

Green Bond Evaluation by Japan Credit Rating Agency, Ltd.

Japan Credit Rating Agency, Ltd. (JCR) announces the Annual Review of its Green Bond Evaluation.

JCR Reviewed Green Bond Evaluation on Bonds of GLP J-REIT

Subject	:	GLP J-REIT 12th Unsecured Bonds (Special pari passu conditions among specified investment corporation bonds) ("Green Bonds")
Type	:	Specified Investment Corporation Bonds
Issue Amount	:	JPY 5.1 billion
Interest Rate	:	0.680%
Date of Issuance	:	December 20, 2018
Redemption Date	:	December 20, 2028
Method of Repayment	:	Bullet
Use of Proceeds	:	Refinancing of fund to acquire an asset

<Green Bond Review Results>

Overall Evaluation	Green 1
Greenness Evaluation (Use of Proceeds)	g1
Management, Operation and Transparency Evaluation	m1

1. Overview

On December 14, 2018, JCR announced its "Green 1" overall evaluation of unsecured investment corporation bonds issued by GLP J-REIT (the "Investment Corporation") for the purpose of refinancing of green buildings. The main summary is as follows.

GLP J-REIT is a J-REIT specializing in logistics facilities that is sponsored by GLP Japan Inc. (formerly Global Logistics Properties; GLPKK). GLP J-REIT was established in September 2011 and listed on the Tokyo Stock Exchange (Real Estate Investment Trusts market) in December 2012.

The bonds subject to evaluation are unsecured investment corporation bonds issued by GLP J-REIT (the "Bonds".) The proceeds of the Bonds are allocated to refinance for acquisition cost of a logistic facility (Green Building) by the Investment Corporation. GLP J-REIT defines "Green Buildings (Green Eligible Assets)" that are applicable to green

bonds under its Green Finance Framework as Properties that have obtained or are expected to obtain either three stars or more of DBJ Green Building Certification, B+ or more of CASBEE Certification, three stars or more of BELS Certification, or LEED assessment Silver or more can be classified as Green Building. JCR evaluates that the definition of "Green Building" established by GLP J-REIT covers buildings with environmental improvement effects.

At the time of issuance, the environmental performance evaluation report and interviews with GLP Japan Advisors Inc. (the "Asset Management Company"), JCR confirmed that the asset subject to the review did not have any negative impacts on the environment that would exceed the environmental improvement effect. Based on the items above, JCR evaluated that the use of proceeds contributes to environmental improvements, including reductions in CO₂ emissions.

JCR carried a review on the Bonds, and confirmed that GLP Neyagawa, which was the subject of the use of proceeds, is not damaged or sold. JCR also confirmed that the management and operation system has been maintained as originally planned, and that disclosures are appropriately made.

As a result, JCR maintains "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR maintains "Green 1" as an overall evaluation result of the Bonds. Detailed evaluation is discussed in the next chapter. The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.¹²

¹ ICMA(International Capital Market Association) Green Bond Principles 2018
<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² Ministry of the Environment Green Bond Guidelines 2017 years http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf

2. Post-issuance review items

In this section, JCR describes the items to be confirmed in the post-issuance review. The review focuses on items whose content has changed compared with the previous evaluation periods.

(1) Use of Proceeds (Status of Appropriation)

JCR evaluates if the management of funds procured by the Bonds and the appropriation of funds procured for green projects has been properly carried out in a manner specified by the issuer at the time of assigning the Green Bond Evaluation.

(2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

JCR evaluates if there are any changes to the objectives to be achieved through the Bonds, the criteria for selecting green projects, the adequacy of the process, and the series of processes to be implemented.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluates whether the proceeds have been certainly allocated for green projects or not. JCR also evaluates if there is a system and internal system in which the allocation status can be easily tracked and managed.

(4) Reporting

JCR evaluates if the environmental improvement effects resulting from the green project financed by the funds procured by the Bonds are appropriately calculated according to the method stipulated by the issuer at the time of assigning the Green Bond Evaluation.

(5) Organization's Environmental Activities

JCR evaluates if the issuer's management is continuing to regard environmental issues as a high priority issue.

3. Contents of Review

(1) Use of Proceeds (Status of Appropriation)

- a. The Bonds to be evaluated are unsecured investment corporation bonds issued by GLP J-REIT. The proceeds were used to refinance acquisition costs of the following logistics facility.

< Overview of Use of Proceeds >

Project Name	GLP Neyagawa
Location	10-10, Shojiminami-machi, Neyagawa, Osaka
Principal Uses	Logistic Facility
Land Area	13,328m ²
Total Floor Area	26,907m ²
Number of Stories	4 floors
Completion	April 2018
Acquisition value	JPY 8,100 million
Environmental Certification	CASBEE Osaka B+
Features and environmental performance	Logistics facility located approximately 1.8km from Neyagawa-Minami IC and 2.9km from Neyagawa-Kita IC, Second Keihan Highway. In addition to implementing heat insulation measures on the top floor, high-side lights (*) are installed on each floor to provide light from the outside, and these properties have achieved energy savings while securing light in the warehouse.

(*) Windows placed high on walls primarily for introducing natural lighting.

- b. JCR confirmed through interviews with the Asset Management Company that the Investment Corporation still owns GLP Neyagawa and is operating without problems.
- c. No serious negative impacts on the environment have been confirmed, such as soil pollution, noise and vibrations, and complaints from local residents.

(2) Appropriateness and Transparency concerning selection standard and processes of the use of proceeds

JCR evaluates as appropriate the criteria and processes for Green Buildings of the Investment Corporation at the time of last year's Evaluation. At the reviewing, the criteria and processes of the Investment Corporation and the Asset Management Company have not been changed, and JCR considers these criteria to remain appropriate.

(3) Appropriateness and Transparency of management of the proceeds

JCR evaluates cash management as appropriate at the time of the initial evaluation. The entire amount of the proceeds of the Bonds was allocated to refinance the fund for acquisition of GLP Neyagawa promptly after the issuance, and there are no unallocated funds.

(4) Reporting

a. Reporting on the proceeds allocation

The entire amount in lieu of the issuance of the Bonds was allocated to refinance funds for the acquisition of GLP Neyagawa promptly after the issuance, and has not since been sold. As a result, there are no unallocated funds at the time of the review.

b. Reporting on environmental improvement effects

The Investment Corporation discloses the type and level of environmental certification obtained by GLP Neyagawa on its website, and JCR evaluates this disclosure as appropriate.

(5) Organization's environmental activities

The Asset Management Company established the Sustainability Task Force in 2014. The Sustainability Task Force is an organization established with the awareness that the management of the Asset Management Company must also pay attention to sustainability in the future when operating an Investment Corporation. The Asset Management Company sets top-down objectives by the Sustainability Task Force and implements various ESG-related operations through the Corporate Planning Department and the Investments Department.

In particular, the ESG Policy of the GLP Group was established by the GLP Group in order to achieve the objective of improving the efficiency of the supply chain by developing the best-in-class logistics facilities that can respond more sustainably to the increasing needs for logistics. The Asset Management Company and the Investment Corporation have expanded their initiatives for sustainability as the Group's ESG policy and ESG initiatives.

The GLP Group's ESG policy consists of 12 items, and GLP, together with the Asset Management Company, carries out its operations in accordance with these ESG policies.

GLP Group's ESG Principles

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- 1) Upholding ethics and corporate integrity as the cornerstones of how we do business at all levels of our company
 - 2) Embedding material ESG risks and opportunities into decision-making
 - 3) Engaging proactively with stakeholders
 - 4) Attracting and retaining talented, motivated employees is vital to our success
 - 5) Maximizing supply chain efficiency and meeting the needs of domestic consumption-led growth in our core markets
 - 6) Drive performance through evidence
 - 7) Taking the lead in building better communities
 - 8) Creating a culture of entrepreneurial value creation
 - 9) Protecting and enhancing the environment across all of our operations
 - 10) Supporting livelihood opportunities in the communities we work in
 - 11) Promoting Energy Efficiency & Renewables
 - 12) Building sustainably certified new developments
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In the ESG Principles, "2) Embedding material ESG risks and opportunities into decision-making" says the Group is always considering ESG risks and opportunities in investment surveys, due diligence, investment selection, portfolio management and other important decisions. In addition, "9) Protecting and enhancing the environment across all of our operations" specifies pursuing a level that exceeds the required environmental standards when performing business operations. "12) Building sustainability certified new developments" specifies that the Group aims at new development or large-scale renovation meet various

types of sustainability certification standards. JCR evaluated that concrete descriptions are made in the ESG Principles. JCR evaluates clear ESG objectives and high transparency.

As part of its efforts, the Investment Corporation has acquired GRESB Real Estate Assessment. The Investment Corporation has acquired various certifications for its acquired logistics facilities, including CASBEE, BELS, and DBJ Green Building Certification, and all of these certifications are published on its website. In the GRESB Real Estate Assessment, the Investment Corporation has been awarded the Green Star for the fifth consecutive years to companies that excel in both "Management and Policy" and "Implementation and Measurement," which are the two evaluation criteria in the sustainability assessment. JCR considers that this is indicative of the high reputation of its sustainability initiatives by third parties. JCR also assesses that many of the properties acquired by the Investment Corporation have environmental improvement effects, as more than half of the properties have already acquired environmental certification.

The Asset Management Company has CASBEE evaluators, and GLP Japan, the sponsor, has specialists such as property engineers and qualified architect of the first class. In addition, for acquiring GRESB and CASBEE, the Investment Corporation consults with outside specialist companies and cooperation with both internal and external specialists.

JCR evaluates management of the Investment Corporation puts environmental problems a high priority and that the departments with expert knowledge are clearly involved in the establishment of green finance policy and processes for selecting green projects.

(Reference) GRESB Real Estate Assessment

GRESB is an acronym for Global Real Estate Sustainability Benchmark. GRESB is a benchmark established in 2009 that measures and evaluates the degree of consideration given to ESG by companies or funds that holding and manages real estate and infrastructure. From 2016, the evaluation-results are shown on a five-star scale (five stars, four stars, three stars, two stars, and one star). Companies or Funds that scores above certain level are given "Green Star" separately from the five-star evaluation. As of 2019, 44 investment corporations have participated in the evaluation from J-REIT.

4. Conclusion

As a result of verifying the matters described in the previous section, JCR confirmed that 100% of the proceeds of the Bonds have been allocated for the green project, which was originally assumed to be use of proceeds, and that the asset subject to use of proceeds has sufficiently performed the effects of environmental improvement that were originally assumed.

[JCR Green Bond Evaluation Matrix]

		Management, Operation and Transparency Evaluation				
		m1	m2	m3	m4	m5
Greenness Evaluation	g1	Green 1	Green 2	Green 3	Green 4	Green 5
	g2	Green 2	Green 2	Green 3	Green 4	Green 5
	g3	Green 3	Green 3	Green 4	Green 5	Not qualified
	g4	Green 4	Green 4	Green 5	Not qualified	Not qualified
	g5	Green 5	Green 5	Not qualified	Not qualified	Not qualified

■ Subject

Issuer: GLP J-REIT (Security code: 3281)

[Review]

Subject	Issue Amount	Date of Issuance	Redemption Date	Interest Rate	Evaluation
12th Unsecured Bonds (Special pari passu conditions among specified investment corporation bonds) (Green Bonds)	JPY 5.1 billion	December 20, 2018	December 20, 2028	0.680%	JCR Green Bond Evaluation :Green1 Greenness Evaluation:g1 Management, Operation and Transparency Evaluation:m1

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Important explanation of the Green Bond Evaluation

1. Assumptions, Significance, and Limitations of JCR Green Bond Evaluation

JCR Green Bond Evaluation, which is assigned and provided by Japan Credit Rating Agency (JCR), is a comprehensive expression of JCR's current opinion on the extent to which the proceeds of green bonds, which are subject to evaluation, are allocated to green projects defined by JCR and the extent to which the management, operation, and transparency of the use of green bonds are ensured. This does not perfectly disclose all the efforts taken by the issuer/borrower to ensure the use of proceeds, administration, management of the proceeds and the transparency.

JCR Green Bond Evaluation is to evaluate the plan or status of the proceeds to green projects at the time of issuing green bonds or planning to issue, and does not guarantee the future actual allocation of the proceeds. JCR does not guarantee the positive environmental effects of green bonds nor is liable for their expected impacts. JCR confirms that the environmental impacts, which will be realized by the allocated proceeds, are calculated quantitatively and qualitatively by the issuer or by a third party requested by the issuer, but in principle JCR does not calculate them by itself.

2. Methodologies used in the conduct of this evaluation

The methodology used in this evaluation are listed on JCR website (Sustainable Finance & ESG in <https://www.jcr.co.jp/en/>) as JCR Green Finance Evaluation Methodology.

3. Relationship with Acts Related to Credit Rating Business

JCR Green Bond Evaluation is determined and provided by JCR as a related business, which is different from the activities related to the credit rating business.

4. Relationship with Credit Ratings

The Evaluation differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

There is no conflict of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

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■ Glossary

JCR Green Bond Evaluation: JCR Green Bond Evaluation evaluates the extent to which the funds procured from the Green bond are allocated to the Green Project as defined by JCR, and the extent to which the management, operation, and transparency of the Green Bond are ensured. Evaluations are graded on a scale of 5, beginning with the top, using the Green1, Green2, Green3, Green4, and Green5 symbols.

■ Status of registration as an external assessor of green finance

- Environment Ministry's Green Bond Issuance Registration
- Members of the Working Group on Social Bonds (ICMA)
- Members of the Working Group on UNEP FI Positive Impact Finance Principles
- CBI Approved Verifier

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
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