either through their website, standalone reports, or https://sciencebasedtargets.org/.*

# 2 Corporate Governance

# Board Features and Composition

## KEY HIGHLIGHTS

- Agree's Board is committed to adding a **third female Director** in the next two years
- **71%** of our independent directors have joined the Board since 2018
- **All members** of the Audit, Nominating and Governance, and Compensation committees are **independent**
- Independent Directors meet at least **four times per year**, without the presence of officers or team members
- Lead Independent Director position **further promotes independence**
- Our Board and committees conduct **self-assessments** annually

## KEY METRICS

AVERAGE AGE
62
YEARS

AVERAGE TENURE OF INDEPENDENT DIRECTORS
4
YEARS

MEDIAN TENURE OF INDEPENDENT DIRECTORS
3
YEARS

78%
OF THE BOARD IS INDEPENDENT

22%
OF THE DIRECTORS ARE FEMALE

11%
OF THE DIRECTORS ARE A MINORITY

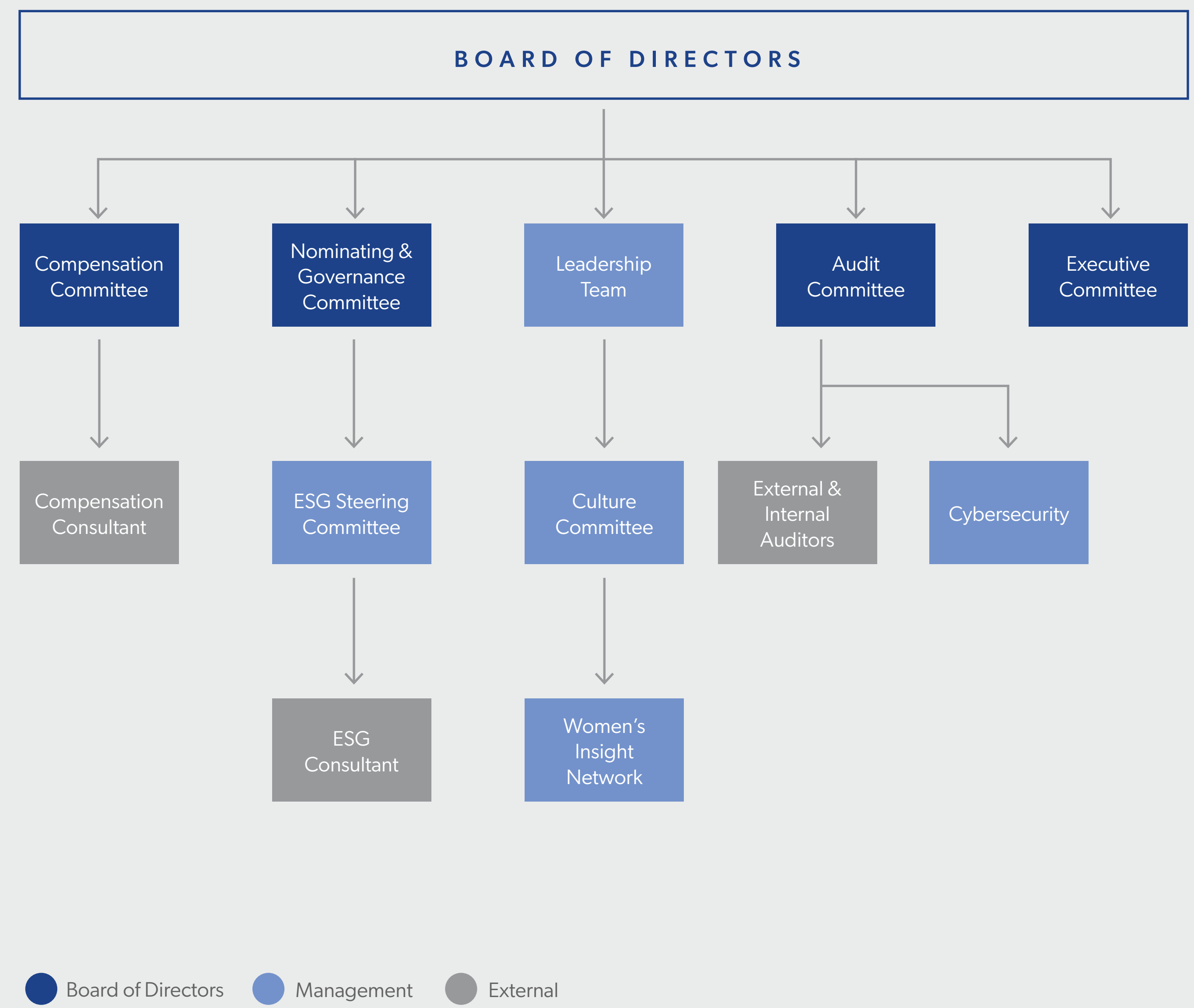
# ESG Oversight

**Agree created an executive-level ESG Steering Committee to proactively address key ESG-related matters and ensure that it is integrated throughout the organization.**

The Committee is tasked with setting the overarching ESG strategy for Agree and defining our key objectives and how we measure success. In addition, the Committee meets on a monthly basis to prioritize ESG matters, set a plan of action for executing on objectives, and establish recurring check-ins to ensure we're performing according to plan.

The Committee includes the following members: Chief Financial Officer; General Counsel; Chief of Staff and Executive Vice President, People & Culture; Chief Accounting Officer; Vice President, Asset Management; and Director, Corporate Finance.

The chart to the right outlines Agree's corporate governance structure, including the role of the Committee. The Committee is comprised of senior leadership team members and reports to the Nominating & Governance Committee, which has formal oversight responsibility for ESG. In addition, the Committee is responsible for engaging with Agree's third-party ESG consultant. The chart also outlines the responsibilities of other Committees of the Board, particularly as it relates to ESG.



# Committees of the Board

The Board has delegated various responsibilities and authority to four standing committees of the Board. Each committee regularly reports on its activities to the full Board. Each committee, other than the Executive Committee, operates under a written charter approved by the Board, which is reviewed annually by the respective committees of the Board and is available in the Policies and Charters FAQ section of our website at www.agreerealty.com. Each committee may form, and delegate power and authority to, subcommittees of one or more of its members for any purpose that such committee deems appropriate. The Audit Committee, the Compensation Committee and the Nominating and Governance Committee are composed entirely of independent directors. In addition, the Board has determined that each member of the Audit Committee and the Compensation Committee qualifies as independent in accordance with the additional independence rules established by the SEC and NYSE. The table to the right sets forth the current membership of the four standing committees of the Board and the number of meetings held in 2022 by such committees.

| BOARD MEMBER | AUDIT | COMPENSATION | NOMINATING & GOVERNANCE | EXECUTIVE |
|---|---|---|---|---|
| Richard Agree | | | | Chair |
| Joey Agree | | | | ✓ |
| Karen Dearing | Chair | | | |
| Merrie Frankel | ✓ | | Chair | |
| Michael Hollman | ✓ | | ✓ | |
| Michael Judlowe | | ✓ | | ✓ |
| Gregory Lehmkuhl | | Chair | ✓ | |
| John Rakolta Jr. | | | | ✓ |
| Jerome Rossi | | ✓ | ✓ | |
| Number of Meetings in 2022 | 4 | 2 | 2 | 1 |

## Nominating and Governance Committee

The Nominating and Governance Committee consists of four independent Directors. The Committee assists the Board in developing criteria and qualifications for potential Board members, identifies and recommends Director nominees, establishes corporate governance practices, leads the Board's annual reviews of performance and management, recommends committee nominees, and oversees the evaluation of the Board. **The Nominating & Governance Committee has been tasked with formal oversight responsibility for ESG**.

## Audit Committee

The Audit Committee consists of three independent Directors, all of which are considered to be financial experts. The Committee is appointed by the Board and continuously monitors the integrity of the financial statements of Agree, the independence and qualifications of Agree's independent auditors, the performance of Agree's internal auditors, and compliance with legal and regulatory requirements. The Audit Committee has formal oversight responsibility for cybersecurity and is responsible for reviewing and discussing Agree's policies and procedures with respect to cybersecurity risk assessment and risk management.

## Compensation Committee

The Compensation Committee consists of three independent Directors. The Compensation Committee is responsible for reviewing and approving Agree's compensation philosophy, the compensation of executive officers, and setting the criteria for awards under incentive compensation plans and determining whether such criteria have been met.

# Corporate Governance Policies

In 2022, Agree enhanced its policies and processes related to ESG with the formalization of an ESG Policy Statement as well as an ESG Steering Committee Charter. These documents serve as the foundation for our ESG program and help guide how we approach ESG decision-making.

The ESG Policy outlines Agree's ESG goals, oversight (including the role and composition of the Steering Committee) and guidelines on how Agree plans to mitigate and monitor ESG-related risks.

The ESG Steering Committee Charter further defines the purpose of the Committee, names the participants by role and explicitly outlines the responsibilities of the Committee. Formalizing these topics in a charter and providing oversight responsibility to a core group of managers and executives at Agree allows us to more effectively determine and implement our strategy and make key decisions related to ESG and climate-related risks and opportunities.

# Risk Management

The Board takes an active and informed role in our risk management policies and strategies. Our executive officers, who are responsible for our day-to-day risk management practices, present to the Board on the material risks to our Company, including credit risk, liquidity risk, operational risk, risk related to information technology and cybersecurity. At that time, the management team also reviews with the Board our risk mitigation policies and strategies specific to each risk that is identified. Our Compensation Committee reviews and determines whether any of our compensation policies or practices subject the Company to inappropriate risk.

Our Audit Committee assists the Board in fulfilling its responsibilities related to the oversight of major financial exposures. This includes the policies and processes by which management assesses and manages such exposures, including: accounting and reporting processes; our system of internal accounting and financial controls; our technology security policies and internal cybersecurity and privacy controls.

Our Audit Committee reviews and determines cybersecurity, privacy, information security and financial risk exposures and the steps management has taken to monitor and control these exposures. Throughout the year, management monitors our risk profile and updates the Board as new material risks are identified or the aspects of a risk previously presented to the Board materially change.

# ESG Policies

## Code of Business Conduct and Ethics

sets out basic principles to guide all employees, executive officers and directors and certain agents and representatives, including consultants to conduct themselves accordingly and seek to avoid even the appearance of improper behavior.

LINK

## Corporate Governance Guidelines

describes the core principles for the governance of the Company with guidelines for the Board's relationship with key stakeholders, the functions of the Board, and detailed policies and procedures adopted by the Board.

LINK

**ESG Policy** outlines Agree's ESG goals, oversight, and guidelines on how Agree plans to mitigate and monitor ESG-related risks through site assessments, portfolio reviews, and annual training related to social and compliance issues.

LINK

## ESG Steering Committee Charter

defines the purpose of the Committee, names the participants by role, and explicitly outlines the responsibilities of the Committee. Formalizing these topics in a charter and providing oversight responsibility to a core group of managers and executives at Agree allows us to more effectively determine and implement our strategy, and make key decisions related to ESG and climate-related risks and opportunities.

LINK

**Human Rights Policy** establishes our commitment to monitoring risks related to human rights and following best practices. Agree is committed to respecting human rights in accordance with the UN Guiding Principles on Business and Human Rights for employees. We believe that all persons are entitled to be treated with dignity and respect.

LINK

**Insider Trading Policy** outlines Agree's processes and procedures for trading in Company securities.

LINK

**Whistleblower Policy** protects employees by creating an opportunity for employees to report grievances without risk of retaliation or punishment. Employees can submit complaints to our confidential, third-party hotline. The Company received no whistleblower complaints during 2022.

LINK

**Anti-Corruption Policy** reiterates Agree's commitments to integrity, outlines the Company's policies to combat corruption, and details what constitutes a prohibited payment.

LINK

## Related-Party Transactions Policy

outlines Agree's processes and procedures for identifying, approving and reporting related-party transactions.

LINK

# Cybersecurity

We have taken significant steps to improve the Company's cybersecurity risk management in the past year, including:

- Reported to Audit Committee on information security matters on a quarterly basis
- Audited our systems with the help of information security consultants
- Completed ransomware simulations and enhanced our Disaster Recovery and Business Continuity Plan to reflect lessons learned
- Conducted recovery simulation of proprietary arc database to determine restoration timing
- Conducted penetration testing and remediated all issues identified
- Enhanced e-mail filtering software to limit possibility of phishing or ransomware attacks
- Focused on team member education with training on several different cybersecurity topics

**Due to our robust cybersecurity program, we had zero known information security breaches in the last three years.**

# 3 Environmental

# Approach to Climate Change and Resilience

Agree is evaluating our approach to systematically understanding and managing climate change risks and opportunities. The Company has worked closely with its insurance partner to assess physical climate-related risks such as drought, earthquake, flooding, hail, tornado, sea level rise, windstorm, and wildfire throughout its portfolio. Diversification further protects the portfolio, with more than 1,900 assets spanning 48 states, and no state making up more than 8% of total annualized base rents.

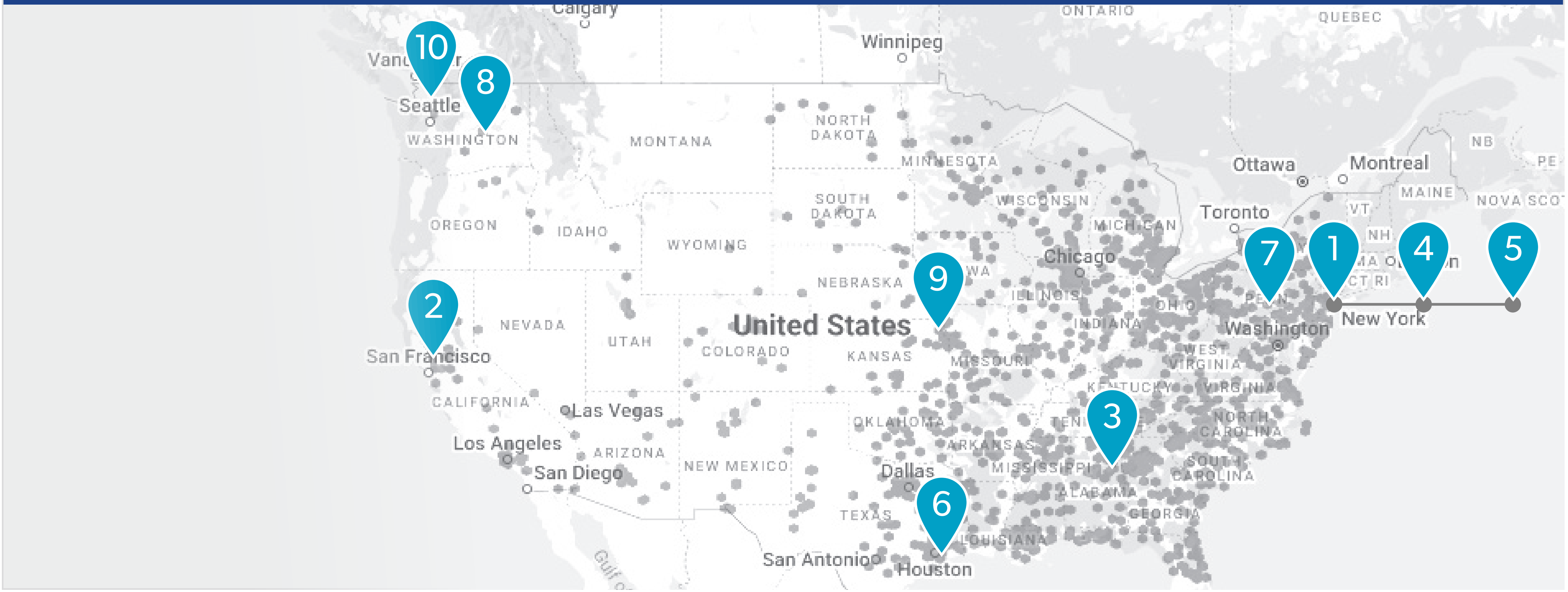
## ENVIRONMENTAL FOCUS

Agree remains focused on being a good steward to the environment. The Company frequently works with leading retailers that have a similar responsibility to operate with minimal impact on the world around them. In 2022, the Company built on our commitment by:

- Measuring our environmental impact through a greenhouse gas emissions inventory
- Executing multiple leases with green lease language
- Engaging tenants to collaborate on new opportunities for ESG initiatives at the property level
- Analyzing our properties with green building certifications
- Evaluating ESG factors in the due diligence process

# Climate-Related Risk

As part of the Company's processes for managing climate-related risk, we work with our insurance partner to review physical risks across every asset in our portfolio. The image below is an illustration of the analysis conducted, evaluating whether our properties are located in high-hazard flood zones.




*Locations in High Risk FEMA Zones are more likely to be mitigated against risk, depending on age. Pinned locations reflect top properties by value in FEMA high risk A or V Zones. Source: Arthur J. Gallagher Risk Management Services.*

# Measuring Environmental Impact

Agree has undertaken an effort to measure the impact of our portfolio on the climate, classified as Scope 1, 2, and select 3 greenhouse gas ("GHG") emissions. The portfolio is primarily comprised of properties leased to leading retailers under long-term triple net leases where the tenant has responsibility for maintaining and operating the asset, including all environmental practices.

As a result, the largest source of GHG emissions is the Scope 3 category derived from downstream leased assets, or the emissions at the property level from tenant use Category 13 as defined by the GHG Protocol. This past year, Agree collected utility data to measure Scope 1, 2 and select Scope 3 emissions. In cases where data was not available for certain properties, standard estimation methodologies were applied to fill gaps and gain a more complete understanding of emissions.

Along with measuring emissions, Agree started collecting water use data at our properties' common areas and locations where the Company controls the utilities.

Agree will continue to refine our data collection processes in order to enhance the disclosure of environmental metrics in the future, and we plan to establish targets to reduce emissions when we have a more complete understanding of our baseline footprint.

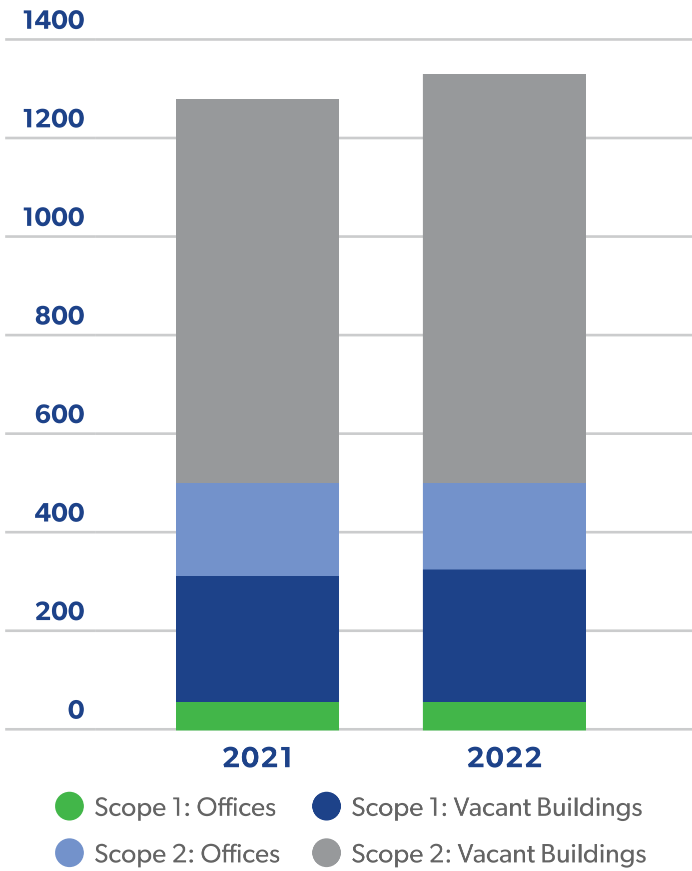
## GHG EMISSIONS

The below figures show our GHG emissions for 2021 and 2022. In addition to our owned properties where we have operational control over energy usage (inclusive of all vacant properties), emissions from our office locations are also included in Scope 1 and 2 emissions. We included the emissions from vacant properties in our calculations as the Company believes this portrays a more comprehensive picture of our Scope 1 and 2 emissions and better aligns with anticipated regulatory reporting requirements. As discussed above, the largest source of emissions comes from tenant usage of energy at leased locations, categorized as Scope 3 Category 13 emissions.

### EMISSIONS INTENSITY – $CO_2e$

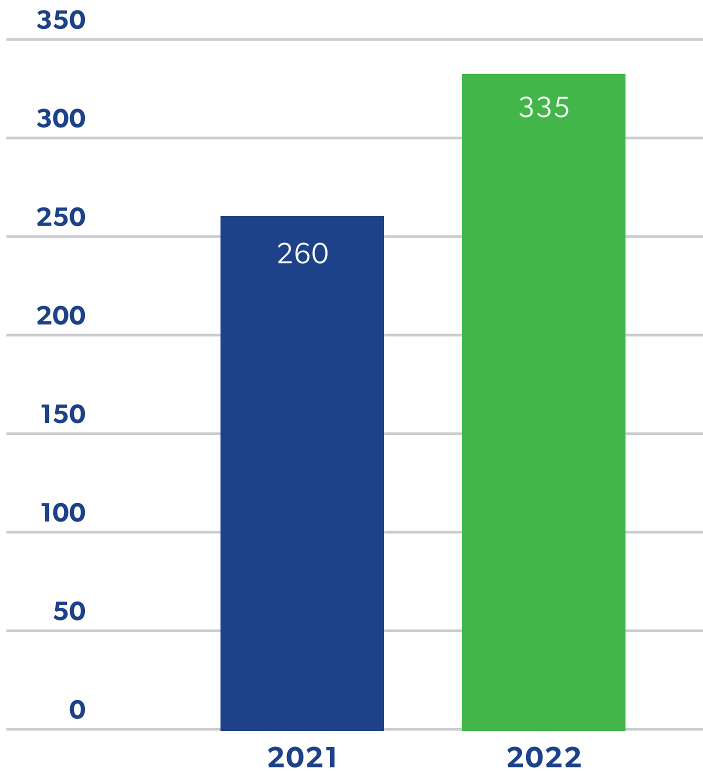
*(metric tons per square foot)*


### SCOPE 1 AND LOCATION-BASED SCOPE 2 EMISSIONS – $CO_2e$ *(metric tons)*




### SCOPE 3 EMISSIONS – $CO_2e$

*(thousand metric tons)*



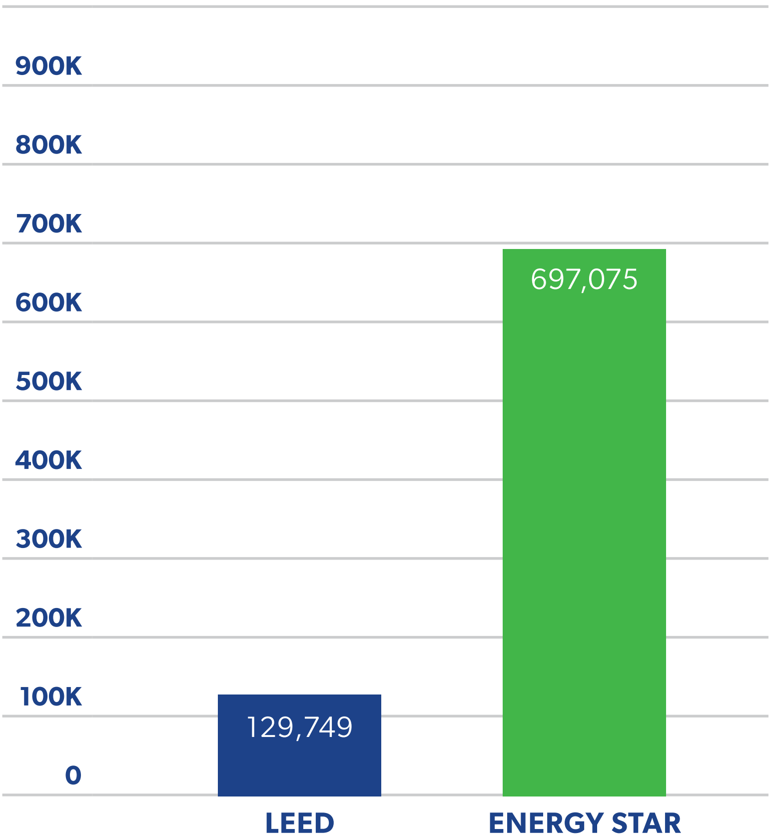

*Category 13 – Total downstream scope 3 leased assets emissions[1]*

*(1) Because the Company does not have access to emissions data for the majority of its portfolio, Scope 3 emissions are largely driven by estimation factors from the Commercial Buildings Energy Consumption Survey.*

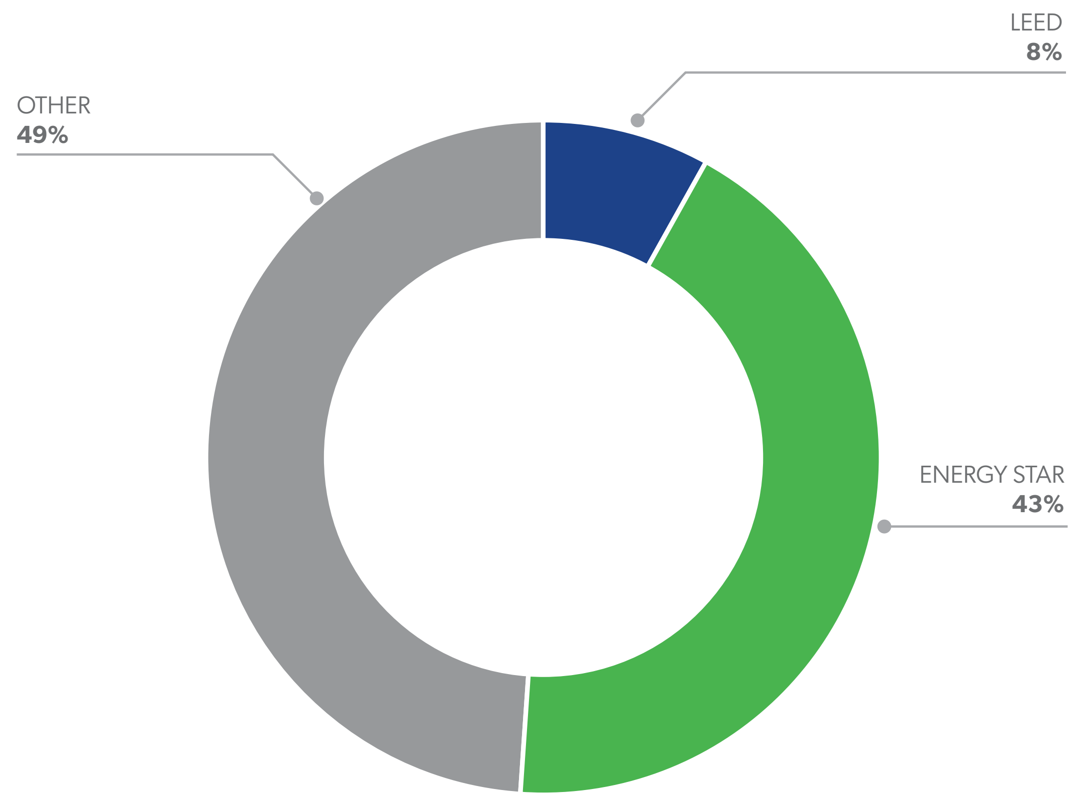
## GREEN BUILDING CERTIFICATIONS

During 2022, we undertook a review of our portfolio to determine the number of assets that have green building certifications. Based on the review, we identified at least **35 properties** in our portfolio with a **LEED certification, ENERGY STAR certification or other green building certifications**. These buildings received various certifications due to their efficient use of energy and overall performance.

### PROPERTIES WITH LEED OR ENERGY STAR CERTIFICATIONS *(based on square footage)*




### GREEN CERTIFICATIONS IN THE PORTFOLIO *(as a % of properties with certifications)*




*Other certifications include Green Partner Certifications as well as other designations according to The Green Building Information Gateway.*


***We delivered on our 2022 initiatives, demonstrated by the following achievements:***

- Earned Gold Level recognition from Green Lease Leaders in 2023 for our green leasing efforts over the past year
- Executed 11 leases with green lease clauses and are continuing to engage with tenants about incorporating the language into future leases
- Increased dialogue with tenants by reaching out to over 50% of our portfolio as measured by annualized base rent
- Worked with our relationship convenience store tenants to amend leases and allow for the installation of EV charging stations

## TENANT ENGAGEMENT

Agree is predominantly a single-tenant retail REIT with triple net leases, therefore for most of our portfolio we do not control utility usage. Our focus is on industry-leading, national and super-regional retailers which provides for relationships with some of the most environmentally conscientious retailers in the world. Agree engaged its tenant base to identify new projects that support both parties' ESG goals. Tenants are focused on key topics such as:

- Adding EV charging stations
- Reducing waste and conserving natural resources
- Implementing strategies to reduce emissions
- Promoting sustainable practices throughout their stores and supply chains
- Identifying opportunities to generate on-site renewable energy

# ESG Integration in Agree's Acquisition Due Diligence Process

Agree identifies key environmental risks by performing site assessments during the due diligence process. The site assessment identifies issues such as the handling of hazardous materials by previous tenants or issues potentially impacting the property. Through working with our insurance partner, Agree monitors the overall environmental risks through understanding the exposure to risks such as earthquake, flood, hurricane, or windstorm.

Along with checking for key environmental risks, we are also tracking tenant sustainability programs. The data helps us identify the tenant roster that best fits with our goals to be good stewards for the environment.

## Environmental Initiatives and Activities at Our New Headquarters

In January 2022, Agree announced the acquisition of our future corporate headquarters. Upon completion, we anticipate the building to be LEED certified. The building will include training and development space, health and wellness facilities, and collaborative meeting areas aligned with our ADC University and ADC Wellness initiatives.

Our new headquarters has key features that support our goal to be a good steward of the environment. These features include:

- Easy access through multiple forms of transportation for employees
- EV charging stations
- Motion sensored lighting that limits light pollution
- Modifications to the property that reduce outdoor and indoor water use
- High-quality building materials that create a more energy efficient structure
- High-quality indoor lighting that limits energy consumption and provides a healthy work environment for team members
- Skylight and the use of exterior glass windows provides ample sunlight within the building

**Upon completion of our new headquarters, a third party will verify that our building is operating to our planned specifications and that it will achieve LEED certification. A LEED accredited team member led the construction process to ensure that Agree maintained these standards, and the Company sought to limit waste and pollution throughout the construction process.**

# 4 Social

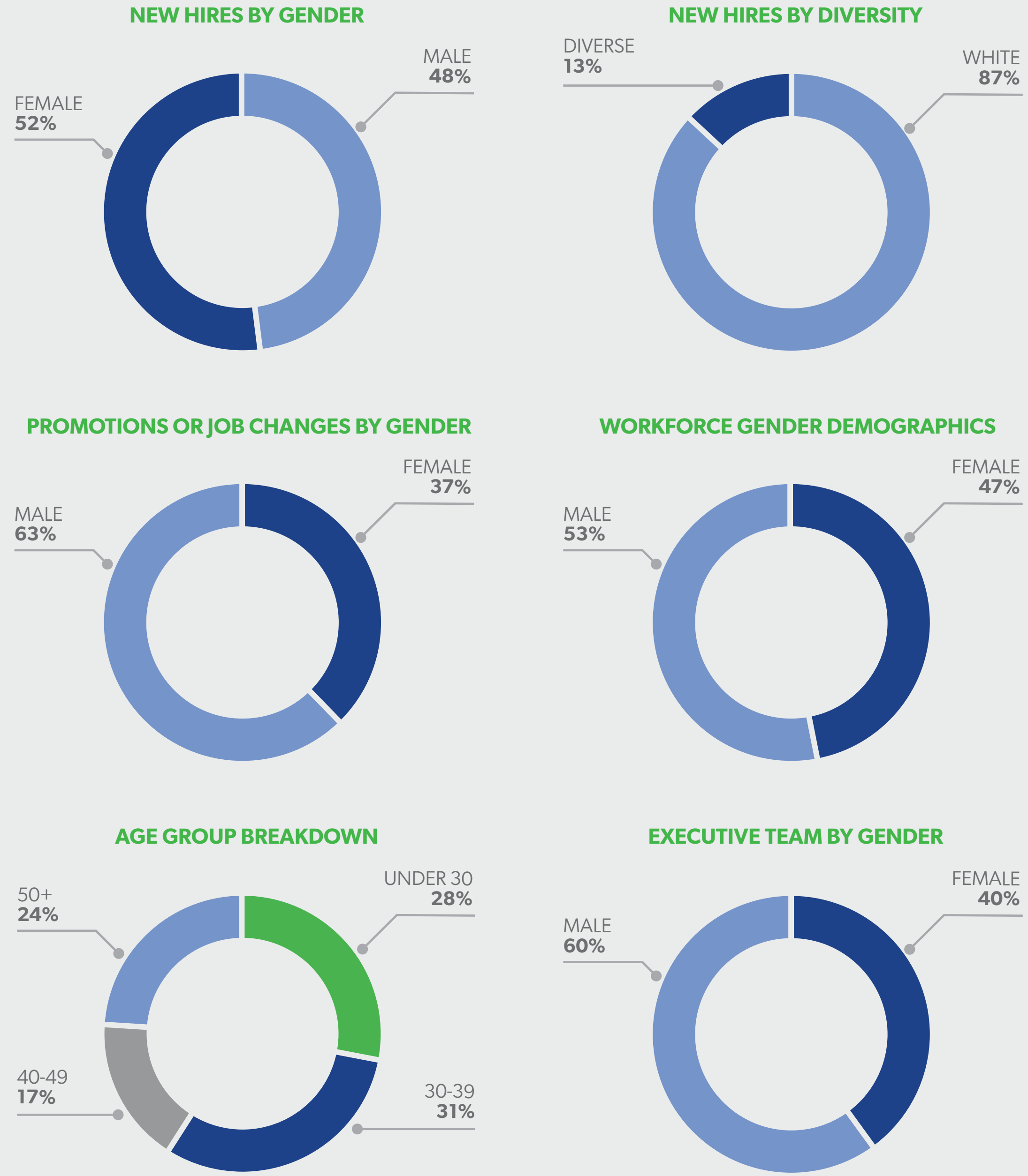
# Diversity, Equity & Inclusion

## Agree supports an inclusive and diverse community for colleagues, stakeholders, vendors, and the broader communities in which we conduct business.

In 2022, Agree published our Human Rights Policy demonstrating our support for human rights in accordance with the UN Guiding Principles on Business and Human Rights. The Company strives to provide an environment that is free of discrimination and harassment in any form. Agree is an equal opportunity employer and does not discriminate on the basis of race, color, gender, religion, age, sexual orientation, national or ethnic origin, disability, marital status, veteran status, or any other occupationally irrelevant criteria.

At Agree, we remain committed to providing an inclusive and diverse environment. This commitment was demonstrated during the past year by having all employees participate in **unconscious bias training** and conducting DEI focus groups with participants from across the organization.

Our workforce is expected to continue working predominantly in the office and therefore will reflect the surrounding communities. Diversity and inclusion will remain a priority as our workforce continues to evolve.




### KEY SOCIAL HIGHLIGHTS IN 2022 WERE:

- Enhanced health and well-being programs for our team members with mental health awareness week and other initiatives
- Issued an employee engagement survey with strong results, and implemented a plan to address responses from the survey
- Rolled out new Core Values that embody our principles
- Launched the ADC Rotation Program with three different team members participating in the program
- DEI initiatives with unconscious bias training, DEI focus groups, and other initiatives

*Agree has less than 100 employees and does not record EEO data. Data provided are estimates as of December 31, 2022 or based on full-year 2022 activity. Any differences are due to rounding.*

ADC UNIVERSITY

2022

# Training & Development Programs

ADC University was started to support Agree Realty employees in their careers by fostering an environment of continuous development. In 2022, the Company held more than 20 lunch & learn topics available to all team members to hone their skills and learn more about the real estate industry. In addition, hundreds of hours of training were conducted on MRI, the Company's newly implemented enterprise resource planning system.

The Company requires all team members to complete compliance training including topics such as: Insider Trading, Sexual Harassment, Data Security, Code of Conduct, Anti-Bribery and Corruption, and Unconscious Bias.

Continuous education is important at Agree, and employees are encouraged to identify conferences, professional certifications, or other educational tools to continue growing their knowledge base. Agree will reimburse team members for attending relevant conferences or courses.

Talent development is important for Agree to continue growing as an organization. We recently launched the ADC Rotation Program that offers participants the opportunity to work with different departments across the organization. The program has now had three participants that took on new full-time roles upon completing their rotation. A fourth team member has just started in the rotation program.

# Culture

The Company believes that our culture drives our performance. Agree has a transparent and collaborative culture focused on high performance and committed team members that adhere to our Core Values and work together to achieve success. All team members get together for a monthly All-Team Huddle where we share progress on goals and recognize achievements.

Creating Community Culture Committee Agree Realty Rethink Retail Through Camaraderie

The Culture Committee is comprised of team members from across the organization.

**The Committee's mission is to create community through camaraderie.**

The Culture Committee drove many initiatives to foster employee engagement and inclusion in 2022, including:

- Team Lunch Program
- Employee Resource Groups
- Charity Drives & Volunteering
- Weekly Fitness Classes
- Mental Health Awareness Week
- Team Events & Holiday Celebrations

# Employee Engagement

In 2022, Agree completed an employee engagement survey. Team Leaders across the organization have put together action plans for 2023 to address the feedback received.

**AGREE SCORED 89% OR HIGHER ON THE FOLLOWING HIGH IMPACT QUESTIONS:**

"I feel like I belong at Agree Realty."

"Agree Realty is a great company for me to make a contribution to my development."

"I am proud to work for Agree Realty."

## ENGAGEMENT & RETENTION

**19**

Promotions & New Job Opportunities – In 2022, 19 team members achieved a promotion or took on a new job opportunity within the Company. Part of our retention efforts include giving team members opportunities to take on new challenges and grow their careers.

## HEALTH & WELLNESS PROGRAMS

### MEDICAL

100% employer paid premiums for medical benefit plans for full-time team members, their spouse, and dependents.

PPO and HMO plan options with healthy living incentives that provide more benefit-rich plans.

### DENTAL & VISION

Voluntary dental and vision benefits.

### LIFE, SHORT TERM-DISABILITY, & LONG-TERM DISABILITY INSURANCE

100% employer paid premiums for full-time team members.

### ONSITE FULLY EQUIPPED GYM & LOCKER ROOMS

A certified trainer comes to our office once a week to lead a voluntary cardio and weight training class for team members.

# Pay & Benefits

**CORE TENETS OF COMPENSATION:**

- Competitive salary
- Annual cash bonus
- Long-term equity compensation
- Simple IRA with 3% company match
- Short-term and long-term disability
- 100% employer paid medical premiums
- Dental and vision benefits

The Company is committed to paying fair wages to all team members. In 2022, variable compensation was awarded based on company performance and individual performance. ***All employees are awarded cash bonuses and long-term equity compensation to further drive alignment with our stakeholders.***

# Charity, Giving & Philanthropy

At Agree, we believe that is it important to give back to the communities in which we conduct business. In 2022, Agree partnered with Michigan Veterans Foundation "MVF". Our team participated in a volunteer day which included building a greenhouse, cooking and serving lunch for residents, painting the facility, and helping to sort donations. Additionally, we conducted a charity drive after Veterans Day where our team donated 350 items for the residents at the MVF facility including toiletries, pillows and blankets, towels, and other items.

# 5 Report Indices & Appendix

SASB STANDARDS
Now part of IFRS Foundation

# Sustainability Accounting Standards Board

SASB Standards guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of ESG issues most relevant to financial performance in each industry.

## Sustainability Accounting Standards Board

| TOPIC | CODE | ACCOUNTING METRIC | RESPONSE |
|---|---|---|---|
| **Energy Management** | IF-RE-130a.1 | Energy consumption data coverage as a percentage of total floor area, by property subsector | We recorded 20.2% of actual electrical data coverage and 20.15% of natural gas coverage. Due to the difficulties obtaining complete utility data for a triple net lease, we were unable to collect complete data from our portfolio. In the GHG inventory section above, we estimated for properties where data was unavailable in order to report a complete GHG inventory. |
| | IF-RE-130a.2 | (1) Total energy consumed by portfolio area with data coverage, (2) percentage grid electricity, and (3) percentage renewable, by property subsector | (1) 1,209,484 kilowatt-hour (kwh) (2) 35%, and (3) Not applicable. |
| | IF-RE-130a.3 | Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector | The percentage change from 2021 to 2022 is 5.7%. |
| | IF-RE-130a.4 | Percentage of eligible portfolio that (1) has an energy rating and (2) is certified to ENERGY STAR, by property subsector | (1) Not currently available.<br>(2) ENERGY STAR certified is estimated to be 1.8%. |

| TOPIC | CODE | ACCOUNTING METRIC | RESPONSE |
|---|---|---|---|
| **Energy Management** | IF-RE-130a.5 | Description of how building energy management considerations are integrated into property investment analysis and operational strategy | Given that our portfolio is leased to retailers on a triple-net basis, our tenants are responsible for maintaining the property and implementing environmentally responsible practices. While this structure ultimately provides each respective retailer with autonomy over the physical real estate, we'd note that our focus on industry-leading, national and super-regional retailers provide for a relationship with some of the most environmentally conscientious retailers in the world. Notably, Agree has enhanced our engagement with our retail partners on shared sustainability initiatives, including green lease language. |
| **Water Management** | IF_RE-140a.1 | Water withdrawal data coverage as a percentage of (1) total floor area and (2) floor area in regions with High or Extremely High Baseline Water Stress, by property subsector | Agree is currently focused on collecting additional environmental data, and we plan to disclose these metrics in the future. |
| | IF_RE-140a.2 | (1) Total water withdrawn by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, by property subsector | Agree is currently focused on collecting additional environmental data, and we plan to disclose these metrics in the future. |
| | IF_RE-140a.3 | Like-for-like percentage change in water withdrawn for portfolio area with data coverage, by property subsector | Agree is currently focused on collecting additional environmental data, and we plan to disclose these metrics in the future. |
| | IF-RE-140a.4 | Description of water management risks and discussion of strategies and practices to mitigate those risks | Agree's focus on industry-leading, national and super-regional retailers provides for a relationship with some of the most environmentally conscientious retailers in the world. This is particularly meaningful because the Company's portfolio is primarily comprised of properties that are leased to tenants under long-term triple net leases where the tenant is generally responsible for maintaining the property and implementing environmentally responsible practices.<br>In addition to our tenant initiatives, the Company's state-of-the-art campus in Bloomfield Hills, Michigan features the use of water conserving plumbing fixtures, a significant reduction in hardscape which minimizes rainwater runoff and erosion, as well as the widespread use of ornamental grasses specifically selected to reduce water usage. We anticipate replicating and enhancing these initiatives at our new corporate headquarters, which is expected to be completed during the second quarter of 2023. |

| TOPIC | CODE | ACCOUNTING METRIC | RESPONSE |
| --- | --- | --- | --- |
| **Management of Tenant Sustainability Impacts** | IF-RE-410a.1 | (1) Percentage of new leases that contain a cost recovery clause for resource efficiency-related capital improvements and (2) associated leased floor area, by property subsector | Not currently available. |
| | IF-RE-410a.2 | Percentage of tenants that are separately metered or submetered for (1) grid electricity consumption and (2) water withdrawals, by property subsector | Not currently available. |
| | IF-RE-410a.3 | Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants | Given that our portfolio is leased to retailers on a triple-net basis, our tenants are responsible for maintaining the property and implementing environmentally responsible practices. While this structure ultimately provides each respective retailer with autonomy over the physical real estate, we'd note that our focus on industry-leading, national and super-regional retailers provide for a relationship with some of the most environmentally conscientious retailers in the world. To further our commitment to working with our leading retailers, we have increased tenant engagement related to sustainability initiatives during the past year. Highlights include working with convenience store tenants to amend leases and allow for the installation of EV charging stations, establish green lease clauses in accordance with Green Lease Leaders and engage with relationship tenants about incorporating the language into future leases, collaborating with tenants on LED lighting initiatives and more frequent dialogue with our relationship tenants on shared sustainability initiatives that have the potential to reduce emissions and lower costs. |

| TOPIC | CODE | ACCOUNTING METRIC | RESPONSE |
|---|---|---|---|
| **Climate Change Adaptation** | IF-RE-450a.1 | Area of properties located in 100-year flood zones, by property subsector | Approximately 6.5% of our properties are located in 100-year flood zones based on total square footage, or 5.7% based on total number of assets as of December 31, 2022. |
| | IF-RE-450a.2 | Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks | As part of the Company's risk management processes, Agree works with our insurance partner to conduct a comprehensive review of the climate-related risk of every asset in our portfolio. The review includes overlaying our assets on a heat map that identifies areas most susceptible to climate related events including floods, hurricanes, tornados and earthquakes. This analysis ensures the Company is properly insured in the event of a catastrophe and allows us to augment policies where necessary. As an example, we insure every asset located in a high-hazard flood zone through the National Flood Insurance Program ("NFIP"), limiting our risk in the event of a flood.<br>Agree has worked closely with its insurance partner to evaluate and assess the risk of climate change throughout its portfolio. However, the Company is also protected by its diversification, with more than 1,839 assets spanning 48 states, and no state making up more than 7.5% of total annualized base rents. While the Company anticipates maintaining a geographically diverse portfolio, it will continue to use analytics to assess its climate change exposure and ensure that it isn't overly concentrated in any area particularly susceptible to climate related risks. |
| **Activity Metrics** | IF-RE-000.A | Number of assets, by property subsector | Agree had 1,839 net lease properties as of December 31, 2022. |
| | IF-RE-000.B | Leasable floor area, by property subsector | As of December 31, 2022, the portfolio was comprised of approximately 38.1 million square feet of gross leasable area of net lease properties. |
| | IF-RE-000.C | Percentage of indirectly managed assets, by property subsector | Agree has an internal property management team that manages all of our assets. However, given our portfolio is comprised of net lease assets, our tenants control the leased premises and are responsible for maintaining the property and implementing environmentally responsible practices. |
| | IF-RE-000.D | Average occupancy rate, by property subsector | As December 31, 2022, our 100% net lease portfolio was 99.7% leased. |

# TCFD

## Task Force on Climate-related Financial Disclosures

The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information. The work of TCFD provides recommendations for more effective climate-related disclosures that promotes more informed investment, credit and insurance underwriting decisions.

| PILLAR | TOPIC | RESPONSE |
|---|---|---|
| **Governance** | Board oversight of climate-related risks and opportunities | The Nominating and Governance Committee consists of four independent Directors. The Committee assists the Board in developing criteria and qualifications for potential Board members, identifies and recommends Director nominees, establishes corporate governance practices, leads the Board's annual reviews of performance and management, recommends committee nominees, and oversees the evaluation of the Board. The Nominating & Governance Committee has formal oversight responsibility for ESG matters. The Committee has the authority and responsibility to monitor and advise the Board with respect to the Company's strategy and initiatives. The Committee is also tasked with assisting the Board in determining appropriate standards and establishing and reviewing the Company's performance in light of those standards. While our Nominating & Governance Committee was given formal oversight responsibility for ESG at the Board level, our Audit Committee and Compensation Committee also hold ESG-related responsibilities unique to each committee's responsibilities, which include cybersecurity, risk assessment and management, and compensation considerations. |
| | Management's role in assessing and managing climate-related risks | To proactively address ESG matters and ensure that ESG is integrated throughout the organization, the Company has an ESG Steering Committee. The Committee is tasked with setting the overarching ESG strategy for the Company, defining our key objectives and how we measure success. In addition, the Committee meets on a monthly basis to prioritize ESG matters, set a plan of action for executing on objectives, and establish recurring check-ins to ensure we're executing according to plan. The ESG Steering Committee is comprised of senior leadership team members and reports to the Nominating & Governance Committee at each meeting or more frequently if necessary. Additionally, the ESG Steering Committee is responsible for engaging with the Company's third-party ESG consultant. |

| PILLAR | TOPIC | RESPONSE |
|---|---|---|
| **Strategy** | Short, medium, and long-term climate-related risks | *The following list includes identified climate-related risks that have the potential to impact our Company:*<br>*Physical Risks:*<br>• Cyclones<br>• Hurricanes<br>• Floods<br>• Sea level rise<br>• Chronic heat waves<br>• Extreme temperature change<br><br>*Transition Risks:*<br>• Enhanced emissions-related reporting requirements, including increased SEC reporting mandates<br>• Exposure to climate-related litigation<br>• Increased operating expenses, including insurance premiums, compliance costs, etc.<br>• Portfolio impairment resulting from changes in public policy |
| | Impact on business strategy and planning | As part of the Company's risk management processes, we work with our insurance partner to conduct a comprehensive review of the climate-related risk of every asset in our portfolio. The review includes overlaying our assets on a heat map that identifies areas most susceptible to climate related events including floods, hurricanes, tornados and earthquakes. This analysis ensures the Company is properly insured in the event of a catastrophe and allows us to augment policies where necessary. As an example, we insure every asset located in a high-hazard flood zone through the NFIP, limiting our risk in the event of a flood. |
| | Resilience of strategy using 2-degree or lower scenarios | We have not currently incorporated a scenario-based analysis into our operating strategy. |

# Forward-Looking Statements & Risk Factors

This report may contain forward-looking statements, including statements about the Company's strategy, governance, operating activities and plans, and future business and financial performance, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and includes this statement for purposes of complying with these safe harbor provisions. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "approximately," "believe," "could," "project," "predict," "forecast," "continue," "assume," "plan," "outlook" or other similar words or expressions. Forward-looking statements are based on certain assumptions and can include future expectations, future plans and strategies, financial and operating projections or other forward-looking information.

Although these forward-looking statements are based on good faith beliefs, reasonable assumptions and the Company's best judgment reflecting current information, you should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect the Company's results of operations, financial condition, cash flows, performance or future achievements or events. Such risks and uncertainties include the risks noted in reports that we file with the U.S. Securities and Exchange Commission (the "SEC"), including the Risk Factors identified in our Annual Report on Form 10-K for the year ended December 31, 2022, as well as additional factors we may describe from time to time in other filings with the SEC. Additional important factors, among others, that may cause the Company's actual results to vary include the general deterioration in national economic conditions, weakening of real estate markets, decreases in the availability of credit, increases in interest rates, adverse changes in the retail industry and the Company's continuing ability to qualify as a REIT. The forward-looking statements included in this report are made as of the date hereof. Unless legally required, the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, changes in the Company's expectations or assumptions or otherwise.

This report describes topics that we consider to be important to stakeholders when evaluating sustainability matters at the Company. The inclusion of information in this report is not an indication that such information is material as defined under the U.S. federal securities laws and the applicable regulations thereunder. No part of this report or our sustainability disclosure constitutes, or shall be taken to constitute, an invitation or inducement to invest in the Company or any other entity and must not be relied upon in any way in connection with any investment decision.

# Non-GAAP Financial Measures

*This report includes a non-GAAP financial measure, Net Debt to Recurring EBITDA, which is presented on an actual and proforma basis. A reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure is included in the following pages. The components of this ratio and their use and utility to management are described further in the section below.*

## Components of Net Debt to Recurring EBITDA

**EBITDAre** is defined by Nareit to mean net income computed in accordance with GAAP, plus interest expense, income tax expense, depreciation and amortization, any gains (or losses) from sales of real estate assets and/or changes in control, any impairment charges on depreciable real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. The Company considers the non-GAAP measure of EBITDAre to be a key supplemental measure of the Company's performance and should be considered along with, but not as an alternative to, net income or loss as a measure of the Company's operating performance. The Company considers EBITDAre a key supplemental measure of the Company's operating performance because it provides an additional supplemental measure of the Company's performance and operating cash flow that is widely known by industry analysts, lenders and investors. The Company's calculation of EBITDAre may not be comparable to EBITDAre reported by other REITs that interpret the Nareit definition differently than the Company.

**Recurring EBITDA** The Company defines Recurring EBITDA as EBITDAre with the addback of noncash amortization of above- and below- market lease intangibles, and after adjustments for the run-rate impact of the Company's investment, disposition and leasing activity for the period presented, as well as adjustments for non-recurring benefits or expenses. The Company considers the non-GAAP measure of Recurring EBITDA to be a key supplemental measure of the Company's performance and should be considered along with, but not as an alternative to, net income or loss as a measure of the Company's operating performance. The Company considers Recurring EBITDA a key supplemental measure of the Company's operating performance because it represents the Company's earnings run rate for the period presented and because it is widely followed by industry analysts, lenders and investors. Our Recurring EBITDA may not be comparable to Recurring EBITDA reported by other companies that have a different interpretation of the definition of Recurring EBITDA. Our ratio of net debt to Recurring EBITDA is used by management as a measure of leverage and may be useful to investors in understanding the Company's ability to service its debt, as well as assess the borrowing capacity of the Company. Our ratio of net debt to Recurring EBITDA is calculated by taking annualized Recurring EBITDA and dividing it by our net debt per the consolidated balance sheet.

**Net Debt** The Company defines Net Debt as total debt less cash, cash equivalents and cash held in escrows. The Company considers the non-GAAP measure of Net Debt to be a key supplemental measure of the Company's overall liquidity, capital structure and leverage. The Company considers Net Debt a key supplemental measure because it provides industry analysts, lenders and investors useful information in understanding our financial condition. The Company's calculation of Net Debt may not be comparable to Net Debt reported by other REITs that interpret the definition differently than the Company. The Company presents Net Debt on both an actual and proforma basis, assuming the Anticipated Net Proceeds from Outstanding Forwards are used to pay down debt. The Company believes the proforma measure may be useful to investors in understanding the potential effect of the Anticipated Net Proceeds from Outstanding Forwards on the Company's capital structure, its future borrowing capacity, and its ability to service its debt.

**Anticipated Net Proceeds from Outstanding Forwards**
Since the first quarter of 2018, the Company has utilized forward sale agreements to sell shares of common stock. Selling common stock through forward sale agreements enables the Company to set the price of such shares upon pricing the offering (subject to certain adjustments) while delaying the issuance of such shares and the receipt of the net proceeds by the Company. Given the Company's frequent use of forward sale agreements, the Company considers the non-GAAP measure of Anticipated Net Proceeds from Outstanding Forwards to be a key supplemental measure of the Company's overall liquidity, capital structure and leverage. The Company defines Anticipated Net Proceeds from Outstanding Forwards as the number of shares outstanding under forward sale agreements at the end of each quarter, multiplied by the applicable forward sale price for each agreement, respectively.

# Non-GAAP Financial Measures

*This report also includes the non-GAAP measures of Annualized Base Rent ("ABR"), Funds From Operations ("FFO" or "Nareit FFO"), Core Funds From Operations ("Core FFO") and Adjusted Funds From Operations ("AFFO"). ABR represents the annualized amount of contractual minimum rent required by tenant lease agreements, computed on a straight-line basis. ABR is not, and is not intended to be, a presentation in accordance with GAAP. The Company believes annualized contractual minimum rent is useful to management, investors, and other interested parties in analyzing concentrations and leasing activity. FFO, Core FFO and AFFO are reconciled to the most directly comparable GAAP measure in the following pages and are described in further detail below.*

## Components of Funds from Operations, Core Funds from Operations, and Adjusted Funds from Operations

**Funds from Operations ("FFO" or "Nareit FFO")** is defined by the National Association of Real Estate Investment Trusts, Inc. ("Nareit") to mean net income computed in accordance with GAAP, excluding gains (or losses) from sales of real estate assets and/or changes in control, plus real estate related depreciation and amortization and any impairment charges on depreciable real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, most real estate industry investors consider FFO to be helpful in evaluating a real estate company's operations. FFO should not be considered an alternative to net income as the primary indicator of the Company's operating performance, or as an alternative to cash flow as a measure of liquidity. Further, while the Company adheres to the Nareit definition of FFO, its presentation of FFO is not necessarily comparable to similarly titled measures of other REITs due to the fact that all REITs may not use the same definition.

**Core Funds from Operations ("Core FFO")** The Company defines Core FFO as Nareit FFO with the addback of (i) noncash amortization of acquisition purchase price related to above- and below- market lease intangibles and discount on assumed debt and (ii) certain infrequently occurring items that reduce or increase net income in accordance with GAAP. Management believes that its measure of Core FFO facilitates useful comparison of performance to its peers who predominantly transact in sale-leaseback transactions and are thereby not required by GAAP to allocate purchase price to lease intangibles. Unlike many of its peers, the Company has acquired the substantial majority of its net-leased properties through acquisitions of properties from third parties or in connection with the acquisitions of ground leases from third parties. Core FFO should not be considered an alternative to net income as the primary indicator of the Company's operating performance, or as an alternative to cash flow as a measure of liquidity. Further, the Company's presentation of Core FFO is not necessarily comparable to similarly titled measures of other REITs due to the fact that all REITs may not use the same definition.

**Adjusted Funds from Operations ("AFFO")** is a non-GAAP financial measure of operating performance used by many companies in the REIT industry. AFFO further adjusts FFO and Core FFO for certain non-cash items that reduce or increase net income computed in accordance with GAAP. Management considers AFFO a useful supplemental measure of the Company's performance, however, AFFO should not be considered an alternative to net income as an indication of its performance, or to cash flow as a measure of liquidity or ability to make distributions. The Company's computation of AFFO may differ from the methodology for calculating AFFO used by other equity REITs, and therefore may not be comparable to such other REITs.

# Reconciliation of Net Debt to Recurring EBITDA

| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Income | $21,370 | $25,424 | $21,416 | $23,760 | $30,278 | $22,461 | $36,830 | $33,306 | $36,289 | $36,130 | $39,577 | $41,039 | $41,774 |
| Interest expense, net | 9,670 | 8,479 | 10,158 | 11,791 | 11,653 | 12,549 | 13,066 | 13,111 | 13,931 | 15,512 | 17,149 | 16,843 | 17,998 |
| Income tax expense | 259 | 260 | 306 | 260 | 1,009 | 485 | 390 | 517 | 719 | 698 | 720 | 723 | 783 |
| Depreciation of rental real estate assets | 10,402 | 11,316 | 12,669 | 13,980 | 15,292 | 16,127 | 17,019 | 18,293 | 19,470 | 21,299 | 23,073 | 24,843 | 26,584 |
| Amortization of lease intangibles - in-place leases and leasing costs | 3,621 | 4,170 | 4,523 | 5,567 | 6,050 | 6,905 | 7,310 | 8,116 | 8,924 | 10,550 | 11,836 | 12,800 | 13,770 |
| Non-real estate depreciation | 109 | 121 | 135 | 144 | 147 | 156 | 159 | 156 | 167 | 101 | 248 | 261 | 292 |
| Provision for impairment | 0 | 1,128 | 2,868 | 141 | 0 | 0 | 0 | 1,919 | 1,015 | 0 | 0 | 0 | 0 |
| (Gain) loss on sale of assets, net | (1,645) | (4,952) | (970) | (437) | (3,062) | (6,753) | (3,470) | (1,826) | (2,285) | 8 | (2,885) | (97) | 0 |
| **EBITDAre** | **$43,786** | **$45,947** | **$51,105** | **$55,206** | **$61,367** | **$51,930** | **$71,304** | **$73,592** | **$78,230** | **$84,298** | **$89,718** | **$96,412** | **$101,201** |
| Run-Rate Impact of Investment, Disposition & Leasing Activity | $1,160 | $3,015 | $5,093 | $3,973 | $4,175 | $3,939 | $3,491 | $3,372 | $4,654 | $4,104 | $4,217 | 4,742 | 4,147 |
| Amortization of above (below) market lease intangibles, net | 3,809 | 3,779 | 3,964 | 4,333 | 4,756 | 5,260 | 6,615 | 7,654 | 8,178 | 8,311 | 8,374 | 8,474 | 8,611 |
| Other expense (income) | 0 | (23) | 0 | 0 | 0 | 14,614 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Recurring EBITDA** | **$48,755** | **$52,717** | **$60,162** | **$63,512** | **$70,298** | **75,743** | **$81,410** | **$84,618** | **$91,062** | **$96,713** | **$102,309** | **$109,628** | **$113,959** |
| | | | | | | | | | | | | | |
| **Annualized Recurring EBITDA** | **$195,020** | **$210,868** | **$240,648** | **$254,048** | **$281,192** | **302,972** | **$325,640** | **$338,472** | **$364,248** | **$386,852** | **$409,236** | **$438,512** | **$455,836** |
| Total Debt | $1,026,111 | $783,878 | $1,153,642 | $1,225,433 | $1,371,238 | $1,543,040 | $1,542,839 | $1,702,635 | $1,862,428 | $1,954,467 | $1,884,253 | $1,960,395 | $2,056,173 |
| Cash, cash equivalents and cash held in escrows | (92,140) | (36,384) | (16,230) | (7,955) | (7,369) | (188,381) | (102,808) | (45,250) | (25,766) | (27,107) | (251,514) | (28,909) | (12,940) |
| **Net Debt** | **$933,971** | **$747,494** | **$1,137,412** | **$1,217,478** | **$1,363,869** | **$1,354,659** | **$1,440,031** | **$1,657,385** | **$1,836,662** | **$1,927,360** | **$1,632,738** | **$1,931,486** | **$2,043,233** |
| | | | | | | | | | | | | | |
| **Net Debt to Recurring EBITDA** | **4.8x** | **3.5x** | **4.7x** | **4.8x** | **4.9x** | **4.5x** | **4.4X** | **4.9X** | **5.0X** | **5.0x** | **4.0x** | **4.4x** | **4.5x** |
| Anticipated Net Proceeds from Outstanding Forwards | $437,765 | $411,062 | $376,396 | $203,211 | $189,577 | $258,749 | $226,455 | $519,183 | $262,940 | $475,768 | $381,708 | $557,364 | $362,125 |
| Proforma Net Debt | 496,206 | 336,432 | 761,016 | 1,014,267 | 1,174,291 | 1,095,909 | 1,213,576 | 1,138,202 | 1,573,722 | 1,451,592 | 1,251,031 | 1,374,122 | 1,681,108 |
| **Proforma Net Debt to Recurring EBITDA** | **2.5x** | **1.6x** | **3.2x** | **4.0x** | **4.2x** | **3.6x** | **3.7X** | **3.4X** | **4.3X** | **3.8x** | **3.1x** | **3.1x** | **3.7x** |

# Reconciliation of Net Income to FFO, Core FFO and AFFO

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Income | $18,604 | $20,190 | $18,913 | $39,762 | $45,797 | $58,790 | $58,798 | $80,763 | $91,972 | $122,876 | $153,035 |
| Series A Preferred Stock Dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,148) | (7,437) |
| **Net Income attributable to OP Common Unitholders** | **$18,604** | **$20,190** | **$18,913** | **$39,762** | **$45,797** | **$58,790** | **$58,798** | **$80,763** | **$91,972** | **$120,728** | **$145,598** |
| Depreciation of rental real estate assets | $5,726 | $6,930 | $8,362 | $11,466 | $15,200 | $19,507 | $24,553 | $34,349 | $48,367 | $66,732 | $88,685 |
| Amortization of lease intangibles - in-place leases and leasing costs | 1,131 | 1,747 | 2,616 | 4,957 | 8,135 | 7,076 | 8,271 | 11,071 | 17,882 | 28,379 | 44,107 |
| Provision for impairment | 0 | 450 | 3,020 | 0 | 0 | 0 | 2,319 | 1,609 | 4,137 | 1,919 | 1,015 |
| (Gain) loss on sale or involuntary conversion of assets, net | (2,097) | (946) | 405 | (12,135) | (9,964) | (14,193) | (11,180) | (13,306) | (8,004) | (15,111) | (5,258) |
| **Funds from Operations - OP Common Unitholders** | **$23,364** | **$28,370** | **$33,316** | **$44,050** | **$59,168** | **$71,180** | **$82,761** | **$114,486** | **$154,354** | **$202,647** | **$274,147** |
| Loss on extinguishment of debt & settlement of related hedges | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $14,614 | $0 |
| Amortization of above (below) market lease intangibles | 0 | 0 | 0 | 0 | 0 | 5,091 | 10,668 | 13,501 | 15,885 | 24,284 | 33,563 |
| **Core Funds from Operations - OP Common Unitholders** | **$23,364** | **$28,370** | **$33,316** | **$44,050** | **$59,168** | **$76,271** | **$93,429** | **$127,987** | **$170,239** | **$241,545** | **$307,710** |
| Straight-line accrued rent | ($738) | ($1,148) | ($1,416) | ($2,450) | ($3,582) | ($3,548) | ($4,648) | ($7,093) | ($7,818) | ($11,857) | ($13,176) |
| Stock based compensation expense | 1,657 | 1,813 | 1,987 | 1,992 | 2,441 | 2,589 | 3,227 | 4,106 | 4,995 | 5,467 | 6,464 |
| Amortization of financing costs | 285 | 326 | 398 | 494 | 516 | 574 | 578 | 706 | 826 | 1,197 | 3,141 |
| Loss on extinguishment of debt | 0 | 0 | 0 | 180 | 333 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-real estate depreciation | 66 | 67 | 123 | 62 | 72 | 78 | 146 | 283 | 509 | 618 | 778 |
| Other | (463) | (463) | (463) | (463) | (541) | (230) | 0 | (475) | 0 | 0 | 0 |
| **Adjusted Funds from Operations - OP Common Unitholders** | **$24,171** | **$28,964** | **$33,945** | **$43,865** | **$58,407** | **$75,734** | **$92,732** | **$125,514** | **$168,751** | **$236,970** | **$304,917** |
| FFO Per Common Share and OP Unit - Diluted | $2.03 | $2.10 | $2.18 | $2.39 | $2.54 | $2.54 | $2.53 | $2.75 | $2.93 | $3.00 | $3.45 |
| Core FFO Per Common Share and OP Unit - Diluted | $2.03 | $2.10 | $2.18 | $2.39 | $2.54 | $2.72 | $2.85 | $3.08 | $3.23 | $3.58 | $3.87 |
| Adjusted FFO Per Common Share and OP Unit - Diluted | $2.10 | $2.14 | $2.22 | $2.38 | $2.51 | $2.70 | $2.83 | $3.02 | $3.20 | $3.51 | $3.83 |
| Weighted Average Number of Common Shares and OP Units Outstanding - Diluted | 11,484,529 | 13,505,124 | 15,314,514 | 18,413,034 | 23,307,418 | 28,047,966 | 32,748,741 | 41,571,233 | 52,744,353 | 67,486,698 | 79,512,005 |

*Note: the Company began reporting Core FFO in 2018.*

## CONTACT

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