

PRINCIPAL ADVERSE IMPACT STATEMENT

The following is the adverse sustainability impact statement with respect to Daiwa Securities Living Investment Corporation (“DLI”) and Daiwa Office Investment Corporation (“DOI”) pursuant to Regulation (EU) 2019/2088 (“SFDR”). Neither DLI nor DOI has any employees in accordance with the prohibition on having employees under the Act on Investment Trusts and Investment Corporations of Japan, and each of DLI and DOI therefore relies on Daiwa Real Estate Asset Management Co., Ltd. (the “Asset Manager”) to manage and operate the properties in our portfolio. The Asset Manager, DLI and DOI 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 October 1, 2021 to March 31, 2022 for DLI and December 1, 2021 to May 31, 2022 for DOI. The statement will be reviewed at least once during every year.

DLI’s goal is to support everyone’s life and lifestyle, and seeks to serve as society’s infrastructure that provides comfortable living spaces, rental housing and healthcare facilities, suited to each life stage. Toward this goal, DLI proactively makes sustainable investments in healthcare facilities. These healthcare facilities include elderly care facilities, medical care facilities and life science facilities throughout Japan, and DLI’s target is to establish a portfolio up to 40% of which constitutes such healthcare facilities. Especially in Japan, where the population is rapidly aging, healthcare facilities that primarily serve the elderly population have significant social value, as recognized by the United Nations Sustainable Development Goals (SDGs). Furthermore, we focus on promoting environmental, social and governance, or ESG, characteristics in managing all of DLI’s properties on the belief that emphasis on ESG contributes to the enhancement of DLI’s medium- to long-term unitholder value. DLI has implemented a number of environmental initiatives, including resource and energy-saving measures, as described in more detail below.

We also focus on promoting ESG characteristics in managing all of DOI’s properties on the belief that emphasis on ESG contributes to the enhancement of DOI’s medium- to long-term unitholder value. DOI has implemented a number of environmental initiatives, including resource and energy-saving measures, as described in more detail below, and disclosed certain ESG-related data on our website.

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 proprietary ESG risk rating system. 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

DLI and DOI do 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 - 2021	Impact in 2020	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 December 31, 2021, 38.7% for DOI and 97.0% for DLI of our properties were not Green-qualified Assets (as defined to the right) based on total gross floor area.	As of December 31, 2020, 56.6% for DOI and 96.7% for DLI of our properties were not Green-qualified Assets (as defined to the right) based on total gross floor area.	To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the green building certification of the Development Bank of Japan (“DBJ”), Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) and Building-Housing Energy-efficiency	We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications such as DBJ green building certification, CASBEE certification or BELS certification, installing LED lighting and introducing renewable energy.

					Labeling System (“BELS”) and other equivalent certifications. We call our properties that has acquired DBJ Green Building Certification, CASBEE certification and BELS certification, “Green-qualified Assets”.	
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Table 2
Additional climate and other environment-related indicators

DLI and DOI do not invest in investee companies but in real estate. As additional climate and other environment-related indicators 1-17 as contained in Table 2 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.

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>DOI: Total (Scope 1 + Scope 2) GHG emissions generated by DOI’s properties were 44,771 t-CO₂ (in FY2019), 38,250 t-CO₂ (in FY2020) and 37,063 t-CO₂ (in FY2021). Scope 3 GHG emissions are not applicable to DOI’s properties.</p> <p>We aim to reduce CO₂ emissions intensity from DOI’s portfolio by 5% in FY2024 compared with the FY2019 level and 46% in FY2030 compared with the FY2013 level, and to become carbon-neutral by FY2050.</p> <p>DLI: Total (Scope 1 + Scope 2) GHG emissions generated by DLI’s rental housing properties were 3,768 t-CO₂ (in FY2020) and 3,387 t-CO₂ (in FY2021). Total (Scope 1 + Scope 2) GHG emissions generated by DLI’s healthcare facilities was 16,238 t-CO₂ (in FY2021). Scope 3 GHG emissions are not applicable to DLI’s properties.</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

	We aim to achieve 5% reduction in CO ₂ emissions intensity from DLI's portfolio by FY2022 compared with the FY2017 level.	
Energy consumption	<p>19. Energy consumption intensity</p> <p>DOI: Energy consumption intensity of DOI's properties was 0.207 MWh/m² (in FY2019), 0.181 MWh/m² (in FY2020) and 0.178 MWh/m² (in FY2021).</p> <p>We aim to achieve 5% reduction in energy consumption intensity from DOI's portfolio by FY2024 compared with the FY2019 level.</p> <p>DLI: Energy consumption intensity of our rental housing properties was 0.110 MWh/m² (in FY2020) and 0.109 MWh/m² (in FY2021). Energy consumption intensity of our healthcare facilities was 0.236 MWh/m² (in FY2021).</p> <p>We aim to achieve 5% reduction in energy consumption intensity from DLI's portfolio by FY2022 compared with the FY2017 level.</p> <p>For both DOI and DLI, we will continue implementing environmental initiatives such as installing eco-friendly equipment such as LED lighting and energy-efficient heating and cooling equipment, and introduction of renewable energy.</p>	Energy consumption in GWh of owned real estate assets per square meter
Waste	<p>20. Waste production in operations</p> <p>DOI: The amount of waste generated at DOI's properties was 4,388 tons (in FY2019), 3,594 tons (in FY2020) and 3,373 tons (in FY2021). The recycling rate at DOI's properties was 57.03% (in FY2019), 58.20% (in FY2020) and 55.21% (in FY2021).</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

Each of DLI and DOI 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 sustainability impact (qualitative or quantitative)	Metric

Indicators applicable to investments to the Asset Manager or tenants		
Social and employee matters	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p><u>Tenant Satisfaction Survey</u> We conduct a survey on a regular basis. We are working to improve tenant satisfaction by understanding their level of satisfaction and applying it to the operation and management of our properties.</p> <p><u>Employee satisfaction survey</u> The Asset Manager believes that it is important to reflect the views of employees in organizational management and utilize them in various measures, etc., in order to build a better workplace environment, and conducts employee satisfaction surveys on a regular basis and utilizes the survey results to improve the internal environment.</p> <p><u>Evaluation system of employees</u> The Asset Manager conducts semi-annual performance evaluations and reviews of all employees, with bonuses paid based on the degree of achievement of semi-annual goals. Through periodic performance evaluation measurements and feedback, the Asset Manager encourages employee career development and has established a transparent personnel evaluation system.</p>	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters
	<p>6. Insufficient whistleblower protection</p> <p>Employees and officers of the Asset Manager are obliged to submit a report as provided in the Rules of the Internal Whistleblower System of the Asset Manager when they notice a violation or suspect a violation of any laws or regulations or an action which would damage the brand of Daiwa Securities Group. This system is overseen by the General Manager, who is appointed by the Chief Executive Officer of the Asset Manager.</p>	Share of investments in entities without policies on the protection of whistleblowers
Human Rights	<p>9. Lack of a human rights policy</p> <p>The Compliance Manual of the Asset Manager stipulates that all officers and employees shall respect human rights and shall not engage in discrimination based on race, creed, gender, age, nationality, religion, place of birth, social status, or physical or mental disability and such discrimination shall not be tolerated. .</p>	Share of investments in entities without a human rights policy
Anti-corruption and anti-bribery	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>The Compliance Manual of the Asset Manager stipulates that entertainment and gifts to business partners shall not exceed</p>	Share of investments in entities without policies on anti-corruption and anti- bribery consistent with the United Nations

	<p>what is socially acceptable and reasonable, and that no bribes or improper benefits shall be given, offered, or promised.</p> <p>In principle, before any entertainment is to be provided or received, an "Application for Entertainment or Receiving Entertainment" must be submitted and approved in advance. After the entertainment is provided or received, a report must be made on the same application form.</p> <p>The Compliance Manual stipulates that the Asset Manager shall not have any relationship with antisocial forces, and if the Company has a relationship with antisocial forces without knowing that the other party is an antisocial force, the Company shall terminate the relationship as soon as possible upon discovering that the other party is an antisocial force. When we or the investment corporations we are entrusted to manage conduct new transactions, we must conduct prior screening in accordance with the "Manual for Anti-Social Forces". According to the manual, for leases of investment corporations that we manage, we shall conduct hearings, etc. with the property management company as part of the management of outsourcing, and confirm whether the lessee and the relevant property management company have appropriately cut off any relationship with antisocial forces.</p>	<p>Convention against Corruption</p>
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For descriptions of actions which DLI and DOI take and will take with respect to the PAI indicators, please refer to our ESG website with respect to each of DLI and DOI:

DLI: <https://www.daiwa-securities-living.co.jp/en/esg/>

DOI: <https://www.daiwa-office.co.jp/en/plan/environment.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 existing properties in our portfolio.

Prior to our investment in a property, we conduct due diligence on 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.

Moreover, the Asset Manager established the Sustainability Promotion Framework Rule and introduced the Sustainability Promotion Committee in November 2017. To specify the detailed management policy based on the Sustainability Promotion Framework Rule, the Sustainability Promotion Committee established the Energy-Saving Policy, Greenhouse Gas Emissions Reduction Policy, Water-Saving Policy, Sustainable Procurement Policy and EMS Management Manual for DLI in February 2018 and DOI in March 2021, respectively. Furthermore, the Asset Manager has designated its President & CEO as the Chief Executive for Promoting Sustainability, who is responsible for establishing a sustainability framework, goals and priority policies and executing them, in addition to establishing a Chief Sustainability Officer in DLI and DOI, respectively, who is a general manager of a management division appointed by the Chief Executive for Promoting Sustainability to promote sustainability and responsible for executing sustainability measures.

The Asset Manager tracks and monitors on an ongoing basis consumption of energy, greenhouse gas emissions and water consumption at properties in portfolios of DLI and DOI by acquiring data by itself as well as from tenants, property managers and facility operators. The Asset Manager's Sustainability Promotion Committee uses the data to assess progress made against targets, and deliberates on necessary action plans every three months. The Chief Sustainability Officer is responsible in executing the action plans and reporting the process to the committee on a timely basis. The Chief Sustainability Officer reports the results for each year to the Chief Executive Officer, who establishes the targets for the following year. The Chief Sustainability Officer also reports the results to the Sustainability Promotion Committee, which evaluates the results and provides sustainability-related instructions.

For further information, please refer to our ESG website with respect to each of DLI and DOI:

DLI: <https://www.daiwa-securities-living.co.jp/en/esg/>

DOI: <https://www.daiwa-office.co.jp/en/plan/environment.html>

4. Engagement policies

Due diligence and screening

DLI and DOI invest only in properties that have no significant environmental risks by conducting significant due diligence review prior to each acquisition. Additionally, the Asset Manager conducts an environmental investigation every five years and addresses any environmental risks discovered in such investigation by implementing appropriate action plans. With respect to a healthcare facility, DLI enters into a long-term lease agreement with a facility operator to mitigate risks associated with unstable operation. The Asset Manager currently has an agreement with AIP Healthcare Japan GK, which provides the Asset Manager with information and proposals on healthcare facility management to help the Asset Manager to monitor sustainability factors for healthcare facilities and mitigate ESG risks.

Engagement

In accordance with the Sustainable Procurement Policy, the Asset Manager selects products and services, on a preferential basis, which meet the following criteria in addition to required quality and economic efficiency: (i) low-consumption of fossil fuels and energy, (ii) low usage and emissions of substances with adverse effects on environment and human health, (iii) designed to conserve biodiversity and ecology, (iv) designed for long-term usage, (v) designed to be reusable and recyclable, (vi) uses reclaimed material and has environmental certification, (vii) easily disposable, and (viii) reduced procurement amount to reduce waste. Furthermore, the Asset Manager selects property managers and suppliers based on their sustainability framework and ability to cooperate with the Asset Manager's ESG practices, in addition to their creditworthiness, product or service quality and price.

In addition, the Asset Manager plans to introduce various measures to promote cooperation with stakeholders of DLI and DOI, respectively, including green lease clauses, which requires tenants' cooperation on reduction of environmental burdens through energy saving programs and improvement of the residential environmental in lease contracts between tenants and DLI or DOI.

5. References to international standards

We follow the United Nations' 17 Sustainability Development Goals, a reference framework adopted at the United Nations Summit held in September 2015.

The Asset Manager established the "Climate Change and Resilience Policy", in order to promote clarification of the policy and system for addressing climate-related issues and expansion of disclosure of the initiatives, and

announced its support for the TCFD recommendations in December 2021. In January 2022, the Asset Manager joined TCFD consortium, a group of domestic companies that support TCFD recommendations.

As we recognize that climate change is an important issue that has a significant impact on their operations, both of them will gradually promote information disclosure related to climate change, while identifying and analyzing risks and opportunities of the change based on the TCFD recommendations and continuously working to reduce the environmental impact of their business.

6. Historical comparison

See Table 1 and Table 2 above.