

PRINCIPAL ADVERSE IMPACT STATEMENT

The following is the adverse sustainability impact statement of Mori Hills REIT Investment Corporation 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 Mori Building Investment Management Co., Ltd. (the “Asset Manager”), to manage and operate the properties in our portfolio. Mori Hills REIT Investment Corporation and the Asset Manager are hereinafter referred to collectively as “we”, “us” or “our”.

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, 2023 to December 31, 2023. 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, we, in collaboration with the Asset Manager, take actions on climate change, including energy conservation, use of renewable energy, 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

We do not invest in investee companies, but invest in real estate. As adverse sustainability indicators 1-16 as contained in the Regulatory Technical Standard 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 July 31, 2023, 6.5% of our properties were not Green Buildings based on acquisition price, excluding Laforet Harajuku (Land).	As of July 31, 2022, 6.5% of our properties were not Green Buildings based on acquisition price, excluding Laforet Harajuku (Land).	To track the environmental performance of our properties, we rely on certifications issued by third party organizations, such as the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) Certification, the Development Bank of Japan’s (“DBJ”) Green Building Certification, and other equivalent certifications. We call our properties that receive any such certifications “Green Buildings”.	We implement appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications such as the CASBEE Certification or the DBJ Green Building Certification,

					With respect to the CASBEE Certification, we consider a property to have sufficient environmental certification if it received a B +Rank or higher in the CASBEE Certification. With respect to the DBJ Green Building Certification, we consider a property to have sufficient environmental certification if it received 3 stars or higher in the DBJ Green Building Certification.	promotion of energy saving technology , switching fluorescent lighting to LED lighting, use of renewable energy, and landscapin g of open spaces and rooftops.
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Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in real estate assets		
Climate change	<p>18. GHG emissions</p> <p>Scope 1 GHG emissions generated by our properties were 1,767 t-CO2 (in FY 2019), 1,718 t-CO2 (in FY 2020), 1,696 t-CO2 (in FY 2021) and 1,755 t-CO2 (in FY 2022).</p> <p>Scope 2 GHG emissions generated by properties were 18,952 t-CO2 (in FY 2019), 16,151 t-CO2 (in FY 2020), 15,770 t-CO2 (in FY 2021) and 12,145 t-CO2 (in FY 2022).</p> <p>Scope 3 GHG emissions generated by our properties were 10,531 t-CO2 (in FY 2019), 10,624 t-CO2 (in FY 2020), 11,627 t-CO2 (in FY 2021) and 11,732 t-CO2 (in FY 2022).</p> <p>Total GHG emissions generated by our properties were 31,251 t-CO2 (in FY 2019), 28,493 t-CO2 (in FY 2020), 29,094 t-CO2 (in FY 2021) and 25,632 t-CO2 (in FY 2022).</p> <p>We aim to achieve 50% reduction in total amount of Scope 1 GHG emissions, Scope 2 GHG emissions and Scope 3 GHG emissions from our portfolio by FY 2030 compared with the FY 2019 level.</p> <p>Note 1: Fiscal year refers to the one-year period commencing on April 1 of such year.</p>	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets
		From January 1, 2023, Scope 3 GHG emissions generated by real estate assets
		Total GHG emissions generated by real estate assets

	<p>Note 2: Scope 3 GHG emissions include emissions by other companies related to the business activities of Mori Hills REIT Investment Corporation and the Asset Manager.</p> <p>Note 3: Total GHG emissions includes emissions from our properties as well as emissions from Mori Hills REIT Investment Corporation's and the Asset Manager's respective offices.</p>	
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Table 3

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

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments to the Asset Manager or tenants		
<p>Social and employee matters</p>	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>The Asset Manager has established a confidential reporting system that enables all employees (including contract employees and part-time employees) to report when they are subjected to an act by a third party that violates its human rights policy, regulations or principles of conduct, including discrimination and harassment, or when they have various other complaints.</p> <p>The submitting party can make a report to the General Manager of the Administration Department, the Compliance Officer or the President & CEO. If the General Manager of the Administration Department or the Compliance Officer is notified of such details, they in turn make a report to the President & CEO, discuss the issue with related parties, and respond in a prompt manner.</p> <p>In addition, the Asset Manager conducts an employee satisfaction survey once a year. The purpose is to realize a more comfortable workplace environment for all employees by understanding employees' thoughts with respect to their work and the work place. The Asset Manager collects responses to questions covering topics such as "sympathy for management philosophy," "the meaning and challenge of work," and "human relationships and the mood at work" by outsourcing to an external organization to ensure anonymity. The Asset Manager provides feedback on the results to all employees and strives to enhance employee satisfaction by implementing new policies.</p>	<p>Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters</p> <p>The Asset Manager has grievance/complaints handling mechanisms available to all of its employees.</p>

	<p>6. Insufficient whistleblower protection</p> <p>The Asset Manager has established an official and anonymous whistleblower protection system, which allows all employees of the Asset Manager (including contract employees and part-time employees) and all employees of its business partners (including contract employees and part-time employees) to report directly to external legal counsel regarding acts that violate laws, internal rules, principles of conduct and other acts that may be contrary to corporate ethics, etc. The Asset Manager strives to thoroughly inform all officers and employees of issues to prevent, detect and correct problems at an early stage.</p> <p>Whistleblowers are provided legal protection under the Whistleblower Protection Act of Japan. The Asset Manager prohibits retaliatory actions, such as detrimental treatment and harassment, due to whistleblowing and takes appropriate measures to protect whistleblowers and prevent the work environment from deteriorating after a whistleblowing report is made.</p>	<p>Share of investments in entities without policies on the protection of whistleblowers</p> <p>All of the Asset Manager's employees are provided whistleblower protection.</p>
Human Rights	<p>9. Lack of a human rights policy</p> <p>The Asset Manager has established a human rights policy. The Asset Manager supports respect for human rights based on the "International Bill of Human Rights," the "Declaration on Fundamental Principles and Rights at Work" of the International Labor Organization (ILO) and the "Guiding Principles on Business and Human Rights" of the United Nations. The Asset Manager's policy applies to all executives and employees. In addition, the Asset Manager also requests its business partners to support the policy and respect human rights.</p> <p>In connection with the Asset Manager respect for human rights, the Asset Manager's policy is to not discriminate against employees based on their beliefs, religion, age, gender, origin, mental and physical disabilities, etc.</p> <p>The Asset Manager believes that creating a work environment where a diverse workforce with an emphasis on diversity can thrive will lead to improved business performance and contribute to social development, and it will work to establish such a diversity-oriented working environment.</p>	<p>Share of investments in entities without a human rights policy</p> <p>The Asset Manager has adopted a human rights policy.</p>
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>The Asset Manager has a compliance manual that sets forth the corporate ethics standards such as principles of compliance-related behavior, strict compliance with various laws and regulations, including banning bribery, banning insider trading, prohibiting acts that may cause conflicts of interests such as corporate entertainment, gifts and acceptance of benefits that give rise to public suspicion or distrust.</p> <p>The President & CEO of the Asset Manager is ultimately responsible for compliance and the Compliance Officer is in turn responsible for overseeing compliance matters. The Asset Manager regularly conducts sessions on the prevention of</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>The Asset Manager has a compliance manual stipulating the corporate ethics standards.</p>

	<p>fraud and corruption and other corporate ethics standards to familiarize all employees, including contract employees and part-time employees, with these issues. The Asset Manager has established a monitoring and consultation system that incorporates internal audits and an official and anonymous whistleblower protection system, which allows whistleblowers to report directly to external legal counsel to prevent problems and aid with the early detection and correction of any issues.</p> <p>The Asset Manager is committed to avoiding any relationship, including business relationships, with anti-social forces. For tenants of our properties, the property manager conducts an investigation on whether they are anti-social forces and whether they have any transactions with anti-social forces during the screening process at the time of moving in. In addition, all of our lease contracts contain provisions that exclude organized crime groups.</p> <p>Furthermore, once a year, the Asset Manager conducts an investigation regarding tenants to ensure that none are or have any transactions with anti-social forces.</p> <p>As of the end of December 2023, there were no tenants that were anti-social forces or had any transactions with anti-social forces.</p>	<p>To the best of our knowledge, none of our tenants have any relation with anti-social forces.</p>
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For descriptions of actions which Mori Hills REIT Investment Corporation takes and will take with respect to the PAI indicators, please refer to our ESG website with respect to Mori Hills REIT Investment Corporation:

<https://www.mori-hills-reit.co.jp/en/outline/Sustainability/tabid/171/Default.aspx>

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.

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 addition, we have formulated a green finance framework to raise funds through green finance and to contribute to the realization of a sustainable society and maximize unitholders' value in the medium to long term.

For further information, please refer to our ESG website:

<https://www.mori-hills-reit.co.jp/en/outline/Sustainability/tabid/171/Default.aspx>

4. Engagement policies

Due diligence and screening

Prior to our investment in a property, we conduct due diligence on the property, including an environment assessment, covering issues such as land pollution and evaluation of the earthquake resistance of the property and probable maximum loss. Furthermore, we review each property's Green Building certification at the time of acquisition to confirm the status.

The Asset Manager's investment decision-making process involves assessment of material ESG-related risks identified through due diligence review, including legal compliance, land pollution, environmental risks and other factors. With each acquisition opportunity, we review these ESG-related due diligence findings and conduct a risk assessment. These findings and the risk assessment are required to be considered by the Asset Manager's Investment Committee before a final decision is made on the investment by Mori Hills REIT Investment Corporation Board of Directors.

Engagement

For the purpose of operating and managing our properties, we have selected a property manager that agrees with our sustainability-related policies and also possesses the systems and expertise required to implement them in practice.

In order to share our values with the property manager, we review the systems, policies and other activities related to sustainability twice a year by written notice. In addition, we evaluate the property manager with an external evaluation agency once a year to share and raise awareness through feedback interviews and compliance exchange meetings with the property manager.

We hold an environmental countermeasure council once or twice a year, depending on the office building. The council generates a report on efforts to improve sustainability and raises awareness for power saving methods. As a reference for tenants to draw specific measures for conservation of energy, we have provided, at all of our office properties, "WEB cloud services" as a tool to make tenants' energy usage visible. In addition to these efforts, we are further deepening relationships with tenants by introducing "green leases" provisions in our lease contracts with tenants which secure commitments from both parties. A "green lease" provision is a voluntary clause to reduce the environmental impact of the property, including through energy conservation and environmental preservation efforts. We are gradually expanding this approach since the introduction of the first green lease in ARK Hills South Tower.

5. References to international standards

The Asset Manager announced in May 2020 its support for the recommendations issued in June 2017 by TCFD (The Financial Stability Board's Task Force on Climate-related Financial Disclosures), which was established by The Financial Stability Board (FSB).