

Think bold today for a brighter tomorrow.



# ESG Report

March 2021





## MC-UBS Group Brand Message

Think bold today for a brighter tomorrow.

### The Logo



#### Symbol mark

The logo evokes the idea of buildings and land while representing both the "M" of Mitsubishi Corporation and the "U" of UBS A.G. The logo expresses the focus of our group, born from the combined expertise and experience of the two firms in real estate and finance.

### Mission, Vision & Core Values

## MISSION

**"Always Create New Value for People, the Community, and the World"**

Through real estate investment management, we create new demand in our society and new value that exceed people's expectations.

## VISION

We strive to be the leading group of professionals, trusted by people, the community, and the world.

## CORE VALUES



#### Mastery

We act proactively and professionally and adhere to the highest standards of compliance and discipline.



#### Challenge

We always challenge the unprecedented.



#### Uniqueness

We think outside the box and dare to be original.



#### Belief in ourselves

We believe in ourselves and are committed to our "MCUBSR" values.



#### Stewardship and Sensitivity

We take our dialogue with investors seriously, and fulfill our fiduciary duty. We are sensitive to changes in the world and respond to them appropriately.



#### Respect

We respect our colleagues and partners so that we can all work with pride and a smile.



## Corporate Profile

Corporate name: Mitsubishi Corp.-UBS Realty Inc.  
 Capital fund: ¥500 million  
 Shareholder composition: Mitsubishi Corporation 51%, UBS Asset Management AG 49%  
 Offices: Head office Tokyo Building 7-3, Marunouchi 2-chome,  
 Chiyoda-ku, Tokyo 100-6420, Japan  
 Kansai office Herbis ENT Office Tower, 25th floor, 2-22, Umeda  
 2-chome, Kita-ku, Osaka-shi, Osaka 530-8602, Japan

## Certifications



**2020 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX**

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Euronext® Reitsmarket GRESB  
Global Sustainable NR Index

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### Editorial Policy

Mitsubishi Corp.-UBS Realty Inc. (MCUBS) and all of the funds under management (also called The MC-UBS Group) are actively engaged in practices that promote sustainability within the J-REIT industry, information on which they disclose to stakeholders. For this term, information pertaining to sustainability published on the websites of each management company and investment corporation has been consolidated in this document, *ESG Report March 2021*, in order to provide a clear explanation of our initiatives as a Group.

*ESG Report March 2021* serves as an informative tool for stakeholders with a high level of interest in sustainability and therefore makes reference to GRI standards and SASB standards (real estate).

Going forward, we hope to gather opinions from those who read this report in order to further improve subsequent reports. In addition, we hope that this report can be used as an effective means to maintain a dialogue with our stakeholders.

Month of issuance: March 2021

Frequency of updates: Once annually

Reference guidelines: GRI standards,

SASB standards (real estate)

The GRI Guidelines and SASB Index will be posted at the end of March 2021.

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# Message from Management



**The MC-UBS Group aims to improve unitholder value through investment management and contributes to solving global issues.**

## **Message from President Okamoto**

We at Mitsubishi Corp.-UBS Realty Inc. (MCUBS) aim to increase unitholder value by “creating, through real estate investment management, new demand in our society and new value that exceeds people’s expectations” under our mission of “always creating new value for people, the community, and the world.” To achieve this, we also understand that always being aware of whether our investment management activities are leading to the realization of a sustainable society is the social responsibility required of long-term management.

Based on this idea, we firmly believe that the perspective of sustainability will affect our financial results, and have undertaken environmental, social, and governance (ESG) activities from early on, incorporating such a perspective into our investment and management processes. We have

established the sustainability vision of “aiming to improve unitholder value through investment management and contributing to solving global issues” and strive to realize the vision by working on the three mid- to long-term goals of “reducing environmental impact, creating social value, and practicing sound asset management for all stakeholders.”

In 2020, a state of emergency was declared in Japan for the first time ever due to the global outbreak of COVID-19, completely changing our previous daily lives. In this situation, MCUBS continued to focus on ESG initiatives, and in May we expressed our support for the Japan Climate Initiative (JCI), which has made the declaration of “joining the front line of the global push for decarbonization from Japan.” The investment corporations managed by MCUBS have also established materiality and actively pursued sustainability while incorporating the ideas of the Sustainable Development Goals (SDGs) into the Group’s sustainability vision and goals.

Within the materiality, responses to climate change are an especially important issue. Aiming for the goal set under the Paris Agreement, we implement specific measures toward that goal while monitoring the environmental performance for each property.

Moreover, the COVID-19 pandemic has prompted us to put a renewed emphasis on the element of safety, along with the health and well-being that have been included in our materiality. Not only do we secure the health and safety of our employees, but we respond in the same manner for employees and users of the properties we manage. To ensure security and safety, our investment corporations each have a liaison system enabling quick contact, provide hygiene products, and ensure the confirmation and reporting of health conditions. In commercial facilities, they have assisted tenants in applying for governmental support and implemented various other support measures. We will continue to work with a variety of stakeholders going forward under environments with COVID-19 and post COVID-19.

ESG initiatives, as well as our business, can only be put into practice by building long-standing relationships and collaborating with a variety of stakeholders, including unitholders, tenants, service providers, lenders, bondholders, local communities, and governments.

From the perspective of creating a prosperous society where people can live comfortably, real estate has great



potential in being able to contribute toward addressing environmental and social issues. We hope to increase unit-holder value through real estate asset management, and at the same time, recognize social impact—such as responding to climate change and consideration toward society—and contribute toward addressing global issues. The MC-UBS Group is committed to making further advances,

and we ask for your continued support and understanding in our endeavors.

March 2021

**Katsuji Okamoto**  
President & CEO

## ■ Message from Deputy President Suzuki (CSO)

As indicated by the recent rapid increase in awareness, the importance of sustainability is growing day by day. The year 2020 in particular became a turning point as the outbreak of COVID-19 brought about major changes to the state of society and social demands grew for more practical action on consideration for the environment.

ESG is an extremely important issue for MCUBS as well, and it is part of our fundamental management policy. Amid the increased social demands, we have renewed our determination to further enhance our ESG activities.

Aiming to strengthen our efforts to advance ESG activities, we have recently created a structure that enables management to be more directly involved in ESG promotion by turning the Research, Marketing and ESG Department, which was under the Corporate Division, into the ESG

Promotion Office directly supervised by management.

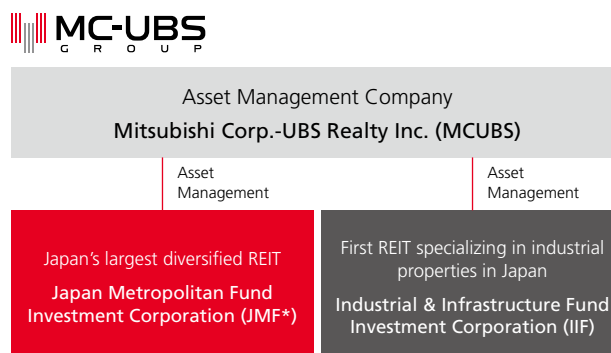
Going forward, we will continue to make sure that we are able to create value exceeding the expectations of our stakeholders.



**Naoki Suzuki**  
Deputy President and  
Chief Sustainability Officer

## Group Organizational Chart

The sponsors of MCUBS, Mitsubishi Corporation and UBS AG, carry with them knowledge of and experience in the real estate and financial markets, respectively, cultivated over many years. With this as our base, we would like to build real estate investment trusts and provide an abundance of investment opportunities for investors in Japan and overseas. Through this manner of business, we can contribute to investors, contribute to the growth and development of domestic and overseas investment markets, and contribute to the real estate market. This goal forms the basic management policy of our business.



\* Japan Metropolitan Fund Investment Corporation (JMF) was launched from the absorption-type merger of Japan Retail Fund Investment Corporation (JRF) as the surviving corporation and MCUBS MidCity Investment Corporation (MMI) as the dissolving corporation on March 1, 2021 as the effective date of the merger.



# Actions During the COVID-19 Pandemic

COVID-19, which had been recognized as a global-scale pandemic, has greatly affected our day-to-day lives and business, and many people have likely spent the past year busy with measures to prevent infection. On the other hand, the pandemic is proven to be an opportunity for us to examine optimal work formats and communications, and actions taken during the pandemic have resulted in a strong awareness regarding sustainability.

## Health and Safety of Employees and Business Continuity

Implementation of our business continuity plan (BCP) commenced on February 28, 2020, and we established a COVID-19 countermeasures headquarters. We began implementing the following policies the following day.

### 1 Work Systems

We encouraged all employees to work from home, set attendance ratios according to the status of infection, instituted an attendance rotation program, staggered working hours, and a flextime system, introduced satellite office working, restricted business travel and work-related dining, encouraged online meetings, and thoroughly informed employees regarding precautionary measures to take when meeting face-to-face.

### 2 Modification of Office Specifications

We provided more space between desks, installed partitions, differentiated between entrance and exit doors, regularly sanitized doorknobs and other contact points, and installed body temperature measurement devices in reception areas.

### 3 Employee Health Management

We supported day-to-day communication between supervisors and employees, confirmed health status, provided information on addressing the lack of exercise such as guidance on stretching that can be done at home, and provided courses on mental health management training (the duty of supervisors to consider safety and confirmation of the roles of managers, line care methods) as a part of responses to changes in work styles and dealing with stress during the COVID-19 pandemic.

### 4 Facilitation of Working from Home

We distributed facemasks and lent employees laptop PCs, displays, and headsets.

### 5 Risk Management

We formulated action plans and guidelines when the pandemic broke out and thoroughly informed employees regarding cautionary measures relating to the handling of information.

## Tenant Responses



1.

Rent reductions

### Negotiated individually with each tenant

Instead of a flat reduction during the period of business suspension, we implemented individual support, taking into consideration the degree of impact on each tenant.

2.

Other support

### Subsidy application support

With regard to applications for government support for tenants, we implemented free-of-charge support by certified public accountant offices involved in business cooperation with the management company.

### Coupon preparation assistance

We assisted with preparation of coupons and accepted the burden of discount expenses to help to attract prospective customers and increase sales.

### Introduction of food delivery services

To develop community-based delivery business operators, we accepted the burden of introduction expenses and delivery costs (to create sales opportunities for restaurants).



### 3.

#### Infection prevention measures for safe and secure facility operation

#### Ensuring the health and safety of tenant employees

Daily health status confirmation, development of rapid communication systems, installation of temperature measurement equipment at entrances, and provision of sanitary supplies



mozo wonder city  
Installation of temperature measurement equipment at all tenants' employee entrances



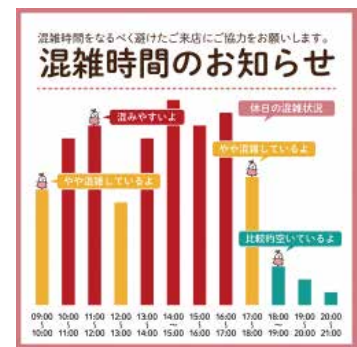
Machinoma Omori  
Provision of infection prevention reminder posters for employees

#### Measures at commercial facilities

To help avoid the "Three Cs" (Closed spaces, Crowded places, Close-contact settings), we implemented antibacterial and antiviral measures through aerial disinfection of locations with frequent opportunity for hand contact such as elevator buttons, escalator belts, and items in employee break rooms, and provided information on customer safety and security.



Nara Family  
Provision of information on social distancing in elevators



Abiko Shopping Plaza  
Provision of information on crowded times to prevent crowding



mozo wonder city  
Installation of screens and droplet prevention panels in food courts and increasing space between seats



Attachment of stickers in places where antibacterial and antiviral measures have been implemented



# Sustainability Strategy

## MCUBS's Strategy

### MCUBS's Vision for Sustainability

Contribute to solve global-scale issues through achieving enhancements to unitholder value by investment management

### Mid- and Long-term Goals

#### Environmental

Reduce environmental impact

Response to climate change

Introduction of renewable energy use

#### Social

Create social value

Health and well-being

Resilience

#### Governance

Practice sound asset management for all stakeholders

Pursuit of diversity

ESG Disclosure in compliance with international standard

## Sustainability Strategy

- Set the ESG materiality and goals in response to the SDGs
- Continuous acquisition of environmental certifications and evaluations
- Ensure transparency through information disclosure

## Collaboration with Mitsubishi Corporation and UBS AG

Our Sustainability Committee keeps in close communication with our sponsor, Mitsubishi Corporation. Starting with the adoption of a sustainability strategy based on Mitsubishi's Three Principles, this communication has led to the sharing of know-how and examples of successful initiatives between the Company and Mitsubishi. In addition, examples of our Green Buildings were showcased in Mitsubishi's ESG Data Book 2018, issued in December 2018.

Meanwhile, our other sponsor, UBS AG, is engaging in

advanced ESG activities on a global scale. By having employees seconded to the Company from UBS participate in UBS's Sustainability Committee, we are able to learn about examples of global initiatives and acquire relevant knowledge, which we then leverage within our own sustainability activities. Furthermore, we mutually share know-how and expertise with UBS, and examples of the MCUBS's initiatives have been introduced as best practices in the CSR reports published by UBS.





## Sustainability Promotion Structure

### The Sustainability Committee

The Sustainability Committee is the body that approves resolutions concerning environmental, social, and governance (ESG) policy, strategy, and structure, based on the Environmental Charter and the Responsible Property Investment Policy. Details of matters resolved by the Committee are also reported to the board of directors meeting.

As a result, we'll do our best to change the Sustainability Promotion Structure to which the Sustainability Committee plays a central role in formulating strategies centered and monitoring the activities of two investment corporations and we'll make effort to create value that exceeds the expectations of our stakeholders.

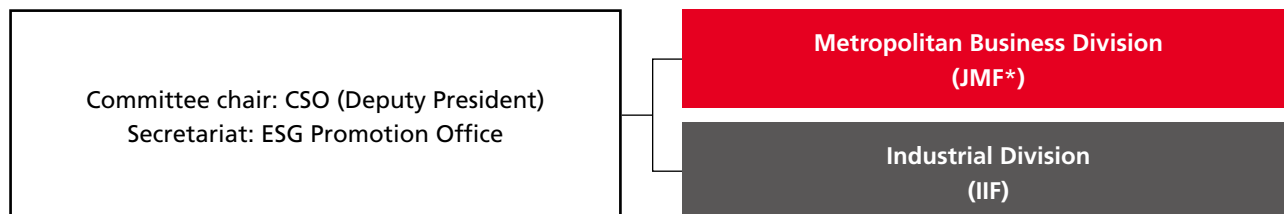
### Chief Sustainability Officer

The Deputy President & Representative Director has been appointed as Chief sustainability Officer (CSO) to strengthen the sustainability promotion system. CSO as the committee chairman reports the matter confirmed by the Sustainability Committee to the Board of Directors, chaired by the President & CEO & Representative Director and works to share awareness of issues and raise awareness levels.

### Person in Charge of ESG System

We have established the person in charge at each Division and by playing the role of driving ESG target activities, we'll integrate ESG considerations into its investment and asset management processes.

### Organizational Chart of the Sustainability Committee



### Members of the Sustainability Committee

**Committee chair:** CSO

**Committee members:** President, COO, Head of Metropolitan Business Division, Head of Industrial Division, Head of Corporate Division, Head of Strategic Planning Office, Head of ESG Promotion Office

**Secretariat:** ESG Promotion Office

### Frequency of Meetings

The Sustainability Committee meets approximately four times a year. In addition, subcommittee meetings are held at an appropriate frequency, where more detailed discussion takes place from a practical and operational standpoint.

### Main Examination Items

- Sustainability policy, strategy, and structure
- Sustainability targets
- Membership and signing of environmental organizations
- ESG Report approval
- Activity report
- Eligible Green Projects

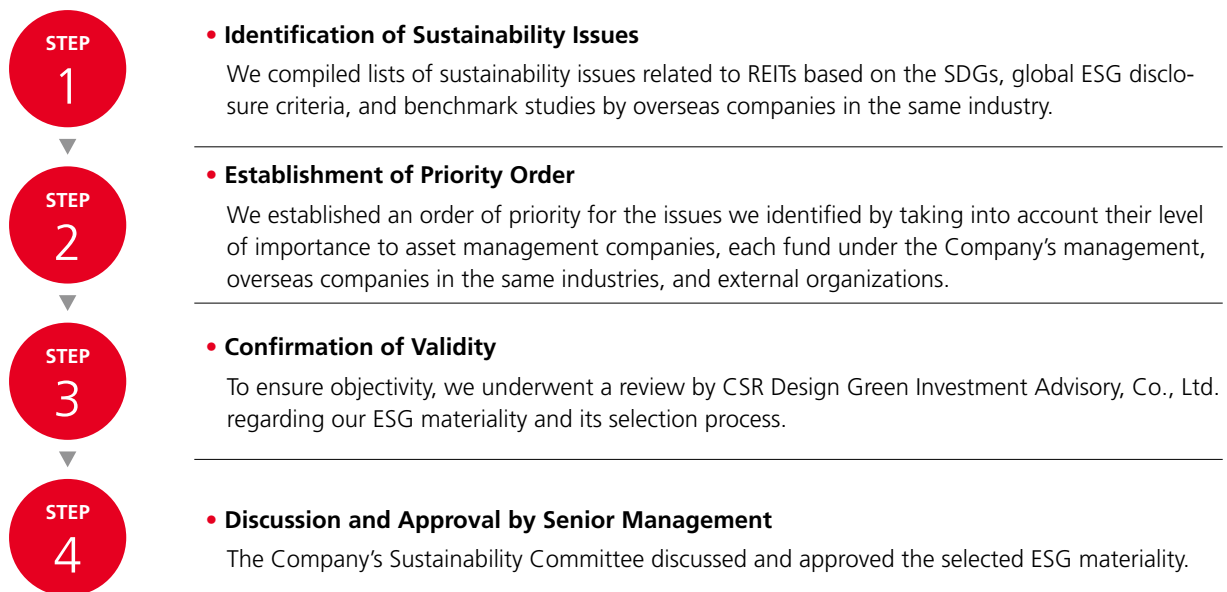
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# ESG Materiality and the SDGs

Through the meetings of the Sustainability Committee, the MC-UBS Group has examined its vision and targets for sustainability and carried out efforts toward their realization. As the level of interest toward ESG is rising, we have identified and visualized ESG material issues related to sustainability (materiality). By doing so, we have further clarified the dialogue we hold with global stakeholders and the efforts we pursue in collaboration with other organizations. These issues were identified based on the Group's Corporate Philosophy and Environmental Charter but also incorporate the ideas of the Sustainable Development Goals (SDGs), globally shared goals promoted by the United Nations.

## ESG Materiality Selection Process



In 2018, through the ESG materiality selection process detailed above, we identified the ESG materiality shown on pages 10 to 11 as having a high level of importance to the MC-UBS Group. In 2019, we organized opportunities and risks about it, and set new KPIs.

First, as a real estate asset management company, it is absolutely essential that MCUBS ensures the quality of the buildings it manages through certifications and other means and addresses issues related to climate change and energy efficiency. Also, we will strive to improve building comfort and convenience and to raise the awareness of

tenant employees about ESG, and strive to increase satisfaction to achieve this goal.

Next, in addition to responding to climate change and energy efficiency, we must work together with our tenants and local community members to address the issues of efficient water use and waste disposal. By doing so, we will work to establish partnerships and build green communities.

Going forward, after further clarifying the level of priority of these issues and working to visualize them, we will strive to achieve their resolution while promoting dialogue with all of our stakeholders.

## List of Sustainability Issues

- |   |   |                           |
|---|---|---------------------------|
| • Response to sustainability certifications                                 | • Employee cultivation and level of satisfaction  | • Employee diversity      |
| • Building resilience   | • Efficient water use                             | • Compliance              |
| • Response to climate change  | • Waste disposal                                  | • Supply chain management |
| • Energy efficiency   | • Partnership with tenants                        |                           |
| • Ensuring of health and well-being of and convenience for people (tenants) | • Collaboration with local communities            |                           |
|   | • Biodiversity in areas surrounding our buildings |                           |



## TOPIC



### Provision of a place that generates and nurtures new “circulation” through food

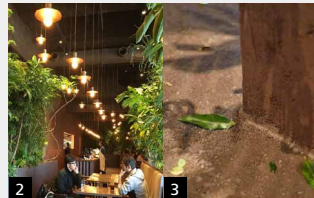
With the concept of “SHOP & THINK,” GYRE, a property owned by JMF in Omotesando, continues to propose “living with awareness of what is happening in the world.” “SHOP” means the circulation of consumption activities all through people’s lives, while “THINK” means each and every visitor thinking and taking action.

With the aim of connecting the chain of living things on earth to daily lives, GYRE.FOOD on the fourth restaurant floor implements various measures related to sustainability and disseminates information so that visitors and people in the community can deepen their understanding of sustainability. GYRE.FOOD won an award in the Good Design Awards 2020 organized by the Japan Institute of Design Promotion.



GYRE

### Earth, Plants, Soil – A Space that Reminds People of the “Chain of Living Things”



**Dietary education programs**  
Holding of dietary education programs as the “eatrip seed club,” using fresh ingredients with changes from season to season, as well as the workshop, “Seed program by eatrip soil”

**Floor design**  
The floor and walls include a large amount of soil and incorporate plants, thereby designing a reusable space that reminds people of the chain of living things such as “the earth, plants, and soil”



**Sharing of sustainability**  
All tenants share the philosophy of sustainability and have adopted a central kitchen to take practical action on food loss and other issues

**Reduction of food loss**  
Turning food waste into compost (fertilizer) and cooking vegetables harvested from gardens within the GYRE facility in the central kitchen

### Circulation of Food



Cultivating herbs



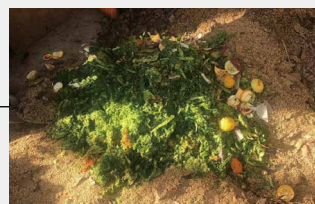
Harvesting



Cooking and Selling



Making into fertilizer



Returning to soil



Supplying















# ESG Materiality and KPIs

Level of Importance ★★★			
Most important ESG materiality	Target	*	KPI
Response to sustainability certifications	Improving proportion of environmental certifications	JRF	• Acquiring certifications for 80% or more of the total portfolio (Total floor area basis) (Target year: 2021)
		MMI	• Setting KPI, the proportion of the properties acquiring the environmental certification of the total portfolio
		IIF	• Acquiring certifications for 60% or more of the total portfolio
		IIF	• Acquiring certifications for 70% or more of Logistics facilities (Target year: 2023)
	Improving sustainability activities through participation in GRESB and other external evaluation institutions	JRF	• GRESB Acquiring "Green Star"
		JRF	• CDP Acquiring more than "B" score
		MMI	• GRESB Acquiring "5 Star"
		MMI	• MSCI Acquiring "AA" rank
Building resilience	Implementing disaster prevention measures	IIF	• GRESB Maintaining "Green Star"
		IIF	• MSCI Acquiring more than "A" rank
		JRF	• Preparing emergency supplies at 100% of the properties where such supplies can be kept
		JRF	• Developing an emergency communication network that covers 100% of properties
		JRF	• Collecting engineering reports (ERs) regularly for 100% of properties
Response to climate change	Reduction in CO <sub>2</sub> emission	MMI	• BCP expansion
		IIF	• Completion of construction of emergency call tree
		IIF	• Reduction in CO <sub>2</sub> emission per unit by 23% compared with 2015 (Target year: 2030)
Energy efficiency	Improvement in energy consumption	MMI	• Reduction in GHG by 1% or more per year
		IIF	• Reduction in CO <sub>2</sub> emission per unit by 30% compared with 2015 (Target year: 2030)
		JRF	• Reduction in energy consumption per unit by 15% compared with 2015 (Directly Managed properties) (Target year: 2030)
		MMI	• Reduction of the amount used of electricity and fuel for reduction in GHG by 1% or more per year
	Introduction of renewable energy use	IIF	• Reduction in energy consumption per unit by 20% compared with 2015 (Target year: 2030)
		JRF	• Installing at least one renewable energy facility with economic rationality at directly managed properties (Target year: 2030)
		JRF	• Fivefold increase in the number of directly managed properties that have introduced green power compared with 2019 (Target year: 2030)
		MMI	• Purchasing Green power at the time of contract renewal when there is economic rationality
Ensuring of health and well-being of and convenience for people (tenants)	Improvement in tenant employee space	JRF	• Renovating employee lounges and restrooms at 100% of directly managed properties (Target year: 2030)
		MMI	• Improving communication space and refresh space at the time of renewal
	CASBEE-WO certification	MMI	• Considering additional acquisition of CASBEE-WO certification

Level of Importance ★★			
Important ESG materiality	Target	*	KPI
Efficient water use	Reduction in water consumption	JRF	• Reducing water consumption per unit by 5% at directly managed properties compared with 2015 (Target year: 2030)
		MMI	• Reduction of the amount used of water for reduction in GHG by 1% or more per year
		IIF	• Keeping water use per unit at the same level as 2015 (Target year: 2030)
Waste disposal	Reduction in wastes	JRF	• Implementing comprehensive waste management (waste amount, waste treatment operators, final treatment sites) at 100% of directly managed properties (Target year: 2022)
		MMI	• Monitoring the amount of waste and disclosing the management status on the Web at properties with multiple tenants that it directly manages
Partnership with tenants	Introduction of green lease	MMI	• Considering additional scheme of green lease
	Execution of tenant satisfaction survey	JRF	• Conducting tenant satisfaction surveys at 100% of directly managed properties (Target year: 2025)
		MMI	• Improving tenant satisfaction by conducting the tenant satisfaction survey once a year
	Promoting environmental consideration to tenants	JRF	• Proposing (environmentally friendly) interior design criteria for tenants at 100% of directly managed properties (Target year: 2025)
Collaboration with local communities	Support for social welfare organizations	MMI	• Cooperating for UNICEF fundraising and campaign for United Nations Refugee Support Activities
		JRF	• Conducting programs that contribute to communities at 100% of directly managed properties where events can be conducted (Target year: 2025)
	Providing land to community events	MMI	• Planning <i>uchimizu</i> (watering) event and flower event and holding them in each property
		IIF	• Existing Property : Maintenance for the actual condition
		IIF	• New Property : Consideration of the plan based on the negotiation with tenants

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Risk		Opportunity	Closely related SDGs
<ul style="list-style-type: none"> <li>Decline in assessment among tenants and investors who base their assessments on sustainability</li> </ul>		<ul style="list-style-type: none"> <li>Improve environmental performance of properties</li> <li>Expand the range of investors</li> </ul>	 
<ul style="list-style-type: none"> <li>Increase in expenses for recovery, compensation, etc., after natural disasters</li> </ul>		<ul style="list-style-type: none"> <li>Increase in property competitiveness</li> </ul>	 
<ul style="list-style-type: none"> <li>Drop in tenant sales &amp; increase in property damages due to physical impact of climate change</li> <li>Decline in assessment by tenants &amp; investors</li> </ul>		<ul style="list-style-type: none"> <li>Cost reduction with efficient energy use</li> </ul>	
<ul style="list-style-type: none"> <li>Increase in energy-related expenses</li> <li>Reinforcement of environmental regulations</li> </ul>		<ul style="list-style-type: none"> <li>Cost reduction with efficient energy use</li> </ul>	
<ul style="list-style-type: none"> <li>Decline in property competitiveness</li> <li>Manpower outflow due to declining work conditions</li> </ul>		<ul style="list-style-type: none"> <li>Improved sustainability assessment by assessment bodies and investors</li> <li>Improvement in employee satisfaction and tenant assessment &amp; satisfaction</li> </ul>	
Risk		Opportunity	Closely related SDGs
<ul style="list-style-type: none"> <li>Impact of shortage or quality decline of water resources on surrounding areas</li> <li>Rise in cost with increase in water consumption volume</li> </ul>		<ul style="list-style-type: none"> <li>Cost reduction with reduction in water consumption</li> </ul>	
<ul style="list-style-type: none"> <li>Reputation risk caused by increase in wastes</li> <li>Increase in processing cost</li> </ul>		<ul style="list-style-type: none"> <li>Processing cost reduction with reduction in wastes</li> </ul>	
<ul style="list-style-type: none"> <li>Greater tenant burden regarding safety and the environment</li> <li>Decline in tenant satisfaction</li> </ul>		<ul style="list-style-type: none"> <li>Devolution into property attractive to the tenant</li> <li>Generation of stable revenues</li> </ul>	 
<ul style="list-style-type: none"> <li>Degradation of the environment surrounding the property</li> <li>Decline in reputation in the neighboring area</li> </ul>		<ul style="list-style-type: none"> <li>Revitalization of neighboring areas</li> <li>Improvement of corporate image</li> </ul>	



# Supported Initiatives

## Principles for Responsible Investment (PRI)

Signatory since August 2013  
First J-REIT asset manager

In solidarity with the fundamental ideas of the PRI, MCUBS became a signatory in August 2013. MCUBS is the first J-REIT asset manager to become a signatory of the PRI.

Signatory of:



## Principles for Financial Action toward a Sustainable Society (Principles for Financial Action for the 21st Century)

Signatory since June 2013

In solidarity with these principles put forth by the Ministry of the Environment, MCUBS became a signatory in June 2013.



## Montreal Carbon Pledge

Signatory since September 30, 2015  
First J-REIT asset manager

MCUBS became the first J-REIT asset manager to sign the Montreal Carbon Pledge on September 30, 2015.

Signatory of:



## United Nations Environment Programme Finance Initiative (UNEP FI)

Signatory since October 2016  
First J-REIT asset manager

Acknowledging the proactive sustainability initiatives of MCUBS, UNEP FI invited MCUBS to participate in the UNEP FI's Property Working Group (PWG). MCUBS became the first J-REIT asset manager to both sign up to UNEP FI and join the PWG of the initiative in October 2016. Through UNEP FI, for the asset management of each investment corporation, MCUBS is sharing best practice cases globally and continues striving to reduce its environmental load and realize a sustainable society.



## United Nations Global Compact (UN Global Compact)

Signatory since October 2016  
First J-REIT asset manager

MCUBS became the first J-REIT asset manager to sign up to the UN Global Compact in October 2016. As a signatory and respecting the principles of the UN Global Compact, MCUBS has further strengthened its corporate governance in the areas of human rights, labor, the environment, and anti-corruption, based on its corporate mission to "always create new value for people, the community, and the world."



## Task Force on Climate-related Financial Disclosures (TCFD)

Signatory since August 2019

MCUBS supports the spirit of the recommendations published in June 2017 by the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board, and in August 2019, MCUBS declared that support.

Recognizing that climate change is an important environmental issue that significantly affects our business activities, we will aim to take measures in line with the TCFD framework.



## Japan Climate Initiative (JCI)

MCUBS participated in Japan Climate Initiative (JCI) in May 2020 in support of the JCI's declaration "Joining the front line of global trend for decarbonization from Japan."

JCI was established in July 2018 as a network of Japanese companies, local governments, organizations, NGOs, etc. that are actively engaged in climate change countermeasures toward the realization of a decarbonized society aimed at by the Paris Agreement.



## Japan Association for UNHCR and UNICEF

MCUBS has received a letter of appreciation from the Japan Association for UNHCR (United Nations High Commissioner for Refugees), which closely coordinates with UNHCR Representation in Japan, for making JMF's vacant space from existing properties available to the Campaign for United Nations Refugee Support Activities free of charge. Similarly, we'll support UNICEF campaigns.

MCUBS will continue to hold a high level of interest in reducing its environmental load and making contributions to local society.







# ENVIRONMENTAL

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## Environmental Charter

MCUBS formulated the Environmental Charter, which sets out our environmental principles and action plans, in June 2013.

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### Environmental Charter

At Mitsubishi Corp.-UBS Realty Inc., we consider the Earth itself to be our most important stakeholder and are continuously working toward the realization of a sustainable society through our business activities.

- We will strive to reduce greenhouse gas emissions by continuously implementing new efficiency measures and embracing new technologies.
  - We will promote the sustainable use of natural resources including energy, minerals, food stocks, and water throughout our global business operations.
  - We recognize the critical importance of what ecosystems can provide and are committed to protecting ecosystems and mitigating any potential impacts on biodiversity.
  - We will strive to create and enhance environmental benefits by undertaking conservation activities and reducing our environmental footprint.
  - We will continue to actively engage and work with our various stakeholders openly and transparently and disclose information on the environmental impacts of our business operations in an appropriate and timely manner.
  - We will conduct all of our activities in compliance with environmental laws while adhering to international rules and social standards.
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# Climate Change and Resilience

## Developments Related to Climate Change

The Paris Agreement is an international framework on climate change adopted in 2015. Its long term goal is stated as holding the increase in the global average temperature to well below 2°C above pre-industrial levels and sharing efforts to limit the temperature increase to 1.5°C, and aiming to turn global greenhouse gas emissions downward as soon as possible so as to achieve a balance between emissions and their removal (effectively zero emissions) in the second half of this century.

The Intergovernmental Panel on Climate Change (IPCC)

reports that an increase of 2.5°C in average temperature may lead to global economic losses of 0.2 to 2% and that decarbonization must be achieved by around 2075 to hold global warming below 2°C and by 2050 to limit it to 1.5°C.

Toward the achievement of these goals, initiatives to reduce greenhouse gas emissions are accelerating in many countries, regions, and industries. Japan has also declared that it aims to become carbon neutral by 2050, and has been discussing the possibility of tightening greenhouse gas emissions regulations.

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

### Policy

In light of the commitment on climate change that is common worldwide, MCUBS recognizes the importance of information disclosure and expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in August 2019.

To realize a virtuous cycle of environmental protection and economic growth, we aim to improve the energy

efficiency and building resilience of properties owned by our investment corporations by cooperating with all our stakeholders so as to reduce the impact of climate change through real estate asset management.



### Governance

#### Management Structure

As indicated in “Sustainability Promotion Structure” on page 7 of this Report, decisions on ESG policy, strategies, systems, and other matters are made centered on the Sustainability Committee chaired by the Chief Sustainability Officer (CSO). The committee meets once every quarter and uses the PDCA cycle, including confirmation of the climate change measures and targets and progress status of each investment corporation, for ESG promotion. The result of the matters confirmed are reported as needed to the Board of Directors, chaired by the President of MCUBS, and the Board of Directors of each investment corporation.

In addition, under the committee, subcommittees—comprising ESG staff from the ESG Promotion Office and investment corporations—meet as appropriate to enhance their recognition and awareness of issues through the consideration of individual issues and sharing of information.

### Strategy

#### Risks and Opportunities of Climate Change

The TCFD recommendations classify climate change risks into “transition risks” and “physical risks.” Responses to climate change are likely to provide not only risks but also business opportunities through new economic activities and the creation of social value.



## Risks

Risk Category Based on TCFD	Narrow Classification	Period	Understanding of Issues
Transition risks			
Policies, and legal	• Reinforced energy regulations including mandatory energy-saving performance • Costs incurred from the expansion of emissions trading systems and introduction of a carbon tax • Higher costs to respond to regulations	Medium term	• Energy efficiency • Renewable energy
		Long term	• Quantification of the risk of higher costs to respond to future regulations • Environmental management systems (EMS)
Technology	• Improved energy efficiency through the use of facilities with high energy-saving performance • Higher costs from introduction of facilities with high energy-saving performance	Medium term	• Adoption of advanced technologies
		Long term	
Markets	• Competitive advantage at properties with high environmental performance • Decrease in asset value • Decrease in share price	Short term	• Green building certification
		Medium term	• Environmental performance of buildings
		Long term	• Engagement
Society	• Increased social demands to curtail GHG emissions • Socioeconomic changes from expanded ESG investment, etc.	Medium term	• Introduction of renewable energy
		Long term	• Quantification of future increases in operating costs • Sustainability finance
Reputation	• Decline in reputation due to delayed measures to respond to climate change	Short term	• Monitoring status of target achievement
		Medium term	• Gaining tenant cooperation
		Long term	• ESG risk management systems
Physical risks			
Acute	• Increased severity of typhoons, floods, etc.	Short term	• Building resilience
		Medium term	• Quantification of future climate disaster risks
		Long term	• Increase in insurance premiums
Chronic	• Climate change such as higher temperatures and sea level rise	Long term	• DD process when selecting properties • Flooding damage from temperature increase (sea level rise) • Higher future operating costs and quantification of risks

## Opportunities

- Enhancement of energy efficiency through technological development
- A variety of funding methods (Green Bonds, sustainability finance, etc.)
- Resolution of environmental issues for tenants and local communities, among others

## Scenario Analysis

In its World Energy Outlook 2017 (WEO 2017), the International Energy Agency (IEA) presents the main scenario (4°C Scenario) assumed based on measures necessary for the realization of the targets presented by each country under the Paris Agreement, as well as the Sustainable Development Scenario (2°C Scenario) premised on holding the increase in temperature to below 2°C above pre-industrial levels.

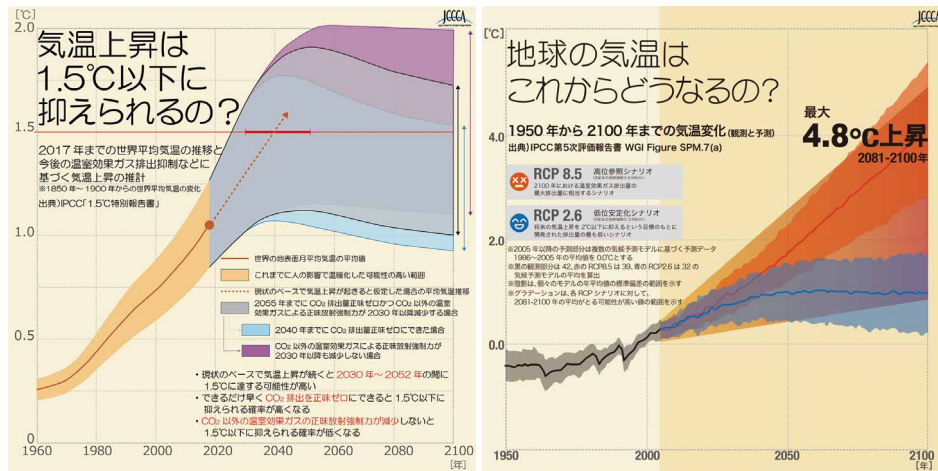
An IPCC report also presents the view that “global warming of 4°C or higher would pose risks to food security and water availability worldwide. ... cause the extinction of species, greatly restrict human activities, and in some cases, may exceed the tolerable limitations.” There is a growing shared recognition worldwide that greenhouse gas emissions have a significant impact on the mechanisms of global warming and reduction of CO<sub>2</sub>, which accounts for a large portion of greenhouse gas emissions, will help to address global warming.

The MC-UBS Group undertakes simulations of the Value at Risk (VaR) and greenhouse gas emissions of its properties through participation in the United Nations Environment Programme—Finance Initiative (UNEP FI) TCFD Pilot Project and utilization of Carbon Risk Real Estate Monitor (CRREM).

Such simulations have revealed that the situation differs among properties and greenhouse gas emissions can be reduced by introduction of renewable energy. We recognize that these findings can help us to set up concrete reduction targets and formulate measures to increase energy efficiency.



## Climate Change and Resilience



Source: IPCC 5th Assessment Report (AR5)  
Japan Center for Climate Change Actions



[https://www.jccca.org/chart/chart02\\_01.html](https://www.jccca.org/chart/chart02_01.html)  
(Japanese only)

### Risk Management

#### Risk Management Related to Climate Change

The Sustainability Committee identifies and evaluates important risks and opportunities related to climate change and confirms the status of progress.

In addition, the Risk Management Committee, in which MCUBS management personnel serve as members, checks the risk scenario related to responses to sustainability once every two months using a Risk Control Matrix (RCM), thereby implementing evaluation and management.

### Indexes and Goals

#### Indexes and Goals

The MC-UBS Group seeks to hold down the increase in average temperature in line with the Paris Agreement. The investment corporations have established reduction targets for CO<sub>2</sub> emissions, etc. for the years up to 2030 and disclose a wide range of data. Going forward, we will again set up long-term targets after closely examining the results of simulations and thoroughly considering scenario analysis.

## Resilience

The MC-UBS Group sees financial risks from climate change as medium to long term risks. We understand the short term risk is limited as we conduct due diligence when acquiring properties. However, when taking into consideration factors such as the increased severity of typhoons and floods from torrential rains exceeding expectations that have occurred in recent years, we believe it has reached a point where it should be recognized as an even more severe physical risk.

To reduce the impact of the physical risk as much as possible, we are taking measures to improve the building resilience of our properties, such as the installation of waterproof boards and portable storage batteries. We will also respond to climate change by introducing renewable energy.

For examples of the environmental initiatives for each fund, please refer to the links below.



JMF

[https://jmf-reit\\_sustainability.disclosure.site/en/themes/127/](https://jmf-reit_sustainability.disclosure.site/en/themes/127/)

IIF

[https://iif-reit\\_sustainability.disclosure.site/en/themes/79/](https://iif-reit_sustainability.disclosure.site/en/themes/79/)



# Environmental Approvals and Evaluations for Group Assets

At the MC-UBS Group, we make active efforts to achieve sustainability, but we also believe in the importance of acquiring positive ratings and appropriate certifications for these efforts. To meet the demand of investors, tenants, and other stakeholders worldwide, we acquire a wide range of domestic and overseas certifications, from performance assessments of individual buildings to evaluations of entire funds.






## Conditions Regarding the Acquisition of Certifications

We have received several positive overall ratings of our funds under management from GRESB (Global Real Estate Sustainability Benchmark), the current global standard for real assets. Our funds received certification in their early stages, including IIF, which became the first J-REIT to be selected as a Sector Leader in 2013. In 2020, IIF received 5 stars and the former JRF and the former MMI each received 4 stars. In addition, the former JRF, IIF and the former MMI received the Green Star for the sixth, eighth, and fifth consecutive years, respectively. In addition, former JRF became the first J-REIT to participate in the CDP (formerly, the

Carbon Disclosure Project) climate change program in 2016.

Regarding performance evaluations on real estate, we have acquired certifications for CASBEE for Real Estate, DBJ Green Building, and BELS. Furthermore, former MMI received the first certification of J-REIT for “CASBEE for Smart Wellness Office” newly established from Institute for Building Environment and Energy Conservation (IBEC) in December 2019.

Going forward, the MC-UBS Group will maintain its policy of improving the ratings of its overall funds under management while increasing its proportion of properties with certifications from external parties.

	JMF			As of February 28, 2021
	Former JRF	Former MMI	IIF	
<b>GRESB</b> 	<b>Real Estate Rating</b> 4 stars Green Star: (sixth consecutive year)  <b>Public Disclosure Rating</b> A (fourth consecutive year)	<b>Real Estate Rating</b> 4 stars Green Star: (fifth consecutive year)  <b>Public Disclosure Rating</b> A (fourth consecutive year)	<b>Real Estate Rating</b> 5 stars Green Star: (eighth consecutive year)  <b>Public Disclosure Rating</b> A (third consecutive year)	
<b>CDP Climate Change Program</b> 	B- (fifth consecutive year)			
<b>CASBEE Certifications for Real Estate, Buildings, &amp; Wellness Office</b> 	S : 15 properties (first rating acquired in 2015) A : 2 properties (first rating acquired in 2015)	A : 1 property (first rating acquired in 2008) B+ : 3 properties (first rating acquired in 2018)	S : 8 properties (first rating acquired in 2018) A : 11 properties (first rating acquired in 2014) B+ : 1 property (first rating acquired in 2013)	
<b>DBJ Green Building Certification</b> 	5 stars : 1 property (first rating acquired in 2015) 4 stars : 7 properties (first rating acquired in 2014) 3 stars : 7 properties (first rating acquired in 2014) 2 stars : 6 properties (first rating acquired in 2014) 1 stars : 2 properties (first rating acquired in 2016)	4 stars : 3 properties (first rating acquired in 2012)	4 stars : 3 properties (first rating acquired in 2012) 3 stars : 2 properties (first rating acquired in 2014)	
<b>BELS Certification</b> 	4 stars : 1 property (first rating acquired in 2017)	3 stars : 1 property (first rating acquired in 2016) 2 stars : 4 properties (first rating acquired in 2016)	5 stars : 5 properties (first rating acquired in 2016) 4 stars : 2 properties (first rating acquired in 2014) 3 stars : 1 property (first rating acquired in 2021) 2 stars : 4 properties (first rating acquired in 2016) * Including acquisition of ZEB Ready for two properties	

Detailed examples of our environmental approval and evaluation



[https://jmf-reit\\_sustainability.disclosure.site/en/themes/127/](https://jmf-reit_sustainability.disclosure.site/en/themes/127/)  
[https://iif-reit\\_sustainability.disclosure.site/en/themes/79/](https://iif-reit_sustainability.disclosure.site/en/themes/79/)





# Energy

The MC-UBS Group implements environmentally friendly and energy-saving measures and makes efforts toward more efficient energy use for the properties held by each investment corporation under management to show greater consideration for the environment and lessen its environmental impact. We collectively manage energy, fuel, and water consumption and analyze the accumulated data, which is both accurate and highly transparent to actively manage reduction of energy use.

## Initiatives

### Renewable Energy

JMF

Through the introduction of solar power (100 kW), geothermal heat utilization (400 kW) and other measures, as well as effective use of unutilized energy such as exhaust heat from air conditioning and heat from recycled waste water, we have converted to 100% renewal energy usage for our power needs. In cooperation with the neighboring Yokohama City Hall Building, this helps to increase community resilience by energy saving and also avoidance of power supply disruptions during local disasters. These initiatives have been rated highly, and we have received a new energy silver award, the Agency for National Resources and Energy Commissioner's Award (Community Coexistence Sector) Silver Award.

Yokohama City Kitanakadori, Southern Area



Yokohama City Hall

Yokohama i-land Tower



[https://www.nef.or.jp/award/kako/r02/s\\_01.html](https://www.nef.or.jp/award/kako/r02/s_01.html)  
(Japanese only)

In May 2020, JMF replaced the power supplier of MARINE & WALK YOKOHAMA to use renewable energy as electricity for the entire facility. This is in line with RE100, a global initiative committed to sourcing 100% renewable electricity throughout entire business operations, and JMF has effectively achieved zero CO<sub>2</sub> emissions from the electricity used in the entire facility, including its behind-the-scenes areas.



MARINE &  
WALK YOKOHAMA

**RE 100**

### Solar Power

JMF



USC Bldg.

The amount of energy generated from solar power on the roof is displayed in real time to enable office workers within the building to personally experience the effect of renewable energy.

IIF

Solar panels are installed on the roofs of facility buildings to save energy by using renewable sources.



IIF Tosu Logistics Center



## Initiatives

### Green Lease

A "green lease" refers to an agreement made via a contract of memorandum between building owners and tenants to cooperate toward reducing environmental impact and making a more environmentally friendly facility through various means, including energy conservation on properties. Green leases are entered into on a voluntary basis, with both parties agreeing to uphold the terms of the arrangement. For example, JMF has borne the costs of installing LED

lighting in its facilities, which allows tenants to enjoy lower energy fees, in exchange for the tenants paying JMF a fixed portion of the savings to JMF as a green lease payment.

JMF



Twin 21

## Water

The MC-UBS Group strives for sustainable resource use. The Group makes active efforts to utilize water resources effectively as part of a greater effort toward sustainable resource use. JMF returns over 6,000m<sup>2</sup> of rainwater to groundwater every year through means such as permeable pavement, while IIF works with tenants to promote effective water use by utilizing on-site well water pumped from 100m underground, drawn using an automatic water supply apparatus.



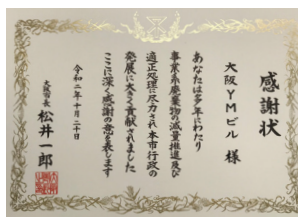
Oyama Yuen Harvest Walk



IIF Mitaka Card Center  
Automatic water supply  
apparatus

## Waste

The MC-UBS Group is advancing an initiative to minimize the amount of waste produced by its properties. At Kyoto Family, which is owned by JMF, we have set up waste measuring equipment in an effort to reduce waste. At Osaka YM Bldg., we monitor the amount of waste generated and manage it appropriately while using composting, implementing monitoring of the amount of waste, waste recycling, separation and management, and periodic auditing of waste disposal, in order to use resources effectively and appropriately dispose of hazardous waste.



Osaka YM Bldg.  
Certificate of Appreciation from  
Osaka City



Kyoto Family  
Waste measuring equipment





# Pollution Prevention

The MC-UBS Group strives to create and enhance environmental benefits by undertaking conservation activities and reducing its environmental footprint.

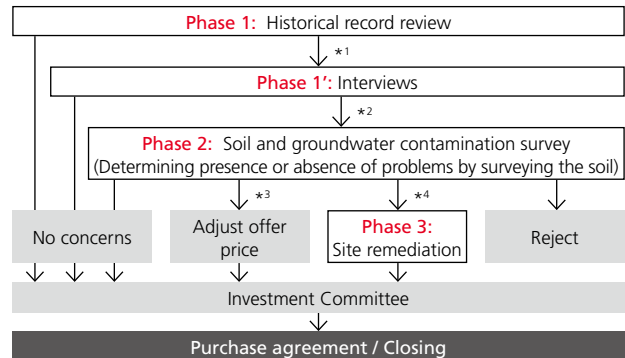
## Assessments When Acquiring Real Estate Properties

When acquiring real estate properties, MCUBS takes various environmental factors into consideration before making investment decisions: property inspections, land history investigations, and other related research on environmental risk factors.

During soil and environmental investigations, third-party experts perform environmental pollution investigations. Prior to executing any purchase agreement, IIF will have experts conduct a soil and environmental contamination survey to assist it in assessing a property’s environmental risks. IIF will use the pre-investment assessment workflow chart indicated on the right to determine whether the investment would be appropriate.

Concerning soil contamination, its property acquisition manual stipulates that investment targets shall be, in principle, properties “that are very unlikely to have soil contamination or that cannot eliminate the possibility of having soil contamination but are very unlikely to carry environmental damage risk.”

Pre-Investment Assessment Workflow



- \*1 If we are unable to determine solely from a review of historical records that there is no risk of soil contamination or that no other environmental contamination exists (for example, a manufacturing facility that utilized toxic or other hazardous substances in the past), we will conduct interviews with the seller.
- \*2 If we are unable to determine from interviews with the seller that there is no risk of soil or other environmental contamination, we will conduct a soil and groundwater contamination survey.
- \*3 If a contamination concern exists, but the necessary remediation would be technically or economically infeasible (for example, remediation is extremely difficult due to structures existing above the contaminated area), we will recommend a price adjustment.
- \*4 If, after discussions with the seller, remediation is deemed technically and economically feasible, we will conduct site remediation or require the seller to do so.



# Biodiversity

The MC-UBS Group recognizes the critical importance of what ecosystems can provide and is committed to protecting ecosystems and mitigating any potential impacts on biodiversity. We strive to put a green spaces environment in place in our properties and increase the kinds of plants and green spaces, while including local trees, etc. when planting.



Oyama Yuen Harvest Walk



Machinoma Omori



# The Green Bond

In May 2018, as part of its efforts to maintain sustainability for the environment and society as a whole, JMF has issued the Green Bond, the first such issuance from a J-REIT. Through the issuance of the Green Bond, JMF conducts investment contributing to the implementation and realization of a sustainable environment and society.

## About the Green Bond

### The Green Bond Framework Overview

#### 1. Project evaluation/selection

With regard to the Green Bond issuance process, which is based on the Green Bond Principles, MCUBS selects new or existing properties ("Eligible Green Projects") from its portfolio, which satisfy the eligibility criteria\*<sup>1</sup> of MCUBS Sustainability Committee, as subject assets for the Green Bond.

\*<sup>1</sup> To be eligible for Green Bond proceeds, Eligible Green Projects must meet one of the following eligibility criteria:

- On the payment date of each investment corporation bond, buildings that have received 3, 4, or 5 stars under the DBJ Green Building Certification Program within two years preceding the Green Bond issuance date, and/or buildings that are expected to receive the certification after issuance. At the time of reporting, buildings that meet the same criteria as of the end of February of each year.
- On the payment date of each investment corporation bond, buildings that have received B+, A, or S rank under the CASBEE Certification Rank within two years preceding the Green Bond issuance date, and/or buildings that are expected to receive the certification after issuance. At the time of reporting, buildings that meet the same criteria as of the end of February of each year.

#### 2. Use of proceeds

The Green Bond totaling the same amount will be allocated toward one or more of the following.

- The acquisition of existing and/or new Eligible Green Projects.
- The refinancing of existing debts that have already been allocated to Eligible Green Projects.
- The redemption of the issued investment corporation bonds (including Green Bonds) required to acquire Eligible Green Projects.

#### 3. Management of Green Bond proceeds

JMF has an internal process in place to track and monitor the amount of outstanding Green Bond proceeds and the allocation thereof, which is in line with market practice. The maximum outstanding amount of the proceeds ("Debts of Eligible Green Projects") is calculated by multiplying the total book value of Eligible Green Projects by JMF's interest-bearing liabilities ratio (45.6% as of the end of August 2020\*).

The maximum outstanding amount of Green Bond proceeds is ¥158.6 billion, and JMF currently issues ¥15 billion (as of the end of August 2020).

\* Figure is for former Japan Retail Fund Investment Corporation

### Second-Party Opinion

JMF has obtained a second-party opinion from Sustainalytics, an ESG rating agency, for the eligibility of Green Bond\*<sup>2</sup> proceeds. For more information, please refer to the second party opinion.

\*<sup>2</sup> Green Bond eligibility entails a Green Bond framework that aligns with the four pillars (use of proceeds, project evaluation and selection, management of proceeds, and reporting) of the Green Bond Principles 2017.



JMF

[https://jmf-reit\\_sustainability.disclosure.site/en/themes/135/](https://jmf-reit_sustainability.disclosure.site/en/themes/135/)

### The Green Bond Summary

	The 1st Green Bond (The 12th Unsecured Investment Corporation Bonds)	The 2nd Green Bond (The 13th Unsecured Investment Corporation Bonds)
Issued Amount (million yen)	8,000	7,000
Interest Rate	0.210%	0.200%
Issue Date	May 25, 2018	June 25, 2019
Maturity Date	May 25, 2023	June 25, 2024
Remarks	Unsecured, Unguaranteed	Unsecured, Unguaranteed
Assessment* <sup>3</sup>	GA1	—

\*<sup>3</sup> Assessment is a rating opinion provided by R&I with regard to the extent to which the Green Bond proceeds are used to invest in projects that resolve environmental issues.

Green Bond details



JMF

[https://jmf-reit\\_sustainability.disclosure.site/en/themes/135/](https://jmf-reit_sustainability.disclosure.site/en/themes/135/)





# S O C I A L

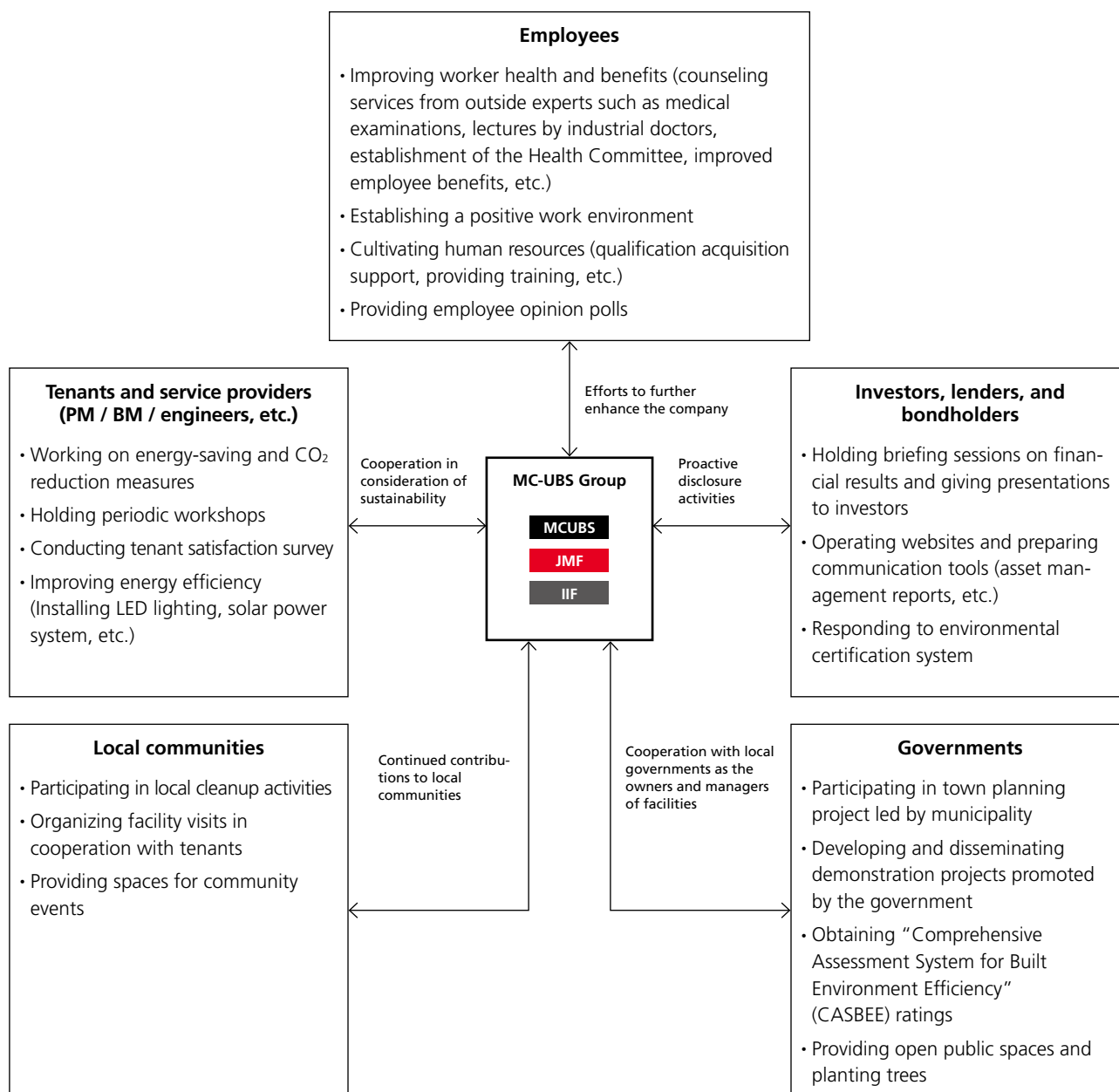




# Communication with Stakeholders

The MC-UBS Group stakeholders cover a wide range of roles, from investors, lenders and bondholders, to tenants making use of its properties and service providers related to property management (PM) and building management (BM), to members of the surrounding community, and to various government administrations. Furthermore, we consider our employees to be stakeholders just as important as those mentioned above.

We believe that it is our mission to build long-lasting relationships with this wide variety of stakeholders and to continue sustainable management of the Group.



Detailed examples of our initiatives



[https://jmf-reit\\_sustainability.disclosure.site/en/themes/129/](https://jmf-reit_sustainability.disclosure.site/en/themes/129/)  
[https://iif-reit\\_sustainability.disclosure.site/en/themes/82/](https://iif-reit_sustainability.disclosure.site/en/themes/82/)



## Creating a Positive Impact

Since the Positive Impact Manifesto of the United Nations Environment Programme Finance Initiative (UNEP FI) was issued in October 2015, calls from financial markets for positive impact investment to address ESG issues have become a global trend, and we recognize that it is now become a societal demand.

The MC-UBS Group seeks sustainable growth while striving as a global business enterprise to contribute to the Sustainable Development Goals (SDGs) by focusing on the material issues that it has identified from the perspective of the degree of impact on society and on creating economic and social value through corporate activities to address ESG undertaken from a long-term perspective. We also seek positive impact investment as one means of solving problems, and we are taking action from this perspective as well.

### Impact-Based Real Estate Investment Framework

UNEP FI has developed action-oriented framework based on four Investment Objectives for real estate investors to practice the Positive Impact Principles.

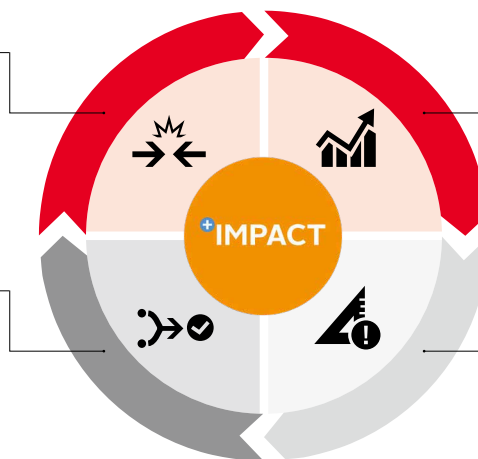
#### Positive Impact Real Estate Framework Investment Objectives

##### Clarity of Impact

Identifying and creating impact from investment activity

##### Additional Finance and/or Impact Flows

To underserved products and markets; supporting physical and social factors that contribute to long-term economic performance



##### Market and Sustainable Returns

No trade-off in financial results while generating economic, social, environmental benefits

##### Measurement of Impact

Positive and negative attributes and mitigating the negative; linking ex-ante and ex-post intent with impact

Source: POSITIVE IMPACT REAL ESTATE INVESTMENT FRAMEWORK

## Acquisition of OTA Techno CORE

In January 2019, IIF decided on an impact investment project (a silent partnership, herein referred to as the “Tokumei Kumiai”) related to the OTA Techno CORE building. This is the first case of a J-REIT making such an agreement based on the Principles for Positive Impact Finance.

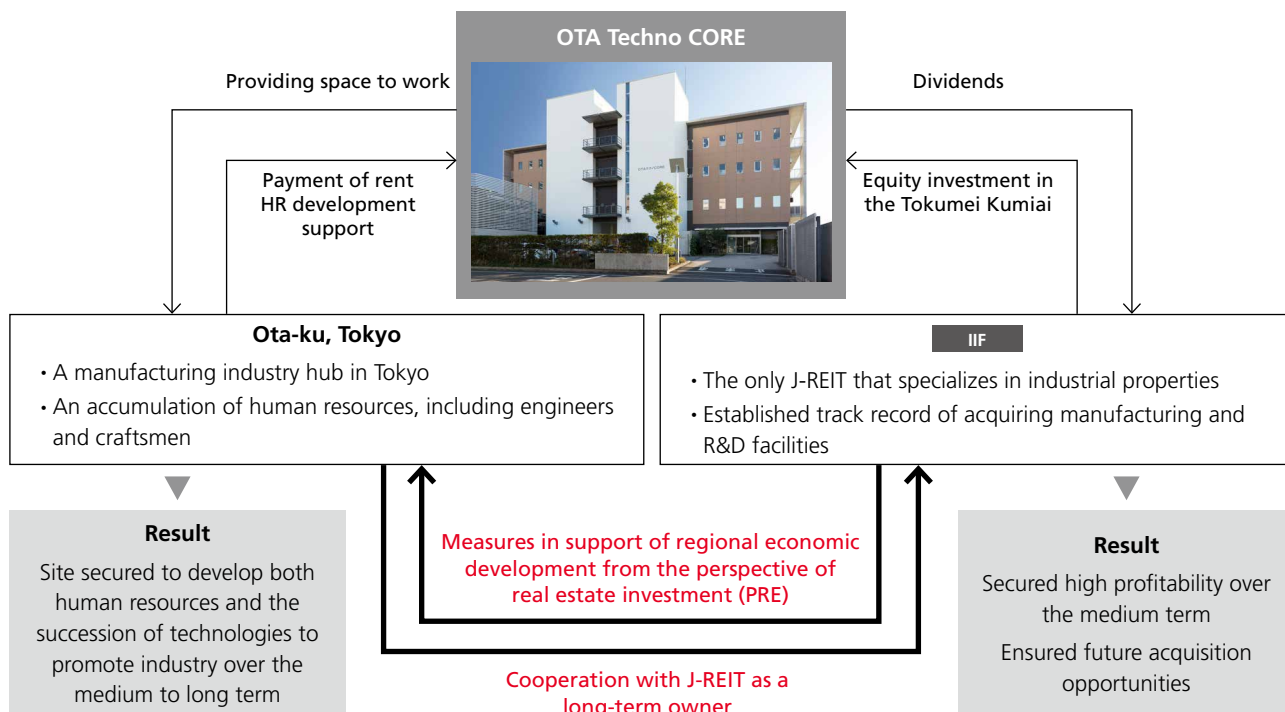
### Measures Based on the Sustainable Development Goals (SDGs) and the Principles for Positive Impact Finance

- The investment is in line with the materiality of the SDGs, which is emphasized by MCUBS and will contribute to the creation of a sustainable society.
- Furthermore, a third-party opinion has been obtained stating that the project is in accordance with the Principles for Positive Impact of the United Nations Environment Programme Finance Initiative (UNEP FI).





## Measures for the Creation of a Sustainable Society



### Positive Impact Investment Monitoring Policy

We perform regular monthly or annual measurements concerning the impact set at OTA Techno CORE in accordance with the following monitoring policy.

Impact Category	Details	KPI	Monitoring Methods	Timing & Specific Methods	FY2019 Results
<b>Employment and a Comprehensive and Sound Economy</b> (Positive impact)	Securing sites for human resource development and skill succession for industrial development over the medium to long-term	(1) Provision of inexpensive lease space to small and medium enterprises	(1) Change in contracted floor area	(1) Determination of contracted floor area by Management Report from Property Manager and monitoring of changes on an annual basis	(1) Lease area (end tenant) Leasable area (m <sup>2</sup> ) 6122.38 Leased area (m <sup>2</sup> ) 6122.38 Occupancy rate (%) * Excluding warehouse 100%
		(2) Number of jobs maintained and created by tenant companies	(2) Number of employees in lease space	(2) (3) Collection of necessary information using a tenant questionnaire administered at the end of February of each year	(2) No. of employees 187 in leased premises
		(3) Number of innovations created or awards won by tenant companies	(3) Number of patents and awards of each type won		(3) Patents / various awards received 1
<b>Climate</b> (Negative impact)	Risk of rising CO <sub>2</sub> emissions from inefficient energy use at properties	Energy consumption intensity, CO <sub>2</sub> emissions intensity	Grasp of amount of electric power used	Observed of each tenant on a monthly basis using centralized metering devices. Changes in usage for the building as a whole are monitored on an annual basis.	Electricity consumption (kwh) 2,059,668
<b>Soil</b> (Negative impact)	Risk of contamination of nearby areas by hazardous waste released from plants of tenant companies	Hazardous waste release volume	Interviews of tenants on whether hazardous waste is released	Identification of hazardous waste items added to the industrial waste volume survey collected from each tenant at the end of April of each year for submission to the Bureau of Public Cleansing	Ascertained hazardous and non-hazardous waste: Waste oil (L) 3,200

Property details



IIF

<https://www.iif-reit.com/english/portfolio/f-99.html>



## Creating a Positive Impact

### TOPIC

#### IIF Shonan Health Innovation Park

##### Provision of Land to Priority Healthcare Institutions in Kanagawa Prefecture

IIF is making contributions to local communities through COVID-19 countermeasures. In April 2020, IIF provided (lented) the land as a site for construction of a temporary medical facility for addressing COVID-19 infections free of charge for a fixed term in response to a request from Kanagawa Prefecture made in conjunction with the declaration of state of emergency by the national government.

The adjacent Shonan Kamakura General Hospital was designated a priority healthcare institution (a facility that accept moderate patience) under the Kanagawa Model, and IIF received the above request for cooperation so that the hospital could construct a temporary medical facility.

During what has been referred to as a crisis of healthcare collapse in Kanagawa Prefecture too, IIF decided to cooperate and provide the site for a healthcare facility with the aim

of contributing to the health of prefectural and national citizens. IIF received promises from the prefecture and hospital that the project will proceed with maximum care for the safety of tenants and local residents.

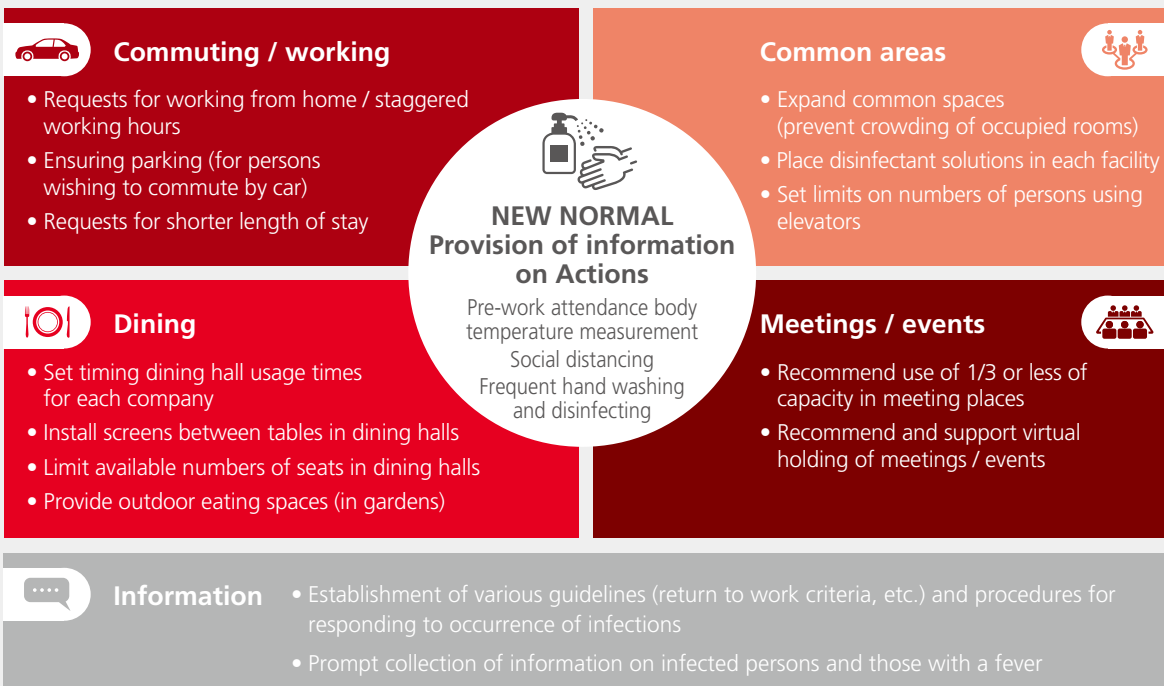
IIF will continue to cooperate closely with Kanagawa Prefecture at the property to ensure that tenants and members can commute to work with peace of mind.



IIF Shonan Health Innovation Park

#### COVID-19 measures at Shonan Health Innovation Park

At Shonan Health Innovation Park, the spread of COVID-19 is prevented by the following measures without stopping everyone's research and business activities.







# Health and Well-Being

The MC-UBS Group considers its employees to be its most important management resource and essential for carrying out its activities. We are actively working to create conditions where each and every employee can perform their work in a lively manner and to cultivate them accordingly. In addition, we regularly conduct employee opinion polls with the aim of building an even better company. (For “Actions During the COVID-19 Pandemic,” see page 4.)

## Work Environment

MCUBS is working to ensure that all employees can work with peace of mind and to improve the benefits it provides to them.

### Health of Employees

Besides meeting the legal requirements in Japan for employee health and safety, including labor and risk management, MCUBS emphasizes the prevention of excessive work and understanding the appropriateness of working hours, and is enhancing its system for managing working hours through an original monitoring framework. In addition to an emphasis on measures aimed at reducing overtime, we require employees to take long-term leave and are taking steps to increase the rate that paid leave is used (with a target of 70%).

Moreover, we provide various wellness programs to maintain and improve the mental and physical health of our employees and their families. We have also established the in-house Health Committee comprising employees representing each division and the Human Resources Department. The committee meets once a month to exchange opinions on working conditions alongside industrial physicians and to gain health-related insight. Through these initiatives, we are supporting employees in the preservation of their health.

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Working time monitoring system</li> <li>• Check and report on deviation in working hours (every month)</li> <li>• Report on long working hours to secure health (professional employees/once per half month)</li> <li>• Flextime system</li> <li>• Teleworking (working from home, satellite offices)</li> </ul> | <ul style="list-style-type: none"> <li>• Annual paid leave (15 to 20 or 25 days granted, depending on the length of employment(the number of days granted by law is 10 to 20 days)</li> <li>• A variety of special leave programs, including family care special paid leave</li> <li>• Acquisition of paid leave in units of hours</li> <li>• Mandatory acquisition of long-term consecutive leave</li> </ul> | <ul style="list-style-type: none"> <li>• Health checkup/complete medical checkup</li> <li>• Influenza immunization shot</li> <li>• Various counseling services (EAP) by external experts</li> <li>• Health consultations by industrial physicians/health nurses</li> <li>• Health Committee</li> <li>• Conducting of stress checks</li> </ul> |
|---|---|---|

### Improving Employee Benefits

In addition to completely supplying a social insurance system, we have introduced an original retirement pension system, have entered into general welfare group term life insurance,

group long-term income compensation insurance, and member welfare services, and have established a congratulatory and condolence payments system and other systems.

### Diversity and Work-life Balance

MCUBS emphasizes diversity and work-life balance. We promote both of those aspects by, for example, offering support and welfare services to help all employees, regardless of whether men or women, who are starting families

and raising children. We ensure that we have an organizational climate enabling even male employees to naturally take childcare leave, and employees cooperate with each other in allocating the work of those who are on leave.

### Work Environment

In January 2018, MCUBS renovated its office space and created an environment that allows employees to work comfortably and actively. Natural light enters the work space through windows and plants have been arranged throughout this new, bright office. Employees’ desks are larger than those at a standard Japanese office\*, and we have upgraded communal spaces to promote communication with fellow co-workers and have incorporated rest areas where employees can relax and refresh themselves.

We also conduct environmental checks periodically to provide comfortable working conditions for employees.

Moreover, in an effort to reduce waste, we have gone 70% paperless and turned the reduced cabinet space into a communal space. We have improved our communication environment, enabling work to be carried out anywhere in the office, and have worked to reduce printing and paper costs through using electronics to host meetings.

\* Desk width per person is 1,200mm in a standard Japanese office (as of December 2018, according to the website of Kokuyo Co., Ltd.).



## Health and Well-Being

### Human Capital Development—Job-Specific Development Training Programs

#### Support for Acquiring Further Qualifications

In order to cultivate professional human resources in real estate finance, MCUBS encourages employees to pursue higher qualifications by providing financial assistance and training opportunities.

Specifically, MCUBS is actively utilizing the specialist qualification system by the Association for Real Estate Securitization (ARES), of which we are an official member. The Company covers the costs for employees to obtain the ARES Certified Master qualification (educational program enabling systematic learning of practical specialized

knowledge in the fields of real estate and finance).

Moreover, employees are also encouraged to undergo training and participate in seminars after obtaining this qualification. Employees are also dispatched as lecturers when requested by ARES.

The Company also covers some or all of the costs of work-related training and tests for obtaining qualifications and maintaining them. As a result, several employees are taking on the challenge of improving their qualifications.

The number of employees with qualifications at MCUBS is shown below.

As of December 31, 2020

• Real estate transaction specialists	66	• Real estate appraisers	6	• CPAs	7
• ARES Certified Masters	61	• CMAs	10	• Tax accountants	5
• Licensed senior architects	11	• Lawyers	1	• MBAs	1

#### Improved Training

MCUBS has improved employee training by instituting a variety of programs aimed at enhancing occupational expertise and leadership skills.

Employees in managerial positions are dispatched to various leadership programs, such as the Program for Leadership Development by Mitsubishi Corporation (training over a total of five days in which skills as a manager can be obtained in coordination with overseas business schools). Furthermore, we support employees after they enter the Company by providing management training, which includes inviting outside lecturers to provide interviewer training.

In addition, to support improving the skills of each and every person through enhancing off-job training (Off-JT), we provide employee training services which allows all officers and employees to easily participate in business seminars (open seminars) by a professional group of lecturers.

In addition, we conduct seminars in order to raise awareness of sustainability, and offer improved training to increase understanding of compliance and IT literacy. We also provide support several times a year through e-learning so that employees are aware of the latest information and can utilize it effectively.

### Communication with Employees

MCUBS has measured employee satisfaction on an annual basis since 2011 as part of our engagement. In addition, communication improvement is being promoted through dialogues between the employees and management. Through casual lunch meetings, discussions at the Divisions and direct dialogues with the General Managers and other top management officers, action is taken to assure mutual

understanding of the presence of a wide range of views (diversity) within the company, to foster greater solidarity and to resolve issues.

In addition, MCUBS is executing strict action on all forms of harassment by boosting employee awareness through in-house training, consultation desk and whistle-blowing system.



## Measures for Health and Well-Being

### Space and Interior



Interiors decorated with a clear concept, including spaces that incorporate nature

### Rest



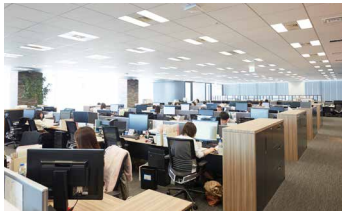
In-office cafeteria

### Sound



Soundproofed spaces where people can concentrate on their work

### Light



Office that actively incorporates natural light

### Maintenance



Regular air quality inspections

### Exercise



Furniture that is adjustable to various health-conscious configurations

## Investment Corporation Initiatives

Investment corporations collaborate with tenants in working to improve the environment so that tenant employees are able to work comfortably.

### Development of Productive Work Environments

JMF is putting effort into developing better working environments for tenant employees, such as renovating the employee lounge and creating a powder room for tenant employees at mozo wonder city.



Employee lounge



Powder room

### Good use of Courtyard Area

At the IIF Mitaka Card Center, which is one of the properties owned by IIF, there is an interior courtyard which is used by tenant employees as a place for meetings and having lunch. IIF is putting effort into maintaining the courtyard, such as by changing the flowers and trees planted there.



Interior courtyard at IIF Mitaka Card Center





# Communication with Local Communities

The MC-UBS Group works to create important bonds with local communities by implementing disaster prevention measures and performing activities that contribute to society at every one of its wide range of properties.

## Initiatives by Fund

### JMF

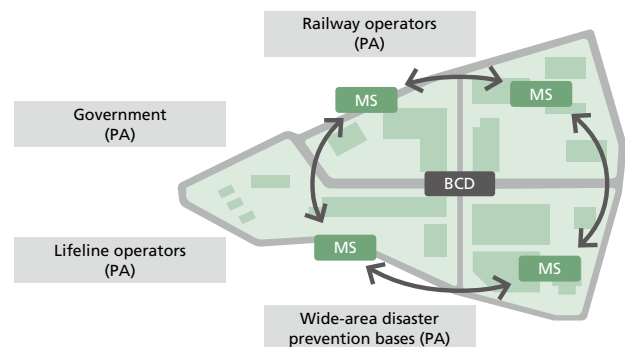
JMF carries out day-to-day management of its properties based on the Property Management Policy so that customers can shop safely, and is mindful of making contributions to society and local communities. We aim to provide commercial facilities that exist as part of the local community by having our properties fulfill a role as hubs for disaster prevention activities in areas where disasters are prone to occur.

We have introduced “Park & Ride Shopping” at mozo wonder city as an effort to alleviate traffic jams in the surrounding area and to be environmentally friendly. We cooperate with nearby railway companies and offer benefits to customers who visit the shopping center by train after parking in a designated parking lot.

To provide peace of mind to our customers, we have added greenery to our facilities and opened up parks and other communal spaces. We have also opened up the rooftop of our Abiko Shopping Plaza as one of the largest viewing spots during fireworks festivals, as part of our continuous effort to provide safe spaces for the local community and to coordinate with local events. Through these efforts, we are working to create an environment where local residents see our facilities as part of their community.

We are also cooperating in public rescue and assistance and mutual help initiatives through public-private partnerships at Twin 21, located in Osaka Business Park. Demonstrations of next-generation energy supply systems have been conducted to promote electric vehicle use toward realization of a low-carbon society, and based on plans for ensuring safe urban regeneration of the entire area, rules have been established for maintaining

transportation during a disaster and evacuation drills have been carried out in anticipation of people being unable to return home due to a large-scale earthquake. Through participating in such initiatives, we are working with the community and the government to reduce environmental impact and increase resilience.



OBP area future targets image



Implementation of disaster-preparedness drills

### IIF

IIF provides neighboring communities and governments with spaces and public open spaces at the real estate properties it owns. In addition, we provide tours of our facilities and other services to ensure that local residents are aware of the functions performed by our properties in the area.



IIF Haneda Airport Maintenance Center





## Communication with Tenants

The MC-UBS Group operates a wide variety of properties, including retail facilities, industrial facilities, and office buildings, which means the attributes of our tenants are also diverse. We make efforts in consideration of our tenants' safety and the facility environment. Furthermore, we promote measures that consider the global environment as well.

### Initiatives by Fund

#### JMF

JMF services more than 1,400 tenants over 128 properties. Despite this large number, JMF proactively takes measures to save energy and reduce CO<sub>2</sub> emissions at the properties it owns. For example, JMF improves the environmental efficiency of properties. In some cases, it makes initial investments in energy-saving equipment and recovers the investment costs from the rent payments, while tenants save utility costs without any capital outlay. Therefore, a

win-win relationship is created between JMF and tenants.

Also, tenant satisfaction surveys are conducted once a year. Based on the results of these surveys, efforts are made to create comfortable working spaces for those working in office buildings by improving the surrounding environments and enhancing the convenience of building facilities and equipment as well as safety.

#### IIF

By providing value to tenants, IIF continues to manage its portfolio using its "3C Management Cycle," which is designed to realize internal growth through stable, long-term management that goes beyond the norm. The three "Cs" of the 3C Management Cycle are Communicate: acquire an accurate understanding of tenant needs through close communication with tenants; Customize: strategically put forth customized proposals according to individual needs; and Create: employ a concept of portfolio management that creates unitholder value through long-term, superior property management

while creating value that meets the needs of tenants.

In periodic tenant workshops held by IIF, sustainability themes are actively selected to promote responses to climate change and disaster countermeasures.

These activities serve as a foundation for IIF's cooperation with tenants in initiatives such as provision of portable batteries and conclusion of green lease agreements.

Communication with tenants details



#### IIF

[https://iif-reit\\_sustainability.disclosure.site/en/themes/82/](https://iif-reit_sustainability.disclosure.site/en/themes/82/)



## Building Safety

The MC-UBS Group is working to maintain the safety of its buildings by conducting building and earthquake risk assessments at the time of acquisition as well as collecting engineering reports on a regular basis.

### Seismic Reinforcements

#### JMF

JMF conducts a building and earthquake risk assessment at the time of property acquisition, and calculates earthquake risk in held properties whenever standards are revised. When necessary, secondary assessments are performed as well. When results of those assessments conclude that earthquake-resistant reinforcement construction is required, we make environmentally conscious choices that will provide the necessary seismic retrofitting while minimizing waste. At the same time, we also work to reduce CO<sub>2</sub> emissions and energy consumption in the updated facility.

### Measuring Air Environment

#### JMF

Asbestos is a naturally occurring mineral fiber sometimes called *sekimen* or *ishiwata*, and breathing it is highly likely to be hazardous to health, thus implementation of some measures is required. JMF measures the air environment once a year to confirm the dispersal status of asbestos.



## Social Contributions by Employees

MCUBS undertakes social contribution activities in partnership with sponsors. We will continue to deepen our employees' understanding about contributing to local communities, and support social welfare groups and other organizations.

### Examples of Initiatives

#### Support for Social Welfare Organizations

We undertake support by selling within the company products produced by social welfare groups that UBS AG gives continuous support, disaster areas, and others.



Sales of Kamaishi rugby pie

#### Volunteer Activities

We participate in volunteer activities being conducted by Mitsubishi Corporation in support of disaster areas, and cooperate in supporting reconstruction.



Volunteer activities for reconstruction support

## IR Activities

### IR Briefing Sessions

#### Briefing Sessions for Individual Investors

In addition to each investment corporation participating in major events organized by the Tokyo Stock Exchange, we are putting effort into helping individual investors better understand investment corporations, while capitalizing on the strength of managing two investment corporations. This includes holding online briefing sessions.



Joint seminar for the investment corporations

#### ESG Briefing Sessions

MCUBS is putting efforts into helping investors to better understand our initiatives by holding joint briefing sessions on ESG initiatives involving JMF and IIF.



ESG briefing session

For IR information pertaining to each fund



JMF

<https://www.jmf-reit.com/english/ir/>

IIF

<https://www.iif-reit.com/english/ir/>

Example of the social initiatives for each fund, please refer to the links below.



JMF

[https://jmf-reit\\_sustainability.disclosure.site/en/themes/129/](https://jmf-reit_sustainability.disclosure.site/en/themes/129/)

IIF

[https://iif-reit\\_sustainability.disclosure.site/en/themes/82/](https://iif-reit_sustainability.disclosure.site/en/themes/82/)





# C O R P O R A T E G O V E R N A N C E

As asset management companies, MCUBS receives asset management consignments from JMF and IIF and are committed to upholding their fiduciary duties to investment corporations.





# Corporate Governance

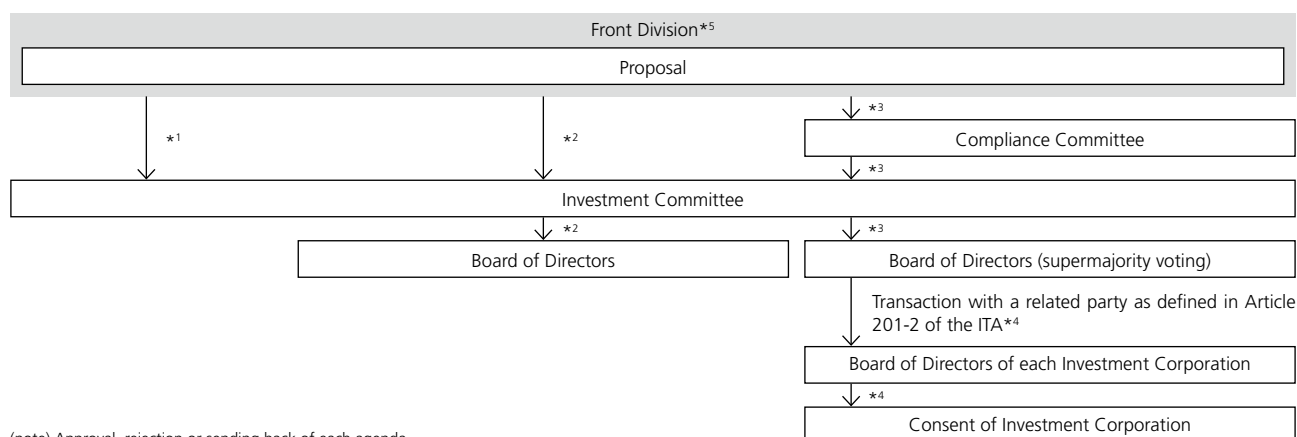
As an asset management company, MCUBS receives asset management consignments from JMF and IIF, and is committed to upholding its fiduciary duty to investment corporations.

## Decision-Making Process

Mitsubishi Corp.-UBS Realty Inc., the asset manager of JMF and IIF (hereinafter, the "Asset Manager"), has five committees: the Investment Committee, the Risk Management Committee (the Risk Management Committee acting as an advisory board to facilitate decision-making, not a decision-maker), the Compliance Committee, the Compensation Committee, and Sustainability Committee.

In the course of making decisions regarding investment policy and standards, operation and management policy and standards, budget and financing, as well as the acquisition, disposal, or operation and management of assets for each investment corporation, a proposal will be submitted to the Asset Manager's Board of Directors for approval in accordance with rules of the Board of Directors. Proposals

relating to stakeholder transactions of the Asset Manager must first be approved by the Compliance Committee before they are submitted to the Investment Committee (excluding "Minor Transactions," as stipulated in the Regulations for Transactions with Stakeholders). In addition, subsequent to approval by the Board of Directors of the Asset Manager, approval from our board of directors is required prior to a transaction involving the acquisition, disposal, or lending of securities or real estate between us and a related party (as defined in Article 201-1 of the Investment Trust Act) of the Asset Manager, except certain of such transactions determined not to have a significant impact on each investment corporation under the Ordinance for Enforcement of the Investment Trust Act.



(note) Approval, rejection or sending back of each agenda

- \*1 With regard to matters relating to the acquisition, disposition, operation and management of assets, the approval of the Investment Committee will be obtained based on the Guidelines for the Investment Committee.
- \*2 With regard to the investment policy and standards, operation and management policy and standards, budget and financing, etc. for each Investment Corporation, the approval of the Investment Committee and the Board of Directors will be obtained in accordance with the Guidelines for the Investment Committee and the Rules for the Board of Directors.
- \*3 With regard to matters relating to transactions with stakeholders stipulated in the Regulations for Transactions with Stakeholders, the approval of the Compliance Committee, the Investment Committee and the Board of Directors (supermajority voting) will be obtained in accordance with the Regulations for Transactions with Stakeholders, the Guidelines for the Compliance Committee, the Guidelines for the Investment Committee and the Rules for the Board of Directors. In the case of Minor Transactions, the approval at the Compliance Committee and the Board of Directors (supermajority voting) is not required.
- \*4 With regard to matters relating to transactions with a related party as defined in Article 201-2 of the ITA, the approval of the Board of Directors of each Investment Corporation and the consent of Investment Corporation will be obtained. In the case of transactions determined not to have a significant impact on asset of the investment corporation under the Ordinance for Enforcement of the Investment Trust Act, consent of each investment corporation based on the approval by its board of directors is not required.
- \*5 Metropolitan Business Division or Industrial Division is referred to as the Front Division.

For information regarding corporate governance for each fund, please visit the websites below.



JMF  
IIF

<https://jmf-reit-sustainability.disclosure.site/en/themes/130/>

<https://iif-reit-sustainability.disclosure.site/en/themes/84/>

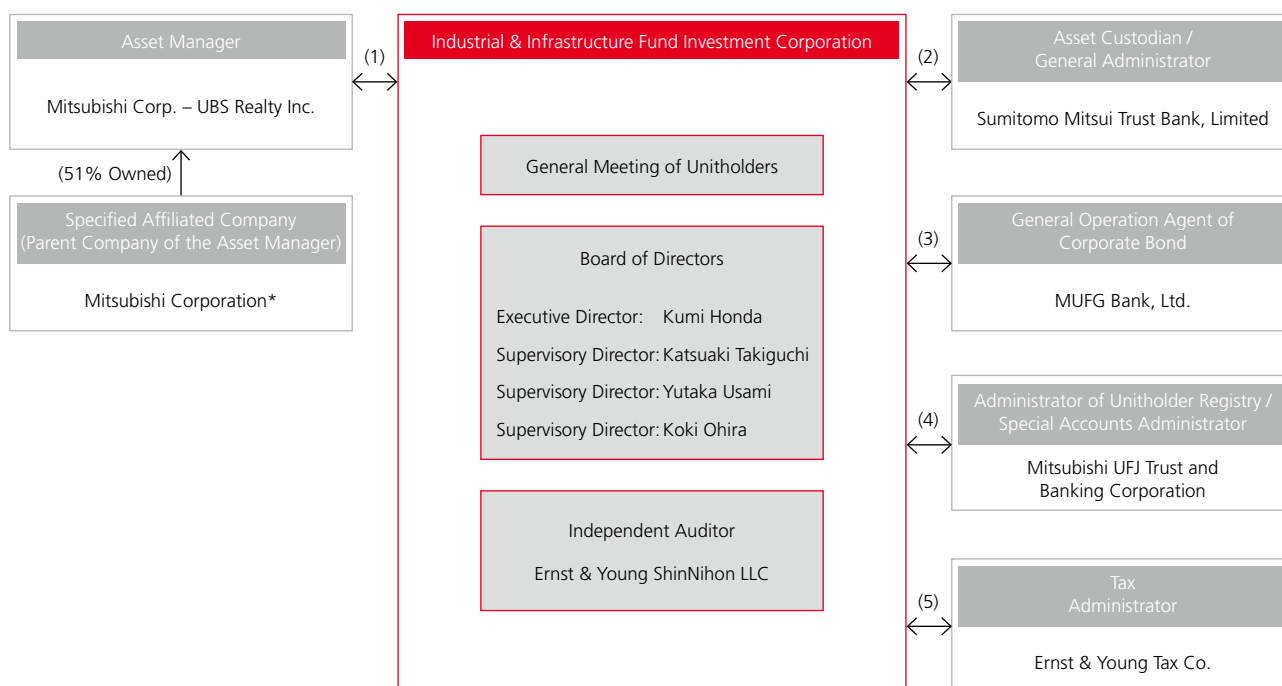


## Governance of Investment Corporations

The organization of each investment corporation consists of executive directors, supervisory directors, an Officers Meeting, which is comprised of all directors, a General Meeting of Unitholders, which is comprised of investors, plus an accounting auditor.

The number of directors and their compensation is decided by each investment corporation, and monthly remuneration is determined by the Officers Meeting. Pursuant to the Investment Trust Act, investment corporations are prohibited from having employees. Accordingly, none of our investment corporations have any employees.

As a typical example, the mechanism of IIF is as follows.  
A female executive officer was appointed in October 2020.



### Name of contracts

- (1) Asset Management Agreement / Trademark License Agreement
- (2) Asset Custodian Contract / General Administrative Services Agreement
- (3) Fiscal Agency Agreement
- (4) Account Administration Service Agreement / Special Accounts Administration Agreement
- (5) Tax Service Agreement

\* Mitsubishi Corporation is the parent company of the Asset Management Company (the parent company prescribed in the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc. (Ministry of Finance Ordinance No. 59 of 1963; including subsequent revisions), Article 8, Paragraph 3; the same hereinafter), and falls under a specified affiliated company of the Asset Management Company, which is prescribed in the Cabinet Office Ordinance on Disclosure of Information, etc., of Regulated Securities (Ministry of Finance Ordinance No. 22 of 1993; including subsequent revisions), Article 12, Paragraph 3.





# Compliance

MC-UBS Group committed to the thorough implementation of compliance measures. The COO also serves as the compliance officer, and we have adopted a basic policy on compliance and established compliance systems that include coordination with the Risk Management Committee and a whistle-blowing system.

## Main Compliance Systems

- Compliance Committee  
(in principle, meets once every two months)
- Compliance officer system
- Compliance monitoring (self-assessment)
- Compliance training
- Periodic external audits
- Audits by Mitsubishi Corp. and UBS

### Basic Policy on Compliance

Mitsubishi Corp.-UBS Realty Inc. (hereinafter, "the Asset Manager") and each Investment Corporation are striving to ensure the appropriateness of asset management and the soundness and adequateness of operations, as well as the protection of investors at the discretion and responsibility of each entity, by strengthening and facilitating maximum functioning of the internal control system based on the highest quality standards of laws and regulations under the real estate investment fund system. In addition, the Investment Corporation and the Asset Manager are of a highly public nature and also assume the social responsibility of extensively making contributions to the economy and society. Given such a business environment and in view of the fact that the Asset Manager is a joint venture company between a Japanese company and a foreign financial institution, and characteristically has an international corporate culture, it has developed the following compliance system with the aim of achieving a high level of compliance in the industry.

- In order to ensure that the performance of duties by directors and employees of the Asset Manager complies with laws and regulations and the articles of incorporation, the Asset Manager shall establish the Compliance Office, which shall seek to, in operation with the Compliance Office, develop the system for directors and employees to act in compliance with laws and regulations, the articles of incorporation and social norms, and identify problems thereof.
- The Risk Management Committee shall identify investment management risks, administrative risks, system risks, and any other risks relating to the business operations of the Asset Manager and investment corporations on a regular basis.
- Based on the "Whistle-Blowing Rules," the Asset Manager shall avoid any disadvantageous treatment on a whistle-blower. Any whistle-blower is entitled to appropriate protection and may contact the internal inquiry counter. The employees may contact external legal counsel, using the "MC Group Lawyers' Opinion Box," which is designated as the external inquiry counter for consultation and reporting.\* By such means, the Asset Manager shall prevent violations of laws and regulations or the articles of incorporation and, if any such violation has occurred, shall seek to quickly gather information and address it.  
\* The Confidentiality Legal Counsel will confirm the affiliation of whistle-blowers, but will not disclose their name or organizational position to the Compliance Administration Office without their consent.
- If any violation of laws and regulations or the articles of incorporation has been discovered, the Compliance Office shall, pursuant to the "Administrative Incident Handling Rules," investigate the cause of such violation and handle and settle it, and then establish measures.

## Anti-Corruption

The MC-UBS Group eliminates all forms of transactions with antisocial forces. In addition to checking against laws and paying the greatest attention to suspicious transactions, we prohibit all forms of dealings which may be interpreted as bribery. Also, MCUBS signed up to the UN Global Compact (UNGC), endeavors to strengthen corporate governance against anti-corruption through supporting the UNGC's ten principles.

We conduct compliance training several times each year for our employees to increase their compliance knowledge and awareness, including the above. In addition, employees pledge to observe our code of conduct by submitting compliance pledges each year.

For information regarding compliance and risk management for each fund, please visit the websites below.



<https://www.jmf-reit.com/english/about/compliance03.html>  
<https://www.iif-reit.com/english/about/compliance03.html>



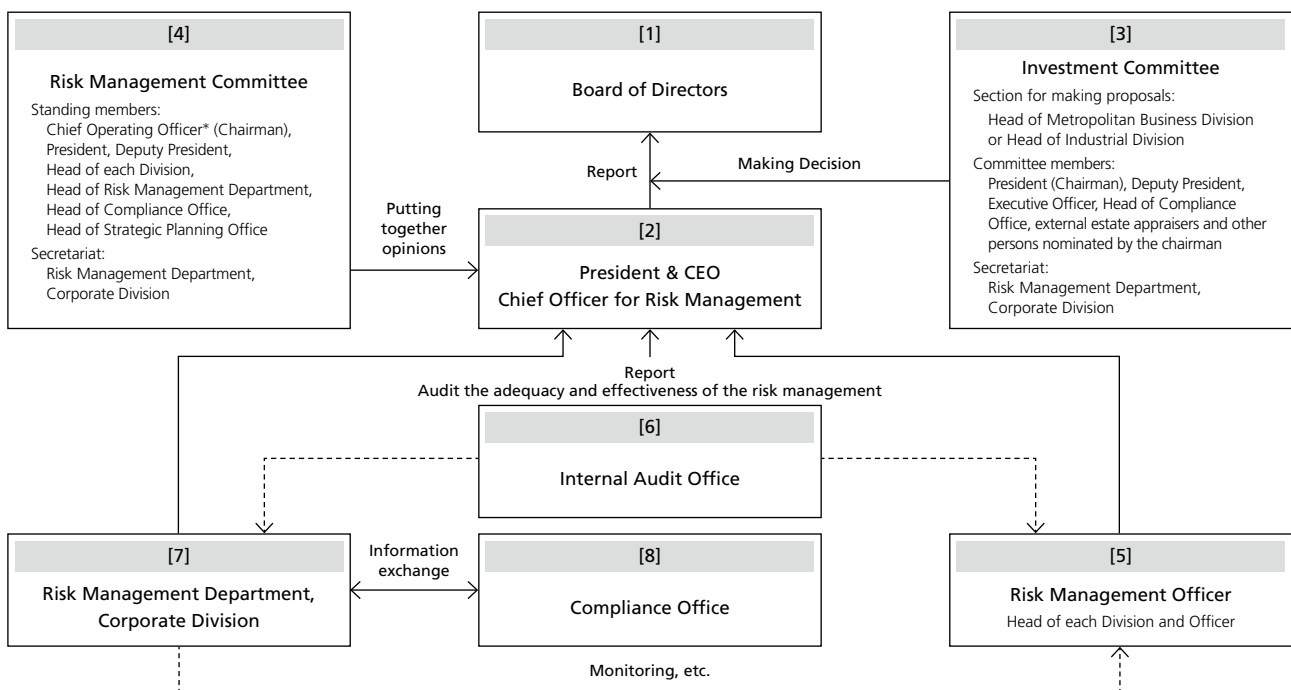
# Risk Management

MC-UBS Group committed to the thorough implementation of these risks under the following organization structure.

## Structure on Risk Management

To protect investors and implement the investment management business appropriately, the Asset Manager of the Investment Corporation shall in principle execute operations related to asset management for investment corporations as its clients, faithfully and with the care of a good manager in accordance with the purposes of the

investment management business. The asset manager has classified the major risks associated with asset management into investment management risk, clerical work risk, system risk, etc. and is striving to cope with and continuously reduce such risks through the following activities.



\* From April 1, 2021, Head of Corporate Division is going to be the chairman of the Risk Management Committee.

[1] Board of Directors	Understanding of the overall management, etc
[2] President & CEO, Chief Officer for Risk Management	President & CEO: Supervision of the overall risk management, etc. Chief Officer for Risk Management: Execute necessary measures to properly manage risks
[3] Investment Committee	Examines, discusses and makes decisions regarding overall risks affecting the portfolio as a whole (e.g. acquisition, disposal and management of assets by the investment corporations, investment policy and standards, management policies and standards, budgets, funding, etc.)
[4] Risk Management Committee	When required, identifies, examines and formulates responses and policies for matters that pose major risks (excluding those matters that are dealt with by the Investment Committee)
[5] Risk Management Officer	<ul style="list-style-type: none"> <li>• Person responsible for managing major risks, etc. in his/her department</li> <li>• Reports the state of risk management to the Risk Management Committee</li> </ul>
[6] Internal Audit Office	Planning and implementation of internal audit
[7] Risk Management Department, Corporate Division	<ul style="list-style-type: none"> <li>• Plans and makes proposals concerning risk management for the company as a whole</li> <li>• Monitors, evaluates, and analyzes the extent to which risk management is in place and functioning</li> <li>• Runs the Risk Management Committee</li> </ul>
[8] Compliance Office	Accumulating risk information through, but not limited to, the management of operational accidents and the review of the approval documents



## Environmental

Former JRF				
(FY)	2016	2017	2018	2019
CO <sub>2</sub> emissions (Thousand tCO <sub>2</sub> )	205	196	179	172
CO <sub>2</sub> emissions per unit (tCO <sub>2</sub> /m <sup>2</sup> )	0.09	0.08	0.09	0.08
Energy consumption (Mwh)	358,745	347,921	319,663	319,346
Energy consumption per unit (kwh/m <sup>2</sup> )	162.24	149.54	153.15	146.71
Fuel consumption (fuel only) (Mwh)	94,973	98,891	82,277	83,803
Fuel consumption per unit (kwh/m <sup>2</sup> )	42.94	42.50	39.42	38.50
Water Use (Thousand m <sup>3</sup> )	2,172	2,073	1,995	2,121
Water use per unit (m <sup>3</sup> /m <sup>2</sup> )	0.95	0.89	0.96	0.98
Total waste (t)	32,774	26,128	19,873	25,618

Former MMI				
(FY)	2016	2017	2018	2019
CO <sub>2</sub> emissions (Thousand tCO <sub>2</sub> )	43	44	44	39
CO <sub>2</sub> emissions per unit (tCO <sub>2</sub> /m <sup>2</sup> )	0.13	0.13	0.12	0.11
Energy consumption (Mwh)	73,727	75,862	80,277	75,125
Energy consumption per unit (kwh/m <sup>2</sup> )	228.77	226.67	223.90	211.05
Fuel/gas consumption (Mwh)	31,806	35,016	36,310	33,420
Fuel/gas consumption per unit (kwh/m <sup>2</sup> )	98.69	104.63	101.27	93.89
Water Use (Thousand m <sup>3</sup> )	519	542	546	500
Water use per unit (m <sup>3</sup> /m <sup>2</sup> )	1.61	1.62	1.52	1.41
Volume of non-hazardous waste (t)	4,607	3,778	4,362	3,826
Volume of hazardous waste (t)	199	245	221	41
Recycling rate (%)	57.2	61.6	62.7	54.2

IIF				
(FY)	2016	2017	2018	2019
CO <sub>2</sub> emissions (Thousand tCO <sub>2</sub> )	66	75	75	74
CO <sub>2</sub> emissions per unit (tCO <sub>2</sub> /m <sup>2</sup> )	0.09	0.08	0.08	0.07
Energy consumption (Mwh)	125,801	139,627	146,045	151,381
Energy consumption per unit (kwh/m <sup>2</sup> )	177.46	159.02	157.79	134.05
Fuel/gas consumption (Mwh)	12,435	12,997	12,977	11,241
Fuel/gas consumption per unit (kwh/m <sup>2</sup> )	17.54	14.80	14.02	9.95
Water Use (Thousand m <sup>3</sup> )	362	543	549	532
Water use per unit (m <sup>3</sup> /m <sup>2</sup> )	0.51	0.61	0.59	0.47
Volume of non-hazardous waste (t)	3,505	5,827	6,403	5,422
Volume of hazardous waste (t)	94	105	104	33
Recycling rate (%)	33.2	31.6	32.1	45.2

## Social

New hires (Employees who joined between January 1 and December 31, 2020)	Men	89.5%	* Excluding executives, seconded employees, and temporary employees
	Women	10.5%	
Diversity of employees	Under 30 years old	4.0%	* Excluding executives and temporary staff
	30 to 50 years old	80.5%	
	50 years old or older	15.5%	
Women in managerial posts	Women	25.7%	
Total workforce	Men	63.1%	
	Women	36.9%	

As of December 31, 2020, results of MCUBS-wide survey



## Environmental Performance Data

Data and emissions per unit are calculated based on the total leasable floor area (after considerations for rate of occupancy).

### Data collection rate

<b>Former JRF</b>	CO <sub>2</sub> emissions and energy amount
	2019: 91.9% 2018: 89.1% 2017: 92.7% 2016: 88.4%
	Water consumption
	2019: 91.8% 2018: 89.0% 2017: 92.7% 2016: 90.1%
	Waste generated
	2019: 84.7% 2018: 61.7% 2017: 88.5% 2016: 99.1%
<b>Former MMI</b>	2019: 100% 2018: 100% 2017: 100% 2016: 100%
<b>IIF</b>	2019: 100% (Volume of waste: 93.4%) 2018: 100% 2017: 100% 2016: 100%

### Aggregation period

<b>Former JRF</b>	2019: March 2019–February 2020 2018: March 2018–February 2019 2017: March 2017–February 2018 2016: March 2016–February 2017
<b>Former MMI</b>	2019: January 2019–December 2019 2018: January 2018–December 2018 2017: January 2017–December 2017 2016: January 2016–December 2016
<b>IIF</b>	2019: February 2019–January 2020 2018: February 2018–January 2019 2017: February 2017–January 2018 2016: January 2016–December 2016

## Listing on ESG Indices

### MSCI Japan ESG Select Leaders Index

MSCI, an American stock index provider listed on the New York Stock Exchange, launched a index called the MSCI Japan ESG Select Leaders Index, taking into account high environmental, social, and governance (ESG) performance.

The index covers the top 700 equities by market capitalization size, and it is built by selecting relatively good ESG evaluation stocks in the industry. In addition, the Government Pension Investment Fund (GPIF) has selected MSCI Japan ESG Select Leaders Index as one of its ESG index and implemented passive investment tracking the index. JMF and IIF, all funds of the MC-UBS Group, have been listed on the index since its establishment in 2017.

### 2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Index  
launched in June 2017

Incorporation

<b>JMF</b>	<b>Former JRF</b>	Incorporated since June 2017
	<b>Former MMI</b>	Incorporated since December 2018
<b>IIF</b>		Incorporated since June 2017

(Note) THE INCLUSION OF MITSUBISHI CORP-UBS REALTY INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF MITSUBISHI CORP-UBS REALTY INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

### Euronext® Reitsmarket GRESB Global Sustainable NR Index

This is an index created by Reitsmarket, a real estate investment trust research company of Luxembourg, in collaboration with GRESB and Euronext, to invest in the top 30 REITs according to the score prepared by GRESB. The index was set up on June 7, 2018.

More than six REITs have been selected from respective areas in North America, Europe, and Asia Pacific, and JMF accounts for the second-largest composition ratio in the Global sector, as of the establishment of this index on June 7.

### Euronext® Reitsmarket GRESB Global Sustainable NR Index

Index  
launched in June 2018

Incorporation **JMF** Incorporated since June 2018



**JMF****Japan Metropolitan Fund Investment Corporation**

As a top-ranking domestic diversified REIT, JMF is listed on the Tokyo Stock Exchange. With its vision of “Support metropolitan life (live, work, and consume) in Japan from the perspective of real estate,” it mainly acquires and operates retail facilities, office buildings, residences, hotels and mixed-use facilities operated for such uses located in urban areas, including commuter-town areas.

**Characteristics of the REIT**

1. Opportunity to see the actual properties while shopping in them

2. Portfolio stability supported by diversified asset portfolio with top-class scale in Japan



GYRE



G-Bldg. Midotsuji 01



Twin 21



Yokohama i-land Tower

**IIF****Industrial & Infrastructure Fund Investment Corporation**

Listed on the Tokyo Stock Exchange, the Industrial & Infrastructure Fund (IIF) is a unique REIT that focuses on industrial properties in Japan. IIF invests in real estate anticipated for stable use over the medium to long term while upholding a philosophy of investing in social infrastructure as a source for generating Japan's economic strength and supporting industrial activities in Japan through real estate.

**Characteristics of the REIT**

1. Investing in properties that play a vital role in industrial activities across a broad range of sectors

2. Stable cash flows based on lease agreements over 10 years



IIF Shonan Health Innovation Park



IIF Haneda Airport Maintenance Center



IIF Shin-Kawasaki R&amp;D Center



IIF Atsugi Manufacturing Center



IIF Shinonome Logistics Center



IIF Kawasaki Science Center



TSE code	8953	Fund listing	2002/3/12
Major types of properties	Office	Urban offices	Favorable locations, high building specifications
		Commuter-town offices	Properties that can also be used as retail space
	Retail properties	Facing high street	Located on main thoroughfares in major retail areas
		Urban retail properties	Those that can be turned into mixed-use properties
		Residential station	With supermarkets being the main tenants
	Mixed-use properties	Office x Retail	
		Residence x Retail	
		Office x Residence	
		Complex for three or more uses	
	Others	Residence in urban areas	Located within 30 minutes from key business areas and within a 10-minute walk from the nearest station
		Hotels in urban areas	Limited to those with fixed rent, in favorable locations and highly versatile
		New categories	

Portfolio details


<https://www.jmf-reit.com/english/portfolio/map.html>

TSE code	3249	Fund listing	2007/10/18
Major types of properties	Logistics facilities	Facilities used to provide intercompany distribution and sales distribution services, including transportation, shipping, storage, stockpiling, cargo handling, packaging, sorting, distribution processing, and information functions	
	Manufacturing and R&D facilities	Facilities for research and development, raw material procurement, stockpiling, storage, manufacturing, production, assembly and processing, recycling, and other purposes	
	Infrastructure facilities	Facilities developed as bases for industrial activity, such as transportation, communication, energy, water, and public facilities	

Portfolio details


<https://www.iif-reit.com/english/portfolio/map.html>



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## Disclaimer

- This document may contain information such as statements on future performance, plans, management targets, and strategies. Such statements with regard to the future are based on current hypotheses and assumptions about future events and trends of the business environment. However, these hypotheses and assumptions are not necessarily correct. Actual results may vary significantly due to various factors.
- Unless otherwise specified, this document was created based on Japanese generally accepted accounting principles.
- Japan Metropolitan Fund Investment Corporation (JMF), Industrial & Infrastructure Fund Investment Corporation (IIF), and Mitsubishi Corp.-UBS Realty Inc. (MCUBSR) shall not be liable for any errors, inaccuracies, loss or damage, or for any actions taken in reliance thereon, or undertake any obligation to publicly update the information contained in this document after the publication date thereof.

Asset Management Company: Mitsubishi Corp.-UBS Realty Inc.

(Financial Instrument Firm under License No. 403 of the Director of the Kanto Local Finance Bureau)

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