

Transparency of sustainability risk policies (SFDR Article 3 Disclosure)

KJR Management

Introduction

KJR Management is an asset management company that specializes in Japanese real estate investment. We manage two J-REITs: Japan Metropolitan Fund Investment Corporation (“JMF”), which invests in retail properties, office buildings, residences and hotels, and Industrial & Infrastructure Fund Investment Corporation (“IIF”), which focuses on both industrial and infrastructure properties.

As one of the largest asset management companies in Japan, we put the utmost importance on dialogue with our unitholders and strive to fulfill our fiduciary duties reliably. We also aim to enhance unitholder value under our corporate mission of “Always create new values, for people, the community and the world”. Through real estate investment management, we create new demand in our society and new value that exceeds expectations.

We are making the following disclosures in accordance with Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR”).

Sustainability Policy and Goals

Our ‘Vision for Sustainability’ is to contribute to solve global-scale issues through achieving enhancements to unitholder value by investment management. To clarify our ambition, we have established environmental, social and governance (“ESG”) key performance indicators (“KPIs”) and goals, which iterate our targets in relation to the reduction of adverse environmental impacts, the creation of social value, and the practice of sound stakeholder-focused asset management. Among our top ESG concerns, climate change is a material topic, given both its proximity to real estate, and its topical and pressing nature in the international arena. To reduce long-term climate change risks, in June 2021 we announced our 2050 Carbon Neutral Declaration, which states our aim to reach carbon neutrality by 2050. In June 2021, we also set a 2030 Greenhouse Gas (“CO₂”) Emission Reduction Target, which states our goal to reduce CO₂ emissions by 50% compared to a 2015 baseline by 2030. In February 2023, we set and announced new targets for greenhouse gas emissions reduction toward the realization of net-zero emissions by 2050, which states our goal to reduce absolute Scope 1+2 emissions by 42% by 2030 (compared to a 2020 baseline for JMF, to a 2021 baseline for IIF) and declaration for net-zero absolute GHG emissions throughout the entire value chain by 2050.

Our ESG materiality assessment and the setting of goals in relation to the top material issues was conducted in response to the Sustainable Development Goals (“SDGs”) issued in 2015 by the United Nations. We contribute to 10 of the 17 SDGs through property management and human capital management. As a real estate asset management company, it is absolutely essential that we ensure the

quality of the buildings we manage through certifications, and that we address issues relating to climate change and energy efficiency. Also, we strive to improve building comfort and convenience and to raise the awareness about ESG among tenant employees. Next, in addition to responding to climate change and energy efficiency, we must work together with our tenants and local community members to address the issues of efficient water use and waste disposal. By doing so, we will work to establish partnerships and build green communities.

ESG integration

To address sustainability risk, we formally established our Environmental Charter and Responsible Property Investment (“RPI”) Policy in June 2013.

Environmental Charter

We consider the Earth itself to be our most important stakeholder and are continually working towards the realization of a sustainable society through our business activities:

- We consider a healthy global environment to be essential for the continuation of our business activities, and by implementing new efficiency measures and technologies, engaging in dialogue with stakeholders, and other efforts, we will help achieve net zero while reducing greenhouse gas emissions and taking on climate change via both mitigation and adaptation.
- We will promote the sustainable use of natural resources.
- We recognize the critical importance of what ecosystems can provide and are committed to protecting ecosystems and mitigating any potential impacts on biodiversity.
- We will strive to create and enhance environmental benefits by undertaking conservation activities and reducing our environmental footprint.
- We will continue to actively engage and work with our various stakeholders and disclose information on the environmental impacts of our business operations in an appropriate and timely manner.
- We will conduct all of our activities in compliance with environmental laws while adhering to international rules and social standards.

Responsible Property Investment Policy

We believe that RPI adds value to an investment by limiting the risks of regulatory non-compliance, which would negatively impact our competitive position in the market, by making a property more appealing to tenants and purchasers and, in some cases, by reducing expenses and improving returns. Therefore, RPI is an important strategy for us. We also believe that RPI will bring about a more desirable result for our environment and society.

The RPI Policy aims, as a first priority, to deliver improved profitability for the investment corporations (JMF and IIF) while considering social and environmental issues from a long-term perspective. We believe

that ESG issues will have an impact and these issues should be considered in our asset management strategies.

Our RPI strategy is integrated into the asset management of JMF and IIF and is implemented by all of our operational functions during the entire ownership cycle, from the acquisition of the asset to the ongoing asset management, marketing, renovation and maintenance through to sale.

We are implementing our RPI strategy in our investment and management process as follows:

- Investment Decisions
 - Incorporate environmental and social risks into the evaluation criteria when acquiring, selling or operating properties
 - Integrate RPI strategies, but not at the expense of long-term client financial performance
- Refurbishment
 - Incorporate RPI strategies into the design and financial analysis of all property renovations
 - Evaluate obtaining certifications applicable for each property type and location prior to refurbishment to expedite approval process and enhance the property's competitive position to maximize occupancy, rents and tenant quality
 - Engage with planners and other external project partners and consultants to achieve objectives
- Operations and Maintenance
 - Define and implement best practice measures (priority on no costs and low costs) to improve energy efficiency, water conservation and waste management for all operating assets in order to promote sustainable practices
 - Reduce operating expenses, thereby increasing property values
 - Evaluate the obtainment of green building certifications applicable for each property type and location in order to enhance the property's competitive position and to maximize occupancy, rents and tenant quality
 - Monitor changes in regulations and laws in order to adopt and implement RPI strategies
 - Collaborate with tenants, property managers and suppliers of services and materials to achieve objectives

Sustainability Risks continue to be considered by fund managers through the lifecycle of an Investment. Our fund managers are required to consider potential sustainability risks as part of our mandatory pre-acquisition due diligence review and operation process, based on the RPI policy established as a policy to integrate environmental and social characteristics. At the time of investment decisions, the Investment Committee reviews the specifics of potential investments, and at the time of operation, the activities are monitored by the Sustainability Committee. We therefore integrate RPI strategies, but not at the expense of long-term client financial performance.

Product Level Sustainability Risk Management and Potential Risk Mitigation

Our RPI strategy is integrated into the asset management of JMF and IIF and is implemented by all of our operational functions during the entire ownership cycle, from the acquisition of the asset to the ongoing asset management, marketing, renovation and maintenance, through to sale, in order to manage product level sustainability risk and migrate potential risk.

Reporting and Monitoring

We monitor the performance and impact of sustainability factors including sustainability risks through our Sustainability Committee. The Sustainability Committee established in January 2020 is the body that approves resolutions concerning ESG policies, strategies, and systems, based on the Environmental Charter and the Responsible Property Investment Policy. Details of matters resolved by the Committee are also reported to our Board of Directors.

We are committed to delivering our best results through an enhanced sustainability promotion structure, where the Sustainability Committee plays a central role in formulating strategies and monitoring the activities of our two investment corporations (JMF and IIF). This management structure enables us to deliver on our mission to create value that exceeds the expectations of our stakeholders.

By monitoring the fund's performance and impact of sustainability factors, we constantly seek to improve the ESG consideration of investments, such as introducing solar power generation, renewable energy or LED lighting. The progress of the annual goals set by each fund as well as the sustainability efforts of each fund will be reported to the Sustainability Committee, meetings of which are held once every three months.

Our policy on integration of sustainability risks and factors are required to be reviewed annually and any amendments will be submitted for approval to the Sustainability Committee.

Governance

Our Sustainability Committee aims to meet once a quarter to discuss a range of issues relating to sustainability and ESG, including our progress in relation to our sustainability targets and the overall direction of our sustainability policies and strategies. Specific matters which are discussed include:

- Sustainability policies, strategies, and systems
- Establishment and change of the Company's and Investment Corporations' materiality and changing of ESG materiality
- Sustainability objectives
- Joining environment-related organizations
- Establishment of framework and identification of eligible assets for sustainable finance
- Approval of the ESG Report
- Other matters deemed necessary by the chairperson

We have appointed a person in charge of ESG in each division, who is responsible for driving activities in line with our sustainability goals. In addition, ESG officers lead and hold sub-committee meetings as necessary to discuss and review ESG-related issues and promotion methods in detail at the working level, either within the division or in cooperation with other divisions. At these subcommittee meetings, individual issues are discussed, and information is shared to raise awareness and understanding of the issues among those in charge, and to integrate ESG considerations into the daily investment and management process.