

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

### ***What environmental and/or social characteristics are promoted by Nippon Prologis REIT, Inc.?***

The Prologis Group, including Nippon Prologis REIT, Inc. (“NPR”) and Prologis REIT Management, K.K. (the “Asset Manager”), conducts sustainable corporate activities with goals of protecting the environment, contributing to society and maintaining corporate ethics and governance as a good corporate citizen. We aim to minimize the impact of the Prologis Group’s business activities on the environment and to maximize the benefit of all stakeholders.

NPR functions as a long-term real estate holding vehicle for the Prologis Group’s business in Japan. The Prologis Group conducts its global business through one common operating platform that covers all entities in the Prologis Group, including NPR. For environmental, social and governance (“ESG”) initiatives, the Prologis Group uses its scale to provide one common ESG platform (ESG objectives, principles, policies, goals and monitoring systems) that covers NPR. In addition, NPR, as a separate public entity, also has distinct and independent ESG management systems especially for its governance.

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

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

- *Environmental certification of individual properties:* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations such as the Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification, the Development Bank of Japan’s Green Building Certification (“DBJGB”) and other equivalent certifications. We call our property that receives any such certifications an “Eligible Green Project”. With respect to CASBEE, we consider a property to have a sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). With respect to BELS, we consider a property to have a sufficient environmental certification if it received four stars or higher out of BELS’ five-star ranking system. With respect to DBJGB, we consider a property to have a sufficient environmental certification if it received four stars or higher out of DBJGB’s five-star ranking system. As of May 31, 2021, 97.9% of our properties were Eligible Green Projects based on the acquisition prices (we treat properties as Eligible Green Projects even after their environmental certifications have technically expired).
- *Climate change initiatives:* We aim to lead the real estate industry toward a low-carbon society by implementing various measures to reduce emissions of greenhouse gas and coordinating with other companies to reduce long-distance transportation and minimize the impact of our business toward the environment. In our stakeholder outreach programs, we listen to our stakeholders’ needs. Investors and other stakeholders identified the Task Force on Climate-related Financial Disclosures (“TCFD”) as a guiding framework for companies to show how they are responding to climate change. In response, Prologis has signed on as an official supporter of TCFD and provides disclosure on our alignment with TCFD’s four core elements: governance, strategy, risks & opportunities and targets & metrics. The Asset Manager also signed on as an official supporter of TCFD in September 2021. We are aiming to provide disclosure in alignment with TCFD’s four core elements in due course.
- *Social initiatives – tenants:* We have adopted the Net Promoter Score (NPS), a metric used to measure customer loyalty. NPS is used by the world’s leading brands to gauge how companies perform relative to customer expectations. We use NPS to inquire our customers how they evaluate their overall experiences with us. NPS results are based on customer responses to a single question: *How likely are you to recommend Prologis to a colleague or friend and why?*

- *Social initiatives – employees:* Employees of the Asset Manager receive performance feedback three times a year: initial, interim and final reviews to discuss their targets, progress, next steps and achievements. The evaluation is conducted comprehensively, including with respect to ESG. In order to secure the fairness and transparency, the final evaluation for compensation and promotion is determined by the Human Resources/Compensation Committee.
- *Social initiatives – compliance:* The Asset Manager has established the Compliance Basic Policy to promote compliance pertaining to our asset management activities. The Asset Manager complies strictly with applicable laws and regulations related to its business, carries out sound corporate activities in good faith and has established a system to ensure the soundness of management based on self-discipline. In order to promote compliance, the Compliance Officer has established and maintains the Compliance Manual as a code of conduct for officers and employees of the Asset Manager. In addition, the Compliance Officer plans and implements guidance and training for the officers and employees on a regular basis and as necessary based on compliance needs.

***What investment strategy does NPR follow?***

Our investment strategy is focused on achieving stable return through portfolio diversification by combining different types of properties in various geographical locations. In order to realize sustainability in our asset management while maximizing our portfolio value, we consider ESG factors in our investment and asset management processes. In particular, the Asset Manager has established a green finance framework consisting of two parts – one for bonds and one for equity. We intend to continue our strong commitment to ESG through our green finance framework, while expanding our investor universe by generating demand for ESG investment.

We ensure our investment strategy is implemented on a continuous basis by establishing and maintaining the green eligible criteria under our green finance framework, and ensuring that any proceeds from our green financing will be used exclusively toward properties that meet such criteria.

The Asset Manager also has established the ESG Committee, which is composed of the Chief Executive Officer (Chief Sustainability Officer), the Head of Financial Planning/Investor & Public Relations Division (Sustainability Officer), the Head of Investment & Operations Division (Sustainability Officer), the Head of General Administration & Accounting Division (Sustainability Officer), the Compliance Officer and certain other members in charge of sustainability. The ESG Committee generally meets several times a year to plan and implement various initiatives to promote our five ESG goals. Additionally, the ESG Committee reviews and evaluates feedback from stakeholders on NPR's ESG initiatives and actions with the intention of aligning with our ESG Policy.

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

As of May 31, 2021, 97.9% of the properties in the portfolio were Eligible Green Projects and 2.1% were nonqualified assets based on the acquisition prices of our properties (we treat properties as Eligible Green Projects even after their environmental certifications have technically expired). Our target is to continue to maintain the percentage of Eligible Green Projects at 95% or more.

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

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

We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems: the adoption of a decision-making process in conflict-of-interest transactions involving independent outside experts, the transparent and appropriate information disclosure and the corporate governance and risk management.

## **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:

- The annual remuneration for the employees consists of a base salary and a fixed overtime compensation. Each employee's annual remuneration is determined based on employees' knowledge, abilities, skills, experiences and other factors.
- Employees of the Asset Manager receive performance feedback three times a year: initial, interim and final reviews to discuss their targets, progresses and achievements. The evaluation is conducted to assess the employees' various performances, including those with respect to ESG. In order to secure the fairness and transparency, the final evaluation for compensation and promotion is determined by the Human Resources/Compensation Committee.