

Framework Overview and Second-Party Opinion

Kenedix Office Investment Corporation

Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the Kenedix Office Investment Corporation (“KDO”) 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 – (i) Green Buildings and (ii) Construction and/or facility refurbishments contributing to energy savings and positive environmental benefits – are aligned with those recognized by the Green Bond Principles and have a clear positive environmental impact. Sustainalytics considers that the eligible green projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 7 and 9.



PROJECT EVALUATION / SELECTION KDO’s internal process of evaluating and selecting projects is executed by a dedicated Sustainability Committee within the Kenedix Real Estate Fund Management, Inc. (“KFM” – the asset management company for KDO) which has cross-departmental representation. This is in line with market practices.



MANAGEMENT OF PROCEEDS KDO has an internal process in place to track and monitor the bond proceeds allocations, which will be externally verified by a third-party. Pending full allocation, KDO will track and maintain the net proceeds in cash and cash equivalents, described in statutory documents. This process is aligned with current market practices.



REPORTING KDO commits to publish an annual allocation and impact report. The (i) allocation report will confirm that the amount of outstanding green bonds does not exceed the size of Eligible Green Projects. With regards to the (ii) impact report, KDO will disclose data on its environmental performance through KPIs such as: energy consumption (in kl of crude oil equivalent/ year), water consumption (in m³/year) and carbon emissions (in tCO₂/year). Sustainalytics views KDO’s reporting aligned with market practices.

Evaluation date	December 2018
Issuer Location	Tokyo, Japan

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Alignment with Japan’s Green Bond Guidelines 2017

Sustainalytics is of the opinion that the Kenedix Office Investment Corporation Green Bond Framework is in line with the ICMA Green Bond Principles. In addition, Sustainalytics has also assessed the alignment between the Kenedix Office Investment Corporation Green Bond Framework and Japan’s Green Bond Guidelines, which communicate processes and recommendations for credible green bond issuance.

Introduction

Kenedix Office Investment Corporation (“KDO”) has developed the Kenedix Office Investment Corporation Green Bond Framework (the “framework”) under which it is considering to issue green bonds and use the proceeds to finance and/or refinance expenditures related to (i) green buildings and (ii) construction and or facility refurbishments with expected energy, water and other environmental improvements of at least 10%.

KDO 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 and the framework’s environmental credentials.

As part of this engagement, Sustainalytics held conversations with various members of KDO’s management 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 KDO’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

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

Overview of Issuer

KDO is a Japanese real estate investment trust (J-REIT) providing real estate asset investment and management services in Japan. KDO was founded in 2005 and has been listed on the Real Estate Investment Trust Market of the Tokyo Stock Exchange since then. KDO focuses primarily on investments in mid-sized office buildings in the Tokyo Metropolitan Area, and currently owns 96 real estate properties with a total acquisition price of around JPY 415 billion (around USD 3.6 billion) as of November 1, 2018. KDO’s sponsor was formerly known as Kennedy-Wilson Japan Co., Ltd. and changed its name to Kenedix, Inc. in 2005. KDO is headquartered in Tokyo, Japan.

Through the Asset Management Company’s (Kenedix Real Estate Fund Management, Inc. or KFM) environmental and sustainability policies, KDO is committed to improve the environmental performance of the properties under its management in order to continuously reduce the environmental footprint of its operations and to continuously scale down its energy and water consumption along with the CO₂ emissions and waste. In 2018, KDO was designated a 4 star (five-star scale) in the GRESB Rating, a global real estate sustainability benchmark, which is calculated globally relative to the sustainability performance of the reporting entities and a “Green Star” rating in the 2018 GRESB Real Estate Assessment which is a rating on absolute performance for the seventh consecutive year.² Additionally, KDO achieved DBJ Green Building Certification for 20 buildings, CASBEE for six buildings and BELS for two buildings, with a ratio of almost 40% of green certified properties under management on an acquisition price basis.

To further advance its sustainability agenda and extend the number of its certified green buildings under management, KDO 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 KDO’s notice on the GRESB 4 Star rating available here: <https://www.kdo-reit.com/file/en-news-d8e5b6e1bf763f344652e8d8e12c849a28277d84.pdf>

Framework Overview

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

Use of Proceeds

The proceeds of the green bond will be allocated towards the financing and/or refinancing of projects that meet the following eligibility criteria.

Eligibility Criteria

1. GREEN BUILDINGS and ENERGY EFFICIENCY

Eligible Green Projects must meet one of the following criteria:

1. Green Buildings that have achieved one of the following green building certifications two years prior to the settlement date of the bond or reporting dates or expect them to receive post issuance:
 - (i) 3 stars of above under the DBJ Green Building
 - (ii) B+ or above Rank under the CASBEE Certification System
 - (iii) 3 stars of above under the BELS Certification

2. Construction and/or facility refurbishments with a primary purpose of achieving one of the following criteria within two years prior to the settlement date of the bond or expected to be spent post issuance:
 - (i) At least 10% reduction in final energy consumption
 - (ii) At least 10% reduction in final water consumption
 - (iii) Other environmentally beneficial refurbishments generating at least 10% improvements

Project Evaluation and Selection Process

Application of Eligibility and Exclusionary Criteria in Project Selection

KDO's Asset Management Company KFM has established a dedicated Sustainability Committee³ chaired by the Director and COO, the Head of Office REIT Department of KFM. The Sustainability Committee is comprised of the Heads of each Division in the Office REIT Department, the Compliance Officer, the Head of Finance & Accounting Department and the Head of Business Administration Department. The Sustainability Committee holds meetings every three months and when selecting Eligible Green Projects, it assesses candidate projects, etc. and its deliberations and examinations are reported to KDO's Board of Directors and KFM's Asset Management Committee.

Environmental Objectives

KFM has placed ESG measures at the core of its business decision making process and established group-wide sustainability objectives, which are addressed through two separate sustainability and environmental policies addressing the following topics:

- Sustainability Policies
 - Contribution to sustainable environment
 - Commitment to a diverse society
 - Stakeholder engagement
 - Attractive working environment
 - Responsible organization

³ Information retrieved from Kenedix' Initiatives for Sustainability available at: <https://www.kdo-reit.com/en/feature/environment.html>

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- Environmental Policies
 - Compliance with Environmental Laws and Regulations
 - Promotion of Energy Conservation Measures
 - Reduction of Environmental Burden
 - Disclosure of Environmental Information
 - Environmental Education

Process to Mitigate Environmental and Social Risks

To address environmental and social risks, the Sustainability Committee shares information on the performance of its assets under management, social environment changes, and so on when appropriate, thereby enabling committee members to have common perceptions, coordinating initiatives as needed, and responding to situations flexibly and appropriately.

Management of Proceeds

The net bond proceeds will be allocated to the financing and refinancing of existing or new projects selected based on the eligibility criteria. KDO will implement an internal management system of the net proceeds and allocated proceeds. The allocation of proceeds will undergo an annual external review. Pending full allocation of the net bond proceeds, the unallocated proceeds will be tracked and maintained in cash and cash equivalents.

Reporting

Allocation Reporting

KDO will annually disclose a confirmation that the amount of outstanding green bonds does not exceed the size of Eligible Green Projects representing the aggregate amount of acquisition price of Eligible Green Assets (these are KDO's assets meeting the eligibility criteria for Green Buildings), and the expenditures for the construction and or refurbishments of properties under management until the proceeds have been fully allocated to Eligible Green Projects or throughout the life of the green bond. KDO intends to undergo an external review of its allocation reporting.

Impact Reporting

KDO will annually disclose the following impact indicators until the maturity of the bonds for each of the two eligibility criteria:

Eligibility Criteria 1: Green Buildings that have achieved green building certifications

- Number of Eligible Green Assets and certifications
- Total floor area of the Eligible Green Assets
- The following quantitative indicators of the Eligible Green Assets where KDO has energy control authority:
 - Energy consumption
 - Water consumption
 - CO₂ emissions

Eligibility Criteria 2: Construction and/or facility refurbishments contributing to energy savings and positive environmental benefits:

- Energy consumption
- Water consumption
- CO₂ emissions

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Kenedix Office Investment Corporation Green Bond

Summary

Sustainalytics is of the opinion that the Kenedix Office Investment Corporation is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of KDO's green bond framework:

- Use of Proceeds:
 - The use of proceeds categories of the Kenedix Office Investment Corporation – (i) Green Buildings that have achieved green building certifications and (ii) Construction and/or facility refurbishments contributing to energy savings and positive environmental benefits – are recognized by the Green Bond Principles as project categories with positive environmental benefits. For additional information on impact, consult Section 3.
 - KDO's green building eligibility criteria is based on third-party certification standards, specifically DBJ Green Building Certification, BELS, and CASBEE, indicating a strong alignment with Japanese and global market standards. Sustainalytics made an assessment of the certifications and considers that these schemes are credible and ensure a proper integration of environmental consideration during all stages of a building's life cycle, even more so since KDO focuses on above average certification levels. (Consult Appendix 1 for additional details on the certification schemes).
 - KDO confirmed that it will refinance projects with a maximum look-back period of two years, a practice in line with current green bond market expectations.
- Project Selection Process:
 - KDO's project selection process will be executed by KFM, the asset management firm for KDO, which has established a Sustainability Committee. The Committee will be chaired by the Director and COO, Head of the Office REIT Department of KFM, and will hold meetings every three months to promote sustainability-related operations and assess candidate projects. The Committee will have cross-departmental representation and will report its evaluations and deliberations directly to KDO's Board of Directors. Sustainalytics views this process to be aligned with market practices.
- Management of Proceeds:
 - KDO will implement an internal management tracking system of the net proceeds and the allocated proceeds. Pending full allocation of the net bond proceeds, the unallocated proceeds will be tracked and maintained in cash and cash equivalents. KDO confirmed that the proceeds from its inaugural issuance will be disbursed immediately or early after the issuance and no unallocated proceeds would therefore result following the first issuance.
- Reporting:
 - KDO is committed to providing an annual allocation and impact report. The (i) allocation report will be comprised of KDO's confirmation that the amount of outstanding green bonds does not exceed the size of Eligible Green Projects until the proceeds have been fully allocated or throughout the life of the green bond. Sustainalytics highlights that KDO intends to have its allocation report independently verified by a third-party, which is seen as strong market practice. In addition, KDO has committed to provide (ii) an impact report comprised of various impact indicators such as building energy consumption, water consumption and CO₂ emissions. Sustainalytics views the scope and granularity of KDO's reporting commitments to be in line with green bond market practices.

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Alignment with Green Bond Principles 2018

Sustainalytics has determined that KDO'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.

Alignment with Japan's Green Bond Guidelines 2017

Sustainalytics has also assessed and determined the alignment between the KDO Green Bond Framework and Japan's Green Bond Guidelines, which communicate processes and recommendations for credible green bond issuance.

ICMA Green Bond Principles 2018 and Japan's Green Bond Guidelines, 2017 ⁴	Alignment with GBP and with Japan's Green Bond Guidelines?	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines
1. Use of Proceeds	Yes	KDO' eligibility criteria, green buildings and energy efficiency, are recognized as 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 negative impacts are all described in the framework for investors.
2. Process for Project Evaluation and Selection	Yes	KDO has in place environmental policies to commits to promotion of energy conservation measures. Furthermore, KDO's project selection process will be executed by KFM, the asset management firm's Sustainability Committee based on eligibility criteria.
3. Management of Proceeds	Yes	KDO' framework states that it will implement an internal management tracking system of the net proceeds and the allocated proceeds. Pending full allocation of the net bond proceeds, the unallocated proceeds will be tracked and maintained in cash and cash equivalents.
4. Reporting	Yes	KDO will annually disclose the allocation and impact reporting. KDO is committed to disclose information including its confirmation that the amount of outstanding green bonds does not exceed the size of Eligible Green amount, as well as various impact indicators such as building energy consumption, water consumption and CO2 emissions. KDO confirmed that the proceeds from

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

its inaugural issuance will be disbursed immediately or early after the issuance and no unallocated proceeds would therefore result following the first issuance.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to issuer's sustainability strategy

KDO's asset management company KFM has established a Sustainability Committee, which is tasked with the dissemination of environmental and sustainability policies and the integration of ESG considerations within the business management strategies. KDO earned a "4 Star" evaluation in 2018 and a "Green Star" rating for the seventh consecutive year for its sustainability performance following an assessment implemented by the Global Real Estate Sustainability Benchmark (GRESB).⁵

Kenedix has set up a framework for the integration of environmental and sustainability considerations into its core operations, which are structured around 10 group-wide policy pillars. As part of this approach, Kenedix commits to low-carbon, low intensity resource consumption investment management protecting the biosphere from the negative externalities in a proactive manner.⁶ In line with this perspective, KDO set a target to reduce its energy intensity by an annual average rate of 1% or more, in line with the Japanese Act on Rationalizing Energy Use (the Energy Saving Act).⁷ To implement this target, KDO implemented several initiatives such as investing in the renovation of its buildings, the introduction of grid ceiling, HVAC renovations, the installation of LED lighting, the adoption of water efficient sanitation facilities and determined a strategic decision to increase its green certified properties, now standing at a ratio of almost 40% of KDO's assets under management on an acquisition price basis. Sustainalytics highlights that KDO currently manages 22 properties with green building certification such as: CASBEE Certification, DBJ Green Building Certification and BELS Certification.

Although KDO discloses an overview of unit energy consumption against reduction targets⁸, Sustainalytics encourages KDO to continue extending its green building certified gross floor area in order to provide structural incentives for energy and resource efficiency improvements.

Sustainalytics is of the opinion that KDO is well positioned to issue green bonds due to KDO's (i) sustainability strategy and the (ii) good track performance in extending the scope of its green building certified gross floor area. Sustainalytics considers that KDO's issuance of green bonds will further help KDO advance its sustainability practices and improve the energy and resource efficiency of its buildings.

Well positioned to address common environmental and social risks associated with green buildings and real estate refurbishments

Sustainalytics recognizes that real estate refurbishments may expose KDO to worker health and safety risks, unintended waste and wastewater discharges, fire risks, noise, particulate and dust pollution, which may negatively influence KDO's reputation as a J-REIT. However, KDO confirmed that its environmental and social risk management is executed through KFM's Sustainability Committee. Sustainalytics views positively the governance structure of this committee comprised of cross departmental representation with diversified expertise and reporting directly to KDO's Board of Directors. Sustainalytics is of the opinion that KDO is adequately positioned to mitigate environmental and social risks commonly associated with real estate refurbishments, even more so due to the inherent risk management strategies supported through the processes and requirements typically associated with green building certification schemes.

⁵ Official notice available at: <https://www.kdo-reit.com/file/en-news-d8e5b6e1bf763f344652e8d8e12c849a28277d84.pdf>

⁶ Kenedix's sustainability and environmental policies available at: <https://www.kdo-reit.com/en/feature/environment.html>

⁷ The Japanese Act on Rationalizing Energy Use available at: <https://www.eccj.or.jp/law/revised/10aug2005.pdf>

⁸ Overview of unit energy consumption against reduction targets, Kenedix <https://www.kdo-reit.com/en/feature/environment.html>

Section 3: Impact of Use of Proceeds

Contribution of green buildings to Japan's energy efficiency and climate commitments

The 2011 Great East Japan Earthquake and the subsequent Fukushima Daiichi nuclear disaster forced the Japanese government to gradually denuclearize its local energy production. Following the government's immediate nation-wide closure of its reactors, Japan's nuclear energy production dropped from around 26% of the total energy mix in 2010 to 0.9% in 2015 and prompted a chain reaction effect which materialized in a 14% increase in fossil fuel energy consumption⁹, as well as a 13% increase in the country's total energy imports.¹⁰

Moreover, as the Japanese real estate sector accounts for more than 33% of the country's energy use, with air conditioning requirements accounting for 50% of buildings' energy demands, another 30% for their lighting and office equipment and an additional 20% for elevators,¹¹ the Japanese Ministry of Land, Infrastructure, Transport and Tourism introduced the Building Energy Efficiency Act¹² to better support the local real estate sector to reduce its energy requirements. Sustainalytics highlights that the Japanese Central Environment Council estimated that an additional JPY 135 to JPY 163 trillion is necessary to promote low-carbon investments such as energy efficient buildings in Japan. In light of this context, Sustainalytics is of the opinion that KDO's real-estate refurbishments and extension of green building certifications will positively contribute to increasing KDO's energy efficiency levels, even more so impactful due to the country's recent energy rebalancing towards carbon intensive solutions following the Fukushima Daiichi disaster. Sustainalytics considers that the use of proceeds of KDO's green bonds will thus play a supportive role in matching Japan's low-carbon investments needs and assist the country in meeting its 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	9. Industry, Innovation and Infrastructure	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, while increasing resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

KDO has developed a Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance or refinance Eligible Green Projects related to (i) Green Buildings that have achieved green building certifications and (ii) Construction and/or facility refurbishments contributing to energy savings and positive environmental benefits. Both use of proceeds categories are recognized by the Green Bond Principles 2018 and are relevant to the advancement of SDG 7 and 9.

⁹ Fossil fuel energy consumption as a percentage of the total, information available at: <https://data.worldbank.org/indicator/EG.USE.COMM.FO.ZS?end=2015&locations=JP&start=1960>

¹⁰ Energy imports as a percentage of the energy use, information available at: <https://data.worldbank.org/indicator/EG.IMP.CON.S.ZS?locations=JP>

¹¹ 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>

¹² 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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KDO's green building eligibility criterion is based on third-party certification standards, specifically the DBJ Green Building Certification, BELS, and CASBEE, showcasing a strong alignment with the Japanese and international market standards. Sustainalytics considers that KDO's projects will advance the company's sustainability strategy to reduce the energy and resource intensity of its buildings and contribute to aligning the positive impact of its real-estate assets to the Japanese government's energy efficiency targets.

The selection of KDO's Eligible Green Assets and standardized approach to environmental and social risks oversight integration are aligned with market practices. Similarly, KDO will provide an annual allocation and impact report providing data on relevant transaction information and KPIs relative to the energy consumption, water consumption and CO₂ emissions of its real estate assets.

Based on the above considerations, Sustainalytics is of the opinion that KDO is well positioned to issue green bonds and that the Kenedix Office Investment Corporation Green Bond Framework is robust, credible, transparent and in alignment with the Green Bond Principles 2018 and Japan's Green Bond Guidelines 2017.

Appendices

Appendix 1: Overview and Comparison of Real Estate Certification Schemes

	DBJ Green Building Certification ¹³	BELS ¹⁴	CASBEE ¹⁵
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.	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.
Certification levels	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)
Areas of Assessment: Environmental Project Management	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).
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 conservation performance • Building envelop thermal insulation performance 	<ul style="list-style-type: none"> • Energy Efficiency • Resource efficiency • Local environment • Indoor environment
Requirements	Score-based performance level There are three main areas comprised of	Performance index BELS uses the value of BEI (Building Energy Index) as its assessment indicator. BEI is	Score-based performance level CASBEE uses the BEE (Built Environment

¹³ Certification Overview, Development Bank of Japan; http://www.dbj.jp/en/service/finance/g_building/outline.html

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

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

	<p>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.¹⁶</p>	<p>calculated by dividing the design of primary energy consumption by the standard primary energy consumption.</p>	<p>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>
Performance display	<p>17</p>	<p>18</p>	<p>19</p>
Accreditation	JREI 's Certification Assessment Committee	BELS Registered Agencies	CASBEE Accredited Professional
Qualitative considerations	<p>In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan.²⁰ 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>

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

¹⁷ DBJ Green Building, Development Bank of Japan; http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf

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

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

²⁰ 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:	Kenedix Office Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Kenedix Office Investment Corporation Green Bond
Review provider's name:	Sustainalytics
Completion date of this form:	November 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	December 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 the 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 eligible category for the use of proceeds – (i) Green Buildings and (ii) Construction and/or facility refurbishments contributing to energy savings and positive environmental benefits – are aligned with those recognized by the Green Bond Principles and have a clear positive environmental impact. Sustainalytics considers that the eligible green projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 7 and 9.

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:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

KDO's project selection process will be executed by the group's asset management firm KFM which will establish a Sustainability Committee. The Committee is chaired by the Director and COO, Head of the Office REIT Department of KFM, and holds meetings every three months to promote sustainability-related operations and assess candidate projects. The Committee will have cross-departmental representation and will report its evaluations and deliberations directly to KDO's Board of Directors. Sustainalytics views this process aligned with market practices.

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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 type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

KDO will implement an internal management tracking system of the net proceeds and the unallocated proceeds. Pending full allocation of the net bond proceeds, the unallocated proceeds will be tracked and maintained in cash and cash equivalent. KDO confirmed that the proceeds from its inaugural issuance will be disbursed immediately or early after the issuance and no unallocated proceeds would therefore result following the first issuance.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|--|
| <input type="checkbox"/> Allocations to future investments only | <input 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 |

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- | | |
|--|---|
| <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

The allocation report will comprise KDO's confirmation that the amount of outstanding green bonds does not exceed the size of Eligible Green Projects until the proceeds have been fully allocated or throughout the life of the green bond. Sustainalytics highlights that KDO intends to have its allocation report independently verified by a third-party, which is seen a strong market practice.

Impact Reporting

The impact reporting will comprise data on various impact indicators such as the energy consumption, water consumption, and CO₂ emissions of the buildings. Sustainalytics views the scope and granularity of KDO's reporting commitments to be in line with the green bond market practices.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" 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):

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

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): KDO 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.)

<https://www.kdo-reit.com/en/feature/environment.html>

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 (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.

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- iv. **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialized 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

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