

Framework Overview and Second-Party Opinion

JAPAN RETAIL FUND INVESTMENT CORPORATION Green Bond

Evaluation Summary

Overall, Sustainalytics is of the opinion that the Japan Retail Fund Investment Corporation's (JRF) Framework is credible and transparent, and aligns with the four pillars of the Green Bond Principles 2017. Sustainalytics views the following elements of the Framework as key consideration:



USE OF PROCEEDS The category for the use of proceeds, green buildings, is recognized by the Green Bond Principles 2017 as one of eligible projects which have environmental benefits. JRF will use the DBJ Green Building Certification Programme or the CASBEE Certification Rank to determine the eligibility of green buildings.



PROJECT EVALUATION / SELECTION The processes to address environment and social risks as well as to evaluate and select the assets are overseen by a dedicated sustainability committee where C-level executive (president of its asset manager), sits on the chair. Sustainalytics views the C-level involvement as market best practice.



MANAGEMENT OF PROCEEDS JRF has an internal process in place to track and monitor the amount of outstanding and allocation of proceeds, which is in line with market practice.



REPORTING JRF intends to report the environmental performance indicators including electricity, fuel and water consumption as well as CO₂ emission of the assets to be funded through the green bonds on an annual basis. This is in line with market practice.

Evaluation date	16 April 2018
Issuer Location	Japan

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Introduction

Japan Retail Fund Investment Corporation (JRF) has developed a green bond framework under which it will issue green bonds and use the proceeds to finance or refinance expenditures related to green buildings. JRF has engaged Sustainalytics to provide a second-party opinion on its framework and the framework's environmental credentials. As part of this engagement, Sustainalytics held conversations with various members of JRF's project team to understand the sustainability impact of their business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the JRF Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information. Following this engagement between JRF and Sustainalytics, some elements of the Green Bond Framework were clarified to ensure an alignment with the level of disclosure expected by ICMA's Green Bond Principles 2017.

This document contains two sections: Framework Overview – summary of the JRF Green Bond Framework; and Sustainalytics' Opinion – an opinion on the framework.

Overview of Issuer

JRF is a real estate investment trust (REIT) that has been listed on the Real Estate Investment Trust (REIT) Section on Tokyo Stock Exchange since 2002 as the third listed REIT in Japan. It is one of the largest listed Japan's real estate investment trusts (J-REITs) and also the largest and the first REIT in Japan to specifically target retail property assets. As of February 28, 2018, JRF's assets are 100 retail properties, 910 billion Japanese Yen in acquisition price basis, located nationwide including Tokyo, Nagoya, Osaka, Kyoto and other major cities¹.

As the unique structure of J-REITs, which entrust their asset management roles to their asset managers, Mitsubishi Corp.-UBS Realty Inc.(MC-UBS), which is owned by Mitsubishi Corporation, Japan's largest general trading company, and UBS Asset Management AG., a subsidiary of UBS Group, one of the world's largest financial groups, serves as the asset manager of the fund in accordance with JRF's investment policy, which is to pursue investments in retail property assets. MC-UBS has established a Sustainability Committee to promote its sustainability activities in 2013 and has managed the fund in alignment with the "Environmental Charter"² and "Responsible Property Investment Policy"³. It is the first J-REIT asset manager to sign the Principles for Responsible Investment ("PRI") proposed by the United Nations and the Montreal Carbon Pledge. It is also a signatory to the "Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)", which are supported by the Ministry of the Environment and the United Nations Environment Programme Finance Initiative (UNEP FI).

JRF, on its website, states that it supports the activities of tenants and works in various ways to maintain the environment and the society while striving toward the improvement of portfolio value in order to deliver stable distributions to investors.⁴ In line with its approach to sustainability, JRF shares with its asset manager, MC-UBS, the sustainability objectives which center around integration of ESG factors into asset management.⁵ In addition, JRF adopts the Mitsubishi Corp.-UBS Realty's Responsible Property Investment Policy as well as Environmental Charter in order to conduct sustainability activities which are embedded in its business.

Based on the policy and charter above, JRF creates a sustainability strategy with the following three pillars; 1) Communication with stakeholders, 2) Relationships with local communities, and 3) Environmental activities.⁶ As part of its environmental activities, JRF is committed to promoting green buildings by achieving certification of its own buildings using GRESB (Global Real Estate Sustainability Benchmark), CASBEE (Comprehensive Assessment System for Built Environmental Efficiency), and DGB Green Building Certification

¹ Portfolio Map, Japan Retail Fund Investment Corporation; <http://www.jrf-reit.com/english/portfolio/index.html>

² Sustainability Strategy & Policy, MC UBS Realty Inc.; <http://www.mc-ubs.com/english/sustainability/invest.html>

³ Sustainability Strategy & Policy, MC UBS Realty Inc.; <http://www.mc-ubs.com/english/sustainability/invest.html>

⁴ JRF's Sustainability, Japan Retail Fund Investment Corporation; <http://www.jrf-reit.com/english/structure/csr.html>

⁵ Sustainability, Mitsubishi Corp UBS Realty; <http://www.mc-ubs.com/english/sustainability/index.html>

⁶ JRF's Sustainability, Japan Retail Fund Investment Corporation; <http://www.jrf-reit.com/english/structure/csr.html>

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Programme. As well, it has been designated by the GRESB Real Estate Assessment as “Green Star,” for the three consecutive years in 2017. Furthermore, as of March 2018, it owns 13 buildings certified by S and A ranks of CASBEE as well as 17 buildings certified by the DBJ Green Building Certification Programme. In order to further promote its environmental objective and certified green buildings, JRF is planning to issue green bonds.

Framework Overview

For the purpose of issuing green bonds, JRF has developed the following framework, which addresses the four key pillars of the Green Bond Principles 2017 (GBP): use of proceeds, project evaluation and selection process, management of proceeds, and reporting.

3.1 Use of Proceeds

The proceeds of the green bond will be allocated toward the acquisition of the existing and/or new assets that meet the following eligibility criteria (“Eligible Green Projects”) and/or toward refinancing the existing debts that have already been allocated to Eligible Green Projects.

3.1.1 Eligibility Criteria

1. Green Buildings:

To be eligible for green bond proceeds, Eligible Green Projects must meet one of the following eligibility criteria:

- Buildings that have received 3, 4 or 5 stars under the DBJ Green Building Certification Programme within the 24 months preceding the date of a green bond issuance and/or buildings that are expected to receive the certification post issuance. At the time of reporting, buildings which meet same criteria as of the end of February.
- Buildings that have received B+, A or S rank under the CASBEE Certification Rank within the 24 months preceding the date of a green bond issuance, and/or buildings that are expected to receive the certification post issuance. At the time of reporting, buildings which meet same criteria as of the end of February.

3.2 Project Evaluation and Selection Process

Application of Eligibility Criteria in Project

The eligible projects will be evaluated and selected by the Sustainability Committee of MC-UBS in accordance with its Responsible Property Investment Policy⁷ and based on compliance with the eligibility criteria.

Sustainability Objectives

JRF conducts its investment and operational activities in alignment with Responsible Property Investment Policy, which commits to integrating environmental and social considerations into investment and operation process.⁸ Additionally, through its Environmental Charter,⁹ JRF is committed to the following objectives:

- To reduce greenhouse gas emissions by continually implementing new efficiency measures and embracing new technologies,
- To promote the sustainable use of natural resources including energy, minerals, food stocks and water throughout our global business operations,
- To recognize the critical importance of what ecosystems can provide and be committed to protecting ecosystems and mitigating any potential impacts on biodiversity,
- To create and enhance environmental benefits by undertaking conservation activities and reducing its environmental footprint,
- To actively engage and work with its various stakeholders openly and transparently and disclose information on the environmental impacts of our business operations in an appropriate and timely manner,

⁷ Responsible Property Investment Policy, Mitsubishi Corp UBS Realty; <http://www.mc-ubs.com/english/sustainability/invest.html?no=1>

⁸ JRF’s Sustainability, Japan Retail Fund Investment Corporation; <http://www.jrf-reit.com/english/structure/csr.html>

⁹ Environmental Charter, Mitsubishi Corp UBS Realty; <http://www.mc-ubs.com/english/sustainability/invest.html?no=1>

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- To conduct all of its activities in compliance with environmental laws while adhering to international rules and social standards.

In order to implement its Environmental Charter as well as Responsible Property Investment Policy, JRF sets out a sustainability strategy with three key pillars, 1) Communications with Stakeholders, 2) Relationships with local communities, and 3) Environmental Activities.¹⁰ Under the environmental objective, it further sets out the six following commitments, i) Climate Change, ii) Energy Management, iii) Cyclical Use of Resources, iv) Biodiversity, v) Pollution Prevention, and vi) Environmental Certification.¹¹ As part of its Environmental Certification commitments, JRF specially focuses on making buildings green by implementing certifications including CASBEE, DBJ Green Building Certification Programme and BELS, in addition to GRESB and CDP Climate Change Program.

Process to Mitigate Environmental and Social Risks

To address any environmental and social risks, the relevant data on buildings and the plan on sustainability activities for the relevant year will be shared, discussed and reviewed in the Sustainability Committee at MC-UBS, which is comprised of its President as a chairman and held by a division being in charge of the ESG activities. Following the review and discussion, the committee may suggest the needs of improvement on activities and identify the measures to mitigate the environmental and social issues for the following fiscal year.

3.3 Management of Proceeds

JRF extracts the Eligible Green Projects from JRF's portfolio and calculates the Debts of Eligible Green Projects by multiplying the total book value of the Eligible Green Projects by its book value LTV (Loan to Value / based on interest-bearing debt) ratio as of the end of its latest fiscal period. JRF will monitor to ensure the total amount of outstanding green bonds does not exceed the Debts of Eligible Green Projects. Payment of principal and interest on the green bonds will be made from JRF's general funds and will not be directly linked to the performance of any Eligible Green Projects.

JRF will report that the net proceeds from the green bonds are fully allocated to the Eligible Green Projects. Net proceeds from the green bonds will be immediately, or shortly thereafter, allocated to the Eligible Green Projects or to the refinancing of existing debts, which have previously been allocated to the Eligible Green Projects. Pending the allocation of the net proceeds of green bonds to Eligible Green Projects, JRF will track and maintain an amount equal to the balance of unallocated green bond proceeds in cash and cash equivalents.

3.4 Reporting

Allocation Reporting

JRF will disclose on its website that the proceeds of green bonds are fully allocated to the Eligible Green Projects, and that the total amount of outstanding bonds is not over the Debts of Eligible Green Projects. While the green bonds are outstanding, JRF will annually report on the book value of all the Eligible Green Projects and the Debts of Eligible Green Projects and the total amount of outstanding green bonds as of the end of February.

Impact Reporting

JRF will disclose the following quantitative environmental performance indicators as of the end of February once a year on its website, as long as the green bonds are outstanding.

¹⁰ JRF's Sustainability, Japan Retail Fund Investment Corporation; <http://www.jrf-reit.com/english/structure/csr.html>

¹¹ Environmental Activities of JRF, Japan Retail Fund Investment Corporation; http://www.jrf-reit.com/english/structure/sustain_env.html#article_f

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- The number of the buildings of the Eligible Green Projects
- The total amount of the floor space of the Eligible Green Projects
- The following quantitative indicators of the Eligible Green Projects (where JRF has energy control authority)
 - Electricity consumption
 - Fuel consumption
 - Water consumption
 - CO2 emissions

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the JRF Green Bond Framework

Summary

Overall, Sustainalytics is of the opinion that the JRF Green Bond Framework is credible and transparent, and aligns with the four pillars of the Green Bond Principles 2017. Sustainalytics views the following elements of the Framework as key considerations:

- The category for the use of proceeds, green buildings, is recognized by the Green Bond Principles 2017 as one of eligible projects which have environmental benefits.
- Sustainalytics is of the opinion that by selecting buildings with credible third-party certifications (DBJ Green Building Certification Programme or CASBEE Certification Rank), JRF is allocating green bond proceeds to buildings with clear environmental impact (please see Appendix 1). While Sustainalytics considers that the inclusion of the third level of certifications have clear positive impact, it also recognizes that the market best practice is to ensure the assets to be certified by the top two categories of these certification programmes, which are A or S rank for the CASBEE Certification and 5 and 4 stars for the DBJ Green Building Certification Programme.
- The processes to address environment and social risks as well as to evaluate and select the assets are overseen by a dedicated Sustainability Committee with a C-level executive (president of its asset manager) serving as chair. Sustainalytics views the C-level involvement as market best practice.
- JRF has an internal process in place to track and monitor the allocation of proceeds and the amount of outstanding, which is in line with market practice.
- JRF intends to report the environmental performance indicators including electricity, fuel and water consumption as well as CO₂ emission of the assets to be funded through the green bonds on an annual basis. This is in line with market practice.

Alignment with Green Bond Principles 2017:

Sustainalytics has determined that JRF's Green Bond Framework aligns to the four pillars of the Green Bond Principles 2017. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to issuer's sustainability strategy

Sustainalytics has a positive view of JRF's use of proceeds to advance the company's sustainability commitments outlined in the company's Responsible Property Investment Policy and Environmental Charter. JRF's policies include objectives to improve environmental performance, and the company is committed to disclosing its consumption of electricity, fuel, and water and its CO₂ emissions for its buildings on a regular basis, enabling it to better manage carbon risks. In addition, as reflected in its sustainability strategy, JRF is committed to reducing its environmental burden by implementing green building certification such as CASBEE, DBJ Green Building Certification Programme and BELS into its real estate properties. JRF has a track record of successfully achieving certifications since 2014, which is indicative of its efforts to expand green buildings and promote environmental and social sustainability.

Taking into consideration JRF's sustainability-focused policies and commitments, Sustainalytics is of the opinion that, by developing a green bond framework and issuing green bonds, JRF continues to contribute to its commitments on sustainability performance.

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Well positioned to address common environmental and social risks associated with the projects

There are some environmental and social negative impacts associated with buildings, including energy use, water use, CO₂ emissions, and human health. In order to mitigate these concerns, a dedicated sustainability committee of MC-UBS which has C-level involvement (its president), has established a process to identify and take measures against considerable risks on a regular basis. Given this context as well as the use of proceeds, Sustainalytics recognizes that JRF is well prepared to mitigate social and environmental risks associated with Eligible Green Projects.

Section 3: Impact of Use of Proceeds

Importance of green buildings towards achieving energy efficiency goals in Japan

Prior to the Great East Japan Earthquake in 2011, nuclear energy had accounted for almost 30% of Japan’s total electricity production.¹² However, the nuclear disaster in Fukushima resulted in a nation-wide shutdown of nuclear plants across Japan, increasing pressure on Japan to meet the country’s energy needs while decreasing its carbon emissions to meet its COP22 targets and commitments. Seeing that the building sector accounts for one third of total energy use in Japan,¹³ the Japanese government saw the need to increase efficiency of buildings, which resulted in the Ministry of Land, Infrastructure, Transport and Tourism establishing the Building Energy Efficiency Act in 8 July 2015. The act outlines regulatory measures to ensure compliance with energy efficiency standards for large-scale non-residential buildings, and encourages the use of green building certification systems, such as CASBEE.¹⁴ Accordingly, buildings in Japan will need to become more energy efficient in the future.

Therefore, Sustainalytics is of the opinion that JRF’s green bond will contribute to meeting the need to finance green building projects in Japan, resulting in positive environmental outcomes.

Contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of

¹² Nuclear Power in Japan, World Nuclear Association; <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

¹³ Overview of the Building Energy Efficiency Act (Japanese), Ministry of Land Infrastructure, Transport and Tourism, Japan; <http://www.mlit.go.jp/common/001178846.pdf>

¹⁴ Overview of the Act on the improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act), Ministry of Land Infrastructure, Transport and Tourism, Japan; <https://www.mlit.go.jp/common/001134876.pdf>

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renewable energy in the global energy mix

Conclusion

JRF, through its green bonds, aims to contribute to sustainability by investing in eligible green assets. The company's project eligibility criteria are based on third-party certification standards of CASBEE and DBJ Green Building Certification, both of which are widely used in Japan. By setting an eligibility threshold of B+, A or S rank of CASBEE and 3, 4 or 5 stars of the DBJ Green Building Certification, the eligibility criteria set robust standards on the sustainability performance of the eligible assets, which ensures of creating positive environment impact.

In addition, it has in place processes to select the assets and address environment and social risks, which are overseen by a sustainability committee that includes its asset manager's president. Sustainalytics is of the view that this demonstrates market best practice.

Furthermore, given that JRF will disclose yearly the use of funds that lays out adherence with the eligibility criteria, and provides key metrics regarding the environmental impact of the eligible assets on its website, JRF's green bond reporting process is transparent.

Overall, Sustainalytics is of the opinion that the framework aligns with the four pillars of ICMA's Green Bond Principles 2017 and is robust and credible.

Appendices

Appendix 1: Overview and Comparison of Real Estate Certification Schemes

	DBJ Green Building Certification Programme^{15 16}	CASBEE Certification Rank¹⁷
Background	DBJ Green Building Certification Programme was launched by Development Bank of Japan in 2011 and is operated together with Japan Real Estate Institute (JREI). The programme is recognized as one of regional standards. ¹⁸ The certification is available for office buildings, logistics, residential & retail facilities.	CASBEE (Comprehensive Assessment System for Built Environment Efficiency) represents a green building management system from Japan, evaluating and rating the environmental performance of buildings and the built environment. CASBEE is formed of four assessment tools tailored to different scales: housing, building, district and city.
Certification levels	1 Star (Properties with satisfactory environmental & social awareness) 2 Stars (Properties with high environmental & social awareness) 3 Stars (Properties with excellent environmental and social awareness) 4 Stars (Properties with exceptionally high environmental & social awareness) 5 Stars (Properties with the best class environmental & social awareness)	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)
Areas of Assessment: Environmental Project Management	Evaluation of DBJ Green Building Certification includes construction specifications, environmental features as well as the following factors: <ul style="list-style-type: none"> - Disaster-prevention and anti-crime measures; - Tenants' comfort and convenience; - Harmony with the surrounding environment; - Collaboration with stakeholders (including tenants and investors); and - Environmental Investor Relations activities. 	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, respectively, L (Built Environment Load).
Areas of Assessment: Environmental Performance of the Building	Assessment include three areas with some examples of following subcategories: Ecology	<ul style="list-style-type: none"> • Energy Efficiency • Resource efficiency • Local environment • Indoor environment

¹⁵ Certification Overview, Development Bank of Japan; http://www.dbj.jp/en/service/finance/g_building/outline.html

¹⁶ DBJ Green Building Certification (Japanese), Development Bank of Japan; http://www.dbj.jp/service/finance/g_building/outline.html

¹⁷ CASBEE, BASBEE; <http://www.ibec.or.jp/CASBEE/english/>

¹⁸ Japan sharpens its green building focus, Read Views; <https://www.jllrealviews.com/places/japan-sharpens-its-green-building-focus/>

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	<ul style="list-style-type: none"> • Energy conservation • Water resources conservation • 3R (Reduce, Reuse and Recycle) • Use of renewable energy <p>Risk management & amenities/diversity</p> <ul style="list-style-type: none"> • Security & Safety of tenant users • Convenience of tenant users <p>Community & partnership</p> <ul style="list-style-type: none"> • Landscape • Biodiversity • Relation with the local community • Owner & stakeholder relationship 	
<p>Requirements</p>	<p>Score-based performance level</p> <p>Assessment structure are composed of the following three pillars:</p> <ol style="list-style-type: none"> 1. The three areas of assessment The features and characteristics of the green building will be classified into three main categories: ecology, risk management & amenities/diversity, and community & partnership. Each main area consists of five subcategories and has a full score of 100 points. The entire assessment consists of 58 questions. 2. Comprehensive assessment Among the conventional assessment points, some particular importance is attached to the owner operation of the property, such as, in the risk management part, disaster prevention & anticrime measures, and in the community & partnership part, local environment-awareness initiatives. 3. Innovation point system an additional point system is adopted to reflect exceptionally innovative initiatives in each subcategory. Such initiatives need not fit in the scope of the respective questions. <p>JREI will conduct on the ground review of building performance on the indicators above, and a committee set in JREI will decide the result of certification rank.¹⁹</p>	<p>Score-based performance level</p> <p>CASBEE uses the BEE (Built Environment Efficiency) as its assessment indicator, which is calculated from Q (Built Environment Quality) as the numerator and L (Built Environment Load) as the denominator. Q and L are obtained through the classification and rearrangement of the four areas of assessment.</p> <p>Buildings may receive ranks ranging from C (poor) to S (excellent), in order of increasing BEE value.</p> <p>For authorization, a building must receive a report from the CASBEE Certification system, which is afterwards assessed by the local government.</p>

¹⁹ Process of certification (Japanese), DBJ Green Buildings; <http://igb.jp/flow.html>

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<p>Performance Display</p>	<p>20</p>	
<p>Qualitative considerations</p>	<p>In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan.²² According to its website, as of Feb 2018, 499 properties in Japan are certified by the programme.</p>	<p>In Japan, many local governments have made CASBEE assessment results mandatory for building permits compared to similar tools available.</p>

²⁰ DBJ Green Building, Development Bank of Japan; http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf

²¹ Built Environment Efficiency, CASBEE; <http://www.ibec.or.jp/CASBEE/english/beeE.htm>

²² Japan sharpens its green building focus, Read Views; <https://www.jllrealviews.com/places/japan-sharpens-its-green-building-focus/>

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Appendix 2: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	Japan Retail Fund Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	
Review provider's name:	Sustainalytics
Completion date of this form:	March 30, 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	April 16, 2018

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Green Bond Framework and Second-Party Opinion Document above.

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Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The proceeds of the green bond will be allocated toward the acquisition of existing and/or new assets that meet the following eligibility criteria (“Eligible Green Projects”) and/or toward refinancing existing debts that have been already allocated to Eligible Green Projects.

To be eligible for green bond proceeds, Eligible Green Projects must meet one of the following eligibility criteria:

- Buildings that have received 3, 4 or 5 stars under the DBJ Green Building Certification Programme within the 24 months preceding the date of a green bond issuance and/or buildings that are expected to receive the certification post issuance. At the time of reporting, buildings which meet same criteria as of the end of February.
- Buildings that have received B+, A or S rank under the CASBEE Certification Rank within the 24 months preceding the date of a green bond issuance, and/or buildings that are expected to receive the certification post issuance. At the time of reporting, buildings which meet same criteria as of the end of February.

Sustainalytics is of the opinion that these eligible assets have clear environmental benefits as the outcomes are clearly recognized as eligible ICMA’s Green Bond Principles 2017.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

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2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Sustainalytics is of the view that JRF has a clear and transparent processes for asset evaluation and selection, which is overseen by a dedicated Sustainability committee of MC-UBS in accordance with its Responsible Property Investment Policy and based on compliance with the eligibility criteria.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

JRF extracts the Eligible Green Projects from JRF's portfolio and calculates the Debts of Eligible Green Projects by multiplying the total book value of the Eligible Green Projects by its book value LTV (Loan to Value / based on interest-bearing debt) ratio as of the end of its latest fiscal period. JRF will monitor to ensure the total amount of outstanding green bonds does not exceed the Debts of Eligible Green Projects. Payment of principal and interest on the green bonds will be made from JRF's general funds and will not be directly linked to the performance of any Eligible Green Projects. JRF will report that the net proceeds from the green bonds are fully allocated to the Eligible Green Projects. Net proceeds from the green bonds will be immediately, or shortly thereafter, allocated to the Eligible Green Projects or to the refinancing of existing debts, which have previously been allocated to the Eligible Green Projects. Pending the allocation of the net proceeds of green bonds to Eligible Green Projects, JRF will track and maintain an amount equal to the balance of unallocated green bond proceeds in cash and cash equivalents. Sustainalytics considers to be credible and in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds

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Other *(please specify)*:

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

Allocation Reporting:
 JRF will disclose on its website that the proceeds of green bonds are fully allocated to the Eligible Green Projects, and that the total amount of outstanding bonds is not over the Debts of Eligible Green Projects. For so long as the green bonds are outstanding, JRF also will annually report on its website about the book value of all the Eligible Green Projects, the Debts of Eligible Green Projects and the total amount of outstanding green bonds as of the end of February.

Impact Reporting:
 JRF will disclose the following quantitative environmental performance indicators as of the end of February once a year on its website, as long as the green bonds are outstanding.

- The number of the buildings of the Eligible Green Projects
- The total amount of the floor space of the Eligible Green Projects
- The following quantitative indicators of the Eligible Green Projects (where JRF has energy control authority)
 - Electricity consumption
 - Fuel consumption
 - Water consumption
 - CO2 emissions

JRF, through the framework, is committed to reporting on environmental performance indicators. Sustainalytics is of the opinion that the reporting is aligned with market practice and ensures transparency.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
|---|--|

Japan Retail Fund Investment Corporation Green Bond

Other (please specify):

Frequency:

Annual

Semi-annual

Other (please specify):

Impact reporting:

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (please specify):

Frequency:

Annual

Semi-annual

Other (please specify):

Information reported (expected or ex-post):

GHG Emissions / Savings

Energy Savings

Decrease in water use

Other ESG indicators (please specify): Electricity consumption, Fuel consumption and Water consumption

Means of Disclosure

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify): Website

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

Consultancy (incl. 2nd opinion)

Certification

Verification / Audit

Rating

Japan Retail Fund Investment Corporation Green Bond

Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second Party Opinions" may fall into this category.
- ii. **Verification:** An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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Japan Retail Fund Investment Corporation Green Bond

Sustainalytics

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