

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

### ***What environmental and/or social (“E/S”) characteristics are promoted by Comforia Residential REIT, Inc.?***

As members of Tokyu Fudosan Holdings Group, the Asset Manager and we share the Group’s “Sustainability Vision” and “Sustainability Policy”, working together to promote sustainability in our businesses, and aim to integrate sustainability into the heart of our business practices. For the existing residential properties in our portfolio, we promote E/S characteristics through a host of environmental, social and governance (“ESG”) enhancement initiatives, aligned with the United Nations’ 17 Sustainability Development Goals (“SDGs”). Specifically, we implement various environmental initiatives at our properties including those against climate change and in water resources. Specifically, our social initiatives include supporting local communities, tenants, employees, and public health measures.

### ***What sustainability indicators are used to measure the attainment of the E/S characteristics promoted by the investment units of Comforia Residential REIT, Inc. and how are such E/S characteristics met?***

We use the following indicators to measure the attainment of the E/S characteristics we promote:

- *Overall ESG performance.* To independently assess the overall ESG performance of our portfolio, we participate in the annual review by the GRESB.
- *Climate change initiatives – energy consumption and efficiency:* We track and monitor energy use and energy use intensity at our properties, with a particular focus on the common areas controlled by ourselves.
- *Climate change initiatives – CO<sub>2</sub> / greenhouse gas (“GHG”) emissions:* We track and monitor CO<sub>2</sub> emissions, calculated in accordance with the “GHG Emissions Accounting, Reporting and Disclosure System” of the Ministry of the Environment.
- *Water management initiatives:* We monitor and track water consumption at our properties.
- *Social initiatives – local community:* We donate to and participate in various programs and events in local communities, and we have installed some equipment or facilities including vending machines, a disaster provision warehouse and manhole toilets to be used in times of disasters.
- *Social initiatives – tenants:* We conduct tenant satisfaction surveys to obtain requests and opinions from our tenants.

### ***What investment strategy does Comforia Residential REIT, Inc. follow?***

The Asset Manager’s President & CEO is the Chief Sustainability Officer as well as the Chairman of the Sustainability Promotion Council that meets regularly. A Sustainability Department was also established as of April 1, 2021 to expand the functionality of the Sustainability Promotion

System, which prescribes the organizations structure under which relevant committees, departments, and the board of directors interact to promote sustainability initiatives and programs. The review and assessment of material ESG risks and opportunities are built into our investment decision process.

From time to time, we issue investment corporation bonds earmarked for use in certain projects serving as countermeasures against global warming or providing environmental benefits under our green bond framework.

***What is the asset allocation planned for Comforia Residential REIT, Inc.?***

- *Environmental certification.* As of July 31, 2021, we had received the highest “five stars” for one property and “four stars” for four properties in Development Bank of Japan rating, approximately 19.2% of the properties in our portfolio based on gross floor area were green-certified.
- *Green lease provisions in lease contracts.* To reduce our properties’ environmental load, we insert green lease provisions in lease contracts related to energy use and disposal of waste. We seek to include green lease provisions in new as well as renewed lease contracts with our tenants.
- *ESG data coverage.* We have been monitoring and tracking electricity usage and water usage in the properties in our portfolio. Specifically in order to increase the electric power consumption coverage rate at our properties, electric power measuring systems had been installed at two properties (equivalent to 15.3% of the portfolio based on gross floor area) as of July 31, 2021, making it possible to measure power consumption at areas exclusively owned by us. Furthermore, we conduct activities to raise awareness for energy saving among tenants.

***What is the policy to assess good governance practices of Comforia Residential REIT, Inc.?***

- *Adoption of performance-linked asset management fees.*
- *Alignment of interests of our unitholders and the Sponsor, Tokyu Land Corporation.*
- *Acquisition process ensuring fairness and guarding unitholder interests.*
- *Measures to enhance compliance.*
- *Transparent and appropriate information disclosure.*

**INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF COMFORIA RESIDENTIAL REIT, INC. (SFDR ARTICLE 6 DISCLOSURE)**

We have established the Sustainability Promotion Council, which holds quarterly meetings to deliberate and decide upon matters concerning the promotion of ESG such as passing resolutions for basic ESG policies, annual plans for ESG promotion, annual activities planning and reporting, and initiatives for various ESG measures under our portfolio management strategy. At these

meetings, the Sustainability Department will make proposals on specific steps toward implementing and achieving ESG goals to the members of the Council, which includes directors (excluding part-time directors), chief division officers of all of the divisions, general managers of the Environmental Engineering Department and Sustainability Department, and the compliance officer. President & CEO of the Asset Manager serves as the Chief Sustainability Officer as well as the Chairman of the Sustainability Promotion Council, and has the authority to make final decisions on such proposals.

In order to realize sustainability in our asset management and to maximize the value of our portfolio assets, we have emphasized taking ESG factors into consideration concerning our investment and asset management processes. The Asset Manager has established the green bond framework in order to expand financing methods and to enhance the development of green finance. Specifically, we have committed to use the green bonds exclusively for the properties that qualifies under one of the green qualification criteria or sustainability qualification criteria that we have.

Under this organizational structure, we have instituted a number of initiatives, at both the portfolio level and the property level, to promote E/S characteristics. Such initiatives include climate change initiatives, water resources and waste management initiatives, local community initiatives, and tenant and employee initiatives.

We believe that integrating sustainability factors alongside traditional financial and operational metrics in our investment decision process helps us make a more holistic assessment of a property's risks and opportunities and is commensurate with the pursuit of superior risk-adjusted returns.

## **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 interests, including its interests in the field of sustainability. The Asset Manager's remuneration policy is consistent with the integration of sustainability risks as follows.

- Non-supervisor employees receive monthly remuneration composed of base salary and additional salary based on merit. Such employees also received bonuses and various allowances such as overtime pay (including late-night overtime pay), holiday allowances and commuter allowances.
- Supervisors, as defined under the Labor Standard Law of Japan, receive monthly remuneration composed of base salary only. These employees also receive bonuses and late-night overtime pay.
- Base salary is determined based on separately established standards that take into consideration market standards, individual abilities and work responsibilities and the ability of the Asset Manager to pay salary. Bonuses are based on each employee's evaluation and attendance record, and the Asset Manager's profitability. Employees may be promoted and receive increased base salary and bonuses based on annual personnel evaluations of the previous fiscal year, which includes their relative contribution to and expectations for the achievement of performance targets, including 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. Remuneration of secondees is separately agreed upon between the Asset Manager and the companies that employ the secondees.