

PRINCIPAL ADVERSE IMPACT STATEMENT

The following is the adverse sustainability impact statement of Nomura Real Estate Master Fund, Inc. (“NMF”) 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 Nomura Real Estate Asset Management Co., Ltd. (the “Asset Manager”) to manage and operate the properties in our portfolio. NMF 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 March 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 March 1, 2021 to February 28, 2022. The statement will be reviewed as needed.

Based on the belief that a sustainable society is essential for our sustainable growth, NMF has made effort to address social issues through its business in line with its fundamental philosophy of securing stable profit over the medium to long term while achieving steady growth of assets under management. NMF, together the Asset Manager, has conducted asset management in a manner that takes into consideration environmental, social and governance (ESG) issues in order to enhance unitholder value over the medium to long term.

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 on risks 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 potential changes in the future.

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 risks 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 in the future, we intend to add more indicators.

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 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 February 28, 2022, 39.5% of our properties did not obtain the Green Certification (as defined to the right) based on floor area.	As of February 28, 2021, 29.7% of our properties did not receive the Green Certification (as defined to the right) based on floor area.	To track the environmental performance of our properties, we use the following certifications issued by third-party organizations: the DBJ Green Building Certification (“DBJ Certification”), the Building Energy-efficiency Labeling System (“BELS”) certification (“BELS Certification”) and the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) Certification for Real Estate (collectively, “Green Certifications”).	We will do our best to obtain any Green Certification for properties that have not received such certification, including by implementing measures to reduce environmental impact caused by our properties, such as installation of LED lighting and double sash windows and renovation of air-conditioning facilities.

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 properties were 2,535 t-CO₂e (in FY 2019), 2,293 t-CO₂e (in FY 2020) and 2,074 t-CO₂e (in FY 2021).</p> <p>Scope 2 GHG emissions generated by properties were 23,799 t-CO₂e (in FY 2019), 20,855 t-CO₂e (in FY 2020) and 20,962 t-CO₂e (in FY 2021).</p> <p>Total GHG emissions generated by properties were 66,822 t-CO₂e (in FY 2019), 58,075 t-CO₂e (in FY 2020) and 52,108 t-CO₂e (in FY 2021).</p> <p>We aim to achieve a 40% reduction in GHG emissions per floor area (intensity) from our portfolio by FY 2030 compared with the FY 2016 level (Medium-term goal: Achieve a 34% reduction by FY 2025).</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

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		
Social and employee matters	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>Nomura Real Estate Group, including us, conducts an annual employee satisfaction survey, and we use the feedback received to ensure that our work environment is fair. Also, we have adopted a 360 degree evaluation framework that allows employees to evaluate their supervisors in terms of skills, performance and other qualities.</p> <p>We also regularly conduct satisfaction surveys to obtain feedback from our tenants, residents and other property users. The surveys for our residents are conducted each year; and the surveys for our office, retail and logistics tenants are conducted every three years. The results of these surveys are shared with property managers, building managers, developers and other relevant parties, and we use them to improve the properties and services for tenants.</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 officers and employees as well as to all of its tenants.</p>
	<p>6. Insufficient whistleblower protection</p> <p>Nomura Real Estate Group has established the Nomura Real Estate Group Helpline as a whistle-blowing system for officers and employees of the Group, including the Asset Manager. A similar compliance helpline has been established at the Asset Manager as well. The Asset Manager’s officers and employees can use these helplines to report and consult on violations of laws or corporate ethics, as well as harassment, human rights, and health issues. Persons involved in the helpline operations are bound by confidentiality obligations, and the Asset Manager strives to protect whistle-blowers so that they are not treated unfavorably for having made a report.</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>

<p>Anti-corruption and anti-bribery</p>	<p>15. Lack of anti-corruption and anti-bribery policies</p> <p>Pursuant to its Basic Policy on Preventing Bribery of Foreign Public Officials, Regulations on Preventing Bribery of Foreign Public Officials and Guidelines on Preventing Bribery, the Asset Manager has internal procedures regulating interaction with foreign officials such as entertaining, giving gifts, inviting, donating, and utilizing their agencies to prevent corruption and bribery. In addition, the Compliance Department regularly reviews entertainment and gifts given to officers and employees (once every six months).</p> <p>As for tenants, when executing a lease agreement, the Asset Manager confirms that each tenant is not anti-social forces. In addition, the Asset Manager requires all lease agreements to include provisions requiring the lessees to reject relations with 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>The Asset Manager has compliance policies addressing anti-corruption and anti-bribery that apply to all of its officers and employees. In addition, 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 NMF takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://www.nre-mf.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 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.

NMF has established a green finance framework (“Green Finance Framework”) to issue green bonds and borrows green loans. All proceeds from green finance are allocated to (i) acquisition of assets meeting the following eligibility criteria (“Eligible Green Assets”), (ii) refinancing of loans used to acquire Eligible Green Assets, and (iii) redemption of outstanding investment corporation bonds issued to acquire Eligible Green Assets.

Eligibility criteria. Eligible Green Assets have acquired any of the following Green Certifications or any recertification thereof within 36 months after the date of receiving proceeds from green finance, or will acquire such (re)notification in the future.

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

4. Engagement policies

Due Diligence and Screening

When investing in properties using proceeds from our green financing, we do not consider properties that do not meet the eligibility criteria under our Green Finance Framework. We also do not consider investing in properties that building engineering report alleges any issue arising from the use or storage of hazardous substances to exist or any potential for soil contamination. We also review whether the property we may acquire is compliant with applicable law.

We have selected PAI indicators GHG emissions intensity as our PAI indicators in Table 2 above with our belief that reduction of GHG emissions is one of the major environmental challenges confronted by the world. We endeavor to reduce GHG emissions and energy consumption based on our environmental performance target.

As our PAI indicator in Table 3, we have selected lack of grievance/complaints handling mechanism related to employee matters. This selection reflects the importance of ensuring that our employees' work environment is fair and their work is rewarding through impartial evaluations, as well as our initiatives with our tenants. We have selected insufficient whistleblower protection and lack of anti-corruption and anti-bribery policies as our additional PAI indicators in Table 3, in line with the policies of Nomura Real Estate Group.

Engagement

We have established targets for the ratio of properties with Green Certifications, GHG emissions and water consumption and seek to meet these targets through various initiatives, including improvement of building management and cooperation with tenants and property managers.

We have included environmental provisions, which we refer to as "Green Lease" provisions, in the standard leases with our tenants. Under the Green Lease provisions, we collaborate with tenants to improve environmental performance (energy and water saving, waste reduction) for acquisition of Green Certifications and share the status and goals with regard to energy consumption and other environmental performance indicators with tenants.

Under our Green Purchasing Manuals, we give preference to the products and services which meet our sustainability standards in selecting the products and services used for the management of properties in our portfolio. Moreover, with regard to the selection of suppliers including property managers, building managers and construction firms, their sustainability initiatives is a key consideration.

5. References to international standards

The Asset Manager became a signatory to the Principles for Responsible Investment (PRI) in December 2017 with the emphasis on asset management considering ESG. Moreover, in July 2020, the Asset Manager 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 and joined the the TCFD Consortium, a group of domestic companies that support TCFD recommendations.