

Sustainability Report 2023

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Investing in community infrastructure assets

Facilities vital to local citizens that serve as a hub for community building

Aeon as a disaster relief hub:
"Balloon shelters" are used as
evacuation locations during disasters



Various events are held that encourage
community participation



Facilities that respond effectively to changing lifestyle needs and the environment will win out over the long term

Solar panels installed on the
rooftop and walls help reduce
the environmental burden



EV charging stations



A drive-through service allows
shoppers to pick up supermarket
items they ordered online



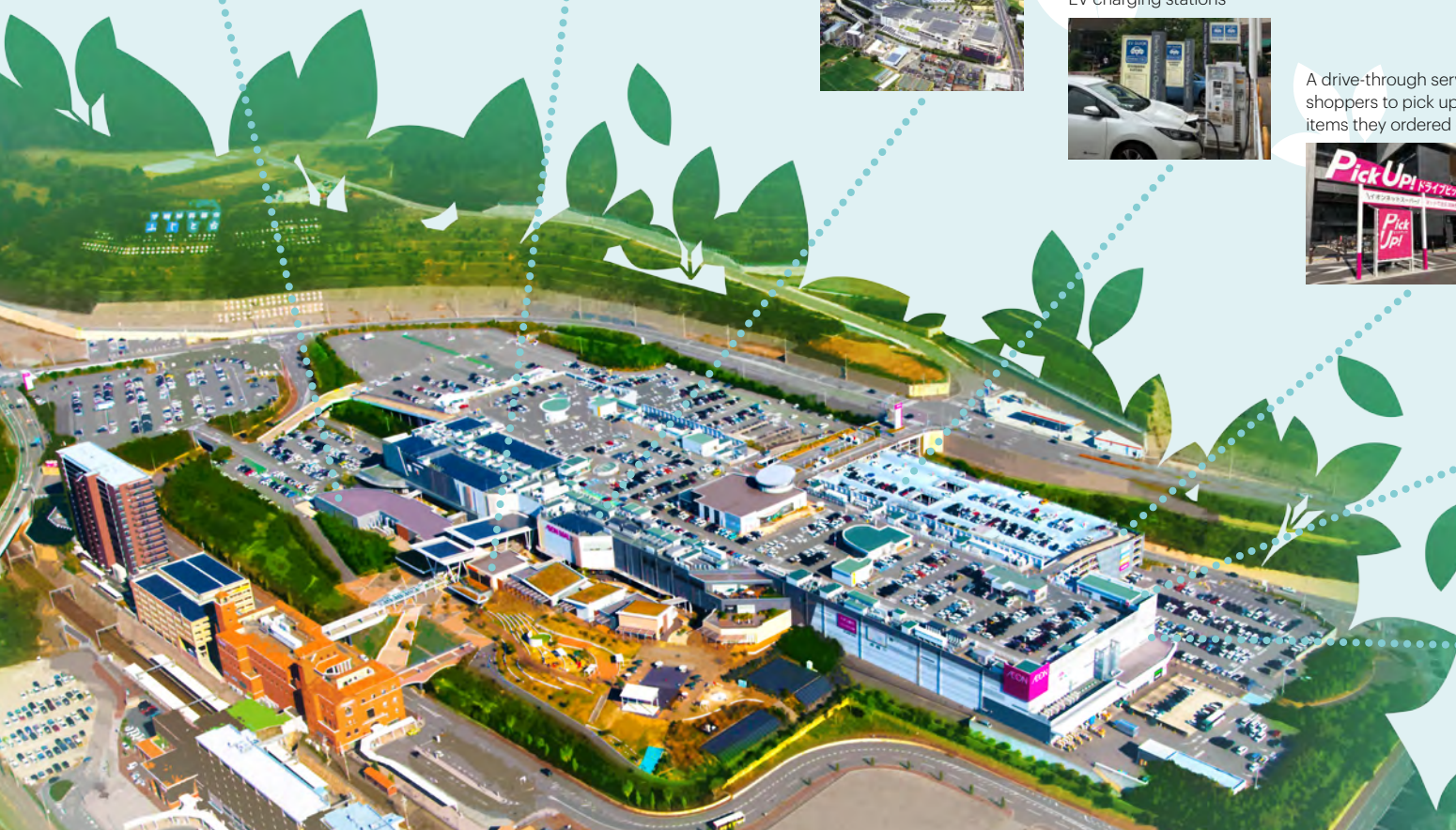
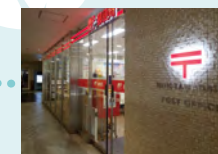
AEON REIT Investment Corporation (AEON REIT or the Investment Corporation) primarily invests in community infrastructure assets that form the backbone of local communities, namely retail and logistics facilities operated by the Aeon Group, thereby supporting people's everyday lives. Aeon Co., Ltd., one of Japan's leading retailers, serves as our sponsor company. Based on this mission, we will enter into master lease agreements that leverage the Aeon Group's network and aim to ensure stable operations and profitability through a fixed rent system and long-term lease agreements.

Supporting everyday living with a wide range of tenants

Food courts, cinemas and
other specialty stores cater
to diverse needs



Public services on offer
include a post office
and nursery



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Editorial policy

This Report aims to increase understanding of the initiatives being undertaken to realize a sustainable society by AEON REIT and AEON Reit Management Co., Ltd. (the Asset Management Company). It has been positioned as an important tool for facilitating constructive dialogue with our stakeholders and has been edited to ensure ease of understanding. The Report has been prepared with reference to GRI Standards.

Scope of reporting

AEON REIT Investment Corporation and AEON Reit Management Co., Ltd. (Includes certain information regarding Aeon Co., Ltd., sponsor of the Asset Management Company, and Aeon Group companies (may be referred to as the Aeon Group) such as AEON MALL Co., Ltd.)

Reporting period

Fiscal 2022 (March 1, 2022 to February 28, 2023)

Notes:

1. The report includes some information from before and after this period.
2. The report covers the fiscal period of the Asset Management Company, but also includes some information pertaining to the fiscal periods of the Investment Corporation (ending January 31 and July 31).

Issued

January 2024 (Japanese version: November 2023)

Inquiries

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Disclaimer

This Report contains forward-looking statements regarding the plans, forecasts and strategies of the Investment Corporation and the Asset Management Company. These forward-looking statements are based on the current assumptions and beliefs of the Investment Corporation and the Asset Management Company in light of the information currently available to them. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from such statements. Accordingly, we advise against placing undue reliance on such forward-looking statements. The Investment Corporation and the Asset Management Company assume no responsibility for the accuracy, completeness, adequacy or fairness of the information in this Report. Note that the information contained herein may be revised or retracted without prior notice. The Investment Corporation and the Asset Management Company undertake no obligation to publicly update the content of this Report (including forward-looking statements).

Introduction to AEON REIT

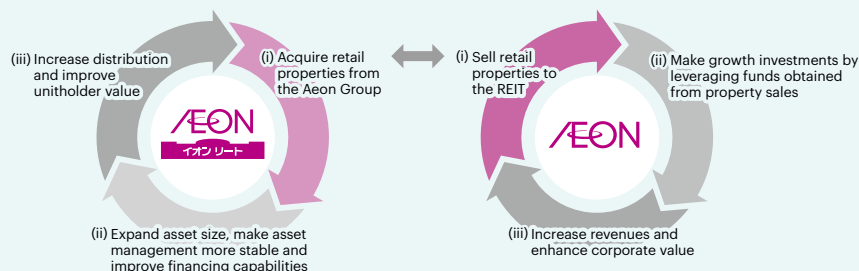
Corporate philosophy

AEON REIT positions retail properties and other real estate as community infrastructure assets and invests in those properties to enrich the lives of people living there.

AEON REIT implements stable asset management from a medium- to long-term perspective with the aim of creating environments that ensure comfortable and fulfilling lifestyles and enhance the local community through our investment activities.

Corporate policy

AEON REIT carries out a growth strategy based on the policy of maintaining a mutually beneficial relationship with the Aeon Group, thereby aiming to maximize value for unitholders.



Corporate overview

Name	AEON REIT Investment Corporation
Representative	Nobuaki Seki, Executive Director
Address	1-14-10 Uchikanda, Chiyoda-ku, Tokyo
Established	November 30, 2012
Listed	November 22, 2013
Listing market	Real Estate Investment Trust Securities Market of Tokyo Stock Exchange

Securities codes	Securities identification code: 3292 International Securities Identification Number (ISIN): JP3047650001
Fiscal period	January and July
Contact	AEON Reit Management Co., Ltd. TEL: +81-3-5283-6360

Corporate history

Since its listing in 2013, the Investment Corporation has acquired mainly large-scale shopping malls and logistics facilities operated by the Aeon Group and, as of the publication date of this report, boasts a portfolio of 49 properties in Japan and overseas with total assets now amounting to ¥468.3 billion.

In addition, we have acquired environment-focused third-party certification for over 80% of our owned assets (based on leasable floor area) in line with our objective of managing properties that contribute to the realization of a sustainable society.

November 27, 2012	Notification concerning the establishment of the Investment Corporation based on Article 69 of the Act on Investment Trusts and Investment Corporations of Japan (the Investment Trusts Act) by the organizer (AEON Reit Management Co., Ltd.)
November 30, 2012	Registration of the establishment of the Investment Corporation based on Article 166 of the Investment Trusts Act, and the establishment of the Investment Corporation
December 4, 2012	Application for registration of the Investment Corporation based on Article 188 of the Investment Trusts Act
December 20, 2012	Implementation of the registration of the Investment Corporation by the Prime Minister based on Article 189 of the Investment Trusts Act (Kanto Local Finance Bureau Director-General Registration No. 80)
November 22, 2013	Listed on the Tokyo Stock Exchange
November 22, 2013	Commencement of asset management

Initiatives endorsed and key third-party certification

Note: Includes Group activities



(AEON MALL Co., Ltd.)



THE CLIMATE GROUP CDP


















(Aeon Co., Ltd.)



(Aeon Co., Ltd.)

Medium- to long-term growth strategy Materiality and KPIs

AEON REIT identified material issues (materiality) in 2021 based on its corporate philosophy and the Sustainability Policy it formulated. In September 2023, we set new key performance indicators (KPIs) to enable more effective efforts toward resolving these material issues. We will implement a plan-do-check-act (PDCA) cycle focused on efforts to achieve these KPIs in order to resolve environmental and social challenges and realize medium- to long-term corporate growth.

Materiality	KPI
Environment	Opportunities in green buildings     <ul style="list-style-type: none"> • GRESB Real Estate Assessment (Achieve 5 Stars each year) • Ratio of owned properties with third-party certification (3 stars or higher: 85% or more, 4 stars or higher: 80% or more, with a medium-term target of 90% or more) • Installation of equipment with enhanced energy efficiency (Introduction of energy-saving equipment such as inverter boards in 50% or more of the store portfolio, with a medium-term target of 80% or more) • Introduction of renewable energy and energy-creating equipment in stores within our owned properties (Three stores per year, with a medium-term target of 50% or more of the portfolio)
	Climate change  <ul style="list-style-type: none"> • Reduction of total GHG emissions (Average of 1% per year in terms of consumption intensity) (Medium-term targets: 50% of electricity/energy consumption to be renewable, 50% reduction of CO₂ emissions (Scope 3), Long-term target: Net zero) • Water consumption (Medium-term target: Do not increase consumption intensity) • Waste (Medium-term target: Store recycling rate of 80%) • Promotion of green finance (Medium-term target: 50% or more of interest-bearing debt) • MSCI ESG rating (Medium-term target: "A" or above)
	Biodiversity and land use   <ul style="list-style-type: none"> • Association for Business Innovation in harmony with Nature and Community (ABINC) certification (efforts to create biodiversity-friendly green areas) for owned properties (One property or more per year) (Medium-term target: 20% or more of the portfolio, Long-term target: 30% or more)
Social	Local community engagement and sustainable development    <ul style="list-style-type: none"> • Number of customers visiting owned properties (Medium-term and long-term targets: Maintain or increase year on year on average across the portfolio) • Number of stores serving as disaster relief hubs (Medium-term target: 50% or more of the portfolio, Long-term target: 100%) • Donations to public interest foundations engaged in social contribution activities (Implement annually) • Implementation of tree-planting and other volunteer activities (40 or more participants per year) • Activities promoting J-REITs and increasing awareness of AEON REIT (Two or more per year)
	Safety and security of owned properties    <ul style="list-style-type: none"> • Acquisition/status assessment of engineering reports (ERs) for owned properties (Aim for reacquisition within 5 years) (Medium-term target: 80% or more of the portfolio, Long-term target: 100%) • Implementation of planned repairs (At a rate of 80% or more per year) • Earthquake insurance coverage (Implement annually)
	Human capital development   <ul style="list-style-type: none"> • Average length of service (5 years or more) • Training hours per employee (20 or more per year) • Ratio of female officers (50% or more, with a medium-term target of 30% or more in the ratio of female managers) • Ratio of career development interviews conducted (100% per year) • Utilization rate of skills and career development programs (50% per year, with medium-term and long-term targets of 100% per year)
Governance	Corporate governance  <ul style="list-style-type: none"> • Meeting attendance (90% or more per year) • Effective evaluation of committees (Annual)
	Compliance and risk management  <ul style="list-style-type: none"> • Risk Management Committee meetings (Biannual) • Compliance and information security training (Monthly, with a participation rate of 100%) • BCP training and committee meetings (Biannual) • Cybersecurity training (Annual)

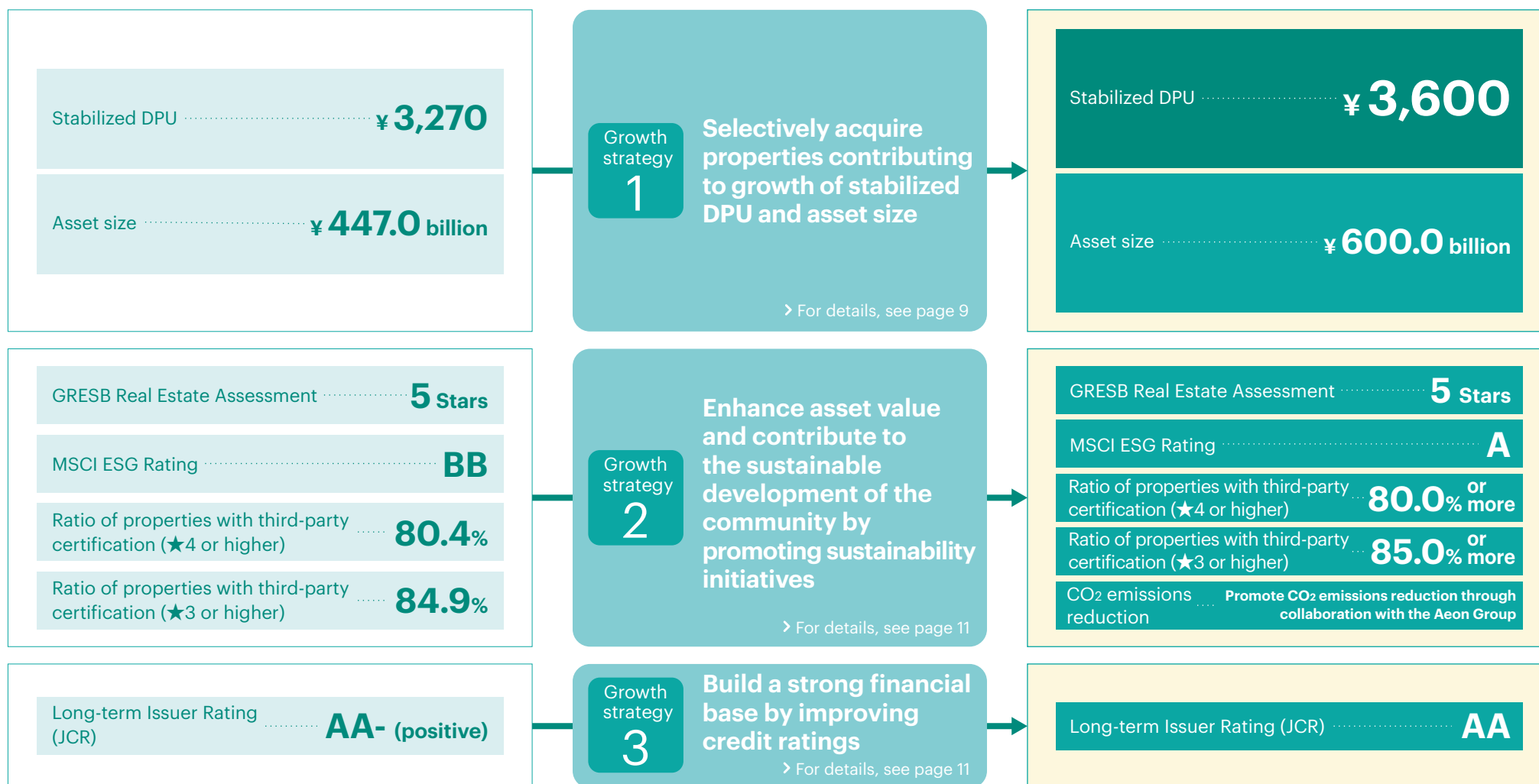
Medium- to long-term growth strategy Medium-term targets and growth strategy

AEON REIT announced its medium-term targets, which included non-financial targets for the first time, when it released its financial results for the 19th period ended July 31, 2022.

We will continue to invest in community infrastructure assets with the aim of achieving sustainable corporate growth.

We also seek to enhance the asset value of our owned properties and contribute to the sustainable development of the community by promoting sustainability initiatives.

Medium-term targets (as of July 31, 2022)



Medium- to long-term growth strategy Message from the management



Through investment in community infrastructure assets, we aim to maximize value for unitholders and contribute to the development of local communities.

Nobuaki Seki

Executive Director, AEON REIT Investment Corporation
Representative Director and President, AEON Reit Management Co., Ltd.

Aiming to maximize value for unitholders by responding to environmental changes

As the global threat of the COVID-19 pandemic subsides, there has been a resurgence of activity in retail facilities, including the hosting of events attracting customers. Nevertheless, not everything has returned to the way it was before the pandemic. There is a growing realization of the need for retail facilities to adapt to the lifestyles that have evolved during this period. Based on our corporate philosophy, AEON REIT aims to create environments that ensure comfortable and fulfilling lifestyles and enhance the local community through investment in community infrastructure assets that enrich the lives of people. In terms of our owned properties, we strive to operate retail and logistics facilities that remain essential to people's everyday lives, adapting to various changes in customer lifestyles and local environments. We achieve this by harnessing AEON REIT's core feature, our master lease scheme, and collaborating with Aeon Group companies. We are also committed to initiatives aimed at maximizing value for unitholders by continuously acquiring and managing highly competitive and appealing properties.

On the road to achieving our medium-term targets

AEON REIT announced medium-term targets for stabilized DPU, asset size, long-term issuer rating, and sustainability when we released financial results for the 19th period ended July 31, 2022. We are steadily progressing in our efforts toward achieving these goals.

As part of our external growth strategy, in January 2023, we conducted a public offering of new units, and in February, we acquired two properties, AEON MALL Wakayama and AEON MALL Miyakonojo Ekimae. Due to these actions, asset size increased 4.8% from ¥447 billion to ¥468.3 billion, relative to our target of ¥600 billion, and stabilized DPU increased 2.0% from ¥3,270 to ¥3,335, relative to our ¥3,600 target. Both results are as of the time of the new property acquisitions. Both of these properties possess strong competitiveness as community infrastructure assets. Also, with an average appraised net operating income (NOI) yield of 6.2% for the two properties, they contribute to AEON REIT's stable asset management. This demonstrates a track record that enhances confidence in achieving our medium-term targets. Even after the acquisition of these two properties, our pipeline remains strong at ¥260 billion, and we are actively strengthening the pipeline further. This includes the recent establishment of a pipeline support agreement with United Supermarket Holdings Inc., which operates a supermarket business in the Tokyo metropolitan area. Going forward, we will continue to leverage Aeon Group's robust network, a core strength of AEON REIT, to ensure steady growth.

As part of our internal growth strategy, we have implemented distinctive investments in the revitalization of certain properties, such as construction to adapt to changes in local customers'

lifestyles and to reduce environmental impact. At AEON MALL Kurashiki, we aimed to create a more family-friendly environment for the local parenting generation, enhancing the children's play area by renovating part of the stairs in the courtyard terrace into a slide. At AEON MALL Tomakomai, we have introduced inverter boards for air-conditioning equipment that allow us to regulate airflow, which helps reduce electricity consumption as well as CO₂ emissions. AEON REIT benefits by receiving part of the reductions in electricity expenses borne by the tenants (master lessees) as an increase in rent. Moving ahead, we will continue to collaborate with master lessees to make investments in property revitalization that contribute to the sustainable development of the local community and lead to a stable increase in distributions.

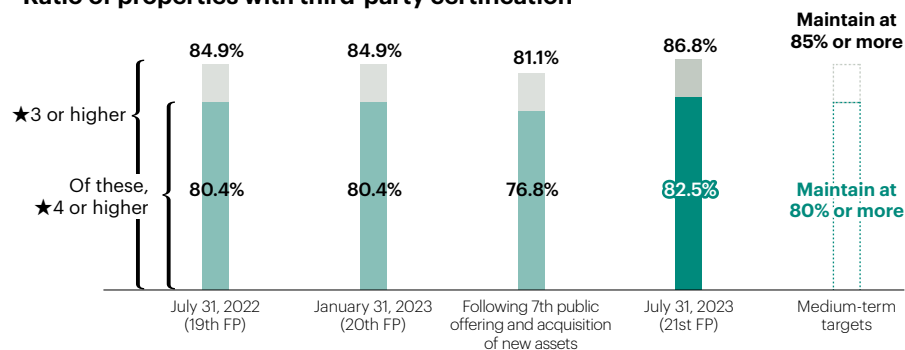
Additionally, the increased utility costs in fiscal 2022, driven by rising energy prices, were recognized as a societal concern. However, AEON REIT employs fixed-rent master lease agreements, which allow us to maintain stable operations and distributions even during such situations.

In recognition of our stable and steady growth, our long-term issuer rating has improved from AA- (positive) to AA (stable), meaning we have already achieved our medium-term target. We will continue striving for further growth while preserving the stability that is a cornerstone of AEON REIT.

Promoting initiatives to achieve sustainability targets

In terms of our sustainability targets, in June 2023, we obtained new Development Bank of Japan (DBJ) Green Building Certification for three properties: AEON MALL Kasai-Hojo, AEON MALL Wakayama, and AEON MALL Miyakonojo Ekimae. As such, the ratio of properties with third-party certification has increased from 84.9% to 86.8% in the three stars or higher category, and from 80.4% to 82.5% in the four stars or higher category. This means we have achieved our medium-term targets

Ratio of properties with third-party certification



in both of these areas. In the future, we recognize the importance of preserving our certification status, and will continue to collect information on social needs and look to acquire and operate environmentally conscious properties.

At the moment, there have been no significant changes in GRESB and MSCI assessments. However, we are committed to providing regular and transparent disclosure to all our stakeholders about the results of our efforts in environmental, social, and governance areas. Simultaneously, we will consider new approaches in line with societal demands.

In addressing climate change, we are with the entire Aeon Group from both renewable energy and energy-saving perspectives to achieve the goals set out in the Aeon Decarbonization Vision of reducing total emissions of CO₂ and other greenhouse gases from Aeon stores to zero by 2040. Taking into account the unique nature of our master lease agreements, AEON REIT is proactively engaging in environmental investments, as exemplified by AEON MALL Tomakomai. We are also dedicated to making every possible effort in collaboration with our master lessees, including the analysis and sharing of environmental performance data, to achieve our goals.

Although we consider external evaluations as one of the indicators to assess our efforts at AEON REIT, our focus is not solely on enhancing ratings or obtaining certifications. We aim to contribute to our own sustainable growth as well as the sustainable development of local communities by continuing asset management practices that remain true to our corporate philosophy. This involves careful consideration of what AEON REIT should do and our desired future state.

I would like to ask all stakeholders for your continued support and guidance of Aeon and AEON REIT as we forge ahead.

Medium- to long-term growth strategy

Growth strategy

1

Selectively acquire properties contributing to growth of stabilized DPU and asset size

In order to achieve steady growth in stabilized DPU and asset size, AEON REIT has adopted an investment policy that focuses on selectively acquiring community infrastructure assets.

What are community infrastructure assets?

- Facilities supporting everyday living with a wide range of tenants
- Facilities that respond effectively to changing lifestyle needs and the environment will win out over the long term
- Facilities vital to local citizens that serve as a hub for community building

(1) The source of community infrastructure assets

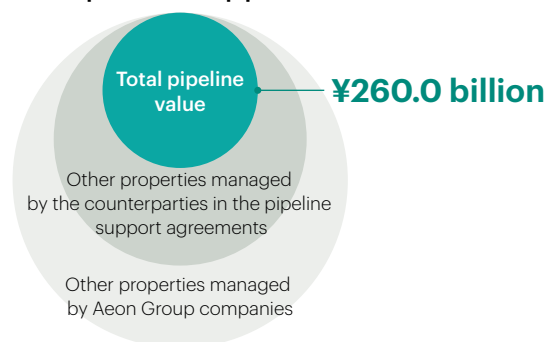
Robust pipeline leveraging the comprehensive capabilities of the Aeon Group

AEON REIT makes maximum use of the Aeon Group's network and has entered into pipeline support agreements with various Group companies. Benefits provided through these agreements include the provision of information on properties and the granting of preferential negotiation rights by the Aeon Group, as well as the ability to utilize warehousing functions. As of the close of the 21st period on July 31, 2023, our pipeline still stands at a robust ¥260.0 billion. At this point, we are actively exploring further acquisitions, even beyond the properties currently in the pipeline.

Advantages of pipeline support

- Provision of information from the Aeon Group
- The granting of preferential negotiation rights
- Utilization of warehousing functions

Properties in the pipeline



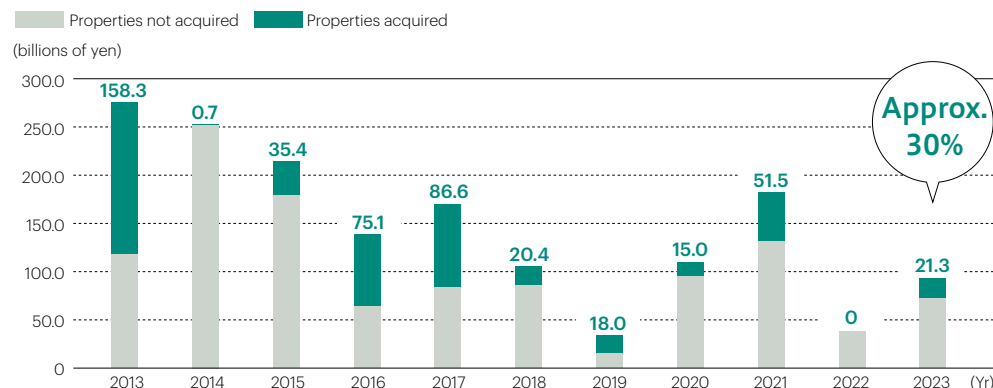
(2) Discerning eye for community infrastructure assets

Selective acquisition based on three criteria

AEON REIT evaluates property acquisitions from three perspectives: location, building facilities, and operational advantages. This helps us select properties that are highly competitive and possess features appropriate for community infrastructure assets that support everyday life. Also, to ensure acquisitions under favorable conditions, all property purchases are conducted through negotiated transactions. As of July 31, 2023, approximately 30% of the properties in the pipeline being considered for acquisition were successfully acquired, demonstrating the careful selection of properties that are suitable for the portfolio.



Outcome of property acquisition evaluations



Note: "Properties not acquired" refers to a group of properties that were evaluated during a particular year, but following discussions with the seller, were not acquired due to various factors such as price levels, economic conditions, and timing of finance.

Medium- to long-term growth strategy

Growth strategy

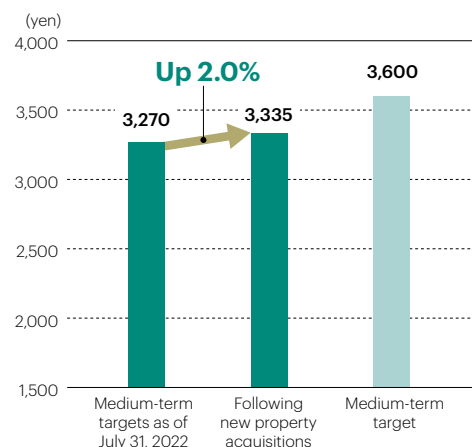
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Selectively acquire properties contributing to growth of stabilized DPU and asset size

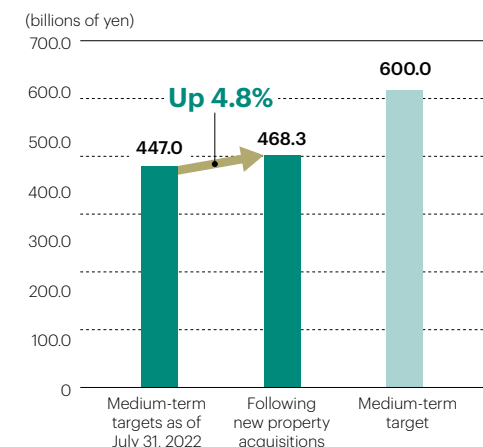
Under the aforementioned investment policy, we acquired AEON MALL Wakayama and AEON MALL Miyakonojo Ekimae in February 2023, and as a result, stabilized DPU increased by 2.0% from ¥3,270 to ¥3,335, and asset size grew by 4.8% from ¥447 billion to ¥468.3 billion.

Both of these properties possess strong competitiveness as community infrastructure assets. Also, with an average appraised NOI yield of 6.2% for the two properties, they contribute to AEON REIT's stable asset management.

Growth in stabilized DPU



Growth in asset size



Newly acquired properties

Total acquisition price ¥21.3 billion

Average appraised NOI yield 6.2%

AEON MALL Wakayama

The largest shopping mall in the prefecture consisting of five floors and located in a continuously growing new town



Location	<ul style="list-style-type: none"> Located in a growing new town with an abundance of families
Building facilities	<ul style="list-style-type: none"> Five stories, utilizing the variation in ground elevation from the basement to the rooftop The basement level connects to the station building, while the rooftop parking floor offers direct access to the surrounding roads
Operational advantages	<ul style="list-style-type: none"> Abundant family-oriented tenants and facilities A wide range of experiential stores, including a movie theater

AEON MALL Miyakonojo Ekimae

A community-focused mall responding to diverse needs



Location	<ul style="list-style-type: none"> Located in an exclusive catchment area Located in an area with good access to a key arterial road
Building facilities	<ul style="list-style-type: none"> Owns one of the largest retail spaces in the city The city's only shopping mall with a circular layout
Operational advantages	<ul style="list-style-type: none"> Attracts high-profile tenants opening stores for the first time in the city Equipped with public functions as community infrastructure assets, such as a post office

Note: Includes only selective advantages

Medium- to long-term growth strategy

Growth strategy 2

Enhance asset value and contribute to the sustainable development of the community by promoting sustainability initiatives

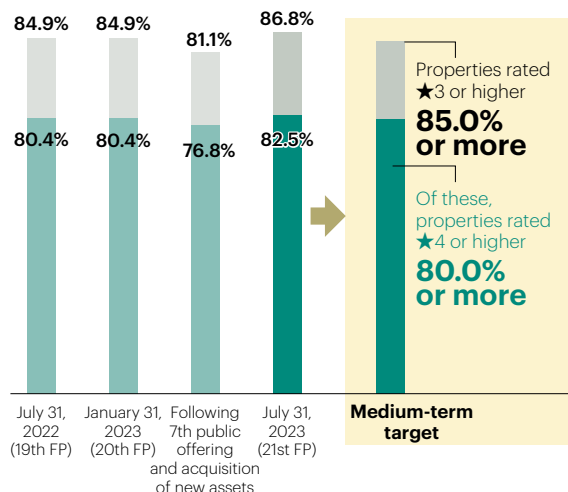
AEON REIT aims to enhance the asset value of its owned properties by promoting sustainability initiatives, thereby contributing to the sustainable development of the local area.

(1) Acquisition and operation of sustainability-conscious properties

AEON REIT acquires and manages properties with an emphasis on sustainability, with tenant compositions and facility features aimed at reducing environmental impact and addressing societal issues.

In June 2023, we obtained DBJ Green Building Certification for AEON MALL Wakayama, AEON MALL Miyakonojo Ekimae, and AEON MALL Kasai-Hojo. The ratio of properties with third-party certification among all owned properties has reached 86.8% in the three-star category or higher and 82.5% in the four-star category or higher, achieving our medium-term targets.

Acquisition of third-party certification



Ratio of owned properties with:

Solar panels	50%
EV charging infrastructure	86%
LED lighting	100%
Universal restroom	100%
Disaster prevention agreements	100%

Note: Data as of September 2023 for 44 of the owned properties in Japan, excluding logistics facilities

(2) Sustainability initiatives and enhanced information disclosure

Both AEON REIT and AEON REIT Management are promoting sustainability initiatives and enhancing the disclosure of information related to the progress of these efforts in line with our corporate philosophy and sustainability policy.

Our sustainability initiatives are shaped by feedback from stakeholders, including unitholders, and requests from external organizations. This input guides us in implementing the measures that AEON REIT should pursue. We provide timely updates on our progress through channels such as our website and Sustainability Report. Through these ongoing efforts, we aim to improve external evaluations such as GRESB and MSCI.



Sustainability Report



The Sustainability Initiatives section on our website

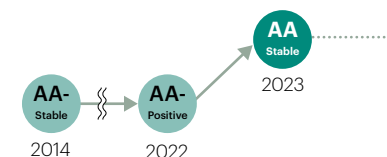
Growth strategy 3

Build a strong financial base by improving credit ratings

In June 2023, AEON REIT achieved a long-term issuer rating of AA (stable) in the Japan Credit Rating Agency (JCR) assessment, which is one notch higher than the previous AA- (positive) rating, and in line with our medium-term target. After nearly a decade since going public, AEON REIT has earned recognition for its steady growth in asset size and distributions, as well as diversification in terms of geographic areas and types of owned properties. We will continue to strive to maintain and improve our evaluations,

make effective use of funds, and work towards maximizing unitholder value going forward.

Long-term issuer ratings from JCR



Sustainability foundations and activity report Sustainability promotion system and policy

AEON REIT established a sustainability policy and a system to promote it in order to realize sustainable management.

Sustainability Policy

The Aeon Group has adopted the Aeon Sustainability Principle, a policy for the entire group aiming to achieve further progress in the development of the sustainable society. Based on this principle, the Aeon Group is pursuing a course of sustainable management while addressing its priority agenda, including the realization of a zero-carbon society, conservation of biodiversity, and promotion of resource recycling for the environment. The agenda also includes social issues to be addressed such as the development of products and stores that are capable of meeting people's expectations in society, embedding respect for human rights across business operations, and collaborations with local communities.

Furthermore, in recent years, the need for care and consideration over environmental, social and governance (ESG) issues has started to gain widespread recognition in the world of asset management. This reflects the idea, based on factors such as the toughening of environmental regulations and the shifting awareness of tenants and customers, that consideration for ESG issues is imperative to sustain and enhance property value over the medium to long term.

With its basic philosophy of contributing to the enrichment of people's lives and local communities through investment in retail facilities and related properties, the Investment Corporation aims to ensure stable income in the medium to long term by investing in community infrastructure assets. Based on the idea that consideration for ESG in all aspects of work and cooperation with stakeholders to facilitate it is important in order to achieve the realization of these philosophies and goals, AEON Reit Management, the Asset Management Company, has formulated a Sustainability Policy, and is working towards its implementation.

Sustainability Promotion Committee

The Asset Management Company has established a Sustainability Promotion Committee for the promotion of initiatives related to sustainability.

The committee is chaired by the Representative Director and President of the Asset Management Company, who is the final decision-maker as well, and consists of directors, compliance officers, and heads of each department.

The committee examines and deliberates on policies related to sustainability, goals for each fiscal year, and specific measures to achieve these goals, etc.

The committee is held at least once quarterly in principle and the activities of the committee are reported to the Board of Directors of AEON REIT Investment Corporation and the Board of Directors of the Asset Management Company at least once every six months.

Sustainability Promotion Secretariat

The Asset Management Company has established a Sustainability Promotion Secretariat centered on the department in charge of sustainability operations. The secretariat manages the progress of sustainability initiatives in cooperation with each department.

Environment

Response to climate change

Climate change is recognized as a serious issue facing the international community that has a significant impact on our business activities. In December 2021, we announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are working closely with the Aeon Group in implementing activities aimed at realizing a decarbonized society.

Policy for achieving a decarbonized society

Aeon has been working on reducing greenhouse gas (GHG) emissions, while consistently meeting its goals, through the Aeon Manifesto on the Prevention of Global Warming and the Aeon Eco Project announced in 2008 and 2012, respectively. In addition, the Aeon Natural Refrigerants Declaration established in 2011 has led to the introduction of refrigerators and freezers that use a low-global warming potential (GWP) natural refrigerant (CO₂).

In 2018, Aeon established the Aeon Decarbonization Vision with the aim of reducing total emissions of CO₂ and other GHGs from its stores to zero through a three-pronged approach with regard to its stores, products and logistics, and by working hand-in-hand with customers. To achieve this goal, in 2020, Aeon set a new target of switching to renewable energy for 50% of electricity consumption at stores in Japan by fiscal 2030. As a result, we are now aiming to achieve the vision by 2040, which is 10 years ahead of the initial target year. We will leverage all the resources at our disposal within the Group to accelerate efforts towards realizing a decarbonized society.

AEON REIT and AEON Reit Management, our Asset Management Company, will collaborate with various Group companies to work toward achieving our targets.

Support for TCFD (Task Force on Climate-related Financial Disclosures)

In December 2021, AEON Reit Management Co., Ltd., the Asset Management Company, expressed its support to TCFD (Task Force on Climate-related Financial Disclosures) recommendations published by FSB (Financial Stability Board) in June 2017. TCFD recommends disclosure of the financial impact of risks and opportunities caused by climate change.

AEON REIT Investment Corporation and AEON Reit Management recognize that climate change is an important issue, which may cause a significant impact on business activities. The Investment Corporation and the Asset Management Company will aim to respond and disclose information in line with the TCFD recommendations.

Governance

The Asset Management Company, AEON Reit Management has established a Sustainability Promotion Committee to promote initiatives related to sustainability. The committee positions climate response as a critical issue for the organization and shares information and deliberates on responses related to climate change.

The committee is chaired by the Representative Director and President of the Asset Management Company, with meetings held at least once quarterly in principle to consider and deliberate matters such as targets related to sustainability. The activities of the committee are reported to the Board of Directors of AEON REIT Investment Corporation and the Board of Directors of the Asset Management Company at least once every six months. Please refer to “> Sustainability promotion system and policy” on page 12 for further details.

Strategy

The Asset Management Company aims to make disclosures in line with the TCFD recommendations and conducted analysis of the 1.5°C scenario and 4°C scenario concerning the risks and opportunities climate change presents to the Investment Corporation.

Risks are classified into “transition risks” and “physical risks,” with “physical risks” further organized into “acute” and “chronic” classifications. “Opportunities” are also considered separately. Referred to the guidance recommended by UNEP FI¹ and PRI² for the details of risk classifications.

Based on the above preconditions, scenario analysis was performed using future climate forecasts published by international organizations as the main sources of information.

Notes: 1. UNEP FI: United Nations Environment Programme Finance Initiative

2. PRI: Principles for Responsible Investment

Preconditions of scenario analysis

Scope of analysis	Properties owned in Japan Note: 96% of overall portfolio (47/49 properties)
Duration	Timelines for short-term, medium-term and long-term, spanning from 2022 to 2050, are set as follows. Short-term: Until 2025 Medium-term: Until 2030 Long-term: Until 2050
Risk classification	Transition risks: Risks associated with the transition to a low-carbon society (policy and legal, technology, market, reputation) Physical risks: Risks resulting from disasters, etc. caused by climate change (acute, chronic)

Environment

Response to climate change

External scenarios used as references

The main sources of information used as references are as follows.

Transition risks	1.5°C scenario / IEA NZE Scenario ^{1,2}
Physical risks	4°C scenario / IPCC RCP 8.5 Scenario ^{3,4}

Notes:

1. IEA: International Energy Agency
2. NZE Scenario: Net Zero Emissions by 2050 Scenario
3. IPCC: Intergovernmental Panel on Climate Change
4. RCP: Representative Concentration Pathways

Image of the world anticipated in each scenario

	1.5°C scenario	4°C scenario
Overview	<ul style="list-style-type: none"> The 1.5°C scenario is one in which initiatives aimed at the realization of a decarbonized society by 2050 are promoted, and the rise in average global temperature is kept to within 1.5°C compared with pre-industrial levels. It assumes proceeding with the introduction of stringent legal regulations and taxation systems, and while physical risks are relatively contained, transition risks are assumed to be high. 	<ul style="list-style-type: none"> The 4°C scenario is one in which measures to address climate change do not progress, and emissions of greenhouse gases (GHG) continue to increase, resulting in the average global temperature increasing by approximately 4°C by 2100. It assumes that stringent legal regulations and taxation systems will not be implemented, and while transition risks are relatively low, physical risks are assumed to be high.
Anticipated events	<ul style="list-style-type: none"> Significant reduction of CO₂ emissions: Approximately 40% reduction by 2030 and realization of net zero by 2050 on a global scale Introduction of carbon tax Widespread introduction of renewable energy, etc. 	<p>Forecast of impact of climate change on Japan based on RCP8.5 (partial excerpt)</p> <p>Comparison with the end of the 20th century (or present)</p> <ul style="list-style-type: none"> Average annual temperature: Increased by approximately 4.5°C Number of days with 200mm or more rainfall per year: Increased by approximately 2.3 times Maximum daily rainfall: Increased by approximately 27% (33mm) Average sea level: Increased by approximately 0.71m Typhoons and storms associated with typhoons: Stronger <p>Source: Ministry of Education, Culture, Sports, Science and Technology / Japan Meteorological Agency "Climate Change in Japan 2020"</p>

Financial impact of risks and opportunities based on scenario analysis

The Asset Management Company identified risks and opportunities based on the 1.5°C and 4°C scenarios. Timelines were set according to the content of each of the identified risks and opportunities, and future action was considered after examining the financial impact. An overview of the analysis results is shown in the table below.

Please refer to the [Climate Change](#) page on our website for details of the analysis.

Analysis results and future action

	1.5°C scenario	4°C scenario
Analysis results	<ul style="list-style-type: none"> It is assumed that stringent regulations and taxation systems will be introduced for the purpose of curbing GHG emissions. This is expected to increase costs associated with the response, including property management, property facility repair, and financing. 	<ul style="list-style-type: none"> It is assumed that GHG emissions will continue to increase due to the strict regulations and taxation systems not being introduced, and that weather disasters caused by rising temperatures will increase in severity. As a result, repair expenses and insurance premiums for owned properties are expected to increase.
Impact	<ul style="list-style-type: none"> At the moment, direct impact on AEON REIT is considered small because of the nature of our current master lease agreements. In the future, the value of properties with poor environmental performance may decline, and decrease in demand by tenants/subtenants may happen due to no longer being considered for selection as properties, which may ultimately lead to a decline in rents. 	<ul style="list-style-type: none"> At the moment, direct impact on AEON REIT is considered small because of the nature of our current master lease agreements. In the future, for properties with a high risk of being exposed to weather disasters, the demand by tenants/subtenants may decrease due to no longer being considered for selection as properties, which may ultimately lead to a decline in rents.

The Investment Corporation is promoting an increase of the percentage of green qualified assets within its portfolio to prepare for the transition risk anticipated under the 1.5°C scenario to ensure the properties owned continue to be community infrastructure assets and, at the same time, promoting the understanding of risks and responses to disasters using a hazard map to prepare for the risks anticipated under the 4°C scenario as well. Meanwhile, risks caused by climate change are considered to become more multi-faceted.

In addition to the initiatives at present, AEON REIT will further strengthen ties with the Aeon Group companies, and endeavor to reduce risks and create opportunities through steps including appropriate information gathering, establishment of a system for considering responses to risks, and updating the facilities in owned properties.

Risk management

The Investment Corporation includes the perspective of climate change risks and opportunities in its risk management processes implemented by the Asset Management Company, and conducts ongoing risk assessments. Furthermore, an assessment of important risks and opportunities related to climate change is shared and deliberated on by the Sustainability Promotion Sub-committee of the Asset Management Company.

Environment

Opportunities in Green buildings

AEON REIT is striving to make its owned properties green buildings by such means as reducing environmental burden and improving energy performance. We aim to work closely with Aeon Group companies to realize the Aeon Decarbonization Vision.

Report on reduction targets for energy consumption and CO₂ emissions

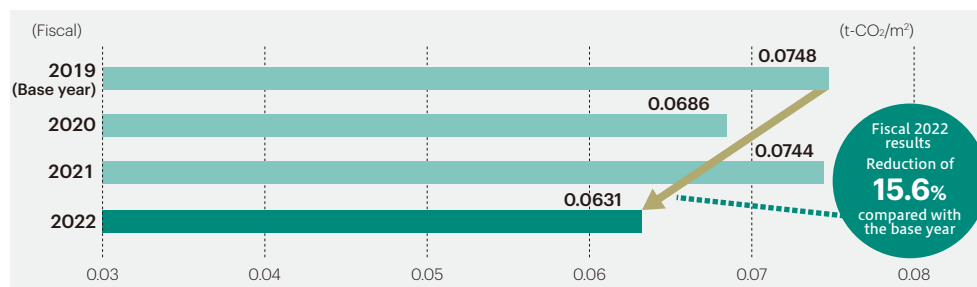
AEON REIT aims to reduce energy consumption intensity and CO₂ emissions intensity by 1% annually on average in its entire portfolio and at individual properties as its medium-term CO₂ reduction target.

Specifically, we have set a target of a 5% reduction over a five-year period from fiscal 2020 to fiscal 2024, using fiscal 2019 as the base year. In fiscal 2022, the CO₂ emissions intensity and energy consumption intensity decreased by 15.6% and 10.6%, respectively, compared to fiscal 2019.

Aiming to achieve the goal of the Aeon Decarbonization Vision of reducing total emissions of CO₂ and other GHGs from its stores to zero by 2040, efforts are being made to reduce energy consumption and switch to renewable energy at stores throughout the Group.

AEON REIT will continue to engage in dialogue with Aeon Group companies and work closely with them to reduce CO₂ emissions.

CO₂ intensity



Initiatives at AEON MALL

Many of the properties owned by AEON REIT are operated by AEON MALL, which is actively promoting 100% renewable energy-powered store operations. AEON MALL Miyakonojo Ekimae acquired in February 2023 was one of the properties that achieved this status. In addition to energy efficiency efforts, AEON MALL started the operation of its *Machi no Hatsudensho* (community power plants), which are self-consumption type low-voltage, decentralized solar power generation facilities, in September 2022, aiming to produce renewable energy for local consumption in cooperation with the local community. The environmentally friendly renewable energy generated by approximately 740 low-voltage solar power stations located in various regions is used in about 30 AEON MALL facilities across the country, with five of them being properties owned by AEON REIT. Plans are in place to launch the second phase of this initiative in the autumn of 2023. The number of power plants spread across different regions is set to increase to 1,390, with power supply extended to 50 malls. Please refer to the section on [Machi no Hatsudensho](#) (community power plants) on our website for details (in Japanese only).

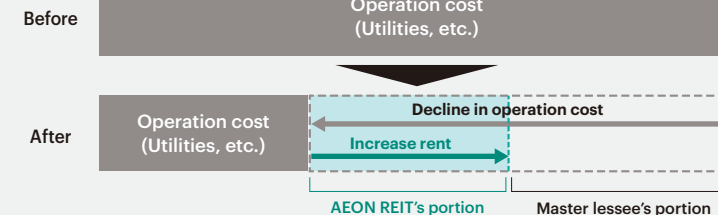
Investing in facilities with exceptional environmental performance (Green leases)

AEON REIT invests in facilities with exceptional environmental performance in collaboration with master lessees with the aim of maintaining and enhancing the comfort and productivity of properties and implementing environmental initiatives at its owned properties.

At the end of 2022, we invested in air conditioning with inverter units at AEON MALL Sapporo-Hiraoka and AEON MALL Tomakomai to improve energy efficiency and reduce utility costs. The investment was made not only in consideration of the environment but also to reduce operating costs for the master lessees and allow us to raise rents, thus providing financial benefits all round.

We are also investing in LED lighting and asphalt using recycled materials.

Sharing the cost reduction



AEON MALL Sapporo-Hiraoka



AEON MALL Tomakomai

Environment

Opportunities in Green buildings

Promoting acquisition of third-party certification

AEON REIT invests in and manages real estate with outstanding environmental performance and that accommodates social demands. We are actively acquiring third-party certification in order to have a solid grasp of objective assessments.

In addition to seeking to enhance the ratio of such real estate in our portfolio, we have set key performance indicators (KPIs) for the ratio of properties that have gained third-party certification with a focus on evaluation results.

We have achieved the figures stated in our medium-term targets as of July 31, 2023, and will continue striving to maintain levels exceeding these targets.

Definition of third-party certification

The ratio of properties with third-party certification is calculated by dividing the total leasable area of certified properties by that of all properties owned in Japan. Third-party certification refers to the DBJ Green Building, CASBEE for Real Estate and BELS Certifications, among others.

Targets (Medium-term targets announced in September 2022)	★4 or higher: 80% or more (★3 or higher: 85% or more)
Results (As of July 31, 2023)	★4 or higher: 82.5% (★3 or higher: 86.8%)

Note: ★4 or higher refers to "4 or 5 stars in the DBJ Green Building Certification," "Rank A or S in the CASBEE for Real Estate Certification," "4 or 5 stars in BELS Certification." ★3 or higher refers to "3, 4 or 5 stars in the DBJ Green Building Certification," "Rank B+, A or S in the CASBEE for Real Estate Certification," "3, 4 or 5 stars in BELS" (as of July 31, 2023).

Collaboration with business partners

AEON REIT collaborates with stakeholders to operate facilities that have minimal environmental impact.

We have established criteria for the selection of property management companies that we entrust to manage our properties and evaluate all property management companies once a year, in principle. We evaluate their ability to manage buildings and build and renovate buildings. We also take into account their environmental consideration in supplier selection and operations, industrial safety and health for employees, and their understanding of and compliance with the Asset Management Company's sustainability policy.

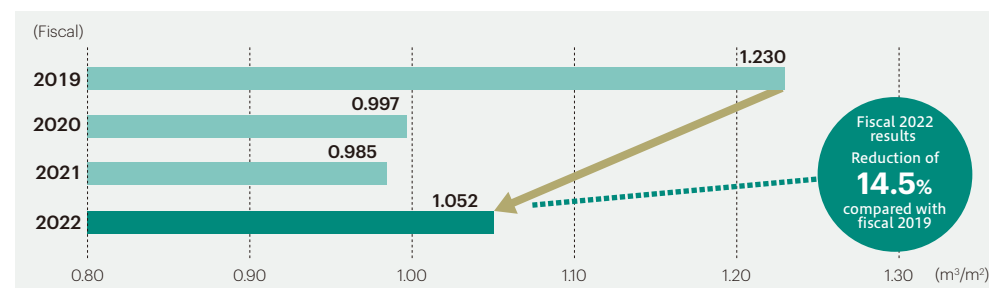
We cooperate with the property management companies in order to make improvements, which includes asking them to make proposals to reduce environmental impact such as initiatives to minimize energy consumption.

Resource recycling efforts

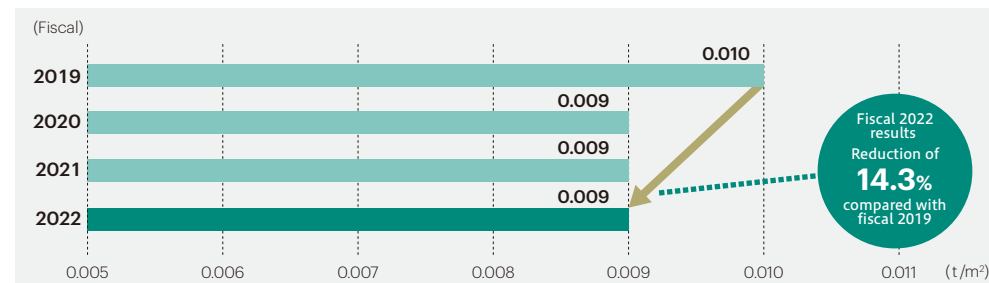
The Asset Management Company monitors the water usage and waste generation of our owned properties and advances related initiatives in collaboration with the master lessee and subtenants. In fiscal 2020 and fiscal 2021, the impact of the COVID-19 pandemic, which resulted in suspending operations and shortening operating hours at retail facilities, led to a reduction in both water usage and waste generation. However, in fiscal 2022, as business hours returned to normal, the number of visitors to retail facilities and their length of stay increased, resulting in year-on-year rises in both water usage and waste generation. Efforts are being made to reduce water consumption through the installation of water-saving devices and renovation accommodating the shift to water-efficient toilets.

Moreover, in our commitment to waste reduction, we have implemented a system that quantifies refuse by category and collaborated with subtenants to raise awareness and minimize waste, in addition to standard separation. We focus on recycling as much of the separated waste as possible to minimize overall waste generation.

Water use intensity



Waste disposal intensity



Environment

Environmental considerations in real estate investment

In recognition of the impact of our business activities on the environment, when acquiring properties, AEON REIT conducts assessments to identify environmental risk factors associated with the land in question, with a focus on contributing to environmental protection.

Property due diligence

At the time of property acquisition, we consider environmental risk factors related to the land in question to inform our decision-making. As a general rule, we select properties for investment that do not have issues related to the use and management of hazardous substances as identified in the building research report (engineering report).

Greenfield development (Addressing undeveloped sites)

The Aeon Group seeks to understand the impact of its business activities on ecosystems and strives to create facilities that consider a lush, green environment. The Group also actively engages in ecosystem conservation efforts around its properties through activities such as tree planting.

AEON REIT and AEON Reit Management collaborate with Group companies in promoting such endeavors and participate in tree planting in an effort to conserve natural environments around our properties. We have also set acquisition targets for Green Building certification for our owned properties and are promoting a shift to green buildings.



Trees planted on facility grounds make for an environmentally-friendly ambience

Brownfield redevelopment (Soil contamination risk management)

AEON REIT conducts soil contamination checks on the land subject to transaction at the time of property acquisition. A historical land-use survey is undertaken based on an evaluation report by a third-party investigation company regarding the potential for soil contamination. Based on the results of the survey, when there is a possibility of soil contamination on the property, such as former factory sites, we conduct soil sampling assessments. After confirming that appropriate measures have been taken, such as soil improvement or land covering with asphalt or concrete, to ensure that the land is free from health hazards, we proceed with the property acquisition. At the time of acquisition, for properties where the possibility of soil contamination could not be ruled out, we continue to monitor the contamination status periodically through a property management company after acquisition.

Environment

Biodiversity and land use

Aeon is promoting various initiatives in line with its Aeon Biodiversity Principle action guidelines to advance sustainable resource utilization while conserving biodiversity.

Tree-planting activities

The Aeon Group has been implementing the Aeon Hometown Forests Program since 1991, where a variety of trees suitable for the local environment are planted within the store premises when a new store opens, in collaboration with customers. We consider tree planting activities as a manifestation of the Aeon Basic Principles of "pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core." Efforts are undertaken alongside our customers throughout Japan and the world, local communities, and Group employees. In 2013, we achieved the milestone of planting 10 million trees, nurturing Aeon Hometown Forests in various locations worldwide. In addition, at stores with forests that have been established for around one to 30 years through our tree-planting efforts, we conduct customer-participatory wildlife surveys. By identifying the types of plants that form the forests and observing the presence and behavior of birds and insects within these forests over time, we gain insights into the richness of the forest, its ecological functions, and its biodiversity value. Over the course of two years, from 2021 to 2022, we conducted surveys at a total of 101 stores. As a result, we identified a remarkable 1,318 different species of wildlife. This confirms that Aeon Hometown Forests play a crucial role in enhancing the biodiversity value of local communities.

In fiscal 2022, AEON Reit Management also participated in a tree-planting event hosted by the Aeon Environmental Foundation at the Ishinomaki Minamihama Tsunami Memorial Park in Miyagi Prefecture, where AEON MALL Ishinomaki is located. We will continue to actively pursue these initiatives across the Group.



Planting trees at the Tsunami Memorial Park

Initiatives at our properties

Aeon is committed to eco-friendly store development, which involves conducting biodiversity assessments and devising strategies for reducing environmental impact during establishment. This approach aims to minimize our stores' impact on the surrounding environment and ecosystems, while also focusing on ecosystem conservation and creation. As part of these efforts, AEON MALL has obtained Association for Business Innovation in Harmony with Nature and Community (ABINC) certification since fiscal 2013. This certification objectively evaluates the status of biodiversity conservation at our stores.

As of March 2022, a total of 15 facilities have obtained this certification, including two properties owned by AEON REIT, namely AEON MALL Tamadaira woods and AEON MALL Shinrifu North Building.

Social

Local community engagement and sustainable development

AEON REIT invests in equipment and facilities that match the characteristics of each region, aiming to contribute to the sustainable development of local communities. Aeon upholds the Aeon Basic Principles of “pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.” As a responsible corporate citizen, Aeon implements various initiatives in collaboration with local residents in order to contribute to community development and enrich cultural life.

Acquiring community infrastructure assets and investing in revitalization

AEON REIT’s philosophy is to invest in community infrastructure assets. In addition to acquiring properties the Aeon Group operates as such assets, we also continue to make investments that contribute to the revitalization of our owned properties.

In AEON MALLs targeted for acquisition by AEON REIT, we carefully select properties that are essential to the local community, offering not only shopping, dining, and entertainment but also public facilities such as medical institutions, government offices, banks, and post offices, as well as event spaces such as Aeon Halls. After acquiring properties, we consistently carry out investments aimed at revitalization to adapt to changes in the lifestyles of local residents.

One example is the investment AEON REIT made to revitalize a portion of the facilities in AEON MALL Kurashiki, which has been reopening in stages since 2022. Based on the concept of turning the mall into a central hub for local solutions, the upgrade of the mall included the introduction of new stores while others were relocated or renovated. Also, the design of the exterior walls of the mall were fully renewed, and the food court, courtyard, and children’s playground were all upgraded.

Diverse perspectives were considered before making the changes. We increased facilities that take advantage of Kurashiki’s climate and build connection with the community as well as facilities that parents with small children can enjoy. These efforts have resulted in a mall that contributes to the sustainable development of the local community.

Community contribution through our properties

As a part of the local and global community, Aeon is committed to nurturing connections and creating towns that contribute to community development and the enrichment of cultural life alongside local residents and government authorities. Initiatives span a wide range of activities, from promoting customer health and conveying local attractions in each retail facility to providing opportunities for volunteer activities.

Initiatives to enhance health

AEON MALL supports customers in leading a healthy lifestyle by setting up walking courses within its facilities. The AEON MALL Walking program allows customers to exercise while shopping, regardless of the season, weather, or time. Moreover, events and activities promoting health serve to create an environment that supports a healthy lifestyle for all who visit.



Walking courses on mall premises

Communicating the attractions of the region

Aeon actively promotes the dissemination of the region’s appeal in collaboration with local residents. In addition to hosting events and exhibitions within retail facilities, designs and features are incorporated throughout the premises that showcase the traditional culture of each region.

AEON MALL Shinkomatsu highlights the charm of Komatsu City by featuring the captivating five-colored Kutani pillar featuring pieces of traditional Kutani pottery decorative plates, spanning from the first floor to the third floor. It also houses the Hakusan Terrace, providing a panoramic view of Mount Hakusan, one of Japan’s three most renowned mountains. Other facilities similarly convey the appeal of the region in collaboration with local residents.



Hakusan Terrace and five-colored Kutani pillar at AEON MALL Shinkomatsu

AEON Reit Management’s contributions to the local community

AEON Reit Management, the Asset Management Company, is also engaged in various social contribution activities as part of the Aeon Group. These activities include a community cleanup program once a month for the benefit of the local community and to drive regional revitalization.

In addition to undertaking fundraising activities every year, the company started donating to the AEON 1% Club Foundation in 2021. With this, major Aeon Group companies donate 1% of their pre-tax profits to the AEON 1% Club Foundation, enabling it to engage in projects based on the three themes of “sound development of the next generation,” “promotion of friendship with foreign countries” and “sustainable development of regional communities.” Specifically, the funds contributed are used to support the construction of schools in countries lacking educational facilities, the transmission of traditional events and culture rooted in local regions, the revival and reconstruction of regions damaged by large-scale natural disasters and the fostering of new talent who will shoulder the responsibility of such activities.

Activity	FY2019	FY2020	FY2021	FY2022
Number of community cleanup programs implemented	9	—	—	9
Support to AEON 1% Club Foundation	—	—	¥10,600,000	¥12,800,000
Amount donated to fundraising activities (frequency of participation)	¥23,331 (7 times)	¥14,751 (6 times)	¥15,917 (5 times)	¥49,175 (5 times)

Note: Community cleanup activities in FY2020 and FY2021 were voluntarily suspended due to the COVID-19 pandemic.

Social

Safety and security of owned properties

Aeon promotes measures that place top priority on ensuring safety, security, and comfort as part of its customer-first approach. Similarly, AEON REIT invests to enhance safety and security in our owned properties.

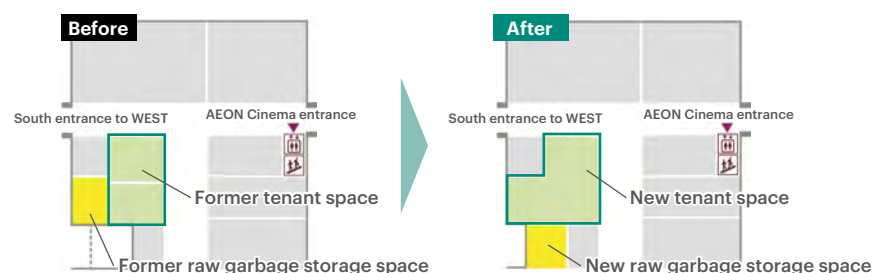
Investment to revitalize properties by boosting safety and comfort

AEON REIT is actively making capital investments to enhance the safety, comfort, and security of our owned properties.

We strive to make facilities safer by renewing disaster-proof shutters, installing emergency power generators and dual power lines, and changing materials in smoke-proof hanging walls to slow down the flow of smoke in a fire, such as shifting from glass to incombustible film.

In addition to upgrading toilet facilities to improve comfort, we are making revitalization investment in specific sections of our properties where we can make more effective use of space. At AEON MALL Suzuka, in June 2021, aging raw garbage bins were removed, and the raw garbage storage space was shifted to a semi-outdoor area, thereby improving the environment and increasing employee satisfaction. Shifting the raw garbage area enabled us to add more floor space for tenants, and the introduction of popular new tenants has made shopping more enjoyable for customers.

Shifting the raw garbage storage area at AEON MALL Suzuka



Mitigating earthquake risk

At AEON REIT, we aim to keep the probable maximum loss (PML) of our portfolio in Japan under 10%, in principle. If the PML of an individual property exceeds 15%, we take out earthquake insurance following comprehensive deliberation that takes into account the expected impact of an earthquake on the property and the entire portfolio as well as the effectiveness of the insurance.

For assets overseas, we comply with legal standards for earthquake resistance in the countries and regions we own properties and make investment decisions in careful consideration of the viability of calculating PML value in a region, the availability of earthquake insurance and local practices.

Group response to disaster preparedness

Since 2012, Aeon has been systematically establishing disaster relief centers to enhance safety and security measures in its facilities. These centers serve various roles during disasters, including providing temporary shelter, serving as bases for rescue and relief activities, and supplying essential goods. Self-power generation facilities and emergency water withdrawal outlets for water tanks have been installed at designated stores. As of February 28, 2022, these centers have been established at 65 locations, including eight properties owned by AEON REIT.

Disaster prevention agreements have also been concluded with local governments, which see us provide support in a disaster. Approximately 1,050 such agreements have been signed with around 750 local governments and private companies nationwide as of February 28, 2022. With this, Aeon sends relief supplies and offers up its parking spaces for use as evacuation sites in times of need. Aeon also cooperates with local disaster preparation activities such as conducting joint drills, which serve to strengthen community ties as well.

Disaster relief centers at AEON REIT properties (As of July 2023)

Number of disaster relief centers	8 properties (of 44 retail facilities in Japan)
Disaster prevention agreements	100%

Group response to boost the safety and comfort of properties

The Aeon Group actively promotes initiatives in consideration of the comfort and safety of its properties. This includes the installation of universal restrooms, vending machines based on universal design and barrier-free facilities such as slopes at many of its properties.

To make the lifestyles of employees more comfortable, the Group operates Aeon Yumemirai (Dreams for the Future) Nursery School in support of people working while raising children and looks to upgrade break rooms. There were 31 such nursery schools nationwide as of June 2023, with five of these located within properties owned by AEON REIT.

The Aeon Group has also established Aeon *Doyutenkai* (store association) for subtenants (lessees when subleasing) in retail facilities, offering multi-faceted support, including sales support, for tenants who are members.

Social

Recruitment efforts by the Asset Management Company

AEON Reit Management, the Asset Management Company, recruits diverse human resources, both inside and outside the Group, to achieve stable asset management over the medium to long term.

Recruitment of human resources

Aeon seeks individuals who can consistently offer high-value products and services based on a customer-first approach and aims to build an organization that attracts highly productive talent, fostering continuous growth. To achieve this, Aeon strives to create an environment where motivated individuals, regardless of race, age, nationality, or gender, can equally pursue opportunities, recruiting for specific jobs by targeting people who have just graduated college or university and mid-career professionals.

The Asset Management Company aims to secure personnel with sufficient capabilities by recruiting outstanding individuals externally in a timely manner and accepting high-skilled professionals with experience and expertise from various companies within the Aeon Group. Efforts are made to establish systems and foster an organizational culture where personnel with diverse backgrounds, values, and high levels of expertise can come together and fully utilize their abilities, ultimately contributing to the enhancement of unitholder value.

Employing senior citizens

The Aeon Group has been implementing a reemployment system for individuals aged 65 to 70 since 2018, and for those aged 70 to 75 since 2021. This allows employees to continue utilizing their licenses and qualifications for a longer duration and remain active in the organization. The Asset Management Company has introduced a mandatory retirement age of 65 so that every employee can maximize the expertise and capabilities they have enthusiastically built up through experience for as long as possible.

Recruitment of new graduates

Aeon Group continues to recruit new graduates and interns in an effort to secure diverse human resources under the concept of “challenge to change.” The Group provides various training opportunities after recruitment to create an environment in which each employee can continue to work with a sense of purpose, play an active role, and continue to grow.

Social

Human rights and a fair and healthy work environment

Aeon aims to realize a society where human rights are respected through its business activities based on Aeon's Basic Human Rights Policy, and endeavors to deepen the understanding of human rights among all Aeon employees.

The Basic Human Rights Policy of the Aeon Group

Aeon established its Basic Human Rights Policy in 2008 as part of management efforts to respect humanity, which forms part of the Aeon Basic Principles. In 2014, the policy was revised to specify that discrimination on the grounds of sexual orientation or gender identity will not be tolerated. It was revised again in 2018, expanding the scope to the human rights of suppliers.

The revised [Aeon's Basic Human Rights Policy](#) aims to implement initiatives to respect human rights based on international law and international agreements in addition to domestic law, and to target all stakeholders involved in Aeon's business activities. In addition to clearly stating these points, it stipulates that we will establish a human rights due-diligence process regarding the shadow of human rights through business activities and aim to realize a society in which human rights are respected.

Approach to diversity

Aeon refers to the satisfaction of employees, their families, customers, and the company created by diversity as “*Daimanzoku*.” The concept of “*Daimanzoku*” has been adopted as a shared vision within the Group, and includes various initiatives such as organization-wide diversity training and the “*Daimanzoku*” Award, which recognizes Group companies promoting diversity.

As part of efforts to accelerate diversity, Aeon has appointed diversity promotion managers and other individuals in each Group company to address challenges. It also holds events such as the “*Daimanzoku*” Forum for management to discuss themes related to diversity management and the “*Daimanzoku*” College to empower diverse human resources.

In addition to the Group-wide initiatives, the Asset Management Company conducts various programs aimed at improving diversity and equal opportunities for all employees, including officers. These programs include human rights training and harassment prevention training for all staff, ensuring that diverse personnel can maximize their individual strengths and work in a safe and inclusive environment. In all aspects of recruitment, employment, vacation requests, performance evaluation systems, and employee benefits, we provide fair and equitable treatment to our employees, regardless of their race, gender, sexual orientation, or religion.

Diversity promotion system

The Asset Management Company has established a Sustainability Promotion Committee for the promotion of initiatives related to sustainability. Enhancing employee diversity and addressing issues related to fairness and inclusivity are important priorities within this subcommittee, which serves as a platform for information sharing and deliberation.

Social

Human rights and a fair and healthy work environment

Initiatives for health, safety and the environment

The Asset Management Company holds bimonthly Safety and Health Committee meetings to ensure the health and safety of employees by sharing information and holding discussions on work style, health management and other matters. Other initiatives to ensure the health and safety of employees include making follow-up announcements for checkups with industrial physicians based on the results of regular checkups. Training is also given on such topics as infectious diseases, mental health and women's health depending on the issues each employee is facing. Various walking events and measures to prevent infections from spreading also aim to enhance health and safety. Since 2020, the Asset Management Company has been certified under the Health & Productivity Management Outstanding Organizations Recognition Program run by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, which undertakes advanced initiatives to prevent illness and enhance health nationwide in recognition of these efforts.

Comfortable work environment

Satisfaction surveys

The Asset Management Company utilizes the Aeon Code of Conduct Survey (employee satisfaction survey) which targets Aeon Group employees regarding their satisfaction on such topics as workplace environment while also covering compliance awareness. The surveys are viewed as an opportunity to listen to the opinions of employees and reflect them in management in order to create a more pleasant work environment.

Reflecting employee feedback in the workplace

We regularly provide opportunities for representatives from each department to come together and discuss ways to enhance the office environment from the employees' perspective. The ideas discussed are implemented in the office environment, and all employees work together to create a comfortable workplace. We have also introduced teleworking to promote diverse ways of working that take into account work conditions and living environments.



A hot-desk, or free-seating, arrangement facilitates easy communication

Grievance procedure

The Aeon Group established the Aeon Compliance Hotline in 2004 as an internal reporting system. The hotline serves as a channel for reporting and consulting on various workplace issues, not limited to reporting legal violations or misconduct, but also including communication problems with supervisors and personal challenges employees may face in the workplace. In addition, the Aeon Group has established internal and external consultation services for all employees including retirees.

Similarly, the Asset Management Company utilizes this system to proactively address any violations of laws and internal regulations to ensure a comfortable workplace environment. Please refer to "[Whistleblowing system](#)" on page 26 for more details on our internal reporting system.

Employee welfare

The Asset Management Company is working to establish systems and an organizational culture so that employees can maximize their potential.

Welfare programs (Leave and other systems)

Classification	Activity	Coverage	Details
Leave	Childcare leave	All employees	Until the child reaches the age of 2 or 3
	Caregiver leave	All employees	Up to one year in total
	Nursing care leave	All employees	Up to five days per year
	Annual paid leave by the hour	All employees	Up to five days per year
Healthcare	Safety and Health Committee	All employees (including officers)	Held bimonthly
	Employee satisfaction surveys	All employees	Conducted once a year (Started annually in 2019; conducted every other year prior to that)
	Provision of comprehensive medical checkups	All employees (including officers)	In addition to the annual basic checkup, cancer screenings are conducted based on age groups
	Stress checks	All employees	Conducted once a year
	Mental health courses	All employees (including officers)	Conducted at least once a year
	Checkups with industrial physicians	All employees (including officers)	Arranged on a regular basis and as needed
	Whistleblower system	All employees (including officers)	Established for use by all employees
	Infectious disease prevention	All employees (including officers)	Cost of equipment to prevent the spread of infection and flu vaccinations, etc. are subsidized
Other	Aeon Group's welfare system	All employees (including officers)	Signed up as a member of the Health Insurance Association and the Aeon Good Life Club, and use of employee discounts
	Periodic evaluations	All employees	Conducted in each period (every six months)
	Personnel interviews	All employees	Conducted with all employees once a year
	Cumulative investment system for investment units	All employees (including officers)	Expected to increase employee awareness aimed at boosting business performance and to enhance unitholder value
	Reduced working hour system for nursing care	All employees	Up to three times in three years per eligible family member Can be renewed in case the nursing care exceeds three years
	Reduced working hour system for childcare	All employees	Up to the time the child enters junior high school, at maximum

Social

Human resource development by the Asset Management Company

Aeon is striving to create a corporate environment in which each employee can continue to work with a sense of purpose, play an active role and continue to grow. AEON Reit Management, the Asset Management Company, has also established a basic policy in line with this philosophy in its efforts to develop human resources.

Policy on Human Resource Development

The Asset Management Company considers that it is necessary to gather human resources with various values and high level of expertise in order to realize its corporate philosophy. At the same time, development of company systems and fostering an organizational culture is considered as important actions with the aim of maximizing employees' abilities.

Based on the above idea, the Asset Management Company is continuously and actively investing in human resources to promote the autonomous development of abilities and careers by human resources, which are the most important assets for the company referring to the Code of Conduct. Approximately 1% of the annual operating revenue generated by the Asset Management Company is earmarked for investment in human resources.

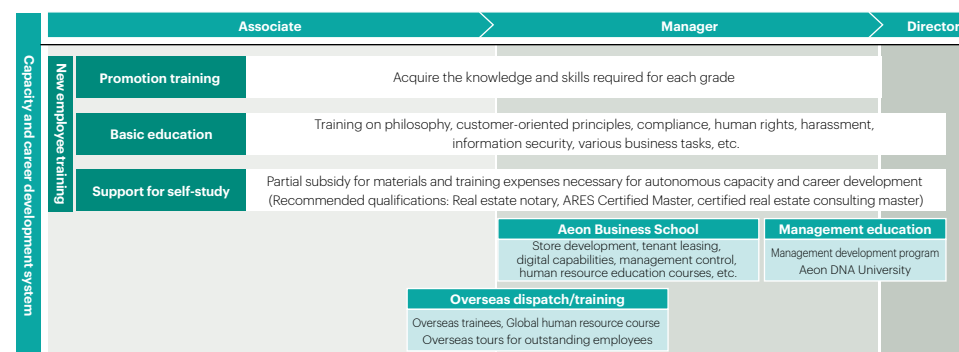
Training is provided to both the people conducting personnel evaluations and the people being evaluated. Goal-setting sessions and assessment-related interviews lay the platform for gaining employee understanding and increasing motivation while also providing the opportunity for personal growth.

Training system

The Asset Management Company conducts different kinds of training for all employees. The various programs seek to realize the Aeon Basic Principles, and include training to promote the sharing and dissemination of values, practical training to enhance the expertise and knowledge required for job roles at different levels and positions, and Aeon Business School, where motivated individuals can acquire the necessary knowledge and skills to pursue their desired career paths. The Asset Management Company continually reviews program content and conducts comprehensive training and assessments, both internally and externally, to cultivate personnel with advanced expertise. It has also introduced development programs tailored to career levels, as well as management training and support systems that promote autonomous skill development.

In addition, annual training sessions on human rights and harassment prevention are conducted, with participation from all employees. The aim is to create a pleasant work environment in which diverse human resources can play active roles through educational and awareness-raising activities that help resolve various issues related to human rights.

Capacity and career development system



Support for acquiring qualifications

The Asset Management Company aims to have a group of specialists who can develop their own skills and careers under their own steam. It has therefore designated real estate notary, ARES Certified Master, and certified real estate consulting master as specially recommended qualifications, and encourages their acquisition by providing various cost subsidies. In addition, the company provides support for the acquisition of various professional qualifications and the development of management skills. Besides support to obtain and keep the qualifications, it also covers the cost to attend seminars and the like.

Appropriate and fair personnel evaluation and compensation systems

The Asset Management Company has introduced a personnel evaluation system for all employees. Twice a year, at the beginning of the first and second halves, the company sets semi-annual goals through interviews with personnel evaluators, and at the end of the period, it evaluates performance against these goals. The company offers training for both evaluators and those being evaluated. Ensuring feedback from the personnel evaluator reaches the individual aims to enhance each person's performance and drive the achievement of organizational goals. Results from the evaluation are reflected in the compensation amount for the employee.

In addition, once a year, the company conducts interviews led by the human resource department, creating opportunities for dialogue about the individual's career development and current challenges to support employees and enhance organizational strength.

Governance

Corporate governance

Based on the recognition that strengthening corporate governance is an important management issue, AEON REIT has established a highly transparent and fair governance system and is promoting initiatives to reinforce this system.

Governance of AEON REIT Investment Corporation

Management structure

The Investment Corporation's managing bodies are the General Meeting of Unitholders consisting of unitholders, an executive director, three supervisory directors, the Board of Directors consisting of all executive directors and supervisory directors, and the independent auditor.

Certain matters concerning the Investment Corporation, which are stipulated in the Act on Investment Trusts and Investment Corporations ("Investment Trust Act") or the Articles of Incorporation, are resolved at the General Meeting of Unitholders, which is composed of unitholders. Resolutions at the General Meeting of Unitholders will be passed by a majority vote of the unitholders at the meeting where unitholders holding a majority of the investment units issued and outstanding are present. However, for certain important matters such as amendments to the Articles of Incorporation, resolutions (special resolutions) must be passed by a majority of two thirds or more of the affirmative votes of the unitholders at a meeting where unitholders holding a majority of the investment units issued and outstanding are present. The General Meeting of Unitholders convenes at least once every two years.

The executive director has the authority to execute the business of the Investment Corporation and to represent the Investment Corporation in all judicial or extrajudicial acts related to its business. Supervisory directors have the authority to supervise the execution of duties by the executive director and assessments are based on reports on the status of asset management, compliance and risk management provided by the executive officer at Board of Directors' meetings.

The Board of Directors has the authority to approve the execution of important duties, the authority stipulated in the Investment Trust Act and the Articles of Incorporation and the authority to supervise the execution of duties by the executive director.

The independent auditor is selected through resolution of the General Meeting of Unitholders. The Investment Corporation has selected PricewaterhouseCoopers Japan LLC to act in this capacity. The independent auditor audits the Investment Corporation's financial statements, reports to the supervisory directors any wrongful act or material fact in violation of the law or the Articles of Incorporation discovered in connection with the execution of duties by the executive director and performs other legally stipulated duties.

Directors (executive directors, supervisory directors)

As of September 30, 2023

Position	Name	Attendance at Board meetings Period ended July 31, 2022	Attendance at Board meetings Period ended January 31, 2023
Executive Director	Nobuaki Seki	7/7 (100%)	10/10 (100%)
Supervisory Director	Chiyu Abo	7/7 (100%)	10/10 (100%)
Supervisory Director	Yoko Seki	7/7 (100%)	9/10 (90%)
Supervisory Director	Makiko Terahara	7/7 (100%)	10/10 (100%)

At the fifth General Meeting of Unitholders held on October 21, 2021, one executive director and three supervisory directors were appointed. Three lawyers (one of whom has practical experience as a certified public accountant) assumed the roles of the supervisory directors. These lawyers supervise the execution of duties by the executive director from various perspectives based on their experience and knowledge. Supervisory directors are all external experts who have no special interests with the Investment Corporation. The ratio of female officers is 50%.

Restrictions on trading of investment units and bonds by officers

Insider Trading Management Regulations, established by the Investment Corporation to prevent insider trading, prohibit the officers from trading investment units and investment corporation bonds issued by the Investment Corporation. Neither the executive officer nor supervisory directors own any investment units of the Investment Corporation.

Governance

Corporate governance

Asset management fee structure

Method of calculation of fees etc. related to asset management

The Asset Management Company receives asset management fees (I and II), acquisition fees and disposal fees. The calculation method specified in the Investment Corporation's Articles of Incorporation is as shown below.

Management fee structure		Calculation method
Management fee	Management fee I	Total assets × 0.3% (maximum rate) × {No. of operating days / 365}
	Management fee II	DPU before deducting Management fee II × NOI × 0.001% (maximum rate)
Acquisition fee		Acquisition price × 0.5% (maximum rate) [Related party transactions: Acquisition price × 0.25% (maximum rate)]
Disposition fee		Disposition price × 0.5% (maximum rate) [Related party transactions: no disposition fee paid]

Remuneration of the executive director and supervisory directors

The monthly remuneration of the executive director and supervisory directors is set with an upper limit of ¥1 million. Remunerations are determined by the Board of Directors and shall be amounts considered reasonable in light of remunerations of directors and supervisory directors who perform similar duties at public companies and other corporations as well as general price and wage trends.

Position	Name	Remuneration for the period ended July 31, 2022 (thousands of yen)	Remuneration for the period ended January 31, 2023 (thousands of yen)
Executive Director	Nobuaki Seki	—	—
Supervisory Director	Chiyu Abo	1,800	1,800
Supervisory Director	Yoko Seki	1,800	1,800
Supervisory Director	Makiko Terahara	1,800	1,800

Remuneration of the independent auditor

Remuneration of the independent auditor shall be determined by the Board of Directors and have an upper limit of ¥30 million in each period subject to audit.

Name	Remuneration for the period ended July 31, 2022 (thousands of yen)	Remuneration for the period ended January 31, 2023 (thousands of yen)
PricewaterhouseCoopers Japan LLC	18,000	18,000

Reinforcement of corporate governance

Details and roles of external members

An external member with no special interests in either committee is selected by the Board of Directors for each of the Investment Committee and Compliance Committee. Resolutions of each committee require the attendance and approval of these external members to ensure fairness, objectivity and appropriateness in decision-making by the committees. The external committee members are as follows.

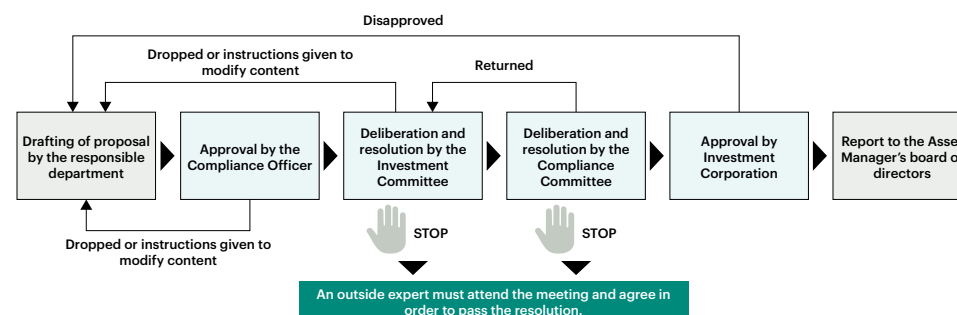
Position	Name
External member of the Investment Committee	Katsue Okuda
External member of the Compliance Committee	Aya Motomura

Decision-making process in conflict-of-interest transactions

Resolutions concerning related party transactions such as the acquisition of assets from the Aeon Group must be confirmed and approved by the compliance officer in advance to ensure legal compliance. The matter is then discussed by the Investment Committee and Compliance Committee of the Asset Management Company before a resolution is formed. For the final part of the decision-making process, a report is sent to the Board of Directors and the Investment Corporation.

Resolutions concerning related party transactions require the attendance and approval of an external member (independent third party), who has no special interests with the Aeon Group, at each of the Investment Committee and Compliance Committee meetings. This forms part of the mechanism for more rigorous decision-making.

Decision-making process in conflict-of-interest transactions



Governance

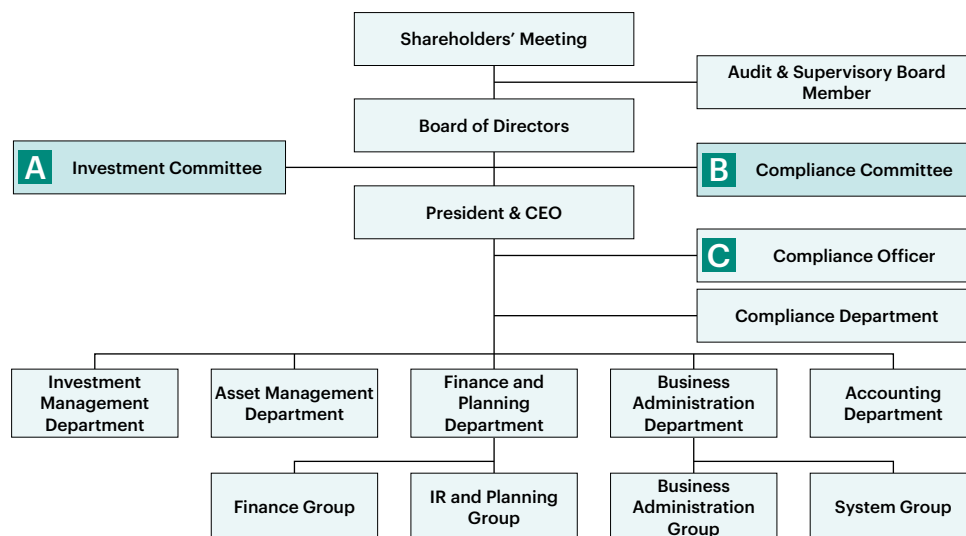
Thorough compliance and risk management

AEON REIT aims to achieve the vision set out in our Basic Compliance Policy. By thoroughly adhering to laws and regulations and implementing rigorous risk management, we strive to maximize sustainable unitholder value.

Basic Compliance Policy

AEON REIT Investment Corporation and AEON Reit Management Co., Ltd., which is commissioned to manage the assets of the Investment Corporation, are aware of their social responsibility and mission regarding society, which are derived from the fact that the Investment Corporation's asset management involves the management of its investors' funds. They have built an asset management system that is appropriate for promoting management prioritizing compliance to establish the trust of society by contributing to the development of the economy and society through healthy operations.

Organization chart of the Asset Management Company



The Asset Management Company has established Compliance Regulations, Compliance Committee Regulations and Compliance Manual as well as a Compliance Program, which is a specific execution plan to ensure compliance, as part of efforts to create and implement a robust compliance system. In addition, the Asset Management Company has adopted the Principles for Customer-Oriented Business Conduct issued by the Financial Services Agency and has formulated and announced a policy to carry out business operations for the Investment Corporation, which entrusts the Asset Management Company with business pertaining to asset management, and its unitholders. The Asset Management Company also regularly announces the status of activities under the policy with respect to key performance indicators (KPIs) and these Principles.

Role of each committee in the Asset Management Company

A Investment Committee	<p>Deliberates and makes decisions on matters concerning management policy, owned assets and sources of funding, etc.</p> <p>Members: All full-time directors including the representative director as well as general managers of the Investment Management Department, Asset Management Department, Finance and Planning Department, Business Administration Department and Accounting Department, an external member and a compliance officer</p>
B Compliance Committee	<p>Deliberates and makes decisions on compliance-related issues, including those related to business ethics and corruption</p> <p>Members: A compliance officer, all full-time directors including the representative director as well as the general manager of the Compliance Department and an external member</p>
C Compliance Officer	<p>Establishes the compliance system for the Investment Corporation and the Asset Management Company and has overall responsibility for compliance-related matters</p> <p>Appoints qualified individuals with sufficient capabilities for monitoring and supervising to ensure thorough compliance with laws and regulations within the company</p>

Governance

Thorough compliance and risk management

Initiatives to prevent corruption

The Aeon Group announced its participation in the United Nations Global Compact, which includes principles on preventing corruption proposed by the United Nations, on September 1, 2004. The Aeon Code of Conduct explicitly lays out policies that prevent bribery, including the prohibition of accepting gifts or hospitality from business partners.

The Asset Management Company has established various policies and procedures addressing topics such as anti-money laundering, counter-terrorism financing, prevention of bribery, rules for entertainment and gift-giving, and management of insider trading. The company has put in place a robust system to strictly forbid and prevent any activities that breach these regulations and the relevant laws. Additionally, the company prohibits not only actions that contravene laws and regulations but also behaviors that, while not illegal, can promote corruption or unfair practices and are deemed ethically unacceptable. This stance is reinforced by various guidelines and regulations, including a basic policy on corporate governance, Compliance Regulations, and the Compliance Manual.

Furthermore, to ensure transparency and fairness in business operations, the Group consistently promotes awareness among all employees through regular training on corporate ethical standards, including measures against misconduct and corruption. It also conducts internal audits and has established a Group-wide reporting mechanism, allowing for anonymous reporting both internally and externally.

Some of the guidelines and procedures established by the Asset Management Company are detailed below.

Anti-bribery regulations

The company and its executives must comply with anti-bribery laws, both domestic and international (including the Penal Code, Unfair Competition Prevention Act, other Japanese laws, and foreign laws). The following actions are strictly prohibited:

1. Bribery of public officials
2. Bribery of persons other than public officials
3. Accepting bribes
4. Assisting, brokering, or conspiring in acts of bribery
5. Facilitation payments

Procedures for entertainment and gift-giving

- Providing entertainment and gift-giving to business partners and suppliers is prohibited in principle.
- Providing entertainment and gift-giving between Group companies is prohibited in principle.
- Providing entertainment and gift-giving to public officials (including deemed public officials and foreign public officials) is prohibited in principle, both when offering and receiving.

Whistleblowing system

The Asset Management Company strives to strengthen compliance management by promptly detecting and rectifying violations and unethical behaviors in the workplace, such as illegal activities, breaches of employment rules, human rights infringements, and acts of harassment. The Aeon Compliance Hotline has been established as a Group-wide internal reporting system based on the Whistleblower Protection Act and the Cabinet Office guidelines for private enterprises concerning the Whistleblower Protection Act. For internal consultations, Aeon Co., Ltd.'s corporate ethics team serves as the point of contact, while an external advisory law firm is designated as the outside point of contact. This system is available to all employees working in the Group. In every case, anonymous reporting is possible, and strict confidentiality of the reported information is maintained in accordance with laws and internal regulations. Additionally, any retaliatory measures, such as unfair treatment or harassment based on the act of reporting, are strictly prohibited, and this is explicitly stated in rules and regulations.

Reports and consultations are passed on to the Group company concerned as feedback through the corporate ethics team. Within two weeks, an investigation is conducted to ascertain the facts behind each report or consultation and a response is made, with the results, including corrective measures, reported to the corporate ethics team. The compliance officer at the Asset Management Company serves as a point of contact for consultation and takes corrective measures whenever necessary. If deemed necessary at each point of contact, the content of the consultation is reported to the representative director, who then conducts an investigation, considering the rights of the person consulting, and takes the necessary measures to resolve the issue.

Implementation of internal audits

The Asset Management Company has established Internal Audit Regulations stipulating basic matters concerning the planning, implementation, and reporting of internal audits to ensure these activities are promoted smoothly and effectively. Under the guidance of the representative director, a compliance officer has been appointed as the person responsible for internal audits. Each year, through a resolution of the Board of Directors, an internal audit plan is formulated, covering a wide range of topics including corporate ethics. Based on this plan, the internal audit department conducts annual audits targeting all departments and operations within the company. In addition to evaluating and confirming the status of legal compliance, identifying issues, and making proposals for improvements, the internal audit department verifies that basic actions pertaining to accountability, duty of loyalty, and duty of care befitting the risk characteristics of the Asset Management Company have been performed appropriately. Once an audit has been completed, a report is prepared and directives for improvement given as required. A report on the results is provided to the representative director and the Board of Directors.

Additionally, separate from the internal audit, every year an audit is conducted in collaboration with an external auditing firm based on a predetermined theme. This not only aims to enhance auditing skills but also ensures that the audit is highly effective.

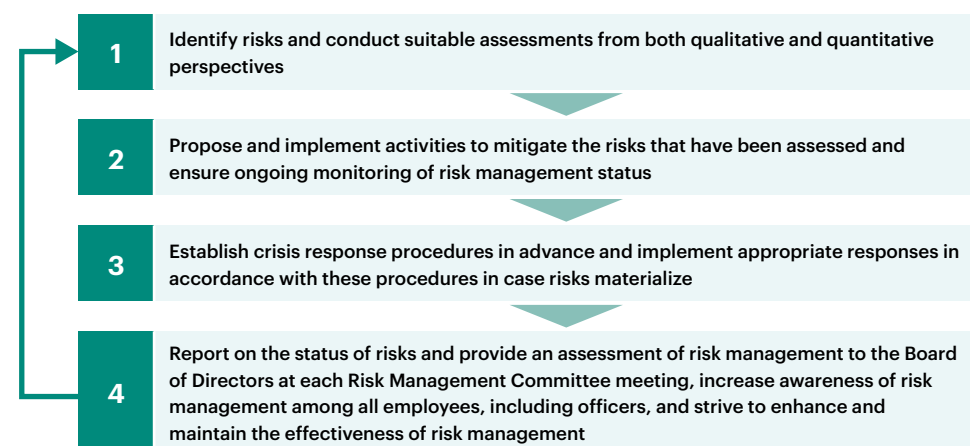
Governance

Thorough compliance and risk management

Risk management system

The Asset Management Company has set forth its basic policy and management system concerning risks within its Risk Management Regulations and a Risk Management Manual in order to classify risks according to various factors and understand, analyze, evaluate and manage those risks. Risk assessments are conducted once every six months based on these regulations and manual with the primary objective of ensuring sound management and appropriate business operations.

Risk assessment process



Compliance training

Compliance training is provided on a regular and ongoing basis to all employees to maintain awareness of the need for compliance and understanding of matters covered by regulations. A total of 12 training sessions were held in fiscal 2022 with a participation rate of 100%.

Content of fiscal 2022 training

- Procedure for checking legal requirements
- Duty of loyalty and duty of care
- Conflict of interest management
- Customer-oriented principles
- Whistleblowing system
- Response to anti-social forces
- Fair Disclosure Rules
- Basic requirements on anti-money laundering (AML) and combating the financing of terrorism (CFT) guidelines
- Status of investigations by authorities
- Management of insider trading and handling of corporate information
- Cybersecurity fundamentals and trends
- Recent topics in management and internal control such as securities inspection and ESG investment

System for eliminating anti-social forces

The Asset Management Company has implemented a policy addressing anti-social forces to ensure appropriate management, with the fundamental principle of completely avoiding any association or dealings with anti-social forces. To proactively prevent any dealings with anti-social forces, the company will conduct appropriate pre-screenings as necessary when entering into various agreements. Furthermore, in contracts entered into by the Asset Management Company, anti-social forces exclusion clauses will be included as necessary to prevent anti-social forces from becoming business partners and to ensure that if it is later discovered that the business partners have ties to anti-social forces, the relationship with those business partners can be promptly terminated.

In the event that unjust demands are made by anti-social forces, or if it is later discovered that a business partner has ties to anti-social forces, or there are suspicions as such, these matters shall be promptly reported to the person responsible for dealing with anti-social forces (compliance officer). Instructions will then be provided on subsequent actions and all necessary measures will be taken to swiftly terminate any such relationships in order to ensure the appropriateness of the Asset Management Company's management. At that time, no funding or other benefits for the purpose of severing the relationship will be provided.

Information security

The Asset Management Company has established a fundamental policy aimed at appropriately protecting information assets and maintaining and enhancing the level of organizational management of information and information security. At AEON REIT and the Asset Management Company, we acknowledge information assets as vital corporate resources. The responsibility for managing them is designated to the head of the Business Administration Department, and we are dedicated to ensuring their proper management and secure storage in accordance with our internal regulations. In addition, we have developed internal regulations to ensure the proper utilization of information systems and to prevent occurrences of system failures and cybersecurity incidents, responding appropriately as needed.

Sustainability finance

AEON REIT actively promotes sustainability finance for the purposes of maximizing value for unitholders and expanding sources of funding.

Sustainability finance and framework

With the basic philosophy of contributing to the enhancement of people's lives and local communities through investment in retail facilities and related properties, AEON REIT Investment Corporation aims to ensure stable income in the medium to long term by investing in community infrastructure assets.

We have formulated a framework for sustainability finance to realize this philosophy and objective. Through this framework, we also aim to expand sources of funding by increasing the base of investors who are active in ESG investment and to develop sustainability finance, which includes efforts in the investment corporation bond and sustainability bond markets.

Use of funds

Funding methods and uses are outlined below.

Procured funds	Green bond Green loan (including green derivatives) Sustainability bond Sustainability loan (including sustainability derivatives)
Use of funds	To acquire eligible green and eligible sustainability assets To repay loans used to acquire eligible green and eligible sustainability assets To redeem issued investment corporation bonds used to acquire eligible green and eligible sustainability assets

Standards for selecting eligible green and sustainability assets

The standards shown in the table at right are used when selecting eligible green and sustainability assets. The process involves a thorough evaluation and review by the Asset Management Company before selection by said company.

Management of procured funds

The Asset Management Company calculates the upper limit of funds to be procured for each of sustainability finance and green finance and formulates a plan for allocating the funds in line with these limits. Funds will be allocated the day after they are procured, in principle. In case of an exception, the funds will be strictly tracked.

Reporting

Disclosure method and frequency regarding allocation of funds

In principle, funds are allocated by the day immediately following the day of procurement, and disclosure is not necessary. However, funds that are not allocated for a long time and uses of funds in the past are disclosed once a year.

Disclosure method and frequency regarding impact reporting

The Investment Corporation will make disclosure to the lenders (or the investors) at least once a year until the repayment date of green loans (or the redemption date of green bonds) or the repayment date of sustainability loans (or the redemption date of sustainability bonds) arrives. (For details, please see the [Sustainability Finance](#) page on our website.)

Green qualification criteria 1 Sustainability qualification criteria 1	Any of the effective certifications listed in a through e below has already been or will be acquired. a. Three, four or five stars (★) in the DBJ Green Building Certification b. B+, A or S ranking in the CASBEE for Real Estate Certification c. Three, four or five stars (★) in the BELS Certification d. Silver, Gold or Platinum in the LEED certification e. Any third-party certification, other than the certifications above, whose ratings are equivalent to such respective ratings
Green qualification criteria 2	Repair work of equipment, etc. that aims for effective environmental improvement in terms of energy efficiency and water consumption, etc. at operated real estate.
Sustainability qualification criteria 2	Social Projects that contribute to either (1) or (2) below. In addition, of the projects in (a) through (e) below, those that meet two or more items and can be deemed to contribute to local communities and to fulfilling the lives of people as life infrastructure assets of local communities are considered to be projects that meet the qualified criteria. (1) Socioeconomic improvement and empowerment (a) Facilities that are sufficiently creating local employment (2) Access to essential services (b) Facilities that are able to supply necessary resources and evacuation space at the time of disaster by concluding a disaster prevention agreement with a local government (c) Facilities that contribute to healthy and cultural lives of local people with childcare facilities or medical facilities moving in as tenants (d) Facilities that will become basic infrastructure for the daily lives of local people by having public tenants such as a post office (e) Facilities where barrier-free or gender-free equipment is provided
<p>Note:</p> <p>All of the projects at right are required to meet the condition of matching the project classification indicated by the Social Bond Principles and being suitable for people to be covered.</p>	

ESG Data

Environment

Theme	Activity	Unit	FY2020	FY2021	FY2022
Greenhouse gas	CO ₂ emissions	t-CO ₂	239,520	264,345	260,976
	Scope 1	t-CO ₂	0	0	0
	Scope 2	t-CO ₂	25	23	17
	Scope 3	t-CO ₂	239,495	264,322	260,959
	CO ₂ intensity	t-CO ₂ /m ²	0.0686	0.0744	0.0631
Energy	Annual reduction rate on average compared to the base year (FY2019)	%	91.7	99.5	84.4
	Energy consumption	ML	5,534,183,181	6,061,005,036	6,082,964,080
	Energy intensity	ML/m ²	1,557	1,534	1,470
Water	Annual reduction rate on average compared to the base year (FY2019)	%	94.7	93.3	89.4
	Water use	m ³	3,543,233	3,893,485	4,156,797
Waste	Water use intensity	m ³ /m ²	0.997	0.985	1.052
	Amount of waste generated	t	31,249	34,049	35,303
	Waste disposal intensity	t/m ²	0.009	0.009	0.009
Third-party certification	Amount recycled	t	18,574	19,734	20,576
	Ratio of properties with third-party certification	%	74.5	84.9	86.8

Notes:

1. A definition of each scope follows.

Scope 1: Direct greenhouse gas emissions from office operations of the Investment Corporation and the Asset Management Company

Scope 2: Indirect emissions associated with the use of electricity, heat and steam supplied by other companies for office operations of the Investment Corporation and the Asset Management Company

Scope 3: Indirect emissions associated with activities at owned properties and other parties related to the Investment Corporation and the Asset Management Company

2. "CO₂ intensity," "Energy intensity," and "Annual reduction rate on average compared to the base year (FY2019)" are calculated based on the CO₂ emissions and energy consumed from operations at properties owned by AEON REIT that are included in Scope 3.

3. Figures for "Greenhouse gas," "Energy," "Water" and "Waste" for FY2019 and FY2022 have not been verified by a third-party organization.

4. Data prior to FY2019 can be found on the [Environment](#) section of our website.

5. The ratio of properties with third-party certification is based on results as of January 31 each fiscal year.

Governance

Theme	Activity	FY2020	FY2021	FY2022
Compliance	Number of regular internal audits conducted	10	9	10
	Number of times whistleblowing system used	0	0	0
	Number of compliance training sessions	12	11	12
	Amount of political contributions (yen)	0	0	0

Social

Theme	Activity	FY2020	FY2021	FY2022
Employees	Number of employees (including officers)	37	40	40
	Male (ratio)	32 (86%)	31 (78%)	29 (73%)
	Female (ratio)	5 (14%)	9 (22%)	11 (28%)
	Directly hired employees	28	34	36
	Male (ratio)	24 (86%)	26 (76%)	25 (69%)
	Female (ratio)	4 (14%)	8 (24%)	11 (31%)
	Number of seconded employees accepted	5	2	0
	Male (ratio)	4 (80%)	1 (50%)	0 (0%)
	Female (ratio)	1 (20%)	1 (50%)	0 (0%)
	Management	18	19	17
	Male (ratio)	15 (83%)	18 (95%)	15 (88%)
	Female (ratio)	3 (17%)	1 (5%)	2 (12%)
	New hires	2	9	4
	Male (ratio)	1 (50%)	5 (56%)	2 (50%)
	Female (ratio)	1 (50%)	4 (44%)	2 (50%)
Work-life balance	Turnover rate (%)	5	8	8
	Employees aged 60 and over	4	1	0
	Employees taking childcare leave	1	1	0
	Male	0	0	0
	Female	1	1	0
	Uptake of childcare leave (%)	—	—	—
	Male	0	0	0
	Female	100	100	0
	Employees taking nursing care leave	0	0	0
	Male	0	0	0
	Female	0	0	0
	Average overtime hours (hours/month)	11.7	14.3	15.6
	Average number of paid holidays taken	12.4	10.4	11.1
	Occupational fatal accidents	0	0	0
	Gender wage gap (%)	81	71	71
Human resources development	Absence rate (%)	0.71	2.5	1.68
	Training hours per employee	16	29	23
	Training costs per employee (Yen)	46,000	90,500	146,000
	Number of employees with real estate qualifications	25	32	29
	Real estate notary	13	18	15
	ARES Certified Master	9	11	11
Social contributions	Certified real estate consulting master	3	3	3
	Number of community cleanup programs implemented	—	—	9
	Support to AEON 1% Club Foundation (Yen)	—	10,600,000	12,800,000
	Donations (Yen)	14,751	15,917	49,175

Notes:

1. Uptake of childcare leave by male employees = Number of male employees who took childcare leave or similar during the disclosed fiscal year / Number of instances where male workers' spouses gave birth during the disclosed fiscal year) × 100

2. Gender wage gap = Annual average salary of female employees, excluding officers / Annual average salary of male employees × 100

Data on sustainability finance

Status of fund procurement

Amount of procured funds and allocation

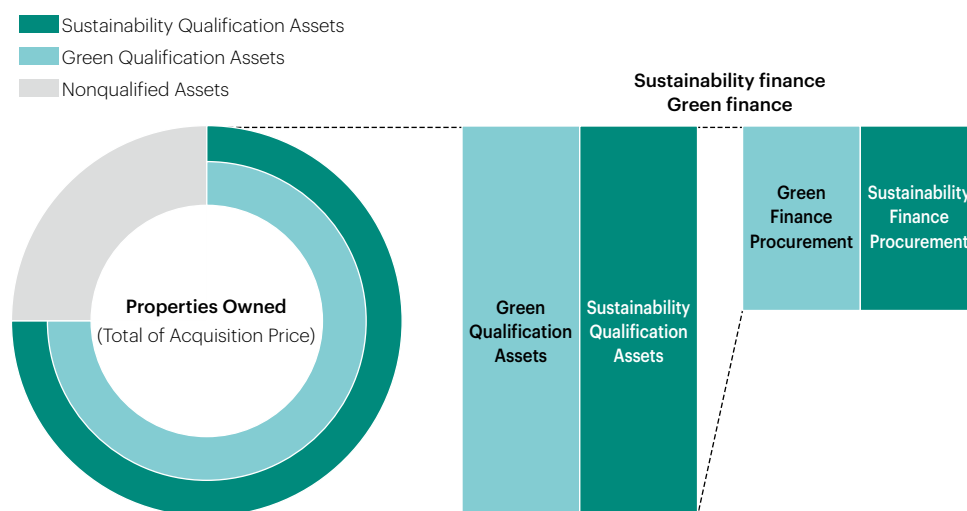
		Funds	Date of procurement	Date of repayment/redemption	Allocation	Use of initial funds
Green loan	(1)	¥3.3bn	Oct. 21, 2019	Oct. 20, 2022	Allocated	Acquisition of AEON MALL Kofu Showa (existing building) Acquisition of AEON MALL Kagoshima
	Total	¥3.3bn	—	—	—	—
Green bond	(1)	¥12.0bn	Dec. 6, 2019	Dec. 6, 2029	Allocated	Acquisition of AEON MALL Kofu Showa (existing building) Acquisition of AEON MALL Kagoshima
	Total	¥12.0bn	—	—	—	—
Green finance	Total	¥15.3bn	—	—	—	—
Sustainability loan (including sustainability derivatives)	(1)	¥5.1bn	Mar. 22, 2022	Oct. 22, 2039	Allocated	Acquisition of AEON MALL Shinkomatsu
	Total	¥5.1bn	—	—	—	—
Sustainability bond	(1)	¥18.0bn	Dec. 4, 2020	Dec. 4, 2030	Allocated	Acquisition of AEON MALL Mitouchihara Acquisition of AEON MALL Ishinomaki
	Total	¥18.0bn	—	—	—	—
Sustainability finance	Total	¥23.1bn	—	—	—	—
—	Grand total	¥38.4bn	—	—	—	—

Upper limit of procurement

	Number of properties	Amount
Properties Owned	49	¥468.3bn
Sustainability Qualification Assets	33	¥376.0bn
Green Qualification Assets	33	¥376.0bn
DBJ Green Building	28	¥313.1bn
CASBEE	4	¥53.0bn
Building-Housing Energy-efficiency Labelling System (BELS)	1	¥9.8bn
Sustainability Finance Procurement	—	¥167.7bn
Green Finance Procurement	—	¥167.7bn

Notes:

1. The Upper limit of the Sustainability Finance Procurement = Total Acquisition Value of Sustainability Qualified Assets × the total asset LTV
2. The Upper limit of the Green Finance Procurement = Total Acquisition Value of Green Qualified Assets × the total asset LTV
3. Total asset LTV is calculated based on figures as of January 31, 2023, with the number of properties and amounts stated as of February 28, 2023.



Data on sustainability finance

Impact reporting

1. List of properties certified by a third-party certification organization

For details, please see the [Third-party certification](#) page on our website.

2. Consumption, etc. of the items below

-Energy consumption (electricity, gas) -Greenhouse gas emissions

Qualified assets

				Electricity (kWh and kWh/m ²)	Gas (m ³ and m ³ /m ²)	Greenhouse gas (t-CO ₂ and t-CO ₂ /m ²)
FY2020	Number of properties	30	Total amount	444,279,367	1,625,302	191,931
	Percentage	73.17%	Intensity	147	0.5	0.0634
FY2021	Number of properties	33	Total amount	487,399,867	1,836,834	213,054
	Percentage	73.33%	Intensity	145	0.5	0.0635
FY2022	Number of properties	33	Total amount	492,528,415	1,844,195	212,102
	Percentage	70.21%	Intensity	147	0.5	0.0632

Nonqualified assets

				Electricity (kWh and kWh/m ²)	Gas (m ³ and m ³ /m ²)	Greenhouse gas (t-CO ₂ and t-CO ₂ /m ²)
FY2020	Number of properties	11	Total amount	96,207,047	2,789,791	47,564
	Percentage	26.83%	Intensity	182	5.3	0.0902
FY2021	Number of properties	12	Total amount	106,296,637	2,774,993	51,268
	Percentage	26.67%	Intensity	178	4.7	0.0860
FY2022	Number of properties	14	Total amount	106,182,204	2,329,673	48,857
	Percentage	29.79%	Intensity	136	3.0	0.0625

3. Contents of construction work of projects selected based on the Green Qualification criteria 2 (green projects) and their assumed reduction rate

Not applicable

4. Social projects which properties for the initial use of funds fall into based on the Sustainability Qualification criteria 2

Properties subject for the finance	Social project applicable for the finance
AEON MALL Ishinomaki	(1) (a) Facilities that are sufficiently creating local employment (2) (b) Facilities that are able to supply necessary resources and evacuation space at the time of disaster by concluding a disaster prevention agreement with a local government
AEON MALL Mitouchihara	
AEON MALL Shinkomatsu	

5. Total number of employees in properties subject to finance (in case of (1)(a) of Sustainability Qualification criteria 2)

Applicable properties	Total number of employees
AEON MALL Ishinomaki	Approx. 1,480
AEON MALL Mitouchihara	Approx. 3,500
AEON MALL Shinkomatsu	Approx. 2,550

6. Of properties subject to finance, the percentage of facilities that conclude a disaster prevention agreement with a local government (in case of (2)(b) of Sustainability Qualification criteria 2)

The point in time	Percentage
As of February 28, 2023	100%

7. Of properties subject to finance, the total number of tenants with a childcare facility or medical or public function (in case of (2)(c),(d) of Sustainability Qualification criteria 2)

Not applicable

8. Of properties subject to finance, the percentage of facilities that support barrier-free and gender-free (in case of (2)(e) of Sustainability Qualification criteria 2)

Not applicable

GRI Standards Index

Statement of use	AEON REIT and AEON Reit Management have reported information cited in this GRI content index for the period March 1, 2022 to February 28, 2023 in accordance with the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Disclosure	Sustainability report
GRI 2: General Disclosures 2021	
1. Organization and reporting practices	
2-1 Organizational details	➤ Introduction to AEON REIT (p. 4)
2-2 Entities included in the organization's sustainability reporting	➤ Editorial policy (p. 3)
2-3 Reporting period, frequency, and contact point	➤ Editorial policy (p. 3)
2-4 Restatements of information	Not applicable
2-5 External assurance	—
2. Activities and workers	
2-6 Activities, value chain, and other business relationships	➤ Introduction to AEON REIT (p. 4)
2-7 Employees	➤ ESG Data (p. 29)
2-8 Workers who are not employees	Not applicable
3. Governance	
2-9 Governance structure and composition	➤ Governance of AEON REIT Investment Corporation (p. 23)
2-10 Nomination and selection of the highest governance body	➤ Governance of AEON REIT Investment Corporation (p. 23)
2-11 Chair of the highest governance body	➤ Governance of AEON REIT Investment Corporation (p. 23)
2-12 Role of the highest governance body in overseeing the management of impacts	➤ Sustainability promotion system and policy (p. 12)
2-13 Delegation of responsibility for managing impacts	➤ Sustainability promotion system and policy (p. 12)
2-14 Highest governance body's role in sustainability reporting	➤ Sustainability promotion system and policy (p. 12)
2-15 Appropriate management of Conflicts of Interest	➤ Reinforcement of corporate governance (p. 24)
2-16 Communicating critical concerns	➤ Governance of AEON REIT Investment Corporation (p. 23) ➤ Whistleblowing system (p. 26) ➤ Implementation of internal audits (p. 26)
2-17 Collective knowledge of highest governance body	➤ Governance of AEON REIT Investment Corporation (p. 23)
2-18 Evaluation of the performance of the highest governance body	➤ Governance of AEON REIT Investment Corporation (p. 23)
2-19 Remuneration policies	➤ Asset management fee structure (p. 24)
2-20 Process for determining remuneration	➤ Asset management fee structure (p. 24)
2-21 Annual total compensation ratio	—
4. Strategy, policies, and practices	
2-22 Statement on sustainable development strategy	➤ Message from the management (p. 7)

Disclosure	Sustainability report
2-23 Policy commitments	➤ Sustainability promotion system and policy (p. 12) ➤ The Basic Human Rights Policy of the Aeon Group (p. 20)
2-24 Embedding policy commitments	➤ Sustainability promotion system and policy (p. 12) ➤ Training system (p. 22) ➤ Role of each committee in the Asset Management Company (p. 25)
2-25 Processes to remediate negative impacts	➤ The Basic Human Rights Policy of the Aeon Group (p. 20) ➤ Whistleblowing system (p. 26) ➤ Implementation of internal audits (p. 26)
2-26 Mechanisms for seeking advice and raising concerns	➤ Comfortable work environment (p. 21) ➤ Whistleblowing system (p. 26)
2-27 Compliance with laws and regulations	—
2-28 Membership associations	—
5. Stakeholder engagement	
2-29 Approach to stakeholder engagement	—
2-30 Collective bargaining agreements	—

GRI 3: Material Topics 2021	
Material topics 2021	
3-1 Process to determine material topics	—
3-2 List of material topics	➤ Materiality and KPIs (p. 5)
3-3 Management of material topics	➤ Materiality and KPIs (p. 5) ➤ Response to climate change (p. 13)

Standard by item

Disclosure	Sustainability report
Economy	
GRI 201: Economic Performance 2016	
201-1 Direct economic value generated and distributed	—
201-2 Financial implications and other risks and opportunities due to climate change	➤ Support for TCFD (Task Force on Climate-related Financial Disclosures) (p. 13)
201-3 Defined benefit plan obligations and other retirement plans	—
201-4 Financial assistance received from government	Not applicable
GRI 202: Market Presence 2016	
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	—
202-2 Proportion of senior management hired from the local community	—

GRI Standards Index

Disclosure	Sustainability report
GRI 203: Indirect Economic Impacts 2016	
203-1 Infrastructure investments and services supported	➤ Acquiring community infrastructure assets and investing in revitalization (p. 18)
203-2 Significant indirect economic impacts	—
GRI 204: Procurement Practices 2016	
204-1 Proportion of spending on local suppliers	—
GRI 205: Anti-corruption 2016	
205-1 Operations assessed for risks related to corruption	➤ Initiatives to prevent corruption (p. 26)
205-2 Communication and training about anti corruption policies and procedures	➤ Initiatives to prevent corruption (p. 26) ➤ Compliance training (p. 27)
205-3 Confirmed incidents of corruption and actions taken	—
GRI 206: Anti-competitive Behavior 2016	
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not applicable
GRI 302: Energy 2016	
302-1 Energy consumption within the organization	➤ ESG Data (p. 29)
302-2 Energy consumption outside of the organization	➤ Report on reduction targets for energy consumption and CO ₂ emissions (p. 15) ➤ ESG Data (p. 29) ➤ Data on sustainability finance (p. 31)
302-3 Energy intensity	➤ Report on reduction targets for energy consumption and CO ₂ emissions (p. 15) ➤ ESG Data (p. 29) ➤ Data on sustainability finance (p. 31)
302-4 Reduction of energy consumption	➤ Report on reduction targets for energy consumption and CO ₂ emissions (p. 15) ➤ ESG Data (p. 29)
302-5 Reductions in energy requirements of products and services	➤ Report on reduction targets for energy consumption and CO ₂ emissions (p. 15) ➤ ESG Data (p. 29)
GRI 303: Water and Effluents 2018	
303-1 Interactions with water as a shared resource	➤ Resource recycling efforts (p. 16)
303-2 Management of water discharge-related impacts	—
303-3 Water withdrawal	—
303-4 Water discharge	—
303-5 Water consumption	➤ Resource recycling efforts (p. 16) ➤ ESG Data (p. 29)

Disclosure	Sustainability report
GRI 304: Biodiversity 2016	
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—
304-2 Significant impacts of activities, products, and services on biodiversity	—
304-3 Habitats protected or restored	—
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	—
GRI 305: Emissions 2016	
305-1 Direct (Scope 1) GHG emissions	➤ ESG Data (p. 29)
305-2 Energy indirect (Scope 2) GHG emissions	➤ ESG Data (p. 29)
305-3 Other indirect (Scope 3) GHG emissions	➤ ESG Data (p. 29)
305-4 GHG emissions intensity	➤ ESG Data (p. 29)
305-5 Reduction of GHG emissions	➤ ESG Data (p. 29)
305-6 Emissions of ozone-depleting substances (ODS)	—
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	—
GRI 306: Waste 2020	
306-1 Waste generation and significant waste-related impacts	➤ Resource recycling efforts (p. 16)
306-2 Management of significant waste-related impacts	➤ Brownfield redevelopment (Soil contamination risk management) (p. 17)
306-3 Waste generated	➤ Resource recycling efforts (p. 16) ➤ ESG Data (p. 29)
306-4 Waste diverted from disposal	➤ Resource recycling efforts (p. 16) ➤ ESG Data (p. 29)
306-5 Waste directed to disposal	➤ Resource recycling efforts (p. 16) ➤ ESG Data (p. 29)
GRI 308: Supplier Environmental Assessment 2016	
308-1 New suppliers that were screened using environmental criteria	—
308-2 Negative environmental impacts in the supply chain and actions taken	—
Social	
GRI 401: Employment 2016	
401-1 New employee hires and employee turnover	➤ Recruitment of human resources (p. 20) ➤ ESG Data (p. 29)

GRI Standards Index

Disclosure	Sustainability report
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	➤ Employee welfare (p. 21)
401-3 Parental leave	➤ Employee welfare (p. 21) ➤ ESG Data (p. 29)
GRI 403: Occupational Health and Safety 2018	
403-1 Occupational health and safety management system	➤ Initiatives for health, safety and the environment (p. 21)
403-2 Hazard identification, risk assessment, and incident investigation	—
403-3 Occupational health services	➤ Initiatives for health, safety and the environment (p. 21)
403-4 Worker participation, consultation, and communication on occupational health and safety	➤ Initiatives for health, safety and the environment (p. 21)
403-5 Worker training on occupational health and safety	➤ Initiatives for health, safety and the environment (p. 21)
403-6 Promotion of worker health	➤ Initiatives for health, safety and the environment (p. 21)
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	—
403-8 Workers covered by an occupational health and safety management system	➤ Initiatives for health, safety and the environment (p. 21)
403-9 Work-related injuries	➤ ESG Data (p. 29)
403-10 Work-related ill health	—
GRI 404: Training and Education 2016	
404-1 Average hours of training per year per employee	➤ ESG Data (p. 29)
404-2 Programs for upgrading employee skills and transition assistance programs	➤ Training system (p. 22)
404-3 Percentage of employees receiving regular performance and career development reviews	➤ Appropriate and fair personnel evaluation and compensation systems (p. 22)
GRI 405: Diversity and Equal Opportunity 2016	
405-1 Diversity of governance bodies and employees	➤ Approach to diversity (p. 20) ➤ Governance of AEON REIT Investment Corporation (p. 23) ➤ ESG Data (p. 29)
405-2 Ratio of basic salary and remuneration of women to men	➤ ESG Data (p. 29)
GRI 406: Non-discrimination 2016	
406-1 Incidents of discrimination and corrective actions taken	Not applicable
GRI 407: Freedom of Association and Collective Bargaining 2016	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not applicable
GRI 408: Child Labor 2016	
408-1 Operations and suppliers at significant risk for incidents of child labor	Not applicable

Disclosure	Sustainability report
GRI 409: Forced or Compulsory Labor 2016	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not applicable
GRI 410: Security Practices 2016	
410-1 Security personnel trained in human rights policies or procedures	Not applicable
GRI 411: Rights of Indigenous Peoples 2016	
411-1 Incidents of violations involving rights of indigenous peoples	Not applicable
GRI 413: Local Communities 2016	
413-1 Operations with local community engagement, impact assessments, and development programs	➤ Local community engagement and sustainable development (p. 18)
413-2 Operations with significant actual and potential negative impacts on local communities	Not applicable
GRI 414: Supplier Social Assessment 2016	
414-1 New suppliers that were screened using social criteria	Not applicable
414-2 Negative social impacts in the supply chain and actions taken	—
GRI 415: Public Policy 2016	
415-1 Political contributions	➤ Initiatives to prevent corruption (p. 26) ➤ ESG Data (p. 29)
GRI 416: Customer Health and Safety 2016	
416-1 Assessment of the health and safety impacts of product and service categories	➤ Local community engagement and sustainable development (p. 18) ➤ Safety and security of owned properties (p. 19)
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Not applicable
GRI 418: Customer Privacy 2016	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not applicable