

# GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

## Section 1. Basic Information

Issuer name:	Kenedix Office Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Green Bond Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	March 26, 2021
Publication date of review publication:	March 26, 2021

## 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)

Kenedix Office Investment Corporation (the "Investment Corporation") is a J-REIT, which primarily invests in medium-sized office buildings in the Tokyo Economic Bloc. It was established on May 6, 2005 and listed on the Tokyo Stock Exchange (real estate investment trust securities market) on July 21, 2005.

The Investment Corporation has a total asset size of 97 properties for a total acquisition price of JPY441.4 billion, which is one of the largest J-REIT that invests primarily in medium-sized office buildings. The sponsor of Kenedix Real Estate Investment Advisers (the "Asset Manager"), an asset management company, is Kenedix, a real estate asset management company. While the Asset Manager enjoys support from Kenedix, it has accumulated track records over 31 years while demonstrating its uniqueness as an asset management company.

The Kenedix Group's business objective is to "contribute to society through optimal management of investment funds in the real estate field and the creation of value for real estate." Especially in the environmental field, the Investment Corporation complies with environmental laws and regulations related to real estate, and conduct business operations considering energy conservation and reducing environmental impact. Under the objectives of the entire Group, the Asset Manager has declared that it will focus on dialogue with stakeholders, aim to carry out responsible investment management as a real estate asset management company. It also indicates that it will primarily contribute to a sustainable environment.

The scope of this evaluation is the Green Bond Framework (the "Framework"), which is designed to limit the use of funds procured by the Investment Corporation through Green Bonds to those that have environmental improvement effects. JCR will assess whether the Framework complies with the Green Bond Principles (2018 edition) and the Green Bond Guidelines (2017 edition). These principles, etc. are voluntarily published principles or guidelines by the International Capital Markets Association (ICMA) and the Ministry of the Environment, respectively, and are not regulations, and therefore are not binding, but JCR refers to these principles and guidelines as uniform domestic and international standards at the present time.

Within this framework, the Investment Corporation has determined to use the proceeds for two objectives: green building, which satisfied a certain certification level, and renovation work, which will lead a certain environmental improvement effect. Eligibility Criteria for Green Building indicate those properties, which obtained or will obtain in the future any of DBJ Green Building Certification 3 stars or more, BELS 3 stars or more, or CASBEE Real Estate Certification B+ or better. Eligibility Criteria for renovation work indicated renovations aimed at improving energy efficiency and water consumption performance by 10% or more. JCR has evaluated that the use of proceeds specified by the Investment Corporation has an environmental improvement effect.

As part of the Group's sustainability initiatives, the Investment Corporation has established an organizational structure for environmental initiatives, including the establishment of a system in which the department in charge manages the acquisition and renewal of environmental evaluations and various types of certifications for acquired properties, the utilization of internal and external environmental experts or qualified personnel, and the establishment of the Sustainability Committee and the Energy Conservation Measures Review Committee. As a result, JCR confirmed a robust management and operation system and high transparency with respect to the Investment Corporation.

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 "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green1 (F)" for overall "JCR Green Finance Framework Evaluation."

The Framework meets the standards for items required by the Green Bond Principles and the Green Bond Guidelines of the Ministry of the Environment.

<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 for the use of proceeds are funding or refinancing of properties (green buildings) which meet or will meet upper three categories of regionally, nationally or internationally recognized standards and certification, or renovation projects that contribute to positive environmental improvements. High environmental improvement effects are expected.
- ii. The use of proceeds falls under the green category of "Green Buildings Which Meet Regional, National or Internationally Recognised Standards or Certifications" and "Energy Efficiency" in the Green Bond Principle and "Green Building Projects" and "Energy Efficiency Projects" in the Green Bond Guidelines.

#### b. Negative impact on Environment

The Asset Manager always obtains engineering reports when acquiring properties and performs building diagnostics and checks for environmental risks. In addition, a person in charge of asset acquisition in the Asset Investment Department uses a prescribed checklist by the company to check whether there are any problems with the land located next to the subject or the neighborhood. In addition, it gives a sufficient consideration such as a person in charge of property management in the Asset Management Department visits the site together to confirm whether there is room for improvement in energy conservation and others.

### 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 tracking of the funds procured by the Green Bond will be conducted by the Planning Department and the Accounting and Finance Department of the Asset Manager

Funds procured through Green Bonds are scheduled to be allocated to the use of the proceeds immediately after procurement, and therefore, in principle, any unappropriated funds will not be recognized. On the other hand, if, prior to the redemption of the Green Bonds, the Investment Corporation recognizes unallocated funds due to sale of the properties for which the funds are used or other reasons, the Investment Corporation will manage that the outstanding balance of the Green Bonds will not exceed the amount of Green Eligible Liabilities (the acquisition price of the properties held that satisfy the Eligibility Criteria 1 and the total expenditure for the construction that satisfies the Eligibility Criteria 2). Premised on the Framework, there will be no unappropriated funds.

### 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 ( <i>please specify</i> ):                               |

**4. REPORTING**

**Overall comment on section** (if applicable):

**a. Reporting on proceeds allocation**

The use and appropriation status of the proceeds from the Green Bond will be published on the Investment Corporation's website. In addition, in the event of a change in the subject asset, the Investment Corporation will disclose the matter and consider appropriate actions to take while taking into account of market practices, such as the reallocation of the funds to other green eligible assets.

**b. Impact reporting for environmental benefits**

As a report on the environmental improvement effects, the Investment Corporation plans to publish on its website information on environmental certification of buildings to be used as funds, as well as quantitative data on energy consumption, etc. targeting green-eligible assets.

**Use of proceeds reporting:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input 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 type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

**requery:**

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

**Impact reporting:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis     |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ): |

**requery:**

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

**Information reported (expected or ex-post):**

GHG Emissions / Savings

Energy Savings

Decrease in water use

Other ESG indicators (please specify):

*Status of Environmental Certification Acquisition*

**Means of Disclosure**

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify):

*Show on the website*

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.)

Website on sustainability of Kenedix Office Investment Corporation

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

JCR's website about green finance evaluation methodology

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

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

Second Party Opinion

Certification

Verification

Scoring/Rating

Other (please specify):

**Review provider(s):**

**Japan Credit Rating Agency, Ltd.**

**Date of publication:**

**March 26, 2021**

## 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.