

## PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS (SUMMARY OF SFDR ARTICLE 8 PRE-CONTRACTUAL DISCLOSURE)

### *What environmental and/or social (“E/S”) characteristics are promoted by Nippon Building Fund Inc.?*

The Asset Manager established an ESG policy in November 2017, in recognition of the importance of considering environmental, social and governance (“ESG”) factors in real estate investment and management. The ESG policy stipulates the implementation of environment-friendly initiatives as well as initiatives targeting stakeholders including investors, tenants, employees, business partners and local communities in our daily asset management operations, based on policies established by Mitsui Fudosan Co., Ltd, NBF’s main sponsor. Under the ESG policy, we undertake efforts to reduce our environmental burden, improve safety, security and comfort for tenants and engage in a diverse range of collaboration and cooperation with various stakeholders.

### *What sustainability indicators are used to measure the attainment of the E/S characteristics promoted by the investment units of NBF and how are such E/S characteristics met?*

We use the following indicators to measure the attainment of the environmental or social characteristics we promote:

- *GRESB Real Estate Assessment.* The GRESB Assessment, established in 2009 primarily by major European pension fund groups, is an annual benchmark survey for evaluating ESG considerations in the real estate sector. It evaluates sustainability efforts by real estate companies and REITs. NBF received a “Green Star” in 2021, for the sixth consecutive year. NBF also received in 2021 a “5-Star”, the highest rating based on its overall GRESB score.
- *Environmental certification of properties:* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan’s (“DBJ”) Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification and other equivalent certifications. We call our property that receives any such certifications an “Eligible Green Asset”. With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received 3 stars or higher out of DBJ’s five-star ranking system. With respect to CASBEE, we consider a property to have sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). With respect to BELS, we consider a property to have sufficient environmental certification if it received a three stars or higher out of BELS’ five-star ranking system. As of December 31, 2021, 78.1% of our properties were Eligible Green Assets based on gross floor area.
- *Climate change initiatives:* The Asset Manager has expressed support for the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board and clarified stronger efforts to address climate-related issues. The Asset Manager aims to assess the financial impact of future climate change risks and opportunities and assertively disclose activities. The Asset Manager also has set a target of reducing energy-based CO2 emissions by 40% or more from that in 2013 by 2030 and intends to promote initiatives addressing climate-related risks and opportunities.
- *Social initiatives – tenants:* We conduct customer satisfaction surveys targeting the tenants excluding master lessees every year in order to understand the level of satisfaction and needs of tenants, and the PDCA cycle is applied to promptly address any issues identified in the survey. For example, as a response to the result of the surveys, we changed the layout of the common space at NBF Toyosu Canal Front to enhance user-friendliness.

- *Social initiatives – employees:* The Asset Manager provides all of its employees with regular opportunities to consult with their superiors and directors. This program provides them with opportunity to discuss their careers, receive feedback on their performance and discuss requests to the company. The Asset Manager also conducts an employee satisfaction survey every year as part of its efforts to maintain excellent relations with its employees. The surveys (which had a response rate of 100% in 2020) allows the Asset Manager to see whether employees are satisfied about their assigned responsibilities and working environment and requests for company initiatives.

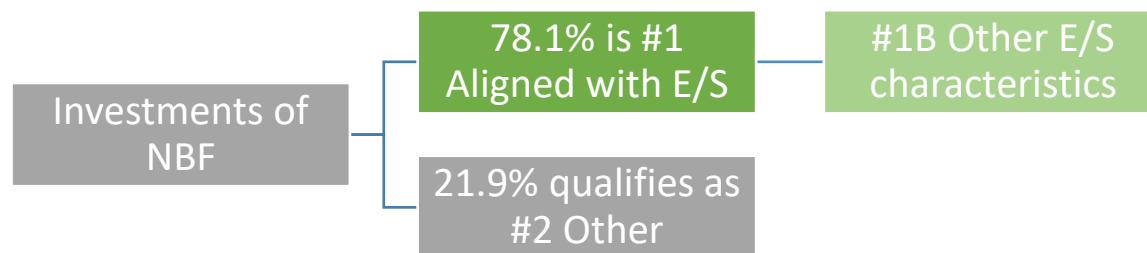
***What investment strategy does NBF follow?***

With our strategy of aiming to achieve consistent growth of assets and stable income, we have developed an urban portfolio focused in central Tokyo and surrounding urban areas where office leasing demand is relatively strong. In order to realize sustainability in our asset management while maximizing our portfolio value, we consider ESG factors in our investment and asset management processes. In particular, we have established a green finance framework where proceeds are used only to acquire Eligible Green Assets or repay loans or bonds financed for such acquisitions. As of December 31, 2021, we had issued ¥50 billion in green bonds under our green finance framework. We ensure our investment strategy is implemented on a continuous basis by establishing and maintaining green eligible criteria, and ensuring that any proceeds from our green financing will be used exclusively toward properties that meet such criteria.

The Asset Manager’s ESG Promotion Committee, which includes the President and CEO as its final decision maker, and the ESG Promotion Subcommittee, which has been established to oversee and promote initiatives on climate change as well as other environmental and social initiatives based on the Asset Manager’s ESG policy. The ESG Promotion Subcommittee meets at least once every three months to assess ESG risks and opportunities and consults with the ESG Promotion Committee on numerical targets and specific measures to reduce CO<sub>2</sub>. The ESG Promotion Committee meets at least once every six months and makes the final decision on specific targets and measures. The ESG Promotion Subcommittee reports on the progress of the targets and measures to the ESG Promotion Committee at least once a year. In addition, these targets and measures are shared with all officers and employees through briefings, shared folders and email.

***What is the asset allocation planned for NBF?***

As of December 31, 2021, 78.1% of the properties in the portfolio were Eligible Green Assets, and 25.6% were nonqualified assets based on gross floor area.



***What is the policy to assess good governance practices of NBF?***

We do not invest in investee companies and have therefore opted to provide information on the governance policies adopted by us and the Asset Manager.

We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems:

- *Adoption of a decision-making process in conflict-of-interest transactions involving independent outside experts.*
- *Corporate Governance.*

## **REMUNERATION AND SUSTAINABILITY RISKS (SFDR ARTICLE 5 DISCLOSURE)**

The Asset Manager has a remuneration policy in place which aims to support its strategy, values and longterm interest, including its interest in sustainability. The Asset Manager's remuneration policy is consistent with the integration of sustainability risks as follows.

- *Base remuneration comprises standard amounts based on position and rank and performance-based remuneration. Performance-based remuneration is based on meeting certain pre-determined targets, where individual and company performance (including with respect to sustainability targets) is taken into consideration. Allowances are provided for transportation and certain other circumstances.*