

Green Bond / Green Bond Programme Independent External Review Form

Section 1. Basic Information

Issuer name:	AEON REIT 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:	September 26, 2019
Publication date of review publication:	September 26, 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 (<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)

AEON REIT Investment Corporation (the "Investment Corporation") is a J-REIT that specializes in retail properties sponsored by AEON CO., LTD. The Investment Corporation was established in November 2012 and listed on the Tokyo Stock Exchange (real estate investment trust securities market) in November 2012. AEON Reit Management Co., Ltd. (the "Asset Management Company") is responsible for the asset management business of the Investment Corporation. AEON Co., Ltd. holds a 100% stake of the Asset Management Company. The current portfolio consists of a total of 40 properties (38 in Japan and 2 overseas), with an asset size of JPY362.4 billion (based on acquisition prices).

The Investment Corporation's philosophy is to contribute to local communities and to enrich people's lives through investment in retail facilities. The Investment Corporation considers commercial facilities to be its main investment target as "livelihood infrastructure assets that underpin prosperous lifestyles in local communities," which are indispensable for their daily lives. By building a portfolio centered on large-scale commercial facilities developed and operated by the sponsor group, the Investment Corporation aims to ensure stable earnings over the medium to long term and steadily grow its investment assets.

The Investment Corporation, together with the Asset Management Company, engages in CSR activities as a member of the AEON Group. Aeon Sustainability Principle calls for the realization of a decarbonized society, and works to contribute to the environment with the aim to Aeon Decarbonization Vision 2050.

The Investment Corporation is promoting sustainable management by setting priority issues and responding to each issue based on Aeon Sustainability Principle, which is the policy of the entire Aeon Group for the development of the sustainable society. The Asset Management Company formulates and implements the "Sustainability Policy" based on the idea that consideration for ESG in the overall business and collaboration with stakeholders are important for realizing its philosophies and goals.

The scope of evaluation is the Green Finance Framework (the "Framework") established by the Investment Corporation in order to limit proceeds through investment corporation bonds or loans ("Green Finance") to the use of proceeds that have an environmental improvement effect. JCR assesses whether the Framework conforms to the International Capital Markets Association (ICMA) Green Bond Principles 2018, the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) Green Loan Principles and the Green Bond Guidelines 2017.

In the Framework, eligible criteria of the proceeds are defined as projects that meet "Properties that have acquired or are expected to acquire any of 3 stars or more of DBJ Green Building certification, B+ or higher of CASBEE certification, 3 stars or more of BELS certification, or Silver or higher of LEED certification (Eligible Criteria 1)" or "Properties that have acquired or are expected to acquire facilities or other improvements that are beneficial to the environment, such as energy-efficiency and water-consumption performance (in principle, those that are expected to reduce energy consumption by more than 10% compared to the previous level)" (Eligible Criteria 2). It is unlikely that the projects which meet either of Eligible Criteria will have a negative impact on the environment. JCR evaluates the eligible criteria as having environmental improvement effects.

The Investment Corporation plans to decide green projects by the Investment Committee of the Asset Management Company and the Board of Directors of the Investment Corporation regardless of the financing method. Proceeds through the Green Finance are fully linked to individual projects and, in principle, and will be allocated to the use of proceeds by the day following the day when funds are procured. It will manage balances based on portfolio management until the Green Finance is redeemed or repaid. The status of fund allocation and the content of reports on environmental improvements effects are also appropriate. JCR confirmed the management system and transparency of the Investment Corporation as appropriate. As a result, based on JCR Green Finance Evaluation Methodology, JCR assigns "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1 (F)" for overall "JCR Green Finance Framework Evaluation" to the Framework.

<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 eligible criteria set out in the Framework are buildings that have acquired or are planning to acquire environmental certification, limited to the top 3 categories of regional, national, or internationally recognized certification levels ("Green Buildings") or renovations of facilities and other facilities that contribute to beneficial improvements in environmental aspects such as energy efficiency and water consumption performance. The use of proceeds for acquisition and renovation work and refinancing are expected to have environmental improvement effect.
- ii. The use of proceeds falls under the category of "Green Buildings which meet regional, national or international recognized Standards and Certification" and "Energy Efficiency" among the green projects defined in the Green Bond Principles, the Green Loan Principles, or the Ministry of Environment of Japan's Green Bond Guidelines.

b. Negative impact on Environment

Although the Asset Management Company estimates that the eligible criteria are unlikely to have a negative impact on the environment, it confirms the negative impact on the environment by acquiring engineering reports and conducting on-site due diligence by the Investment Management Department as a process of property acquisition or renovation work such as facilities. When there is a negative impact on the environment, it basically conducts property acquisition after the impact has been resolved. Through the implementation of these due diligences and countermeasures against risks, the Investment Corporation avoids and mitigates negative environmental impacts of green projects.

JCR has confirmed that appropriate consideration is given to the negative impact on the environment.

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 (<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):

The Company 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):

Cash management will be conducted by the Finance Planning Department of the Asset Management Company. Specifically, follow-up management of the allocation of funds procured through Green Finance and management of the upper limit of Green Finance procurement will be carried out using a confirmation sheet. The Asset Management Company plans to properly store the documents on Green Finance until Green Finance is redeemed or repaid. The Compliance Committee is scheduled to conduct internal audits to check compliance with laws and internal regulations regarding investment decision-making procedures in addition to audits by the Compliance Department regarding cash management. Therefore internal controls are sufficiently maintained.

Under the Framework, all funds raised through Green Finance are linked to individual project. On the other hand, the cash management until Green Finance is redeemed or repaid shall be carried out as a portfolio management using the upper limit of Green Finance procurement by multiplying the total asset amount which satisfies the eligible criteria 1 and 2 by the total asset LTV.

Funds procured through Green Finance are, in principle, appropriated for use by the day following the day when the funds are procured. Portfolio management is also adopted during the life of Green Finance. Therefore, under the Framework, no unallocated funds will be generated.

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 Investment Corporation plans to disclose the status of funds for Green Finance, the balance of Green Finance, total eligible criteria, and the upper limit of Green Finance procurement on its website once a year. It plans to disclose the details of any changes in the green projects and the investment method of unallocated funds in the event that such changes occur, for example, due to the sale of assets. In addition, it plans to disclose the appropriation of funds when necessary if the period of which the funds are unallocated is extended.

b. Impact reporting for environmental benefits

In addition to evaluating the number of green eligible assets and each certification acquired, the Investment Corporation plans to disclose the total energy consumption and greenhouse gas emissions of its properties on its website once a year.

Use of proceeds reporting:

Project-by-project

Linkage to individual bond(s)

On a project portfolio basis

Other (*please specify*):

Information reported:

Allocated amounts

Other (*please specify*):

Green Bond financed share of total investment

frequency:

Annual

Other (*please specify*):

Semi-annual

Impact reporting:

Project-by-project

Linkage to individual bond(s)

On a project portfolio basis

Other (*please specify*):

frequency:

Annual

Other (*please specify*):

Semi-annual

Information reported (expected or ex-post):

GHG Emissions / Savings

Decrease in water use

Energy Savings

Other ESG indicators (*please specify*):

Energy-consumption

Status of Environmental Certification Acquisition

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>):
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 AEON REIT Investment Corporation	https://www.aeon-jreit.co.jp/ja/about/environment.html
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 (<i>please specify</i>): | |

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

Date of publication: September 26, 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.