

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

The following is the adverse sustainability impact statement of Samty Residential Investment Corporation (“SRI”) 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 Samty Asset Management Co., Ltd. (the “Asset Manager”), to manage and operate the properties in our portfolio. Samty Residential 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, 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
Description of the principal adverse impacts on sustainability factors

SRI 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 2023	Impact in 2022	Impact in 2021	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	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, 2023, 71.72% of our properties were not “Eligible Green Assets” based on total gross floor ratio.	As of December 31, 2022, 85.43% of our properties were not “Eligible Green Assets” based on total gross floor ratio.	As of December 31, 2021, 92.87% of our properties were not “Eligible Green Assets” 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 green building certification of the Development Bank of Japan (“DBJ”), Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, and	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, installing LED lighting and introducing renewable energy.

						other equivalent certifications. We call our properties that has acquired one of (i) DBJ Green Building Certification, (ii) GRESB Real Estate Rating, (iii) CASBEE for Real Estate certification and (iv) Building Energy-efficiency Labeling System (“BELS”) certification “Eligible Green Assets”.	
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Table 2
Additional climate and other environment-related indicators

SRI does 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 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		
Greenhouse gas emissions	18. GHG emissions Scope 1 GHG emissions generated by properties were 0 t-CO2 (in 2021), 0 t-CO2 (in 2022) and 0 t-CO2 (in 2023). Scope 2 GHG emissions generated by properties were 1,481.7 t-CO2 (in 2021) and 1,480.0 t-CO2 (in 2022) and 1,455.4 t-CO2 (in 2023).	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets

	<p>Total GHG emissions generated by properties were 1,481.7 t-CO₂ (in 2021), 1,480.0 t-CO₂ (in 2022) and 1,455.4 t-CO₂ (in 2023). Scope 3 GHG emissions generated by properties are not applicable.</p> <p>We aim to achieve (i) 50% reduction in CO₂ emissions (intensity) on a gross basis from our portfolio by 2030 compared with the 2020 level as the mid-term target, and (ii) net zero emissions by 2050 as the long-term target.</p>	<p>Scope 3 GHG emissions generated by real estate assets</p> <p>Total GHG emissions generated by real estate assets</p>
Energy consumption	<p>19. Energy consumption intensity</p> <p>Energy consumption of our properties was 28.9 kWh/m² (in 2021), 30.3 kWh/m² (in 2022) and 28.1 kWh/m² (in 2023).</p> <p>We aim to reduce energy consumption by installing eco-friendly equipment such as LED lighting, which reduces electronic usage, and introducing renewable energy.</p>	Energy consumption in GWh 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

SRI 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 the Asset Manager or tenants		
Social and employee matters	<p>6. Insufficient whistleblower protection</p> <p>The Asset Manager has established an internal reporting system for the purpose of early detection and correction of violations of laws or regulations etc. and misconduct.</p> <p>In the event that an officer or employee becomes aware that a violation of laws or ordinances, etc. or misconduct has occurred or is likely to occur, he/she may report the matter to the Compliance Team, which serves as a contact point for internal reporting, or to the "Samty Asset Hotline" established by The Asset Manager. The reporting can be made anonymously.</p> <p>Upon receiving a report or consultation, The Asset Manager will consider whether or not an investigation is necessary in a fair, impartial, and sincere manner, and will promptly notify the informant of the future action to be taken. If necessary, The Asset</p>	Share of investments in entities without policies on the protection of whistleblowers

	<p>Manager will conduct an investigation of the facts without identifying the informant, and notify the informant of the results.</p> <p>In consideration of the credibility and privacy of the whistleblower and those cooperating in the investigation, The Asset Manager will also notify the whistleblower of the results of the correction of the case, and follow up on the protection of the whistleblower by confirming whether or not the whistleblower was treated unfairly because of the incident.</p>	
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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.samty-residential.com/en/esg/index.html>

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

With respect to social and environmental risk assessment of each property, we receive a range of reports from disinterested experts on building safety, soil contamination, energy supply, natural disaster risk such as floods and waste management, such as real estate appraisal reports, building diagnosis reports, earthquake risk reports, soil contamination investigation reports, environmental investigation reports, and reports related to structural calculation review.

To track the environmental performance of our properties, we rely on the following environmental certifications.

- *DBJ Green Building Certification.* The DBJ Green Building Certification is certification developed by Development Bank of Japan Inc. (DBJ) to identify and certify real estate properties that satisfy various social needs including environmental quality. We consider a property to have sufficient environmental certification if it received 3 stars or higher out of DBJ’s 5-star ranking system.
- *BELS Certification.* The Building-Housing Energy-efficiency Labeling System (BELS) is a third-party certification system to rate houses and buildings based on energy saving performance in accordance with the Act on Improving Energy Consumption Performance for Architectural Structures of Japan. We consider a property to have sufficient environmental certification if it received 3 stars or higher.
- *CASBEE Certification.* CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings. The system rates the overall environmental performance of buildings from the following perspectives: the reduction of environmental loads such as conservation of energy and resources as well as the quality of a building including interior comfort and scenic aesthetics. The system rankings are rated in four scales: “Rank S”, “Rank A”, “Rank B+”, and “Rank B” for buildings with one or more years old after completion.

For further information, please refer to our ESG website: <https://www.samty-residential.com/en/esg/index.html>

4. Engagement policies

Due diligence and screening

With respect to social and environmental risk assessment of each property, we receive a range of reports from disinterested experts on building safety, soil contamination, energy supply, natural disaster risk such as floods and waste management, such as real estate appraisal reports, building diagnosis reports, earthquake risk reports, soil contamination investigation reports, environmental investigation reports, and reports related to structural calculation review.

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, Asset Management Division, Finance & Accounting Division and Engineering Management Division, reviews progress made against targets, comparing and analyzing against the previous year. Also, in December 2022, we formulated the Sustainable Procurement Policy. The aim is to set forth the selection criteria for products and services to be procured by us and the selection and evaluation criteria for business partners, including property management companies, and guidelines for their operation, in order to promote ESG considerations throughout the value chain.

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

We established the EMS (Environment Management System) management manual on April 1, 2022. Based on this system, we have acquired an understanding of our current environmental impact (energy, GHG, water and waste) and the status of key initiatives to properly design and implement environmental targets and action plans. We review semiannually how we have performed against environmental targets and under the environmental action plan.

More specifically, the Head of the REIT Division conducts a preliminary analysis of our sustainability performance, including the degree of achievement made against targets, in comparison with the results of the corresponding month of the previous year, and reports the analysis to the CEO. The CEO then reports the results of the final analysis semiannually (generally, at the regular meetings of the secretariat in June and December). If there is a performance issue, the department in charge investigates and analyzes the cause of the issue, and implements a corrective action (countermeasure) to prevent recurrence. If any issue is expected to arise in the future, the department in charge implements measures to prevent the issue before it materializes.

Engagement

We enter into green leases to reduce our environmental burden in collaboration with property managers and tenants. Green lease clauses include the following provisions: (i) The lessor and lessee cooperate with each other to reduce their environmental impact, including by reducing water and energy consumption and waste disposal; (ii) the tenant agrees that lessor or its agent may periodically check the meters in its unit for the purpose of ascertaining and reducing consumption of electricity, water, gas and kerosene in the property; (iii) the lessor collects feedback from tenants to improve the comfort of their space; and (iv) if there is life-saving or disaster equipment in the property, the lessor agrees to allow the use of such equipment by the tenant, roommates and neighbors to the event of a disaster.

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

We currently do not refer to international standards with respect to our investments or management, although we will continue to consider whether international standards would be appropriate for us. In August 2023, 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 as an immediate challenge, and also joined the TCFD Consortium. In addition, in December 2023, we formulated the Climate Change Resilience Policy in response to climate change and climate-related issues.

6. Historical comparison

See Table 1 and Table 2 above.