

# GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

## Section 1. Basic Information

Issuer name:	CRE Logistics REIT, Inc.
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:	June 26, 2020
Publication date of review publication:	June 26, 2020

## 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)*

CRE Logistics REIT, Inc. (the “Investment Corporation”) is a J-REIT that was listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) in February 2018. The sponsor (100% stake) of CRE REIT Advisors, Inc. (the “Asset Management Company”) is CRE, Inc., a real estate agency specializing in logistics real estate in Japan. The Investment Corporation invests in logistics-related facilities and utilizes the collective strengths of the CRE Group to acquire high-quality logistics-related facilities that satisfy tenant needs. As of the end of May 2020, it had 13 assets and a total acquisition price of JPY 73.6 billion. In accordance with the CSR Policy of CRE, the Investment Corporation promotes initiatives that contribute to the resolution of environmental problems. In particular, it considers that acquiring environmentally friendly logistics facilities which leads to sustainable growth in society, and has built a portfolio of high-quality properties, centered on the logistics facilities developed by CRE with high environmental performance.

The scope of evaluation is the Green Finance Framework (the “Framework”), which was established to limit funds procured by green bonds and green loans (the “green finance”) to the use of proceeds that have an environmental improvement effect. JCR evaluates whether the Framework complies with the Green Bond Principles (2018), Green Loan Principles (2018), Green Bond Guidelines (2020) and Green Loan Guidelines and Sustainability Linked Loan Guidelines (2020). These Principles and Guidelines are not binding in nature because they are principles or guidelines voluntarily published by the International Capital Markets Association (ICMA), the Loan Market Association (LMA), the Asia-Pacific Loan Market Association (APLMA) and the Ministry of the Environment, respectively. However, JCR evaluates the Framework with reference to those principles and guidelines as the basis of globally unified standards. The Investment Corporation stipulates the eligible criteria subject to the use of proceeds in the Framework shall be properties that have acquired, renewed, or are to be acquired or renewed 4 stars or more in DBJ Green Building certification, A or higher in CASBEE for New Construction, or 4 stars or more in BELS certification. JCR evaluates that the eligibility criteria specified by the Investment Corporation are for properties that have a high environmental improvement effect.

The Asset Management Company has a system in which the Sustainability Promotion Committee, chaired by the President and Representative Director, participates in the process of selecting projects and implementing the Investment Corporation's green finance supported by the departments with expertise. JCR confirmed the strong operation and management structure and high transparency of the Investment Corporation, since environmental initiatives are promoted by incorporating the opinions of external experts and appropriate information disclosure is planned in the implementation of green finance. As a result, based on the JCR Green Finance 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 "Green 1(F)" for overall “JCR Green Finance Framework Evaluation.”

The Framework meets the standards for the requirements of the Green Bond Principles, Green Loan Principles, Green Bond Guidelines and Green Loan and Sustainability Linked Loan Guidelines.

<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 on predetermined items at the time of acquisition, and confirms the negative impact on the environment. In addition, when there is a negative impact on the environment, the basic policy is to conduct property acquisitions after the impact has been corrected. Through the implementation of these due diligence measures and countermeasures against risks, the Investment Corporation avoids and mitigates the negative impact on the environment of green projects that are subject to the use of funds.

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

**4. REPORTING**

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

**a. Reporting on proceeds allocation**

The funds procured through green finance will be available on the Investment Corporation's website, and if the Investment Corporation plans to issue green bonds, the information will also be disclosed in legal documents such as revised issue registration documents and issue registration supplementary documents. It is also assumed that in the event that the property subject to the use of proceeds ceases to be subject to the use of proceeds due to a sale or other reason, the Investment Corporation will also disclose the fact in its press release.

**b. Impact reporting for environmental benefits**

In accordance with the Framework, the Investment Corporation will disclose the types and ranks of environmental certifications and the total floor area of the assets subject to Green Building, as well as water consumption, electricity consumption, and CO2 emissions (or reductions) as a reporting of environmental improvements.

**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> ): |  |

**requency:**

- |   |                                      |
|---|--------------------------------------|
| <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> ): |

**requency:**

- |   |                                      |
|---|--------------------------------------|
| <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 CRE Logistics REIT	<a href="https://cre-reit.co.jp/en/esg/index.html">https://cre-reit.co.jp/en/esg/index.html</a>
JCR's website about green finance evaluation methodology	<a href="https://www.jcr.co.jp/en/greenfinance/">https://www.jcr.co.jp/en/greenfinance/</a>

**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:** June 26, 2020

## 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.