

# 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:	6th Unsecured Investment Corporation Bond
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	November 8, 2019
Publication date of review publication:	November 8, 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.*

## 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 41 properties (39 in Japan and 2 overseas), with an asset size of JPY380.5 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 bonds subject to evaluation is the Investment Corporation Bonds (the "Bonds") issued by the Investment Corporation. The Bonds shall be used to refinance funds for the acquisition of existing commercial facilities.

The Asset Management Company defines "Eligible Criteria" in the Green Finance Framework of the Investment Corporation as properties that have acquired or are expected to acquire any of three stars or more of DBJ Green Building Certification, B+ Rank or higher of CASBEE Real Estate Certification, or three stars or more of BELS Certification. In addition, AEON MALL Kagoshima and AEON MALL Kofu Showa, both of which are eligible for the use of the proceeds, have received S-rank in CASBEE Real Estate, and therefore meet the eligible criteria specified by the Investment Corporation. JCR confirmed that they had high environmental improvement effects.

JCR evaluates that the management and administration system of the Investment Corporation has been established and is highly transparent, since the green projects are selected by the approval of the management and an appropriate system has been established, and cash management is carried out under clear rules from the time of issuance of the Bonds to the time of redemption.

<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. 100% of the proceeds are used for refinancing of existing green buildings, which can be expected to have the environmental improving effects.
- ii. The use of proceeds falls under the category of green projects defined in the Green Bond Principles or the Green Bond Guidelines of the Ministry of the Environment of Japan that are "energy efficiency" or "green buildings which meet regional, national or internationally recognized standards or certifications."

**b. Negative impact on Environment**

The Asset Management Company verifies the negative impact on the environment by acquiring engineering reports and conducting on-site due diligence by a specialized department when acquiring the properties.

JCR confirmed that negative environmental impacts of the green projects for which the Bonds are to be used are appropriately avoided.

#### 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                                    | <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 proceeds of the Bonds will be fully appropriated to the refinancing of the acquisition funds for the two commercial establishments described in Phase 1 of this evaluation report and will not be appropriated for any other purpose.

The Financial Planning Department of the Asset Management Company shall manage the funds relating to the Bonds and the Accounting Department shall give remittance instructions to the trust bank, which is the trustee of the Administrative Agency.

The Financial Planning Department plans to track and manage the allocation of funds procured through Green Finance and to manage the upper limit of Green Finance Procurement set forth in the Framework by using a confirmation sheet. Documents related to transactions are to be properly retained until the repayment of the Bonds. The Compliance Department conducts audits on these administrative functions related to cash management, so sufficient internal control is ensured.

Until all green finance including the Bonds is redeemed, the outstanding balance of green finance is managed so as not to exceed the upper limit of Green Finance Procurement (the amount calculated by multiplying the total amount of assets satisfying Eligible Criteria 1 and 2 by the total asset LTV).

### 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 type="checkbox"/> Allocations to both existing and future investments                             |
| <input checked="" 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 checked="" type="checkbox"/> Other (please specify) :<br>Allocations only to existing investments |

## 4. REPORTING

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

### **a. Reporting on proceeds allocation**

As stated in the preceding clause, the funds raised by the Bonds shall be fully appropriated by the following day for the refinancing of the funds for acquisition of AEON MALL Kagoshima and AEON MALL Kofu Showa. For this reason, reporting during the period for unallocated funds is not currently anticipated, and disclosure of fund allocation is expected on the Investment Corporation's website. JCR confirmed through hearings with the Asset Management Company that disclosure will be made on the Investment Corporation's website even in the event of a major change in circumstances, such as when the use of the proceeds of the Bonds is no longer eligible due to sell or other reasons.

### **b. Impact reporting for environmental benefits**

In the Green Finance Framework, the Investment Corporation intends to disclose the following indicators on its website once a year as reporting items for environmental improvement effects.

- List of Certification Properties of Third-Party Certification Organizations
- Energy (electricity and gas) Consumption and Energy Consumption Per Unit of Sales
- Greenhouse Gas Consumption and Greenhouse Gas Consumption per Unit of Sales
- Details and Assumed Reduction Rates for Construction Selected under Eligible Criteria 2 (Including Eligible Criteria 2 of the Green Finance Procurement Amount)

### **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> ): |  |

### **frequency:**

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

### **Impact reporting:**

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

### **frequency:**

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

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

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings   |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ):<br>Acquired valid environmental certification |

## 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 (please specify):<br>Show on the website |
| <input checked="" 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	<a href="https://www.aeon-jreit.co.jp/en/about/environment.html">https://www.aeon-jreit.co.jp/en/about/environment.html</a>
JCR's website about green bond 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:

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

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

**Date of publication:** November 8, 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.