

Framework Overview and Second-Party Opinion

Activia Properties Inc. Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the Activia Properties Inc. (“API”) 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 SDGs 7 & 11.



PROJECT EVALUATION / SELECTION Eligible projects are selected and evaluated by the Asset Management Company’s Investment Committee, which includes senior management from TLC REIT Management Inc. (TRM), including the CEO. This is in line with market best practice.



MANAGEMENT OF PROCEEDS API intends to allocate the net proceeds of the green bond to Eligible Projects immediately, or shortly after issuance. Pending allocation, unallocated funds will be held in cash or cash equivalents, which will be tracked and updated annually, as of the last day of May in each year. This is in line with market practice.



REPORTING API intends to report on allocation and on impact, including key performance indicators such as summary and the progress and levels of certifications and energy consumption, CO₂ emissions, water consumption, and amount of industrial waste generated. In Sustainalytics’ view, reporting on these metrics is in line with market practice.

Evaluation date	December, 2018
Issuer Location	Tokyo, Japan

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For inquiries, contact the Sustainable Finance Solutions project team:

Marion Oliver (Toronto)

Project Manager
marion.oliver@sustainalytics.com
(+1) 617 603 3329

Zach Margolis (Toronto)

Project Support
zach.margolis@sustainalytics.com
(+1) 647 695 4341

Wakako Mizuta (Tokyo)

Project Manager
wakako.mizuta@sustainalytics.com
(+81) 3 4510 7979

Alignment with Japan’s Green Bond Guidelines 2017

Sustainalytics is of the opinion that the API Green Bond Framework is in line with the ICMA Green Bond Principles. In addition, Japan’s Green Bond Guidelines communicate what an issuer should do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between the API Green Bond Framework and the ‘requirements of’ items outlined in Japan’s Green Bond Guidelines.

Introduction

Activia Properties Inc. (“API”) has developed a green bond framework (the “framework”) under which it is planning to issue green bonds and use the proceeds to finance/refinance expenditures related to green buildings.

API engaged Sustainalytics to review the framework and 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”),¹ Japan’s Green Bond Guidelines 2017, established by the Japanese Ministry of Environment, and the framework’s environmental credentials.

As part of this engagement, Sustainalytics held conversations with various members of API’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of API’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

Overview of Issuer

API, a Japanese real estate investment trust (J-REIT), was established on September 7, 2011 under the Act on Investment Trusts and Investment Corporations of Japan. API was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange (Securities code: 3279) on June 13, 2012. API primarily focuses on investments in urban retail properties and office buildings across Tokyo in Japan. As of January 10, 2019, the total number of properties owned is 45 with total acquisition price of 502.0 billion yen.²

In accordance with API’s investment policy, the operation and management of its assets are entrusted to the asset manager, TLC REIT Management Inc. (“TRM”), a wholly owned subsidiary of Tokyu Land Corporation, a comprehensive real estate company in Japan.

API has declared its commitment to reduce energy consumption in its entire portfolio as well as in each of its properties by an average of 1% per year in the medium- to long-term perspective, and discloses the environmental performance of its portfolio on its website on a regular basis. Through such environmental initiatives, API has been designated by the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment as “Sector Leader” in “Diversified -Office/Retail/Asia” for the two consecutive years since 2017. Furthermore, it obtained the highest grade “Green Star” for the five consecutive years since 2014 and received the highest rating of “5-star” in “GRESB Rating”, an overall assessment calculated relative to the global performance of reporting entities which was introduced in 2016. In addition to the above, API is committed to promoting green buildings by achieving certification for the buildings held. As of November 30, 2018, API owns 16 buildings certified by CASBEE (Comprehensive Assessment System for Built Environmental Efficiency), 8 buildings certified by the DBJ Green Building Certification Program, and 6 buildings certified by BELS (Building-Housing Energy-efficiency Labeling System).

In order to further promote its environmental objective and certified green buildings, API is planning to issue green bonds.

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

² <https://www.activia-reit.co.jp/file/en-news-72e402946d33f4607a7136b3e4eb36df7c603bb6.pdf>

Framework Overview

For the purpose of issuing green bonds, API 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 API, and a summary overview has been provided below.

Use of Proceeds

The proceeds of the green bond will be allocated to acquire the existing or new buildings that meet the Eligibility Criteria A ('Eligible Green Projects'), or refurbishments that meet the following eligibility criteria B or to refinance the existing loan/investment corporation bonds which have been allocated to Eligible Green Projects or refurbishments.

Eligibility Criteria

1. GREEN BUILDINGS and ENERGY EFFICIENCY

API shall apply one or more of the following criteria to allocate the proceeds into Eligible Projects:

- A. Buildings that have achieved the following top two levels of third-party green building certification/recertification within 36 months prior to the payment date of green bonds or will achieve:
 - A or S Rank under CASBEE
 - 4 or 5 Stars under DBJ Green Building Certification Program
 - 4 or 5 Stars under BELS
- B. Refurbishments with a primary purpose of achieving one of the following criteria and are completed within 36 months prior to the payment date of green bond or will be completed:
 - Refurbishments with more than 10% reduction in CO₂ emissions or energy consumption
 - Refurbishments with more than 10% reduction in water consumption
 - Newly achieve the top two levels of green building certifications listed above or more than one level of star/rank improvement in the green building certifications

Project Evaluation and Selection Process

Application of Eligibility and Exclusionary Criteria in Project Selection

API declares that it will use the proceeds to finance the acquisition of buildings that meet the Eligibility Criteria A or finance refurbishments that meet the Eligibility Criteria B, or refinance the loans or finance redemption of bonds that have been allocated to Eligible Green Projects or refurbishments, and not use the proceeds for the purposes other than the above, excluding the portion allocated to the costs associated with the issuance of the green bonds.

Eligible Projects are evaluated and selected based on eligible criteria by the Investment Committee of TRM, which comprises the President & CEO, the Chief Division Officer of Activia Management Division, the General Manager of Asset Investment Department, the General Manager of Finance & Accounting Department, the General Manager of Corporate Planning & Administration Department, the General Manager of Environmental Engineering Department, the General Manager of Compliance Department, General Manager of Asset Management Department in Activia Management Division and General Manager of Strategy Department in Activia Management Division.

Environmental Objectives

API invests primarily in urban retail and Tokyo office properties. API seeks to increase unitholder value by building a portfolio of properties that are competitive in the medium- to long-term and operating it. To this end, API strongly believes that reducing environmental footprint and contributing to our surrounding environment as well as local communities are also important factors to build a portfolio of properties that can

expect stable and sustainable customer demand its real estate portfolio, in addition to other factors such as location, use, size and quality. In order to embody its vision, API aims to receive the relevant environmental certification for more than one property every year. It has been awarded the certification for three properties in 2013, two in 2014, seven in 2015, ten in 2016, four in 2017 and four in 2018. In conformity to the Act on the Rational Use of Energy (Energy Conservation Law), API has set out an annual average cutting target of 1% in each energy sources for API's entire portfolio and also for each property in the medium-to long-term.

Process to Mitigate Environmental and Social Risks

API has established a system to identify and manage environmental and social risks. More specifically, it regularly monitors the progress of its sustainability goals, measures and related data on properties and hold meetings at Activia Management Division led by the Chief Division Officer of Activia Management Division with the General Manager of Asset Management Department, Activia Management Division, General Manager of Strategy Department, Activia Management Division and other members to report and discuss the progress, key issues and solutions. The Chief Division Officer of Activia Management Division of TRM oversees the execution of businesses as the person responsible for API asset management. Accordingly, approval by Chief Division Officer of Activia Management Division is required for the execution of plans or solutions.

Management of Proceeds

API extracts the Eligible Green Projects out of API's portfolio and calculates the Debts of Eligible Green Projects by multiplying the calculable total book value of the Eligible Green Projects by its calculable book value LTV (Loan to Value / based on interest-bearing debt) ratio as of the end of the latest fiscal period prior to the date of each bond issuance. API will then monitor to ensure that 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 API's general funds and will not be directly linked to the performance of any Eligible Green Projects.

API will disclose that the net proceeds from the green bonds will be immediately, or shortly thereafter, fully allocated to finance the acquisition of buildings that meet the Eligibility Criteria A, or finance refurbishments that meet the Eligibility Criteria B, or refinance the loans or finance redemption of bonds that have been allocated to Eligible Green Projects or refurbishments.

If the proceeds from the green bonds are temporarily not allocated to finance the acquisition of buildings that meet the following Eligibility Criteria A, or finance refurbishments that meet the Eligibility Criteria B, or refinance the loans or finance redemption of bonds that have been allocated to Eligible Green Projects or refurbishments, API will identify the unallocated amount of the funds and manage them in cash or cash equivalents until they are allocated.

Reporting

Allocation Reporting

API will disclose on its website the list of Eligible Green Projects or refurbishments financed/refinanced, allocation status, including the amount of unallocated proceeds, schedule of allocation and managing method, of the net proceeds of green bonds as of end of every May until the proceeds are fully allocated. It will also disclose that the total amount of outstanding green bonds does not exceed the Debts of Eligible Green Projects. Furthermore, after issuance, for as long as the green bonds are outstanding, it will annually report on the book value of all the Eligible Green Projects, the Debts of Eligible Green Projects and the total amount of outstanding amount of the green bonds as of the last day of May in each year.

Impact Reporting

As long as there is an unredeemed balance of the relevant green bonds, API will annually disclose summary and the progress and levels of certifications of Eligible Green Projects. Additionally, API will annually disclose the following indicators of Eligible Green Projects where API has energy control authority:

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- Energy consumption
 - CO₂ emissions
 - Water consumption
 - Amount of industrial waste generated

As for the refurbishments that have been funded by the green bonds, the environmental benefits brought by each project will be disclosed. API will indicate an estimated rate of reduction (%) of energy consumption or water usage or CO₂ emissions before and after the refurbishment.

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that the API Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and with Japan's Green Bond Guidelines 2017. Sustainalytics highlights the following elements of API'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 credible third-party standards, namely DBJ Green Building Certification and CASBEE, signals adherence to global market standards. Sustainalytics views positively that only the top two levels of certification within these schemes are specified, and considers that the framework's inclusion of only those levels is in line with market best practice. (Please refer to Appendix 1 for our assessment on these certifications).
 - API's has set a threshold of 10% improvement in energy use, water use, or CO₂ emissions in order for a project to qualify as eligible for the green bond(s). While Sustainalytics acknowledges that a 30-50% improvement in emission intensity for refurbished buildings may be considered best practice,³ Sustainalytics considers even smaller improvements to provide environmental benefits, and encourages the issuer to prioritize projects with the greatest positive impacts and to report transparently on outcomes.
 - API is committed to using the net proceeds of the bond to refinance projects which have achieved certification or recertification within the 36 months preceding issuance. Sustainalytics views this lookback period as acceptable considering that green buildings will sustain positive environmental impacts.
- Project Selection Process:
 - Eligible projects are selected and evaluated by TRM's Investment Committee, which includes senior management from TRM including the President & CEO, the Chief Division Officer of the Activia Management Division, and the General Managers of the Asset Investment, Environmental Engineering, Compliance, Corporate Planning & Administration and Finance & Accounting Departments.
 - Sustainalytics considers this approach and the inclusion of C-level management in the project selection process to be in line with market best practice.
- Management of Proceeds:
 - API intends to allocate the net proceeds of the green bond to Eligible Projects immediately, or shortly after, issuance. Pending allocation, unallocated funds will be held in cash or cash equivalents. API will track the allocation of proceeds and ensure that, as of the end of each fiscal period, the amount allocated does not surpass the debts of eligible green projects. This process is in line with market practice.
 - Sustainalytics considers this approach to be in line with market practice.
- Reporting:
 - API is committed to reporting, on an annual basis as long as green bonds are outstanding, the list of Eligible Green Projects or refurbishments financed/refinanced, the amounts allocated, the book value of all eligible green projects, the amount of unallocated proceeds, schedule of

³ As per CBI, a minimum improvement in emissions intensity of 50% is required for bond terms of 30 years and 30% for bond terms of 5 years.
<https://www.climatebonds.net/standard/buildings/upgrade>

allocation and managing method, and the net proceeds of green bonds. This disclosure is in line with market practice.

- API is committed to reporting annually on key environmental performance indicators including information on certifications and energy consumption, water consumption, and CO₂ emissions of eligible green properties. Sustainalytics notes that reporting on savings or avoided emissions for not only refurbishment projects but also all Eligible Green Projects financed/refinanced would provide additional clarity, that there are methodological difficulties which make this complex to disclose. The disclosure provided is in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the API Green Bond Framework 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.

Alignment with Japan's Green Bond Guidelines 2017

The Japanese Green Bond Guidelines communicate what an issuer should do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between the API's green bond framework and the 'requirements of' items outlined in the Japan's Green Bond Guidelines.

ICMA Green Bond Principles and Japan's Green Bond Guidelines, 2017⁴	Alignment with GBP and with Japan's Green Bond Guidelines?	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines.⁵
1. Use of Proceeds	Yes	API's selected eligible criteria, green buildings and energy efficiency, are clearly suggested as green projects with clear environmental benefits in the Japanese green bond guidelines. Additionally, the information on the green bond proceeds, green project categories as well as the process to mitigate the negative impacts are all described in the framework and will be accessible to the investors.
2. Process for Project Evaluation and Selection	Yes	API has, in complement to its goal of ensuring unitholder return, stated an objective of minimizing its environmental footprint. Furthermore, API has a committed to energy efficiency targets and will pursue green building certifications and building upgrades where feasible, which aligns with the objectives of the green bond.
3. Management of Proceeds	Yes	API's framework states the intention to allocate the proceeds of the green bond immediately after issuance, or shortly thereafter. Any unallocated proceeds will be held in cash and cash equivalents, which will be tracked by API.
4. Reporting	Yes	API has confirmed that its reporting on the bond will be annual and will include the list of Eligible Green Projects or refurbishments financed/refinanced, the amounts allocated, the book value of all eligible green projects, and

⁴ Green Bond Guidelines, 2017, Summary, Ministry of the Environment, Japan <https://www.env.go.jp/en/policy/economy/gb/summary2017.pdf>

⁵ For detailed comments on alignment with ICMA GBP, please see Appendix.

the amount of unallocated proceeds, as well as impact indicators including the green building certifications achieved, and energy consumption, water consumption, CO₂ emissions, and amount of industrial waste generated of eligible green properties.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to issuer's sustainability strategy and targets

In complement to its mission to maximize unitholder value,⁶ API states a goal of reducing its environmental footprint and "contributing to the surrounding communities and environment" in order to build a stable and sustainable portfolio.⁷ In practice, that means that API has committed to policies and undertaken initiatives to help mitigate their environmental impact. These include:

- Obtaining building certifications from reputable organizations such as the DBJ Green Building Certification from the Development Bank of Japan, Comprehensive Assessment System for Built Environmental Efficiency (CASBEE), and BELS (established by the Ministry of Land, Infrastructure, Transport, and Tourism). As of November 30, 2018, overall API has certified a total of 30 properties, including nine at the highest level of the respective schemes.⁸
- The achievement of a Green Star rating from GRESB, indicating top-scoring marks on a survey of environmental and sustainability practices.⁹
- Specific initiatives undertaken at retail, office, and other properties. API has identified five focus areas – reducing CO₂ emissions, conserving biodiversity, conserving water, saving resources, and human health – as focus for targeted building upgrades such as installation of vegetation, LED and natural lighting, and sustainable materials use.¹⁰
- Tracking of the environmental performance of their building portfolio over several quantitative dimensions, including energy consumption, CO₂ emissions, water consumption, water recycling, and waste generation.¹¹
- Compliance with the Act on the Rational Use of Energy, API has established an annual average target for energy reduction, at both the portfolio level and for each individual property, over the long term.

Based on the demonstrated record of achieving environmental certification, and the commitment to future energy reductions in line with statutory requirements, Sustainalytics considers API well-positioned to issue green bonds.

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

By investing green buildings, or refurbishing existing buildings to improve performance, the use of proceeds of the API green bonds will deliver environmental benefits. Nevertheless, the buildings and real estate sector may be exposed to environmental and social risks, including but not limited to, worker health and safety, community and stakeholder support, and environmental impacts of the construction processes such as air, water, and soil pollution. API, as well as the asset manager TLC REIT Management Inc., a member of the Tokyu Land Holdings Group, have policies and procedures in place.

At the level of corporate governance, API has an organizational structure which emphasizes internal controls,¹² as well as an Acquisition Approval Process which lays out the steps and approvals which must be taken before a new property is acquired, including that the Compliance Committee ensure that the "proposal

⁶ <https://www.activia-reit.co.jp/en/features/index.html>

⁷ https://www.activia-reit.co.jp/en/individual/csr_01.html

⁸ https://www.activia-reit.co.jp/en/individual/csr_02.html

⁹ https://www.activia-reit.co.jp/en/individual/csr_02.html

¹⁰ https://www.activia-reit.co.jp/en/individual/csr_03.html

¹¹ https://www.activia-reit.co.jp/en/individual/csr_03.html

¹² <https://www.activia-reit.co.jp/en/about/assetmanager.html>

conforms to applicable legislation and other compliance-related matters.”¹³ TRM has in place a policy which “has established specific safeguards and procedures” for addressing “Antisocial Forces”, which may include illegal, unethical, or improper business activities.¹⁴ At the operational level, API has undertaken surveys to engage with its stakeholders, namely employees and tenants.¹⁵

Based on the processes in places, Sustainalytics considers API to be well-positioned to address common environmental and social risks associated with the projects funded by the green bonds. Sustainalytics further encourages API to publically disclose its formal risk mitigation policies.

Section 3: Impact of Use of Proceeds

Importance of green buildings towards achieving energy efficiency targets in Japan

Japan’s energy strategy has historically focused on the development of nuclear power, which by 2011 generated 30% of the nation’s electricity.¹⁶ Subsequently, in the wake of the Fukushima-Daiichi nuclear disaster, the Japanese government ordered a nation-wide closure of its reactors, forcing Japan to rely heavily on energy imports, particularly of fossil fuels, in order to meet its energy needs. However, due to economic needs, emissions reduction targets, and self-sufficiency goals, Japan has recently re-affirmed its commitment to including nuclear power in its supply mix, while continuing to emphasize the importance of renewables and efficiency.¹⁷

Buildings make up a significant part of Japan’s overall energy demands, accounting for 33% of total energy use, while in Tokyo that figure reaches as high as two thirds.¹⁸ Within the office building sector specifically, air conditioning is responsible for 50% of energy demand, lighting and office equipment for 30%, and elevators for 20%.¹⁹ According to the 2018 International Energy Efficiency Scorecard Japan ranks 15th out of 25 countries assessed for the energy efficiency of its building sector.²⁰ In 2015, the Ministry of Land, Infrastructure, Transport and Tourism launched the Building Energy Efficiency Act as a means of increasing the efficiency of buildings;²¹ the Act includes regulations setting energy efficiency standards for non-residential buildings.²²

Given this context, it is expected that enhancements to energy efficiency in buildings will continue to increase in Japan. Therefore, Sustainalytics is of the opinion that the use of proceeds of API’s green bond will play a key role in financing green buildings, creating positive environmental impact while supporting Japan in meeting its own climate targets.

¹³ https://www.activia-reit.co.jp/file/en-feature_policy-efc41c921221b2b435eaa570fef407e177391d2f.pdf

¹⁴ <https://www.tokyu-trm.co.jp/en/privacypolicy/index2.html>

¹⁵ https://www.activia-reit.co.jp/en/individual/csr_03.html

¹⁶ Nuclear Power in Japan, World Nuclear Association <http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/japan-nuclear-power.aspx>

¹⁷ <https://www.reuters.com/article/japan-energy/japan-backs-role-of-nuclear-power-in-2030-energy-plan-idUSL3N1SN0TE>

¹⁸ <https://www.eu-japan.eu/sites/eu-japan.eu/files/Nishida.pdf>

¹⁹ Energy Efficiency (2009) Overview of energy consumption and GHG mitigation technologies in the building sector in Japan <http://environmentportal.in/files/Overview%20of%20energy%20consumption%20and%20GHG%20mitigation.pdf>

²⁰ <https://aceee.org/sites/default/files/publications/researchreports/i1801.pdf>

²¹ Overview of the Building Energy Efficiency Act (Japanese), Ministry of Land Infrastructure, Transport and Tourism, Japan <http://www.mlit.go.jp/common/001178846.pdf>

²² 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>

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	1.6 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

API has developed the API Green Bond Framework under which it will issue green bonds, with the proceeds being directed to financing or refinancing investments in green buildings and energy efficiency. Green buildings may include those certified by the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) or DBJ Green Building Certification Program. Energy efficiency projects includes improvements that have resulting in decreased of CO₂ emissions by at least 10%. Sustainalytics is of the opinion that the projects described by the framework will support its ongoing strategy of balancing environmental impacts with financial decisions and will deliver positive environmental benefits.

All use of proceeds categories specified in the framework are aligned with those of the Green Bond Principles 2018, API has processes in place for project evaluation and selection, and of proceeds in line with market practice; and commitments have been made to report on allocation and impacts. Furthermore, Sustainalytics believes that the initiatives funded by the green bonds will contribute to the advancement of UN Sustainable Development Goals 7 & 11.

Based on the above points, Sustainalytics considers the API Green Bond Framework to be robust, transparent, and in alignment with the Green Bond Principles 2018 as well as Japan's Green Bond Guidelines 2017.

Appendices


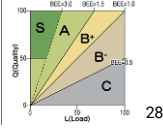
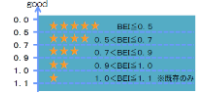
Appendix 1: Overview of Real Estate Certification Schemes

	DBJ Green Building Certification^{23 24}	CASBEE²⁵	BELS
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 the leading regional standards. 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.	BELS (Building-Housing Energy-efficiency Labelling System) is an energy performance label, issued under guidelines established by the Ministry of Land, Infrastructure, Transport, and Tourism. The BELS system evaluates primary energy consumption to measure conservation performance.
Certification levels	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)	1 Star 2 Stars 3 Stars 4 Stars 5 Stars
Areas of Assessment: Environmental Project Management	Evaluation of DBJ Green Building Certification includes construction specifications, environmental features as well as social factors.	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, respectively, L (Built Environment Load).	None
Areas of Assessment: Environmental Performance of the Building	Assessment includes three areas. Each area includes additional subcategories: <ul style="list-style-type: none"> • Ecology • Risk management & amenities/diversity • Community & partnership 	<ul style="list-style-type: none"> • Energy Efficiency • Resource efficiency • Local environment • Indoor environment 	<ul style="list-style-type: none"> • Energy efficiency
Requirements	Score-based performance level There are three main areas comprised of additional subcategories a full score of 100 points. In addition to the regular points, an additional point system is employed.	Score-based performance level 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	Score-based performance level. The BELS score is based on the Building Energy Index, obtained by comparing the energy consumption of a building to the standard primary energy consumption of the building type in official guidelines.

²³ Certification Overview, Development Bank of Japan; http://www.dbj.jp/en/service/finance/g_building/outline.html

²⁴ DBJ Green Building Certification (Japanese), Development Bank of Japan; http://www.dbj.jp/service/finance/g_building/outline.html

²⁵ CASBEE, BASBEE; <http://www.ibec.or.jp/CASBEE/english/>

	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. ²⁶	rearrangement of the four areas of assessment. Buildings may receive ranks ranging from C (poor) to S (excellent), in order of increasing BEE value. For authorization, a building must receive a report from the CASBEE Certification system, which is afterwards assessed by the local government.	A two-star rating is equivalent to meeting existing energy conservation standards, with higher star ratings implying greater savings. The score is calculated by an accredited third party.
Performance display	 27	 28	 29
Qualitative considerations	In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan. ³⁰ According to its website, as of Feb 2018, 499 properties in Japan are certified by the programme.	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.	BELS is aligned with official government standards. The scheme assesses only energy performance, without any broader consideration of holistic environmental factors.

²⁶ Process of certification (Japanese), DBJ Green Buildings; <http://igb.jp/flow.html>

²⁷ DBJ Green Building, Development Bank of Japan; http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf

²⁸ Built Environment Efficiency, CASBEE; <http://www.ibec.or.jp/CASBEE/english/beeE.htm>

²⁹ Guideline for labelling Building Energy Efficiency Performance (Japanese); Ministry of Land, Infrastructure, Transport and Tourism; <http://www.mlit.go.jp/common/001031559.pdf>

³⁰ Japan sharpens its green building focus, Read Views; <https://www.jllrealviews.com/places/japan-sharpens-its-green-building-focus/>

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Activia Properties Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Activia Properties Inc. Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December, 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

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 Evaluation Summary above.

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 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 SDGs 7 & 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" 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:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Eligible projects are selected and evaluated by the Asset Management Company's Investment Committee, which includes senior management from TRM. This is in line 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 |

- ☐ Summary criteria for project evaluation and selection publicly available ☐ Other (*please specify*):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification ☐ In-house assessment
- ☐ Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

API intends to allocate the net proceeds of the green bond to Eligible Projects immediately, or shortly after, issuance. Pending allocation, unallocated funds will be held in cash or cash equivalents, which will be tracked and updated annually, as of the last day of May in each year. This is 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:

- ☐ Allocations to future investments only ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds ☐ Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

API intends to report on allocation and on impact, including key performance indicators such as summary and the progress and levels of certifications and energy consumption, CO₂ emissions, water consumption and amount of industrial waste generated. In Sustainalytics' view, reporting on these metrics is in line with market practice.

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 checked="" 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 (please specify): | |

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 (please specify): |

Frequency:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): summary and the progress and levels of certifications of Eligible Green Project |

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 (please specify): company 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.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd 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

Or contact us info@sustainalytics.com

