Green Finance Framework

Summary

In order to implement green financing in line with the requirements of the Green Bond Principles 2018 of the International Capital Market Association (ICMA), Green Loan Principles 2021 of the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) and Green Bond Guidelines 2020 as well as Green Loan and Sustainability Linked Loan Guidelines 2020 of Ministry of the Environment of Japan, OJR has formulated a green finance flamework and shall conduct implementation, assessment and administration of green financing based on this framework.

1. Use of financing

Finances procured through green bonds or green loans will be allocated to (1) financing to acquire new Eligible Green Assets, (2) financing for renovation work, etc., or repayment of loans (including green loans) used for these purposes, or redemption of investment corporation bonds already issued (including green bonds) that meet any of the following eligible criteria.

(Eligible criteria)

1)

Assets meeting the eligible criteria (Eligible Green Assets) are assets that have acquired or are scheduled to acquire/recertify the following certifications.

- 3-star, 4-star or 5-star ratings in DBJ Green Building Certification
- BELS Certification (Heisei 28th standard): 3-star, 4-star or 5-star ratings (*1)

BELS Certification (Reiwa 6th standard):

-Non-residential: level 4, level 5, level 6 (*1)

-Residential with renewable energy facilities: level 3, level 4, level 5, level 6 (*2)

-Residential without renewable energy facilities: level 3, level 4 (*2)

- B+, A or S rankings in CASBEE Certification
- Silver, gold or platinum rank in LEED Certification (in case of LEED BD+C, version 4 or later)

(*1) New acquisitions of existing buildings built before 2016 must be at least Level 3 and not existing nonconforming (factories, etc. (including logistics): BEI = > 0.75)

(*2) New acquisitions of existing buildings built before 2016 qualify at Level 2 or higher, regardless of whether they have renewable energy

2) Renovation work which meets the eligible criteria is renovation work, etc. which correspond to either of the following.

- Renovation work which aim to increase the rating or ranking by more than one in one of the certifications for Eligible Green Assets
- Renovation work which is able to reduce energy consumption, CO_2 emissions or water use by 30% or more
- Installation or acquisition of equipment related to renewable energy

2. Project evaluation and selection process

(Application of eligible criteria in project selection)
The Sustainability Committee is composed of members including CEO of ORIX Asset Management Corporation where it examines the asset selection, evaluation and funding methods that meet the "Eligible Criteria". The ultimate decision is made by the Investment Committee.

(Environmental targets)
OAM has established an ESG Policy aimed at sustainable growth of unitholder value, part of the management philosophy of OJR, and practices asset management that takes into consideration environmental, social, and governance factors.

(Process for reducing environmental and social risks)
OAM has established a Sustainability Committee with members that include the President and CEO as well as others in management to promote initiatives based on our ESG Policy continuously and systematically.
Held at least 4 times a year in principle, the Committee shares information on sustainability, considers objectives and individual measures for issues, hears reports on progress toward goals and analyses of evaluations, and more.

3. Financing management

- Finances procured through green bonds or green loans will be allocated to projects that meet any of the eligible criteria listed in "1. Use of financing."

The upper limit for green financing shall be the amount of debt amount calculated by multiplying the total acquisition price of Eligible Green Assets by the actual interest-bearing debt ratio to total assets (calculated at the most recent fiscal year-end at the time of payment for the investment corporation bond or loan execution, or as of the end of February each year) (hereinafter “Eligible Green Debt Amount”). Even if the Eligible Green Asset to which financing was allocated in the projects above are sold or excluded from the eligible criteria as an Eligible Green Asset, it shall continue to exist as green finance as long as the financing procured through green bonds or green loans remain within the upper limit for green financing.

• Finances procured through green bonds or green loans will be allocated to (1) financing to acquire new Eligible Green Assets, (2) financing for renovation work, etc., or repayment of loans (including green loans) used for these purposes, or redemption of investment corporation bonds already issued (including green bonds) at an early stage. These will be managed as cash or cash equivalents when not allocated temporarily.

4. Reporting

(Financing allocation status reporting)

・ Allocation status is to be disclosed once a year on the website until the entire amount of financing procured through green bonds or green loans has been allocated (including the amount allocated to each category that meets the eligible criteria as well as the unallocated amount).

As long as there is outstanding green finance, disclose once a year on the website that the green finance amount does not exceed the Eligible Green Debt Amount.

(Impact reporting)

• The following indicators will be disclosed on the website once a year as long as green bonds or green loans exist as certification status of the Eligible Green Assets to which financing was allocated, certification evaluation, and overall Eligible Green Assets.

• Energy consumption / CO_2 emissions / Water usage

• The following indicators will be disclosed on the website once a year after completion of renovation work, etc., as long as green bonds or green loans exist.

• (Before/after renovation) Energy consumption, CO_2 emissions, water usage, amount of power generated, or amount of CO_2 reduced

Sustainability Linked Finance Flamework

Summary

We have established the framework as follows, as conforming to collectively referred to as “SLBP, etc.” which are composed of “The Sustainability-Linked Bond Principles (2020)” formulated by ICMA (International Capital Market Association), “Sustainability Linked Loan Principles (2023)” formulated by LMA (Loan Market Association), LSTA (Loan Syndications and Trading Association) and APLMA (Asia Pacific Loan Market Association), and “Green Bond and Sustainability-Linked Bond Guidelines (2022)” and “Green Loan and Sustainability-Linked Loan Guidelines (2022)” formulated by Ministry of the Environment, Japan.

1. Selection of Key Performance Indicators (KPI)

• ORIX JREIT Inc. (hereinafter, “OJR”) has selected our CO_2 emissions for Scope1, Scope2 and Category 13 of Scope3 that are under OJR’s operational control as KPI by driving energy management such as improving the energy efficiency, promoting energy conservation and the introduction of renewable energy etc. in our properties to aim for net zero GHG emissions by 2050.

2. Measurement of Sustainability Performance Targets (SPT)

• The scope of CO_2 emissions reduction for SPT is the range selected by KPI.

SPT	Reference Period
Achieve 14% reduction in CO_2 emissions from 2021 levels by 2024 in line with SBT* “Near-term target”	Period ending March 31, 2025
For each year from 2025 to 2029, an equal reduction between the 2024 target (14% reduction from 2021) and the 2030 target (42% reduction from 2021)	For a year ending March 31 of each year
Achieve 42% reduction in CO_2 emissions from 2021 levels in 2030 in line with SBT “Near-term target”	For a year ending March 31, 2031

3. Specific feature of the Finance

• Finance interest rate linked to the performance of SPT

Judgment contents of SPT	Terms and conditions
Achievement of SPT tailored to individual financing periods on the last day of the reference period	Reduce the applicable rate upon achievement or raise the applicable rate upon non-achievement

• The specific range linked to applicable rate shall be specified separately for each financing. In case reduction targets are set individually for each financing period, the judgment contents of SPT, the date of judgment and terms and conditions shall also be separately stipulated in the contract, etc.

4. Reporting

• At least once a year, the actual result of the KPI selected in 1 above shall be publicized on OJR’s website.

5. Validation

• When reporting on the performance of KPI/SPT, validation by an independent third party will be conducted and the results will be disclosed on OJR's website, etc.

6. Review of the framework

• This framework will be revised as needed when deemed reasonably necessary due to changes in organizations, principles, guidelines pertaining to this framework, changes in social conditions, changes in disclosure standards pertaining to sustainability, etc.