

Green Bond / Green Bond Programme Independent External Review Form

Section 1. Basic Information

Issuer name:	ITOCHU Advance Logistics Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Green Finance Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	November 22, 2019
Publication date of review publication:	November 22, 2019

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 Independent External REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

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

ITOCHU Advance Logistics Investment Corporation (the "Investment Corporation") is a J-REIT centered on logistics real estate, which was established in May 2018 and listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) in September 2018. As of the end of July 2019, the Investment Corporation had eight properties with a total acquisition price of JPY 58.8bn. The asset management company is ITOCHU REIT Management Co., Ltd. (the "Asset Management Company"), and the sponsors of the Asset Management Company are ITOCHU Corporation, a major general trading company, and ITOCHU Property Development, Ltd., with an equity stake of 80% and 20%, respectively. The Investment Corporation aims to contribute to the creation of an affluent society by developing logistics infrastructures, including logistics real estate, and to maximize the unitholders value of the Investment Corporation and develop the J-REIT market in a sound manner by building Collaborative Growth Relationships with the ITOCHU Group.

The ITOCHU Group considers adaptation to global environmental and social issues to be one of the most important management policies. The ITOCHU Group has established the "The ITOCHU Group Basic Policy on Promotion of Sustainability" to promote the sustainability activities of group companies. Based on the policy of the ITOCHU Group, the Asset Management Company has established the "Principles for Sustainability" and the "Basic Sustainability Policy." The Asset Management Company has also announced that it will promptly implement ESG (Environment, Social and Governance) measures.

The scope of evaluation is the green finance framework (the "Framework") established by the Investment Corporation to limit proceeds by means of green bonds or green loans (the "green finance") to use projects with environmental improvement effects. JCR evaluates whether the Framework meets with the Green Bond Principles (2018 edition), the Green Bond Guidelines (2017 edition) and the Green Loan Principles. The Green Bond Principles, the Green Bond Guidelines and the Green Loan Principles are principles voluntarily published by the International Capital Markets Association (ICMA), the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) and the Japanese Ministry of the Environment, respectively, and are not binding on them, but JCR will evaluate the Framework with reference to those principles and guidelines as globally unified standards at this time.

The Investment Corporation limits the use of proceeds procured through the green finance to Green Building, and defines the Eligible Criteria as properties that have acquired our stars or more in DBJ Green Building Certification, A or higher in CASBEE Real Estate, or four stars or more in BELS Certification. JCR evaluates that the use of proceeds set by the Investment Corporation is to be properties with high environmental improvement effects.

The Asset Management Company has established the Sustainability Committee, headed by the President, to share information on ESG initiatives of the Investment Corporation, including information on the green finance. The Investment Corporation is also actively working to acquire environmental certification, and 62.5% of the number of properties and 86.2% of total floor space meet the criteria. JCR has confirmed its robust management and operation system and high transparency with regard to the acquisition of properties subject to green finance. For example, the Investment Corporation's executive director makes final decisions on the acquisition of properties, the person in charge makes appropriate decisions on fund procurement.

As a result, based on the JCR Green Bond Evaluation Methodology, JCR assigns "g1(F)" for the "Greenness Evaluation (Use of Proceeds)" and "m1(F)" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1(F)" for overall "JCR Green Finance Framework Evaluation."

The Framework meets the standards for the items required in the Green Bond Principles, the Ministry of the Environment's Green Bond Guidelines, and the Green Loan Principles.

<https://www.jcr.co.jp/en/greenfinance/>

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):

a. On the environmental improvement effects of the project

- i. The eligibility criteria set out in the Framework for funding are acquiring or refinancing of funds for green buildings which meet regional, national or internationally recognised standards or certifications, which are expected to be effective in improving the environment.
- ii. Use of proceeds for green building falls under the categories of "Green buildings which meet regional, national or internationally recognised standards or certifications." and "Energy Efficiency" among the green projects defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines. Use of proceeds for renewable energy power generation facilities falls under the categories of "Renewable Energy."

b. Negative impact on Environment

The Asset Management Company conducts due diligence when acquiring properties and checks for factors that could negatively impact the environment. Through interviews with the Asset Management Company, JCR evaluates that there are little possibilities of a negative impact on the environment caused by the logistics facilities owned by the Investment Corporation. JCR confirms that if there is a negative impact on the environment, it is necessary to take corrective measures by the seller as a precondition to avoid or mitigate the negative impact.

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 | <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 (please specify) : |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Investment Corporation has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

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 checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

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 (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

The purpose of the green finance is to finance or to refinance the acquisition of the Green Eligible Assets described in this evaluation report and will not be used for any other purpose.

The Investment Corporation does not expect to generate unallocated funds because the funds procured through the green finance will be used for the acquisition of properties or refinancing in a short period of time after the procurement. On the other hand, in the event that unallocated funds arise due to such factors as the sale of assets subject to the use of the proceeds prior to repayment or redemption of the green finance, the Investment Corporation shall manage the outstanding balance of the green finance so that it does not exceed the amount of Green Eligible Liabilities (the total acquisition cost of Green Eligible Assets) \times (Loan To Value ratio (LTV) of the total assets at the end of the recent fiscal period).

Tracking of proceeds:

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

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The use of proceeds procured through the green finance will be announced on the Investment Corporation's website, and in legal documents such as revised shelf registration documents and shelf registration supplements in the case of issuing the green bonds. JCR confirms that in the event of a major change in circumstances, such as the occurrence of unallocated funds due to the sale of properties acquired through the green finance, disclosure will be made on the Investment Corporation's website.

b. Impact reporting for environmental benefits

In accordance with the Framework, the Investment Corporation plans to report on the effects of environmental improvements in energy consumption, CO2 emissions, water consumption, and waste volume, in addition to the number of Green Eligible Assets, the level of environmental certification, and the total floor space.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☐ Other (*please specify*):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

Impact reporting:

☒ Project-by-project

☐ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (*please specify*):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☒ Decrease in water use

☒ Other ESG indicators (*please specify*):

Weight of Waste

Energy-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):
Show on the website |
| <input type="checkbox"/> Reporting reviewed | |

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.)

Sustainability activities by ITOCHU Advance Logistics Investment Corporation	https : //www.ial – reit.com/en/sustainability/
JCR's website about green bond evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: November 22, 2019

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

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.