

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

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

What environmental and/or social (“E/S”) characteristics are promoted by Daiwa Securities Living Investment Corporation (“DLI”)?

DLI’s goal is to support everyone’s life and lifestyle, and seeks to serve as society’s infrastructure that provides comfortable living spaces, rental housing and healthcare facilities, suited to each life stage. Toward this goal, DLI proactively makes sustainable investments in healthcare facilities, which occupied 29.5% of its portfolio as of April 1, 2022 on an acquisition price basis. These healthcare facilities include elderly care facilities, medical care facilities and life science facilities throughout Japan, and DLI’s target is to establish a portfolio of up to 40% of which constitutes such healthcare facilities. Especially in Japan, where the population is rapidly aging, healthcare facilities that primarily serve the elderly population have significant social value, as recognized by the United Nations Sustainable Development Goals (“SDGs”), such as SDG2 (Zero Hunger), SDG3 (Good Health and Well-being), SDG6 (Clean Water and Sanitation), SDG11 (Sustainable Cities and Communities) and SDG13 (Climate Action). Furthermore, we focus on promoting environmental, social and governance, or ESG, characteristics in managing all of DLI’s assets on the belief that emphasis on ESG contributes to the enhancement of DLI’s medium- to long-term corporate value. DLI has implemented a number of environmental initiatives, including resource and energy-saving measures, as described in more detail below.

What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by DLI?

We use the following indicators to measure progress made on the environmental or social characteristics:

- *GRESB Real Estate Assessment.* DLI and the Asset Manager have participated in the GRESB Real Estate Assessment since the fiscal period ended September 30, 2018. Global Real Estate Sustainability Benchmark (“GRESB”) is an industry-led international organization that evaluates sustainability performance of real estate portfolios (including of listed funds, private funds and direct investments), and DLI has been evaluated by the GRESB every year.
- *MSCI ESG Rating.* Using an ESG evaluation framework created by MSCI ESG Research LLC, the MSCI ESG rating assigns a rating on a seven-tiered scale, ranging from “AAA” to “CCC,” based on exposure to industry-specific ESG risks and management capabilities for handling those risks in comparison with other companies in the same industry. The MSCI ESG rating is one of the parameters for listing companies on the MSCI Japan ESG Select Leaders Index, which is considered as a qualifying ESG index for passive management by Japan’s Government Pension Investment Fund, and is used by over 1,300 institutional investors around the world and in the creation of over 1,000 investment indexes. DLI has obtained an MSCI ESG rating of “BB” as of November 2021.
- *DBJ Green Building Certification.* The DBJ Green Building Certification Program was launched by Development Bank of Japan Inc. (“DBJ”) in April 2011 for the purpose of supporting properties that demonstrate environmental and social awareness, which are labeled “green buildings”. The program evaluates and certifies properties based on their relationships with society and the economy, by providing comprehensive assessment based on factors that range from environmental features to communication with stakeholders, such as disaster prevention, and relationships with surrounding communities. DLI earned the DBJ Green Building Certification for Chijikoukanmae Tower Residence in March 2021 and Serenite Honmachi Grand in July 2021.

- *JCR Social Finance Framework Evaluation.* The JCR Social Finance Framework Evaluation is the evaluation of DLI's social bond issuances or social loan guidelines conducted by Japan Credit Rating Agency, Ltd. ("JCR") based on social bond principles. JCR evaluates whether any given project conducted accordance with DLI's social finance policy may be deemed to be a social project as well as DLI's management/operations and transparency. In May 2021, DLI received the highest grade, which indicates that DLI used its social finance framework only on healthcare facilities and DLI's management and operations have been well established to perform social projects as planned.

In addition to the above indicators, we also track energy consumption, greenhouse gas emissions, water consumption and waste management of our properties.

What investment strategy does DLI follow?

DLI takes into account sustainability in its investment process as follows.

- *Investment Policy.* DLI invests in healthcare facilities such as elderly care facilities, medical care facilities and life science facilities throughout Japan in addition to real estate-related properties for residential use. DLI believes that investments in healthcare facilities address the high and rising demand for high-quality healthcare facilities that service Japan's super-aging population. DLI selects operators based on their financial strength, management effectiveness, governance and legal compliance to ensure that residents of DLI's healthcare facilities have stable living arrangements.
- *Due Diligence.* The Asset Manager investigates the environmental and geological conditions of each property to determine the possibility of environmental hazardous substances and land pollution. The Asset Manager conducts, with assistance from outside experts, financial, property and legal due diligence review to evaluate investments. DLI invests only in properties that have no environmental hazardous substances and generally do not exceed a certain land pollution threshold, which is specified in the Enforcement Regulations of Soil Contamination Countermeasures Act in Japan. If a property exceeds the land pollution threshold, the Asset Manager consults professionals regarding the impact on the surrounding environment and people weighed against economic benefits before making an investment decision. With respect to a healthcare facility, the Asset Manager investigates the surrounding area to assess demographic trends, and the compliance structure and internal controls of the facility operator, in addition to reviewing its general legal compliance.
- *Social Finance Framework.* DLI has established a social finance framework to provide investors with investment opportunities of social significance.

What is the policy to assess good governance practices of investee companies?

We directly or indirectly through trust beneficiary interests invest in real estate. Therefore, due diligence (including the assessment of good governance practices) in relation to investee companies is not applicable.

What is the asset allocation planned for DLI

As of May 17, 2022, 6.4% of the properties in our portfolio were Green Assets, and 93.6% were not qualified as Green Assets, based on floor area. As of May 17, 2022, 28.9% of the properties in our portfolio were healthcare facilities based on floor area. As described in more detail above, all of DLI's properties are evaluated against environmental and/or social characteristics promoted by DLI. DLI and the Asset Manager view DLI's Green Assets as investments aligned with environmental characteristics and DLI's healthcare facilities as investments aligned with social characteristics.

REMUNERATION AND SUSTAINABILITY RISKS (SFDR ARTICLE 5 DISCLOSURE)

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

- Employees of the Asset Manager receive remuneration according to their relative contribution to and expectations for the achievement of management targets, including, in some cases, sustainability targets.
- Remuneration, methods of calculation and payment, timing of payment, and increases in remuneration are determined according to the Asset Manager's compensation rules, which are established based on statutory requirements.
- Monthly remuneration is composed of base salary, overtime payment and midnight work allowance. Employees may receive increases or reductions after twelve months of their current pay based on personnel evaluations during the year. Such increases or decreases will be set based on a pay table determined for each job category.
- Incentive pay is calculated based on performance of the Asset Manager as well as the employee's performance and contribution to the performance of the Asset Manager. Moreover, such evaluations take into consideration the employee's contributions and conduct with respect to sustainability efforts and compliance requirements.