

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Product Name/Legal Entity Identifier: CRE Logistics REIT, Inc.

The following is the adverse sustainability impact statement of CRE Logistics REIT, Inc. (“CRE REIT”) 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 CRE REIT Advisers, Inc. (the “Asset Manager”) to manage and operate the properties in our portfolio. CRE REIT 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 April 1 of the year, 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

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, 2022 to December 31, 2022 unless noted otherwise. The statement will be reviewed as needed.

We believe that enhancing unitholder value is possible only while preserving sustainable environment and achieving sustainable society. We make our contribution by investing in high-quality logistics facilities and conducting long-term, stable asset management. Under our sustainability policies and framework, we collaborate with the Asset Manager, to implement a wide range of initiatives promoting environmental, social and governance, or ESG, goals.

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.

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 2022 (From January 1, 2022 to December 31, 2022)	Impact in 2021 (From January 1, 2021 to December 31, 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	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, 2022, 5.4% of our properties were not the “Green Buildings” (as defined to the right) based on total floor area.	As of December 31, 2021, 5.2% of our properties were not the “Green Buildings” (as defined to the right) based on total floor area.	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, Building Energy-efficiency Labeling System (“BELS”) certification, Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, and other equivalent certifications. We call our properties that receive any such certifications “Green Buildings”.	We will do our best to obtain appropriate environmental certifications for properties that are not the “Green Buildings” in due course.

					<p>With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received four stars or higher out of DBJ's five-star ranking system. With respect to CASBEE, we consider a property to have sufficient environmental certification if it received an A Rank or higher out of the CASBEE ranking system. With respect to BELS, we consider a property to have sufficient environmental certification if it received four stars or higher out of BELS' five-star ranking system.</p>	
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Table 2

Additional climate and other environment-related indicators

CRE REIT 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 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		
Greenhouse gas emissions	<p>18. GHG emissions</p> <p>Scope 1 GHG emissions generated by properties were 0 t-CO₂e (in 2020), 0 t-CO₂e (in 2021) and 0 t-CO₂e (in 2022).</p> <p>Scope 2 GHG emissions generated by properties were 81.5 t-CO₂e (in 2020), 188.1 t-CO₂e (in 2021) and 330.5 t-CO₂e (in 2022).</p> <p>Scope 3 GHG emissions generated by properties were 5,641.3 t-CO₂e (in 2020), 6,197.4 t-CO₂e (in 2021) and 7,122.0 t-CO₂e (in 2022).</p> <p>Total GHG emissions generated by properties were 5,722.7 t-CO₂e (in 2020), 6,385.5 t-CO₂e (in 2021) and 7,452.5 t-CO₂e (in 2022).</p> <p>Greenhouse gas emission intensity from our portfolio was 0.015 t-CO₂e/m² (in 2020), 0.011 t-CO₂e/m² (in 2021) and 0.013 t-CO₂e/m² (in 2022).</p> <p>We aim to achieve 46% reduction in CO₂ emissions intensity from our portfolio by FY 2030 compared with the FY 2019 levels.</p>	<p>Scope 1 GHG emissions generated by real estate assets</p> <p>Scope 2 GHG emissions generated by real estate assets</p> <p>From 1 January 2023, 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 intensity of owned properties were 28.86 kWh/m² (in 2020), 28.70 kWh/m² (in 2021) and 36.74 kWh/m² (in 2022) including the scope of management by tenants.</p> <p>We aim to reduce energy consumption by installing eco-friendly equipment such as LED lighting (introduced at 15 of our properties), highly-insulated sandwich panels (introduced at 17 of our properties), human sensors (introduced at 19 of our properties), well water-based roof watering equipment, and green walls (introduced at one of our properties).</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

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 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>3. Number of days lost to injuries, accidents, fatalities or illness</p> <p>We monitor absenteeism and injuries among the Asset Manager's employees.</p>	<p>Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average</p> <p>The number of workdays lost to injuries, accidents, fatalities or illness at the Asset Manager was 0 from January 1, 2022 to December 31, 2022.</p>
	<p>5. Lack of grievance/complaints handling mechanism related to employee matters</p> <p>We have established a policy which handles complaints from our clients and business partners. We record and categorize the complaints between level 0 to level 3. The complaints categorized as level 2 (i.e., a significant degree of dissatisfaction and requiring careful handling, including consultation with legal counsel if necessary) or higher are reported to our compliance officer and handled based on the Representative Director's instruction after input from relevant business departments and legal counsel.</p>	<p>Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters</p> <p>All of our clients and business partners are provided grievance/complaints handling mechanism.</p>
	<p>6. Insufficient whistleblower protection</p> <p>We have established a whistleblower system that has established a hotline to our Compliance Department. All of our employees may use the whistle blower system, regardless of their employment status, length of employment, or length of working hours. The reports are escalated to the Representative Director and investigated. If there are any violations of laws, regulations, or</p>	<p>Share of investments in entities without policies on the protection of whistleblowers</p> <p>All of the Asset Manager's officers</p>

	internal rules, corrective measures and measures to prevent recurrence will be promptly taken. Confidentiality regarding the use of the whistleblower system will be maintained, and we will protect the whistleblower so that the use of the system will not be interfered with and the person who made the report or consultation will not be disadvantaged	and employees are provided whistleblower protection.
Anti-corruption and anti-bribery	<p>17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws</p> <p>Before entering into a lease agreement, we confirm that the tenant is not related to antisocial forces based on a database provided by Nikkei Telecom. This includes review of the tenant's reputation, including whether the tenant has been convicted for an organized crime such as bribery, as well as whether the tenant is regarded as an antisocial force. We update the review once a year after entering into a lease agreement.</p>	<p>Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies</p> <p>No convictions and reputation damages with respect to our tenants have been reported.</p>

For descriptions of actions which *CRE REIT* takes and will take with respect to the PAI indicators, please refer to our ESG website: <https://cre-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 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 order to realize sustainability in our asset management while maximizing our portfolio value, we consider ESG factors in our investment and asset management processes. In particular, the Asset Manager has established a green finance framework consisting of green loans and green bonds. When determining whether to acquire or invest in a property through green financing, we rely on the DBJ, BELS and CASBEE certifications. We use green financing to acquire properties that receive (i) four stars or higher out of DBJ's five-star ranking system, (ii) A Rank or higher out of the CASBEE ranking system or (iii) four stars or higher out of BELS' five-star ranking system.

For further information, please refer to our ESG website: <https://cre-reit.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 criteria under our green finance framework. We also do not generally consider investing in properties that are designated as contaminated areas that require government notification under the Soil Contamination Countermeasures Act of Japan or that do not otherwise meet our environmental standards based on their history of land usage and soil contamination, assessment by experts and examination of presence of harmful substances, unless appropriate measures are taken under the Soil Contamination Countermeasures Act or we conclude, after appropriate due diligence review, that any health or other ESG risk is limited. We also review whether the property we may acquire is compliant with applicable law.

We have selected PAI indicators GHG emissions and energy consumption intensity as our PAI indicators in Table 2 above for the following reasons.

- GHG emissions from buildings have a major environmental impact.
- Reduction of GHG emissions is one of the major environmental challenges confronted by the world. In Japan, owners of offices (buildings) are required to calculate GHG emissions based on the Law Concerning the Promotion of the Measures to Cope with Global Warming, and are also required to reduce total emissions by the Tokyo Metropolitan Government and to submit global warming countermeasure agreement/reports.
- As society becomes more low-carbon or decarbonizes, taking the initiative to reduce GHG emissions is expected to generate financial benefits, such as differentiation from competitors, greater ability to attract prime tenants, increased access to capital from ESG investors, and improved loan terms from financial institutions.

GHG emissions generated from fossil fuel at common areas	Scope 1
GHG emissions generated from electricity or heat used at common areas	Scope 2
GHG emissions generated from fuels, electricity and heat used by tenants	Scope 3
Refrigerant gases such as CFCs and halons leaked from building equipment (such as air conditioning) owned by us	Scope 1
GHG emissions other than above resulting from our business activities	Scope 3

Based on our initiatives with our tenants, we have selected the number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws as our PAI indicator in Table 3 above. We need to avoid the significant reputational risk of having a relationship with any antisocial force and to ensure proper business operations by eliminating relationships with antisocial forces. If an existing business partner is found to be an anti-social force and we fail to take appropriate measures such as immediately terminating the business relationship, we may be subject to severe administrative penalties from regulatory authorities, or may receive a request from other existing business partners to terminate the transaction.

Furthermore, we have selected the number of days lost to injuries, accidents, fatalities or illness, lack of grievance/complaints handling mechanism related to employee matters and insufficient whistleblower protection as our PAI indicators in Table 3. We believe that, as an asset management company, we have a responsibility to attract and retain excellent personnel by creating a healthy, safe, and comfortable work environment for executives and employees and supporting their work-life balance. When an employee is absent from work or is injured, we take measures in accordance with our employment regulations. We also believe that addressing complaints and whistleblowing reports is helpful in improving our business and services.

Engagement

We have standardized environmental provisions, which we refer to as “Green Lease” provisions, in the leases with our tenants. Our Green Lease provisions include a clause for our tenants to collaborate with us to implement measures for energy conservation, environmental preservation, etc. As of December 31, 2022, 30.8% of the leases we entered into with our tenants contained such Green Lease provisions. We plan to increase the number of leases with our Green Lease provisions.

The Asset Manager has established standards for selecting and evaluating suppliers to promote ESG initiatives with suppliers. The Asset Manager evaluates each supplier's ESG performance prior to entering into a relationship with it, and conducts an annual sustainability review of each supplier.

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 and joined the Japan TCFD Consortium in February 2022. We have also provided disclosures regarding our TCFD scenario analysis in August 15, 2022.

6. Historical comparison

See Table 1 and Table 2 above.