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For Immediate Release

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Notice Concerning Formulation of Sustainability Finance Framework

AEON REIT Investment Corporation (the “Investment Corporation”) hereby announces that AEON Reit Management Co., Ltd. (the “Asset Manager”), to which the Investment Corporation entrusts the management of its assets, has developed a sustainability finance framework for the Investment Corporation to continuously implement sustainability finance, etc. (Note 1).

Details are as described below.

The Investment Corporation has acquired “SU1(F)” of “JCR Sustainability Finance Framework Evaluation” (Note 2) from Japan Credit Rating Agency, Ltd. (JCR) as a third-party evaluation on its sustainability finance framework.

(Note 1) “Sustainability finance, etc.” is a singular or collective term for green finance and sustainability finance.

“Green finance” refers to borrowings or the issuance of investment corporation bonds for the purpose of appropriating the full amount of funds to be raised for use, such as funds to acquire eligible green assets (to be defined below) and funds to refinance borrowings, which were appropriated for funds to acquire eligible green assets.

“Sustainability finance” refers to borrowings or the issuance of investment corporation bonds for the purpose of appropriating the full amount of funds to be raised for use such as funds to acquire eligible sustainability assets (to be defined below) and funds to refinance borrowings that were appropriated for funds to acquire eligible sustainability assets.

(Note 2) For details of “JCR Sustainability Finance Framework Evaluation,” please refer to the website of Japan Credit Rating Agency, Ltd. (JCR) (<https://www.jcr.co.jp/en/greenfinance/sustainability/>)

1. Purpose and background of the formulation of the Sustainability Finance Framework

The Investment Corporation aims to ensure stable income in the medium to long term through investment in local communities and their retail business infrastructure based on its basic philosophy of “investing in retail and related properties that contribute to the betterment of individual lives and local communities.” The Asset Manager has already developed a sustainability policy based on the view that consideration given to ESG in its overall operations and cooperation with stakeholders to that end are important to realize this philosophy and these objectives, and works to practice that policy. The Asset Manager has recently decided to formulate the Sustainability Finance Framework to realize this philosophy and these objectives, and to in turn use them to enhance financing methods and the development of sustainability finance, etc. through the expansion of the base of investors with a strong interest in ESG investment.

2. Overview of the Sustainability Finance Framework

(1) Use of funds raised by green finance and sustainability finance

The Investment Corporation will appropriate the full amount of funds to be raised by green finance or sustainability finance for funds to acquire eligible green assets (Note 1) or eligible sustainability assets (Note 2), funds to refinance borrowings, which were appropriated for funds to acquire eligible green assets or eligible sustainability assets, funds to repay borrowings, which were appropriated for the acquisition of eligible green assets or eligible sustainability assets, or funds to redeem the investment corporation bonds already issued, which were appropriated for funds to acquire eligible green assets or eligible sustainability assets.

(Note 1) “Eligible green assets” means projects that meet the green eligibility criteria 1 or 2 (green projects) stated in (2) below.

(Note 2) “Sustainability assets” means projects that meet the sustainability eligibility criteria 1 (green projects) and 2 (social projects) stated in (2) below.

(Note 3) The Asset Manager adopted the “Green Finance Framework” on September 26, 2019, but the Green Finance Framework has been integrated with the “Sustainability Finance Framework” as of today.

(2) Eligibility criteria

<p>Green eligibility criteria 1 Sustainability eligibility criteria 1</p>	<p>Any of the effective certifications listed in a through e below has already been or will be acquired.</p> <ul style="list-style-type: none"> a. Three, four or five stars in the DBJ Green Building Certification b. B+, A or S ranking in the Certification for CASBEE for Real Estate c. Three, four or five stars in the BELS 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
<p>Green eligibility criteria 2</p>	<p>Repair work of equipment, etc. that aim for effective environmental improvement in terms of energy efficiency and water consumption, etc. at real estate operated</p>
<p>Sustainability eligibility criteria 2 (Note)</p>	<p>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 eligible criteria.</p> <ul style="list-style-type: none"> (1) Socioeconomic improvement and empowerment <ul style="list-style-type: none"> (a) Facilities that are sufficiently creating local employment (2) Access to essential services <ul style="list-style-type: none"> (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 a tenant (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

(Note) 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.

(3) Procedures for the drafting of a proposal and decision of projects

With respect to sustainability projects that will become subject to the use of funds raised by sustainability finance, etc., the verification and evaluation of their conformity with the criteria will be conducted after selecting projects that will use the raised funds, and the selection will be decided by the representative director of the Asset Manager based on the verification and evaluation. In this process, the same procedures are taken, regardless of a financing method.

(4) Management of raised funds

In principle, raised funds will be appropriated by the day after the funds were raised. Until raised funds are appropriated for a target project, they are managed in cash or cash equivalents (negotiable certificates of deposit, etc.). Even though a project that is not assumed to be sold, etc. will be a target of the use of funds, in principle, even if eligible assets of the project above for which raised funds have been appropriated are sold or excluded from the eligibility criteria for eligible green assets or eligible sustainability assets, the balance of green finance or the balance of sustainability finance will be regularly managed 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, so that the balance of green finance or the balance of sustainability finance will not exceed the green finance procurement limit or the sustainability finance procurement limit.

The green finance procurement limit as of the end of October 2020 is 128.8 billion yen (287.0 billion yen, which is the total acquisition value of eligible green assets × 44.9%, which is total assets LTV as of the end of July 2020), and the sustainability finance procurement limit is 128.8 billion yen (287.0 billion yen, which is the total acquisition value of eligible sustainability assets × 44.9%, which is total assets LTV as of the end of July 2020).



(5) Reporting

Because the Investment Corporation will appropriate raised funds by the day following the implementation of sustainability finance, etc., in principle, the disclosure of appropriation status will not be made. However, if the unappropriated period is prolonged or as far as the past appropriation results of funds are concerned, the Investment Corporation will make disclosure to the lenders (or the investors) once a year. In addition, 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, the Investment Corporation will disclose the indicators in (i) through (viii) below to the lenders (or the investors) once or more a year. The disclosure of sustainability finance is also used as a substitute for the disclosure of green finance.

- (i) List of properties certified by a third-party certification organization
- (ii) Consumption, etc. of the items below
 - Energy consumption (electricity, gas)
 - Greenhouse gas emissions
- (iii) Contents of construction work of projects selected based on the green eligibility criteria 2 (green projects) and their assumed reduction rate (Note 1)
- (iv) Social projects which properties for the initial use of funds fall into based on the sustainability eligibility criteria 2
- (v) Total number of employees in properties subject to finance (Note 2)
- (vi) Of properties subject to finance, the percentage of facilities that conclude a disaster prevention agreement with a local government (Note 3)
- (vii) Of properties subject to finance, the total number of tenants with a childcare facility or medical or public function (Note 4)
- (viii) Of properties subject to finance, the percentage of facilities that support barrier-free and gender-free (Note 5)

(Note 1) Cases in which the amount of funds raised by sustainability finance is appropriated to funds for repair work that meets the green eligibility criteria 2 (green projects)

(Note 2) Of the sustainability eligibility criteria 2, cases in which projects fall under (1) (a)

(Note 3) Of the sustainability eligibility criteria 2, cases in which projects fall under (2) (b)

(Note 4) Of the sustainability eligibility criteria 2, cases in which projects fall under (2) (c) or (d)

(Note 5) Of the sustainability eligibility criteria 2, cases in which projects fall under (2) (e)

* The Investment Corporation's website: <https://www.aeon-jreit.co.jp/en/index.html>