

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Nomura Real Estate Master Fund, 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:	August 7, 2019
Publication date of review publication:	August 7, 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.

Nomura Real Estate Master Fund, Inc. (The "Investment Corporation") is a comprehensive J-REIT sponsored by the Nomura Real Estate Group. In October 2015, the company listed on the Tokyo Stock Exchange (real estate investment trust securities market). Nomura Real Estate Asset Management Co., Ltd. (the "Asset Management Company") is responsible for the asset management business of the Investment Corporation, and Nomura Real Estate Holdings holds a 100% stake in the Asset Management Company. The current portfolio consists of a total of 289 properties, and is the largest in terms of the total asset size and the comprehensive J-REIT portfolio, which is worth JPY1,011.2 billion (based on acquisition prices).

Nomura Real Estate Holdings, Inc. was established in June 2004 with the purpose of establishing a pure holding company structure within the corporate group centered on Nomura Real Estate Development Co., Ltd. Nomura Real Estate Development and other operating companies operate housing, leasing, asset management, brokerage and CRE businesses, and operations and management businesses.

The Asset Management Company recognizes that consideration for the environment, society, and governance is essential for improving medium-to long-term investor value in the real estate investment management business as a whole, and has formulated the Sustainability Policies.

Recognizing that the realization of a sustainable society is essential for the sustainable growth of the Investment Corporation, the Investment Corporation considers that contributing to the solution of social issues through its business is in line with the basic policies of the Investment Corporation, namely "securing stable earnings over the medium to long term" and "steady growth of assets under management," which contribute to the improvement of investor value. The Investment Corporation has established specific ESG issues (materiality) that are of particular importance to the Investment Corporation and has linked them to specific initiatives.

The subject to be evaluated is the Green Finance Framework established by the Investment Corporation (the "Framework") to limit funds raised through means such as investment corporation bonds or loans to the use of proceeds that have an environmental improvement effect. JCR evaluates whether the Framework complies 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 not binding as they are voluntarily published by the International Capital Markets Association (ICMA), the Ministry of the Environment, the Loan Market Association (LMA) and the Asia-Pacific Loan Market Association (APLMA) and are not regulations, but JCR evaluates the Framework in reference to these principles and guidelines as currently globally unified standards.

The Investment Corporation defines Green Eligible Assets to be used as assets that have acquired or are expected to acquire any of 3 stars or more of DBJ Green Building Certification, B+ Rank or higher of CASBEE Real Estate, or 3 stars or more of BELS Certification. JCR evaluates that the "Green Eligible Assets" specified by the Investment Corporation are appropriate as they cover buildings that have an environmental improvement effect.

The Investment Corporation intends to establish ESG issues (materiality), set policies and targets for each issue, and implement green finance. The selection and process of Green Eligible Assets to be used for funding has a mechanism involving departments with specialized environmental knowledge. JCR evaluated the Investment Corporation as having a robust management and operation system and high transparency, since the internal system for addressing environmental problems after identifying and setting targets has been appropriately constructed, and the results of various initiatives have been disclosed in detail on the website of the investment corporation.

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 Green Eligible Assets included 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"). Funds for the acquisition and construction of such buildings or refinancing of such buildings are expected to have the effect of improving the environment.
- ii. The use of proceeds falls under the category of "regional, national or internationally recognized standards and certification green buildings" and "energy conservation" among green projects as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on Environment

When acquiring real estate, the Asset Management Company conducts a variety of surveys, including confirmation of valuation documents by experts. The results of the survey are reflected in an internal checklist, and it is confirmed that the buildings scheduled to be acquired do not have a negative impact on the environment.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input 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 Investment Corporation plans to manage funds procured through Green Finance through a dedicated account for Green Finance. The operation of allocating the procured funds to the use of proceeds is carried out by a trust bank, which is the asset custodian of the Investment Corporation, and the ledgers and other documents related to exchanges are properly stored. The Asset Management Company monitors the custodian's operations once a year and has a mechanism in place to confirm that the administrative processes for payments, including Green Finance, are being properly carried out. In addition, these cash management operations are subject to external audits, and a system of external checks is in place.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input 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 intends to implement Green Finance on the assumption that funds will be appropriated from issuance/disbursement to use of proceeds promptly. In addition, the book value of Green Eligible Assets, Green Eligible Liability Amount and Green Finance balances, which are prerequisites for portfolio management, are also disclosed on an annual basis.

b. Impact reporting for environmental benefits

The Investment Corporation plans to disclose on its website the greenhouse gas (GHG) emissions, energy consumption, and water consumption of Green Eligible Assets, in addition to the number of Green Eligible Assets and the evaluation of each certification acquired.

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):

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 the Investment Corporation	https://www.nre-mf.co.jp/en/esg/index.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: August 7, 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.