

## PRINCIPAL ADVERSE IMPACT STATEMENT

*The following is the adverse sustainability impact statement of NIPPON REIT Investment Corporation (“NIPPON REIT”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). NIPPON REIT has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan and relies on SBI REIT Advisors Co., Ltd. (formerly known as Sojitz REIT Advisors K.K.) (the “Asset Manager”), to manage and operate the properties in our portfolio. NIPPON REIT and the Asset Manager are hereinafter referred to collectively as “we,” “us” or “our.” References to “fiscal year” or “FY” are to the 12 months began or beginning April 1 of the year specified in line with the fiscal year of the Asset Manager, unless noted otherwise.*

### 1. Summary

We consider principal adverse impacts of our investment decisions on sustainability factors. The present statement is our consolidated statement of the principal adverse impacts on sustainability factors (“PAI”). The statement covers the reference period from January 1, 2022 to December 31, 2022. The statement will be reviewed at least once during every year.

We believe that our sustainability initiatives are essential for our sustainable growth. We improve long-term returns of investors and contribute to the realization of sustainable society and urban development by implementing initiatives that address social issues. Under our sustainability policies and framework, NIPPON REIT, in collaboration with the Asset Manager, take actions on climate change, including energy conservation, and being resilient in times of disasters.

We use the definition of PAI as described in Recital 20 of SFDR being “those impacts of investment decisions and advice that result in negative effects on sustainability factors,” with sustainability factors referring to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters as defined in article 2 (24) of SFDR.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider PAI of our investment decisions throughout all major steps of the investment decision and property management process throughout the lifecycle of the properties in our portfolio.

*Please note that SFDR requirements, including the scope of their application to issuers outside the European Economic Area, continue to evolve. We are therefore taking a principles-based approach to compliance with the SFDR disclosure standards, which are subject to change.*

### 2. Description of principal adverse sustainability impacts

Nearly all types of economic activity have the potential to impact various PAI indicators, both positively and adversely. We aim to manage the risk connected to PAI from our investment decisions in several ways, including general screening criteria, due diligence and our ESG initiatives. Some of the PAI indicators listed below are currently already being monitored and reported. As the availability of data improves, it is our intention that more indicators will be added.

Table 1  
Principal adverse sustainability impacts statement

*NIPPON REIT does not invest in investee companies but in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 of Annex 1 of the draft Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.*

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact in 2022	Impact in 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	As of December 31, 2022, 55.9% of our properties did not receive at least one Green Building Certification (as defined under the column “Explanation”) based on	As of December 31, 2021, 65.5% of our properties did not receive at least one Green Building Certification based on total gross floor ratio.	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan (“DBJ”) Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency	We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications such as DBJ green building certification or CASBEE for Real Estate certification,

			total gross floor ratio.		(“CASBEE”) certification, and other equivalent certifications. We consider our properties that has received at least one of (i) 1 star or higher of the DBJ Green Building Certification, (ii) Rank B or higher of the CASBEE ranking system, (iii) 1 star or higher of the Building Energy-efficiency Labeling System (“BELS”) certification, and (iv) designation as “Low-Carbon Model Buildings” by the Tokyo Metropolitan Government, as properties with “Green Building Certifications”.	installing LED lighting and introducing renewable energy.
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Table 2  
Additional climate and other environment-related indicators

*NIPPON REIT does not invest in investee companies, but invests in real estate. As additional climate and other environment-related indicators 1-17 as contained in Table 2 of Annex 1 of the SFDR Delegated Regulation pertain to investee companies, these are not included in this PAI statement, which pertains to real estate investments.*

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric

Indicators applicable to investments in real estate assets		
Climate change	<p>18. GHG emissions</p> <p>Scope 1 GHG emissions are not applicable to our real estate assets. Scope 2 GHG emissions generated by our real estate assets were 20,346 t-CO<sub>2</sub> (in 2020), 14,591 t-CO<sub>2</sub> (in 2021) and 15,987.30 t-CO<sub>2</sub> (in 2022). Scope 3 GHG emissions are not applicable to our real estate assets. Total GHG emissions generated by properties were 20,346 t-CO<sub>2</sub> (in 2020), 14,591 t-CO<sub>2</sub> (in 2021) and 15,987.30 t-CO<sub>2</sub> (in 2022). Scope 3 GHG emissions generated by properties are not applicable.</p> <p>We also track CO<sub>2</sub> emissions intensity measured in t-CO<sub>2</sub>/m<sup>2</sup> as we aim to achieve a 50% reduction in CO<sub>2</sub> emissions intensity from our portfolio by FY2030 compared with the level in FY2016. CO<sub>2</sub> emissions intensity for our real estate assets were 47 kg-CO<sub>2</sub>/m<sup>2</sup>, 43 kg-CO<sub>2</sub>/m<sup>2</sup> and 39 kg-CO<sub>2</sub>/m<sup>2</sup> for FY 2020, FY2021 and FY2022, respectively. In calendar years, CO<sub>2</sub> emissions intensity were 50 kg-CO<sub>2</sub>/m<sup>2</sup>, 42 kg-CO<sub>2</sub>/m<sup>2</sup> and 41 kg-CO<sub>2</sub>/m<sup>2</sup> for 2020, 2021 and 2022, respectively.</p>	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets
		From 1 January 2023, Scope 3 GHG emissions generated by real estate assets
		Total GHG emissions generated by real estate assets
Waste	<p>20. Waste production in operations</p> <p>The amount of waste at our properties was 2,448 t (in 2020), 1,925 t (in 2021) and 1,903 t (in 2022). The recycling rate at our properties was 51.3% (in 2020), 49.2% (in 2021) and 45.6% (in 2022).</p>	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

*NIPPON REIT has no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and relies on the Asset Manager to manage and operate the properties in our portfolio. Accordingly, additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters in this PAI statement pertain to the Asset Manager and the tenants of the properties in our portfolio, to the extent available.*

<b>SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>		
<b>Adverse sustainability impact</b>	<b>Adverse sustainability impact (qualitative or quantitative)</b>	<b>Metric</b>
<b>Indicators applicable to investments to the Asset Manager or tenants</b>		
Social and employee matters	<p>1. Investments in companies without workplace accident prevention policies</p> <p>The Asset Manager has established the Risk Management Procedure and the Risk Management Regulations. These are (1) clarifying that the person responsible for management is the Compliance Officer, and (2) establishing procedures for responding to incidents and reporting them to prevent recurrence.</p> <p>The Asset Manager interviewed property management companies to find out if they have an accident prevention policy in place, and 95.2% of them indicated that they have such internal policy in place.</p>	Share of investments in investee companies without a workplace accident prevention policy
	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>We conduct annual questionnaire-based survey targeting tenants of our properties. Based on the results of the survey, issues related to the properties are identified and improvements are made with the aim of increasing the comfort levels of the properties and enhancing their competitive strengths. Through efforts to improve tenant satisfaction, we seek to foster successful tenant relationships and facilitate communication between tenants and lessors.</p> <p>The Asset Manager has built a system in which its employees, when they become aware of any compliance problem including harassment, can consult with the Compliance Officer or contact the consultation and reporting office of SBI Holdings, Inc., the parent company of our main sponsor.</p>	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters

For descriptions of actions which we take and will take with respect to the PAI indicators, please refer to our ESG website with respect to us: <https://www.nippon-reit.com/en/esg/esg-policy.html#a4>

### 3. Description of policies to identify and prioritize principal adverse sustainability impacts

Subject to data availability, we monitor the selected PAI indicators for the existing properties in our portfolio. We collect on an ongoing basis select information on our existing portfolio regarding the PAI indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets and energy consumption intensity.

We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision. We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. We consider the level of our exposure to energy-inefficient investment assets by continuing our efforts to maintain and increase the percentage of our properties that receive the Green Building Certifications when making investment decisions.

In June 2021, we strengthened our funding base through the establishment of our Green Finance Framework, which allows us to expand our investor base to include those interested in ESG investment and financing and further promote our sustainability. We issued our first green bond on August 6, 2021 under this framework, which is subject to the following requirements.

- *Eligibility criteria.* The proceeds are allocated towards the acquisition of or repair work on “Eligible Green Assets” (which meet at least one of the following eligible green project criteria) and towards refinancing of those funds.
  - *Eligible criteria A.* Assets for which any of the following certifications from a third-party certification body has been or will be obtained:
    - DBJ Green Building Certification: 3 Stars, 4 Stars or 5 Stars
    - BELS Certification: 3 Stars, 4 Stars or 5 Stars
    - Certification for CASBEE for Real Estate: B+, A or S Rank
  - *Eligible criteria B.* Renovation that meets one out of the following three requirements and that has completed or will be completed within 3 years from the closing date of the green bond or the green loan, as the case may be:
    - Renovation intended to reduce CO2 emissions by more than 30%
    - Renovation intended to reduce energy consumption by more than 30%
    - Renovation intended to reduce water consumption by more than 30%
    - Renovation intended to improve the number of stars or the grade/rank by one or more for any of DBJ Green Building Certification, BELS Certification or Certification for CASBEE for Real Estate

For further information, please refer to our ESG website: <https://www.nippon-reit.com/en/esg/esg-policy.html>

#### **4. Engagement policies**

##### ***Due diligence and screening***

Prior to our investment in a property, the Asset Manager conducts due diligence review of the property, including environment assessment and evaluation of risks related to building safety, future prospects, and location. As a result of due diligence review, if there is a risk of a negative environmental impact, such as due to soil contaminants or other harmful substances or noncompliance with law aimed at reducing energy consumption or greenhouse gas emissions, we will take measures to avoid or mitigate the risk by postponing the acquisition of the property or requiring the seller to undertake improvement.

We and the Asset Manager proactively implement ESG initiatives. In general, every three months the Sustainability Promotion Committee, which is chaired by the Asset Manager's CEO and additionally includes the Senior General Managers of the Investment Management Division, Financial & Planning Division, the Managers of Asset Management Department, Finance & Accounting Department and Engineering Management Office, and Corporate Planning Department reviews progress made against targets, comparing and analyzing with the previous year.

In addition, we monitor and track energy consumption, greenhouse gas emissions, water usage and waste amounts at our properties.

##### ***Engagement***

When evaluating property managers, we conduct interviews to determine whether they have established policies on corporate ethics and environmental considerations, and evaluate their efforts to promote such matters.

When updating major energy-consuming equipment in a building, such as air conditioning and lighting, we compare the energy consumption before and after the update, and confirm that the work complies with applicable regulations. We are also aiming to increase the use of green products in connection with such equipment.

We disclose non-financial information, including ESG-related information, in addition to financial information in a timely and adequate manner. We also disclose any ESG-related certification received from third-party evaluators and ESG reports on our website.

#### **5. References to international standards**

The Asset Manager has declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) and its recommendations in December 2022, and has joined the TCFD Consortium, an organization formed by domestic companies that support the TCFD recommendations. Also, SBI Group, our main sponsor group, recognizes that climate change is a critical strategic management issue that will have a significant impact on society and the Group's operations, and has made disclosures in line with the information disclosure framework recommended by the TCFD since July 2022.

#### **6. Historical comparison**

See Table 1, Table 2 and Table 3 above.