

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Product Name/Legal Entity Identifier: NTT UD REIT Investment Corporation

The following is the adverse sustainability impact statement of NTT UD REIT Investment Corporation. (“NUD”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). We have no employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and rely on NTT Urban Development Asset Management Corporation (the “Asset Manager”) to manage and operate the properties in our portfolio. NUD 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 that began or beginning April 1 of the year specified, unless noted otherwise.

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.

1. Summary

Pursuant to Article 4 of the Delegated Regulation C(2022)1931 supplementing SFDR (the “SFDR Delegated Regulation”), NUD is required to publish on its website the information referred to therein covering the period of one calendar year. NUD is a Japanese real estate investment trust, commonly known as J-REIT, and has no employees, relying on the Asset Manager for the management and operation of its properties. The Asset Manager does not operate based on a calendar year, but operates based on fiscal year ending in March of every year. A recalculation and translation of the data into the reference period of one calendar year would most likely lead to inaccuracies and would therefore provide a potentially less accurate overview of the required information than using the approved and validated data for the period from November 1, 2022 to October 31, 2023. This reference period is sufficiently compatible with, and shows results that do not materially differ from, those that would be produced using the calendar year-based reference period noted in the SFDR Delegated Regulation.

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 November 1, 2022 to October 31, 2023. The statement will be reviewed at least once during every twelve-month period.

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, we, 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.

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

Description of the principal adverse impacts on sustainability factors

We do not invest in investee companies, but invest in real estate. As adverse sustainability indicators 1-16 as contained in Table 1 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.

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact in 2023	Impact in 2022	Explanation	Actions taken
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 October 31, 2023, 24.7% of our properties were not “Eligible Green Assets” (as defined below) based on acquisition price.	As of October 31, 2022, 37.3% of our properties were not “Eligible Green Assets” (as defined below) based on acquisition price.	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan’s (“DBJ”) Green Building certification, the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification, Leadership in	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 certification and so on.

					Energy and Environmental Design (“LEED”) certification, and other equivalent certifications.	
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Table 2

Additional climate and other environment-related indicators

NUD 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.

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Energy consumption	<p>19. Energy consumption intensity</p> <p>Energy consumption of owned real estate assets were 0.169 MWh/m² (in FY 2021) and 0.165 MWh/m² (in FY 2022) .</p> <p>We aim to reduce energy consumption intensity of our portfolio by 1% every year.</p>	Energy consumption in MWh of owned real estate assets per square meter

Table 3

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

NUD 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.

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments to the Asset Manager or tenants		
Social and employee matters	<p>6. Insufficient whistleblower protection</p> <p>The Asset Manager has established a system to deal with complaints of its employees appropriately.</p> <p>All officers and employees of the Asset Manager can request a fair investigation and anonymously report actions, such as compliance violation or violation of human rights, corruption, bribery and harassment, through an internal or external hotline. Reported matters are addressed appropriately. Unfair treatment of a whistleblower for the reason that the person engaged in whistleblowing is prohibited.</p>	<p>Share of investments in entities without policies on the protection of whistleblowers</p> <p>All of the Asset Manager's officers and employees are provided whistleblower protection.</p>
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>Before entering into a lease agreement with a tenant, we review if the tenant has any relations with criminal organizations or other anti-social forces based on our internal rules (i.e., Manual for Handling Anti-social Forces).</p>	<p>Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption</p> <p>To the best of our knowledge, all of our tenants have policies that prohibit relations with criminal organizations or other anti-social forces.</p>

For descriptions of actions which NUD takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://nud-reit.co.jp/en/esg/index.html>

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

Subject to data availability, we monitor the selected PAI indicators for the properties in our portfolio.

Prior to our investment in a property, we conduct due diligence review of the property, including ESG due diligence, which includes selected PAI indicators. The due diligence findings related to selected PAI indicators are reported and reviewed prior to the investment decision.

In order to conduct ESG-friendly management while maximizing the value of our properties, we have taken into consideration ESG factors in our investment and asset management processes. In particular, we have established a green finance framework in accordance with the 2018 Green Bond Principles and the 2020 Green Bond Guidelines to conduct sustainable finance. Proceeds obtained through green finance are allocated as funds for acquiring Eligible Green Assets (as defined below) or refinancing for funds to acquire Eligible Green Assets. The Japan Credit Rating Agency (JCR) has evaluated the appropriateness of the framework and assigned it JCR's highest rating, "Overall Evaluation: Green 1(F)".

- *Eligible Green Assets.* Eligible Green Assets are assets that have received or are expected to receive one of DBJ Green Building certification (3-star rating or better), CASBEE Real Estate certification (B+ ranking or better), BELS Assessment (3-star rating or better) and Leadership in Energy & Environmental Design (LEED) certification (Silver ranking or better) or assets whose Energy Reduction Rate (ERR), an energy efficiency indicator established under Act on Improvement of Energy Consumption Performance of Buildings, is over 30%. Eligible Green Assets are selected by the Asset Manager's Finance Department.

For further information, please refer to our ESG website: <https://nud-reit.co.jp/en/esg/index.html>

4. Engagement policies

Due Diligence and Screening

We consider the environment and nature of the soil when investing in properties. We do not consider investing in properties that do not meet the standards for soil contamination and other environmental contamination in accordance with the Air Pollution Control Act and the Soil Contamination Countermeasures Act of Japan and other environmental laws and ordinances from our portfolio. However, from time to time we acquire properties not meeting the standards as long as they are deemed fixable promptly after acquisition. We also invest in properties that have been constructed, reinforced, or otherwise modified to meet applicable new earthquake resistance building codes or have been deemed to have seismic capacity equivalent thereto.

We have established certain numerical environmental targets and monitor the amount of energy used as well as the amount of CO2 emissions at each property to reduce our environmental burden.

We have selected PAI indicator energy consumption intensity as our PAI indicator in Table 2 above based on our belief that reduction of energy consumption is one of the major environmental challenges confronted by the world. We also have selected lack of insufficient whistleblower protection as our PAI indicator in Table 3 above because protection of employees is necessary in conducting transparent and fair business. Furthermore, we have selected lack of anti-corruption and anti-bribery policies as our PAI indicator in Table 3 above based on our initiatives with our tenants and our internal rules.

Engagement

We have introduced environmental provisions, which we refer to as "Green Lease" provisions, in the leases with our tenants, under which tenants are required to switch to LED lighting in the areas they exclusively occupy and cooperate with us on environmental matters such through sharing data on energy and water consumption. As of October 31, 2023, Green Lease were introduced at 10 of our 59 properties.

We have established targets for energy consumption, CO2 emissions, water consumption and waste and seek to meet these targets through various initiatives, including improvement of building management, capital investment, and sustainability training for tenants and property managers.

5. References to international standards

We became a signatory as a supporter to the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”) established by the Financial Stability Board in April 2022. We will provide disclosures in alignment with TCFD’s core elements in due course.

6. Historical comparison

See Table 1 and Table 2 above.