

# Framework Overview and Second-Party Opinion Japan Real Estate Investment Green Bond

## Evaluation Summary

Sustainalytics is of the opinion that the Japan Real Estate Investment (JRE) Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, green buildings and energy efficiency, are recognized by the Green Bond Principles. Sustainalytics considers that the eligible projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDG), specifically SDG 11.



**PROJECT EVALUATION / SELECTION** JRE's internal process of evaluating and selecting projects is in line with market best practice, considering that the process will involve C-level executives such as JRE-AM's President and CEO (Chief Sustainability Officer), and Planning Division's Head of ESG Office (Sustainability Officer).



**MANAGEMENT OF PROCEEDS** JRE is committed to allocating the net proceeds from the relevant green bond to Eligible Green Projects. Additionally, the company has an internal process in place to track and monitor the allocation of proceeds and manage any amount outstanding, which is in line with market practice.



**REPORTING** JRE intends to report on allocation of proceeds on its website on an annual basis. In addition, JRE is committed to reporting environmental performance indicators including energy consumption, water consumption and CO2 emissions. In Sustainalytics' view, reporting on these metrics is in line with market practice.

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<b>Evaluation date</b>	28 September 2018
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<b>Issuer Location</b>	Tokyo, Japan
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## Introduction

Japan Real Estate Investment Corporation (JRE) has developed a green bond framework under which it is planning to issue multiple green bonds and using the proceeds to finance and/or refinance expenditures related to green buildings and energy efficiency.

JRE engaged Sustainalytics to review the green bond framework and to provide a second-party opinion on the alignment of the green bond with the Green Bond Principles 2018 (the “GBP”), as administered by the International Capital Market Association (the “ICMA”),<sup>1</sup> and the framework’s environmental credentials.

As part of this engagement, Sustainalytics held conversations with various members of JRE-AM’s Finance & Accounting Department as well as its ESG Office to understand the sustainability impact of its business processes and planned use of proceeds, as well as management of proceeds and reporting on JRE’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains two sections: Framework Overview – summary of the green bond framework; and Sustainalytics’ Opinion – an opinion on the framework.

## Overview of Issuer

JRE, a Japanese real estate investment trust (J-REIT), with its headquarters in Tokyo, Japan, has been listed on the Tokyo Stock Exchange since September 2001. The company owns 71 real estate properties located across Japan, with total acquisition price of over 1 trillion yen as of the end of September 2018. In accordance with JRE’s investment policy, its assets are managed by Japan Real Asset Management (JRE-AM), whose shareholders are Mitsubishi Estate Co., Ltd. and Mitsui & Co., Ltd.

JRE-AM became a member of GRESB, the global real estate sustainability benchmark, as the first Japanese real estate and asset management company, serving as a member of GRESB’s Asian Benchmark Committee. In 2018, the company was designated a “5 Star” the highest rating from GRESB for its management system on ESG and absolute performance in implementation. Additionally, JRE achieved DBJ Green Building Certification for 18 buildings and BELS for 14 buildings. The company is also a signatory of the Principles for Responsible Investment and United Nations Environment Finance Initiative.

Per JRE’s website, the company is “committed to endeavouring to enhance consideration towards the environment, social contributions and corporate governance to improve the sustainability of society”.<sup>2</sup> In order to pursue this commitment, JRE-AM established a sustainability policy, which lays out its commitments to seven areas of environment, social, and governance related issues, including commitments to create a low-carbon and recycling-oriented society.

To further advance its sustainability policy and certified green buildings, JRE is planning to issue green bonds.

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<sup>1</sup> ICMA’s Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>2</sup> Japan Real Estate Investment Corporation, Basic Policy and Management Structure of ESG; <https://www.j-re.co.jp/en/esg/index.html>

## Framework Overview

For the purpose of issuing multiple green bonds, JRE has developed the following framework which addresses the four key core components of the Green Bond Principles (GBP): use of proceeds, project evaluation and selection process, management of proceeds, and reporting. The framework belongs to JRE, and a summary overview of the framework is provided below.

### Use of Proceeds

The net proceeds of the green bonds will be used to refinance and/or finance the acquisition of or refurbishments to existing and/or new assets that meet the eligibility criteria (“Eligible Green Projects”) outlined below.

#### Eligibility Criteria

##### 1. Green Building and Energy Efficiency

###### Use of proceeds:

In order for the proceeds to be allocated to assets, Eligible Green Projects must meet the following eligibility criteria:

1. Buildings that have achieved the following top three levels of third-party green building certification/recertification within 36 months prior to the date of green bond issuance and/or will achieve:
  - I. 3, 4 or 5 Stars under the DBJ Green Building Certification
  - II. 3, 4 or 5 Stars under BELS
  - III. B+, A or S Rank under CASBEE
  
2. Refurbishments with a primary purpose of achieving one of the following criteria and are completed within 36 months prior to the date of green bond issuance and/or will be completed;
  - I. Refurbishments with more than 10% CO2 emissions or energy consumption reduction
  - II. Refurbishments with more than 10% in water consumption reduction
  - III. More than one level of star/rank improvement in the green building certifications listed in 1
  - IV. Refurbishment that contributes to the conservation and recovery of biodiversity, including of diversity of outdoor plants will also be considered if one or more of I through III criteria are met.
  - V. Refurbishment that contributes to the local community by improving public open space connected to the buildings and renovating for accepting people who are unable to return home will also be considered if one or more of I through III criteria are met.
  - VI. Either one of the certifications/recertification listed in 1

## Project Evaluation and Selection Process

### Application of Eligibility and Exclusionary Criteria in Project Selection

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Eligible Green Projects are managed by the Sustainability Committee, which is composed of JRE-AM's President and CEO (Chief Sustainability Officer), the Planning Division's Head of ESG Office (Sustainability Officer), and the chiefs and practitioners of other departments. The Eligible Green Projects are evaluated and selected based on sustainability policies and relevant eligibility criteria in the framework, and determined by the President, based on JRE - AM 's job responsibilities and authority.

### Environmental Objectives

JRE-AM's sustainability policy addresses its priority sustainability issues with regard to its real estate investment management, and is laid out in 7 pillars including:<sup>3</sup>

1. Contribution to creating a low-carbon society
2. Contribution to creating a recycling-oriented society
3. Contribution to creating a society in harmony with nature
4. Enhancement of safety and security
5. Initiatives aimed at officers and employees
6. Collaboration with external stakeholders
7. Information disclosure and obtaining environmental certifications

Furthermore, in line with its objective 1 and 2 above, JRE is also committed to achieving improvement in the environmental performance of its property portfolio and has a target of reducing energy consumption as well as CO2 emission by 5 % over five years.<sup>4</sup>

### Process to Mitigate Environmental and Social Risks

To address environmental and social risks involving its assets under management, JRE-AM's Sustainability Committee shares and discusses environmental and social performance of its assets. JRE manages its risk by the PDCA (Plan-Do-Check-Act) cycle of 1) understanding the current performance, examining and planning current and future measures, 2) reporting and evaluating its progress and analysing results, and 3) examining and planning improvement plans.

### Management of Proceeds

JRE will allocate the full amount of proceeds into acquiring Eligible Green Projects or to renovation construction funds. JRE internally tracks and manages the allocated and unallocated amounts of the proceeds using an internal management system. If the proceeds through green bonds are temporarily not allocated to Eligible Green Projects, JRE will manage the unallocated funds as cash or cash equivalents until they are allocated to Eligible Green Projects.

### Reporting

#### Allocation Reporting

JRE will annually disclose the allocation information of the net proceeds of green bonds as of end of March on its website until the proceeds have been fully allocated to the Eligible Green Projects. When the proceeds are allocated toward refinancing Eligible Green Projects, the allocation information includes 1) completion dates of projects (dates of certification/recertification achieved, and dates of refurbishments completed) and 2) portion of refinanced and financed projects.

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<sup>3</sup> Japan Real Estate Investment Corporation, Basic Policy and Management Structure of ESG; <https://www.j-re.co.jp/en/esg/index.html>

<sup>4</sup> Japan Real Estate Investment Corporation, Environmental Measures; <https://www.j-re.co.jp/en/cms/esg/environment.html>

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### Impact Reporting

As long as relevant green bonds are outstanding, JRE will annually disclose the progress and levels of certifications of Eligible Green Projects that have been funded by the green bonds. Additionally, JRE will also disclose the following indicators of Eligible Green Projects annually:

- Energy consumption
- Water usage
- CO2 emissions

As for the Eligible Green Projects including refurbishments, as long as relevant green bonds are outstanding, the environmental impacts relevant to each project will be disclosed annually after the construction has been completed. In accordance with the criteria applied, JRE will indicate either an estimated % of reduction of energy consumption or water usage or CO2 emissions before and after refurbishment.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Japan Real Estate Investment Green Bond Framework

#### Summary

Sustainalytics is of the opinion that the Japan Real Estate Investment Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of JRE's green bond framework:

- Use of Proceeds:
  - The eligibility criteria of its use of proceeds, Green Buildings and Energy Efficiency, are recognized by the Green Bond Principles as project categories with positive environmental benefits.
  - Strong alignment with third-party standards such as DBJ Green Building Certification, BELS, and CASBEE signals adherence to global market standards. Sustainalytics acknowledges that the market best practice is to allocate the proceeds into the top two levels of certification, however, it also considers that the inclusion of the third level of certification creates a positive environmental impact. (Please refer to Appendix 1 for our assessment on these certifications)
  - JRE is committed to using the net bond proceeds to refinance projects with a maximum look back period of three years. Sustainalytics acknowledges that this look back period is slightly longer than market standard, and the market may view the refinancing of those projects fall short of investors' expectations.
- Project Selection Process:
  - JRE's Sustainability Committee manages the selection process of Eligible Green Projects along with its C-suite executives, including JRE-AM's President and CEO (Chief Sustainability Officer) and Planning Division's Head of ESG Office (Sustainability Officer). The involvement of C-level executives is in line with market best practice.
- Management of Proceeds:
  - JRE is committed to allocating the net proceeds from the relevant green bonds to Eligible Green Projects after issuance. Additionally, the company employs an internal management system to track and monitor the allocation of proceeds and manage any amount outstanding, which is in line with market practice.
- Reporting:
  - JRE is committed to reporting key environmental performance indicators including energy consumption, water consumption and CO2 emissions, and discloses the green assets that achieve third party certification on its website, which is in line with market practice.
  - Sustainalytics positively views JRE's efforts to transparently report on the completion month of the projects and the portion of financing and refinancing projects.

#### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the JRE's green bond aligns to the four core components of the Green Bond Principles 2018. 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 and targets

At JRE-AM, sustainability is being managed and promoted by a Sustainability Committee, which meets four times year and whose Chief Sustainability Officer is also the CEO of the company. In 2018, the company received a "5 Star" evaluation for its sustainability performances, after being assessed by Global Real Estate Sustainability Benchmark (GRESB).<sup>5</sup>

- Within its Sustainability Policy, the company commits to contributing towards a low-carbon, recycling-oriented society, and to protect the environment and its biodiversity.<sup>6</sup> Moreover, JRE set targets to achieve a 5% reduction over the next five years in the intensity of energy consumption and GHG emissions. To meet these goals, the company has implemented several initiatives, such as performing environmental risk assessments at the time of acquisition, investing in retrofitting that contributes towards a lower environmental impact and a higher energy efficiency, and seeking to obtain green building certifications (such as DBJ) for at least 50% of its properties.<sup>7</sup>
- JRE also provides disclosure on its progress, such as lowering the intensity of electricity, fuel and heat consumption by 6.74%, water by 7.35%, and of Scope 1 and Scope 2 CO2 emissions by 4.35% in FY2017, compared to FY2013.<sup>8</sup> These metrics reflect that the energy intensity of JREs buildings is decreasing despite the gross floor area increasing, demonstrating the company's commitment to reduce its environmental impact while expanding its operations.

Given JRE's sustainability strategy, executive responsibility for sustainability, as well as JRE's sustainability targets and progress reporting, Sustainalytics is of the view that JRE is well positioned to issue green bonds and that its green bonds will further help the company advance its sustainability vision.

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

The potential environmental and social risks associated with green buildings include energy use, water use, CO2 emissions, and human health. JRE-AM's Sustainability Committee selects the projects based on classifications of third party standards and by ensuring a minimum threshold for energy efficiency improvements as well as water reduction for relevant refurbishments. In addition, it has a PDCA cycle in place to identify and mitigate such risks by understanding the current performance, reporting and evaluating its progress, and planning future improvement plans. Taking the category of use of proceeds in addition to JRE's processes into account, Sustainalytics is of opinion that JRE is sufficiently positioned to mitigate risks related to the projects financed by the green bonds.

## Section 3: Impact of Use of Proceeds

### Importance of green buildings towards achieving energy efficiency targets in Japan

From 1973 until 2011, Japan's energy strategy was focused on its nuclear power plant which generated around 30% of electricity from the reactors.<sup>9</sup> However, in the wake of the Fukushima-Daiichi nuclear disaster that took place in 2011 the Japanese government ordered a nation-wide closure of its reactors, which forced Japan to rely heavily on energy imports in order to meet its energy needs. As the Japanese building sector makes up about 33% of the total energy use in the country, the Ministry of Land, Infrastructure, Transport and Tourism launched the Building Energy Efficiency Act in 2015,<sup>10</sup> as a means of increasing the efficiency of

<sup>5</sup> Basic Policy and Management Structure of ESG (Environmental, Social and Governance) Issues; <https://www.j-re.co.jp/en/esg/index.html>

<sup>6</sup> Basic Policy and Management Structure of ESG (Environmental, Social and Governance) Issues; <https://www.j-re.co.jp/en/esg/index.html>

<sup>7</sup> Environmental Measures; <https://www.j-re.co.jp/en/cms/esg/environment.html>

<sup>8</sup> Environmental Measures; <https://www.j-re.co.jp/en/cms/esg/environment.html>

<sup>9</sup> Nuclear Power in Japan, World Nuclear Association; <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

<sup>10</sup> Overview of the Building Energy Efficiency Act (Japanese), Ministry of Land Infrastructure, Transport and Tourism, Japan; <http://www.mlit.go.jp/common/001178846.pdf>

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buildings. The Act provides regulations that are in accordance with energy efficiency standards for non-residential buildings<sup>11</sup>. Given this context, it is expected that enhancements to energy efficiency in buildings will continue to increase in Japan. Therefore, JRE's green bond plays a key role in financing green buildings, creating positive environmental impact while supporting Japan in meeting its own climate targets.

### Alignment with/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	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

## Conclusion

JRE, through the issuance of green bonds, intends to finance or refinance investments supporting green buildings that meet regional third-party certifications like DBJ Green Building Certification, BELS, and CASBEE, and refurbishments that improve the environmental performance of buildings. Proceeds to be funded through the bonds will be allocated towards green buildings, a project category recognized by Green Bond Principles as relevant to the advancement of SDG 11.

Considering that JRE has a target to reduce energy consumption and carbon emissions, the projects will advance JRE's sustainability strategy and contribute to reducing the environmental impacts of buildings in Japan, in accordance with the Japanese government's commitments.

The selection of JRE's Eligible Green Projects and oversight and mitigation of potential environmental and social risks by C-level executives is considered market best practice.

JRE is committed to annually reporting the allocation of proceeds to Eligible Green Projects as well as quantitative environmental performance indicators including energy consumption, water consumption and CO2 emissions. Sustainalytics views that this is in line with market practice.

Based on the above points, Sustainalytics considers JRE's Green Bond Framework to be robust, credible and transparent.

<sup>11</sup> 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>

## Appendices

### Appendix 1: Overview of Real Estate Certification Schemes

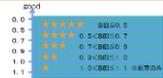
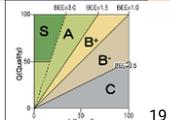
	<b>DBJ Green Building Certification</b> <sup>12 13</sup>	<b>BELS</b> <sup>14</sup>	<b>CASBEE</b> <sup>15</sup>
<b>Background</b>	DBJ Green Building Certification Programme was launched by Development Bank of Japan in 2011 and is operated together with Japan Real Estate Institute (JREI). The programme is recognized as one of the leading regional standards. The certification is available for office buildings, logistics, residential & retail facilities.	BELS (Building-Housing Energy-efficiency Labelling System), which is the third-party verification, assesses and labels energy conservation performance of non-residential buildings and houses. BELS was established by the Ministry of Land, Infrastructure, Transport and Tourism, based on Article 7 of the Act on the Improvement of Energy Consumption Performance of Buildings.	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.
<b>Certification levels</b>	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)
<b>Areas of Assessment: Environmental Project Management</b>	Evaluation of DBJ Green Building Certification includes construction specifications, environmental features as well as social factors.	BELS evaluates energy saving performance of buildings based on the value of BEI (Building Energy Index).	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, respectively, L (Built Environment Load).
<b>Areas of Assessment: Environmental Performance of the Building</b>	Assessment includes three areas. Each area includes additional subcategories: <ul style="list-style-type: none"> <li>• Ecology</li> <li>• Risk management &amp; amenities/diversity</li> <li>• Community &amp; partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Energy conservation performance</li> <li>• Building envelop thermal insulation performance</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Efficiency</li> <li>• Resource efficiency</li> <li>• Local environment</li> <li>• Indoor environment</li> </ul>
<b>Requirements</b>	Score-based performance level	Performance index  BELS uses the value of BEI (Building Energy	Score-based performance level

<sup>12</sup> Certification Overview, Development Bank of Japan; [http://www.dbj.jp/en/service/finance/g\\_building/outline.html](http://www.dbj.jp/en/service/finance/g_building/outline.html)

<sup>13</sup> DBJ Green Building Certification (Japanese), Development Bank of Japan; [http://www.dbj.jp/service/finance/g\\_building/outline.html](http://www.dbj.jp/service/finance/g_building/outline.html)

<sup>14</sup> BELS, Association for Housing Performance Evaluation & Labeling; <https://www.hyoukakyokai.or.jp/bels/bels.html>

<sup>15</sup> CASBEE, BASBEE; <http://www.ibec.or.jp/CASBEE/english/>

	<p>There are three main areas comprised of additional subcategories a full score of 100 points.</p> <p>In addition to the regular points, an additional point system is employed.</p> <p>In the final process, 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.<sup>16</sup></p>	<p>Index) as its assessment indicator. BEI is calculated by dividing the design of primary energy consumption by the standard primary energy consumption.</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. 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>
<p><b>Performance display</b></p>	 <p>17</p>	 <p>18</p>	 <p>19</p>
<p><b>Accreditation</b></p>	<p>JREI 's Certification Assessment Committee</p>	<p>BELS Registered Agencies</p>	<p>CASBEE Accredited Professional</p>
<p><b>Qualitative considerations</b></p>	<p>In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan.<sup>20</sup> According to its website, as of Feb 2018, 499 properties in Japan are certified by the programme.</p>	<p>BELS is widely used in Japan and recognized by the Japanese as a third party certification system based on Guidelines for Labelling Building Energy Efficiency Performance, which was introduced in 2016 as part of Article 7.</p>	<p>In Japan, many local governments have made CASBEE assessment results mandatory for building permits. Compared to similar tools available internationally, CASBEE displays a unique and simple structure.</p>

<sup>16</sup> Process of certification (Japanese), DBJ Green Buildings; <http://igb.jp/flow.html>

<sup>17</sup> DBJ Green Building, Development Bank of Japan; [http://www.dbj.jp/en/pdf/service/finance/g\\_building/gb\\_presentation.pdf](http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf)

<sup>18</sup> Guideline for labelling Building Energy Efficiency Performance (Japanese), Ministry of Land, Infrastructure, Transport and Tourism; <http://www.mlit.go.jp/common/001031559.pdf>

<sup>19</sup> Built Environment Efficiency, CASBEE; <http://www.ibec.or.jp/CASBEE/english/beeE.htm>

<sup>20</sup> Japan sharpens its green building focus, Read Views; <https://www.jllrealviews.com/places/japan-sharpens-its-green-building-focus/>

# Japan Real Estate Investment Green Bond

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

<b>Issuer name:</b>	Japan Real Estate Investment
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Japan Real Estate Investment Green Bond
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	28 September 2018
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	28 September 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 <sup>nd</sup> 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 Opinion Document above.

## Section 3. Detailed review

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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 net proceeds of the green bonds will be used to finance and/or refinance the acquisition of or refurbishments to existing and/or new assets that meet the eligibility criteria (“Eligible Green Projects”) outlined below.

### Eligibility Criteria

#### 1. Green Building and Energy Efficiency

#### Use of proceeds:

In order for the proceeds to be allocated to assets, Eligible Green Projects must meet the following eligibility criteria:

3. Buildings that have achieved the following top three levels of third-party green building certification/recertification within 36 months prior to the date of green bond issuance and/or will achieve:
  - I. 3, 4 or 5 Stars under the DBJ Green Building Certification
  - II. 3, 4 or 5 Stars under BELS
  - III. B+, A or S Rank under CASBEE
  
4. Refurbishments with a primary purpose of achieving one of the following criteria and are completed within 36 months prior to the date of green bond issuance and/or will be completed;
  - I. Refurbishments with more than 10% CO2 emissions or energy consumption reduction
  - II. Refurbishments with more than 10% in water consumption reduction
  - III. More than one level of star/rank improvement in the green building certifications listed in 1
  - IV. Refurbishment that contributes to the conservation and recovery of biodiversity, including of diversity of outdoor plants will also be considered if one or more of I through III criteria are met.
  - V. Refurbishment that contributes to the local community by improving public open space connected to the buildings and renovating for accepting people who are unable to return home will also be considered if one or more of I through III criteria are met.
  - VI. Either one of the certifications/recertifications listed in 1

Based on above, Sustainalytics views that the eligible criteria will create the positive environmental benefits and is aligned with ICMA’s Green Bond Principles.

#### Use of proceeds categories as per GBP:

- Renewable energy  Energy efficiency

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- |  |  |
|--|--|
| <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:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Eligible Green Projects are managed by the Sustainability Committee, which is composed of JRE-AM's President and CEO (Chief Sustainability Officer), Planning Division's Head of ESG Office (Sustainability Officer), and the chiefs and practitioners of other departments. The Eligible Green Projects are evaluated and selected based on sustainability policies and relevant criteria and determined by the President, based on JRE - AM 's job responsibilities and authority. Sustainalytics considers this is aligned with market best practice.

#### 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

## Japan Real Estate Investment Green Bond

Overall comment on section *(if applicable)*:

JRE will allocate the full amount of proceeds into acquiring Eligible Green Projects or to renovation construction funds. JRE internally tracks and manages the allocated and unallocated amounts of the proceeds using an internal management system. If the proceeds through green bonds are temporarily not allocated to Eligible Green Projects JRE will manage the unallocated funds as cash or cash equivalents until they are allocated to Eligible Green Projects. Sustainalytics views JRE's processes to manage and track proceeds using an internal management system as 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
- 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 type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input 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**  
 JRE will annually disclose the allocation reporting on the net proceeds of green bonds as of end of March on its website until the proceeds have been fully allocated to the Eligible Green Projects. When the proceeds are allocated in refinancing the Eligible Green Projects, the allocation information includes 1) completion dates of projects and 2) portion of refinanced and finances projects.

**Impact Reporting**  
 As long as relevant green bonds are outstanding, JRE will annually disclose the progress and levels of certifications of Eligible Green Projects that have been funded by the green bonds. Additionally, JRE will also disclose the following indicators of Eligible Green Projects annually: Energy consumption; Water usage; CO2 emissions.

As for the Eligible Green Projects including refurbishments, as long as relevant green bonds are outstanding, the environmental impacts relevant to each project will be disclosed annually after the construction has been completed. In accordance with the criteria applied, JRE will indicate either an estimated % of reduction of energy consumption or water usage or CO2 emissions before and after refurbishment.

Sustainalytics views the allocation and impact reporting to be aligned with market practice.

# Japan Real Estate Investment Green Bond

**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 |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

***Frequency:***

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact 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> ):        |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input checked="" type="checkbox"/> Decrease in water use   | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): Energy consumption/reuse and water usage/reuse |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report          |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): JRE website |
| <input type="checkbox"/> 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.)**

## Japan Real Estate Investment Green Bond

### SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

#### Type(s) of Review provided:

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

**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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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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