

—————JCR Green Finance Framework Evaluation by Japan Credit Rating Agency, Ltd.—————

Japan Credit Rating Agency, Ltd. (JCR) announces the following Green Finance Framework Evaluation Results.

## JCR Assigned Green 1(F) to the Green Finance Framework of SOSiLA Logistics REIT, Inc.

Subject : Green Finance Framework of SOSiLA Logistics REIT, Inc.

### <Green Finance Framework Evaluation Results>

Overall Evaluation	Green 1(F)
Greenness Evaluation (Use of Proceeds)	g1(F)
Management, Operation, and Transparency Evaluation	m1(F)

### Chapter 1: Evaluation Overview

SOSiLA Logistics REIT, Inc. ("SOSiLA") is the first J-REIT sponsored by Sumitomo Corporation. SOSiLA focuses on logistics facilities as the main investment target. Established in June 2019, SOSiLA plans to be listed on the Tokyo Stock Exchange (Real Estate Investment Trust securities market) in December. Sumisho Realty Management Co., Ltd. (the Asset Management Company) is in charge of the asset management business of the Investment Company, and the Asset Management Company is 100% subsidiary of Sumitomo Corporation. At the time of listing, SOSiLA's portfolios consist of seven properties (five of which are "SOSiLA" series developed by Sumitomo Corporation, and the remaining two properties are base land related to industrial real estate), with assets of JPY 76.6 billion (based on acquisition prices).<sup>1</sup>

SOSiLA seeks to maximize investor value by utilizing the knowledge and development capabilities of the Sumitomo Corporation Group in the real estate business and the know-how accumulated through the operation of private placement funds and private placement REITs. The Investment Corporation also seeks to develop the logistics real estate market and create a rich society by investing in logistics real estate that connects people and societies, such as the "SOSiLA" series. The basic philosophy of SOSiLA is to provide opportunities for ESG investments to a wide range of investors, and efforts such as the formulation of the Green Finance Framework from the beginning of the IPO and the implementation of Green Finance are regarded as part of this.

As a member of the Sumitomo Corporation Group together with the Asset Management Company, SOSiLA engages in ESG. The Asset Management Company has established a system to tackle environmental issues throughout the

<sup>1</sup> Real estate used or available for data centers, communications facilities, research facilities, factories, materials and vehicle yards, airports and port facilities, energy facilities, water facilities, automobile transportation facilities, distribution and processing facilities, recycling facilities, etc.

company. For Example, the ESG Task Force, which aims to promote ESG initiatives across internal departments, and the Technical Center established within the Business Planning Department to support environmental initiatives from a professional perspective. The Asset Management Company actively reflects expertise not only within the Company but also outside the Company, such as the Sumitomo Corporation Sustainability Promotion Department and the Consultant Company, in its business operations.

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<sup>2</sup>, the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) Green Loan Principles<sup>3</sup> and the Green Bond Guidelines 2017<sup>45</sup>. The Investment Corporation stipulates its "Eligibility Criteria of the use of proceeds" in the Green Finance Framework as follows: 1) Buildings that have been or will be certified B+ rank, A rank, or S rank in CASBEE certification, three-star, four-star, or five-star DBJ Green Building certification, three-star, four-star, or five-star BELS certification and/or Silver, Gold or Platinum in LEED certification, 2) energy saving equipment and/or 3) renewable energy. JCR evaluates that the eligible criteria are for projects expected to have an environmental improvement effect.

The selection of the eligible projects is decided by the Listed REIT Investment Committee and the Board of Directors regardless of the method of financing. Proceeds raised by green finance are managed based on portfolio management until the green finance is redeemed or repaid. The reporting plans including allocation status and the key performance impacts are also appropriate. Based on the above, JCR evaluates that the management and administration system of SOSiLA has been established and that it is transparent.

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.

JCR has also evaluated that the Framework meets the requirements of the Green Bond Principles, the Ministry of the Environment's Green Bond Guidelines, and the Green Loan Principles.

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<sup>2</sup> ICMA (International Capital Market Association) Green Bond Principles 2018 Edition

<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2018

<https://www.lma.eu.com/>

<sup>4</sup> [http://greenbondplatform.env.go.jp/pdf/greenbond\\_guideline2017.pdf](http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf), Ministry of the Environment Green Bond Guidelines 2017

<sup>5</sup> 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.

## Chapter 2: Current Status of the Project on Each Evaluation Factor and JCR's Evaluation

### Evaluation Phase 1: Greenness Evaluation

Based on the current status described below and JCR's evaluation of the subject, JCR evaluated 100% of the use of proceeds was green project, and assigned "g1 (F)", the highest rank for Phase 1: Greenness Evaluation.

#### (1) JCR's Key Consideration in This Factor

In this section, JCR first assesses whether the proceeds will be allocated to green projects that have explicit improvement effects on environment. Next, JCR assesses whether an internal department/division which is exclusively in charge of environment issues or a third party agency prove it sufficiently and have taken necessarily workaround or mitigation measures, in case of possibility on Use of Proceeds have negative impact on the environment. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

#### (2) Current Status of Evaluation Targets and JCR's Evaluation

<Green Finance Framework of SOSiLA >

Proceeds procured through Green Finance are used for repayment and redemption of existing or new assets (including scheduled acquisition) of Eligible Green Assets that satisfy any of the following eligible criteria, used for the renovation of Eligible Green Assets, or loans (including Green Loan) and Investment Corporation Bonds (including Green Bonds) required for these.

- **Eligibility Criteria (Green Building)**

Any of the following items that have been or will be certified

- B+ rank, A rank, or S rank in CASBEE certification
- Three-star, four-star, or five-star DBJ Green Building certification
- Three-star, four-star, or five-star BELS certification
- Silver, Gold or Platinum in LEED certification

- **Eligibility Criteria (Renovation of existing buildings)**

Renovation of the owned assets which meet the following;

- i. To aim for improving environmental benefits such as reducing CO2 emission, energy consumption or water consumption (more than 10% decrease in its volume)
- ii. To improve the certification level by one rank, acquisition or reacquisition of the certifications

- **Eligibility Criteria (Energy Saving Equipment)**

Costs related to renewal of air-conditioning equipment, conversion of lighting fixtures to LEDs, and introduction of power storage systems (expected energy savings of 10% compared with conventional systems)

- **Eligibility Criteria (Renewable Energy)**

Acquisition or installation of renewable energy power generation facilities (installed on the premises or on the rooftop of the property)

<JCR's Evaluation for the Framework>

**a. On the Environmental Improvement Effects of the Projects**

**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.**

**(1) Evaluation of Eligible Criteria 1 (Environmental Certification)**

**1. DBJ Green Building certification**

A certification system provided by DBJ (Development Bank of Japan) that evaluates properties with environmental and social considerations. The evaluation results are expressed as the number of stars, and the evaluation axis is "Buildings with consideration for the environment and society." DBJ Green Building evaluates three major categories: "Ecology (Environment)", "Amenity (Comfort) and Risk Management (Crime Prevention and Disaster Prevention)," and "Community (Region and Landscape) and Partnership (Cooperation with Stakeholders)." Result is represented by five stars (the best class in Japan), four stars (exceptionally high), three stars (excellent), two stars (high), or one star (satisfactory). Although it is not an environmental performance-specific evaluation, it is highly recognized in Japan and has a certain evaluation item regarding environmental performance. Therefore, JCR evaluated this certification as equivalent to "Green buildings with regional, national or internationally recognized standards and certifications" in the category of green projects as defined in Green Bond Principle. However, since the certification is not limited to environmental performance, JCR considers that it is desirable to confirm the evaluation of environmental performance individually.

DBJ Green Building certification is based not only on the environmental performance of the property, but also on comprehensive evaluations, including the comfort of tenants, risk management such as disaster prevention and crime prevention, consideration for the surrounding environment and communities, and cooperation with stakeholders. Designed for scoring while aggregating specific excellent efforts for the environment and society, thus, there are many properties that do not obtain "star" in the real estate market. For obtaining high evaluation, the building is required not only the environmental consciousness but also of appropriate consciousness for all stakeholders involved in buildings.

DBJ Green Building certification level is the top 20% of the total domestic income real estate for "environmental and social considerations". Each evaluation which is higher than 3 stars is considered to consist of the top 10% (5 stars), the top 30% (4 stars), and the top 60% (3 stars). JCR considers that the eligibility criteria for the Investment Corporation are limited to buildings with high environmental performance, even among buildings that are aiming to acquire certification.

## 2. CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

This is a method for evaluating and rating the environmental performance of buildings. In April 2001, the Comprehensive Environmental Evaluation Research Committee for Buildings was established with the support of the Ministry of Land, Infrastructure, Transport and Tourism's Housing Bureau as a joint project between industry, government, and academia. Since then, the committee has been continuously developing and maintaining buildings. Evaluation tools include CASBEE-buildings, CASBEE-districts, and CASBEE-properties developed for the real estate market to provide easy-to-understand environmental performance.

The assessment results are divided into 5 grades: S rank (excellent), A rank (excellent), B+ rank (good), B-rank (slightly inferior), and C-rank (inferior). CASBEE-real estate is classified into 4 grades: S rank (excellent), A rank (excellent), B+ rank (good), and B rank (satisfying essential items). The evaluation method is a reconfiguration and quantification of the performance in the 4 fields of energy efficiency, resource efficiency, outdoor environment, and indoor environment in buildings from the viewpoints of environmental quality of buildings (Q = Quality) and environmental burden of buildings (L = Load). Evaluation is based on the BEE (Built Environment Efficiency) value with L as the denominator and Q as the numerator. In addition to environmental considerations such as energy conservation and the use of materials and equipment with low environmental impact, it is necessary to give consideration to indoor comfort and landscape, and the high quality of comprehensive buildings is required for high evaluation. B+ or higher, which the Investment Corporation has recently designated as an eligible criteria, is a building with a BEE of 1.0 or more, and is regarded as having the effect of improving the environment, since the quality is clearly superior to the environmental impact.

## 3. BELS (Building-housing Energy-efficiency Labeling System)

BELS is the Building-housing Energy-efficiency Labeling System, which evaluates and certifies the energy conservation performance of new and existing buildings by a third-party assessment organization. The exterior performance (performance standards and specifications standards) and primary energy consumption (performance standards and specifications standards) are subject to evaluation, and the evaluation results are expressed in the number of stars according to the energy conservation standards achieved. High evaluation requires excellent energy-saving performance. In BELS, the number of stars is ranked from 1 to 5 according to the BEI (Building Energy Index). BEI is a scale for achieving energy conservation performance in comparison with the standard value with the design primary energy consumption as a numerator and the standard primary energy consumption as a denominator. 1 star is the existing energy conservation standard, 2 stars is the energy conservation standard, and 3 stars is the guidance standard. For buildings with BELS3 stars or more, which are designated as the Eligibility Criteria by the Investment Corporation, the Investment Corporation considers energy conservation performance that exceeds the guideline (in the case of offices and commercial buildings, the BEI value is 0.8 or less) to be the standard, and the Investment Corporation evaluates that they are effective in improving the environment.

## 4. LEED (Leadership in Energy-and Environmentally-friendly Design)

The Environmental Performance Assessment System for Construction and Urban Environments developed and operated by the U.S. Green Building Council (USGBC), a non-profit organization. As of the year 2018, there are buildings certified in more than 160 countries or regions. The LEED is an acronym for Leadership in Energy and Environment Design. The draft was published in 1996 and is updated once every few years.

There are five types of certification: BD+C (Building Design and Construction), ID+C (Interior Design and Construction), O+M (Operation and Maintenance), ND (Neighborhood Development), and HOMES (Home).

The authentication level is represented by the sum of the points earned for each item and is from above Platinum (80 points or more), Gold (60-79 points), Silver (50-59 points), and Certified (40-49 points). As for items related to energy efficiency, it is often a prerequisite for the evaluation that points are high or already achieved, and energy efficiency is high, which is considered necessary in order to obtain a high certification level. Above the Silver specified by the Investment Corporation as eligible criteria, buildings that achieve high energy-efficiency can be considered to be certified, and the investment corporation can be evaluated as having the effect of improving the environment.

The concepts of SOSiLA series are designed to aim at the Logistic Aspect of new logistics facilities based on the following three themes: Sociability, Sustainability (consideration of the environment and sustainable development) and Individuality (consideration of the human and labor environment). The four properties, which is the Use of Proceeds of the loan are characterized by a highly heat-insulated framework and the introduction of energy-saving equipment, which are highly evaluated in the CASBEE statements for thermal loading of buildings and the improvement of facility systems efficiency, and are superior in energy-saving performance. One of its unique concept is that many of the facilities are located near consumption areas, which aims to reduce CO2 emissions during transportation by improving the truck delivery efficiencies. In order to strengthen the resilience in cities, BCP (Business Continuity Plan) measures such as robust framework structure, in-house power generation facilities in case of power outage, and centralized management by disaster prevention center are also sufficiently carried out. In terms of people and the labor environment, there are also properties located close to residential districts as a result of emphasizing good access. For such properties, consideration is given to the surrounding environment and residents by installing noise prevention equipment such as sound insulation panels, planting trees for recommending thermal effects outside the site, and planting for biodiversity. SOSiLA intends to make efforts to acquire properties that satisfy the qualifying criteria of the CASBEE in principle. It is expected that SOSiLA will demonstrate the eligibility criteria of clear green finance to encourage sponsors who develop and provide SOSiLA series to develop and provide highly environmental-friendly properties.

### **(2) Evaluation of Eligibility Criteria 1 (Environmental Certification) and (3) (Energy Saving)**

The Investment Corporation defines the eligibility criteria (2) that it should be large scale innovation which takes longer time to improve partly or large part of the facilities, such as replacing all the air conditioners of a building. These renovation costs will be categorized into capital expenditures. (3) energy saving equipment is relatively small facility improvement with shorter term, such as switching the lighting to LED lights inside the logistics facilities, cafeteria, etc. These costs will be included in expenses.

### **(3) Evaluation of Eligibility Criteria 4 (Renewable Energy)**

This criteria includes acquisition or installment of renewable energy power plants such as installing solar power panel inside the logistics area or on the roof of the buildings. JCR evaluates this criteria has high environmental improvement effects by CO<sub>2</sub> reduction.

Based on the above, JCR expects environmental improvement effects on all the eligibility criteria set by the Investment Corporation.

**ii. The Use of Proceeds falls under the category of green projects defined in 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.”**

According to a survey conducted by the World Green Building Council, carbon dioxide emissions from buildings account for 39% of total emissions. As a measure to prevent global warming in Japan, it is important to further promote green buildings with high energy efficiency performance that reduce CO<sub>2</sub> emissions from buildings. In addition, the New Strategic Energy Plan decided by the Cabinet of Japan in July 2018 stipulates that new housing and buildings will be obligated to comply with the Energy Efficiency Standards in stages by 2020. It is consistent with Japan's energy conservation policy that the Investment Corporation actively acquires buildings with high environmental certification levels.

**b. Negative impact on the environment**

The Asset Management Company implements due diligence to identify significant environmental risks. If there is a risk of negative environmental impacts, The Asset Management Company intends to avoid and mitigation risks by aborting the acquisition of properties or conducting additional construction work, etc. The implementation of these due diligence and risk response measures have helped SOSiLA avoid and mitigate the negative environmental impacts of green projects.

From the above, JCR has confirmed that SOSiLA conducts appropriate risk management for negative environmental impacts.

**c. Consistency with SDGs goals and targets**

The project is categorized into energy conservation and regional/national or internationally recognized standards and certification green buildings. With reference to ICMA's SDGs mappings, JCR assessed that the project contributions to the following SDGs goals and targets:



**Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all**

**Target 7.3. By 2030, double the global rate of improvement in energy efficiency.**



**Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

**Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.**



**Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable**

**Target 11.6. By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.**

## Evaluation Phase 2: Management, Operation and Transparency Evaluation

Based on JCR's assessment of the current situation described below and the JCR's evaluation of the situation, which is described in more detail below, JCR assessed that the management and operation system was well established, that transparency was extremely high, and that the implementation of projects as planned and the appropriation of funds for procurement were sufficiently expected. Evaluation Phase 2: Management and operation and transparency evaluation were given the highest level of "m1(F)."

### 1. Appropriateness and Transparency Concerning Selection Standard and Processes of the Use of Proceeds

#### (1) JCR's Key Consideration in This Factor

In this section JCR confirms the objectives to be achieved through green finance, the standards for selecting green projects and the appropriateness of the process, and whether a series of processes are appropriately disclosed to investors.

#### (2) Current Status of Evaluation Targets and JCR's Evaluation

##### a. Goal

SOSiLA has set the following objectives in the Green Finance Framework to implement Green Finance.

##### **Investment policy based on long-term vision**

SOSiLA aims to achieve growth based on the six materialities for sustainable growth together with society, which the Sumitomo Corporation Group regards as an important element in the formulation of business strategies and the decision-making process of individual businesses. Specifically, the real estate business of Sumitomo Corporation is a business that contributes to "Contributing to the Development of Local Communities and Industries," "Establishing a Foundation for Comfortable and Enriching Lifestyles," and "Providing Diverse Accessibility," out of the six materialities. SOSiLA invests mainly in real estate developed under its philosophy. Sumitomo Corporation's cutting-edge logistics facility "SOSiLA series" has been developed based on these concepts under the following three keywords: Sociability, consideration of the environment and sustainable development (Sustainability), and consideration of the human and labor environment (Individuality). SOSiLA will invest heavily in the series in order to realize "logistics facilities connecting people and society".

#### <JCR's Evaluation for the Framework>

The purpose of Green Finance implemented under the Framework is to acquire and renovate green buildings and renovation with clear environmental benefits. The Investment Corporation is working through Green Finance to realize sustainability (environmental consideration and sustainable development). JCR confirmed that the Investment Corporation's Green Finance framework is particularly consistent with its corporate ESG efforts.

##### b. Selection Criteria

The eligibility criteria of the Framework are set out in Evaluation Phase 1 of this report. JCR evaluates the selection criteria for green projects as appropriate.

### c. Processes

<Framework for the process>

#### **Project selection process**

In The asset management company, listed REIT business department, which propose acquisition of the buildings or implementation of the renovation, or REIT management department, which is responsible for financing operation of the investment corporation, shall propose an eligible project for the green finance. Departments which promote ESG efforts verify and review the alignment with the criteria. Then Listed investment committee with the members of president and CEO as a chair, General Manager of listed REIT department and General Manager of REIT Management department shall discuss and determine the investment. The decision made by the committee will be reported to the Board of Directors.

<JCR's Evaluation for the Framework>

The selection of the green projects, the Use of Proceeds of the green finance, shall be proposed and verified, determined by the listed investment committee and be reported to the Board, as was written in the framework above. This process is common to all the debt instruments.

JCR evaluates it appropriate as the selection process of green projects.

The Investment Corporation expects to disclose its green finance targets, selection criteria, and processes in press releases, revised issuance registration documents, supplementary documents, etc. at the time of bond issuance or borrowing is executed. JCR evaluated that transparency for investors is ensured.

## 2. Appropriateness and Transparency of Management of the Proceeds

### (1) JCR's Key Consideration in This Factor

Although it is generally assumed that cash management methods vary widely among issuers, JCR confirms whether funds procured under the framework are securely allocated to green projects and whether mechanisms and internal systems are in place to enable easy tracking and management of the allocation of funds.

In addition, JCR also emphasizes evaluating whether proceeds are scheduled to be used for green projects at an early stage, and the management and operation methods of unallocated funds.

### (2) Current Status of Evaluation Targets and JCR's Evaluation

<Framework for management of proceeds>

#### (1) How to link the proceeds and assets

The Investment Corporation shall allocate the proceeds to the eligible assets without delay.

The upper limit of green finance (Green eligible liabilities) shall be the total amount of the acquisition costs of eligible assets and eligible renovations. The amount financed through green finance shall not exceed total green eligible liabilities.

#### (2) Management of proceeds

The proceeds shall be tracked by REIT Management Department to fully allocate to green eligible criteria by using electric file. Until the repayment or redemption period, it shall check the balance of allocated and unallocated amount or that all the proceeds has been allocated or not once a year.

#### (3) Internal and external audit regarding tracking the proceeds

Regarding the allocation status, REIT management department shall report to the head of the department and submit the report to an auditor, if necessary. Fund allocation shall be audited by the internal audit office of the asset management company to check whether the operation and management system is in line with the internal rules.

#### (4) Management of unallocated funds

In case that the proceeds are not be fully allocated promptly or temporarily not allocated, it will maintain the unallocated amounts as cash or the equivalent until the allocation to the green eligible projects.

<JCR's Evaluation for the Framework>

The investment corporation will manage the outstanding of green finance by portfolio management until the redemption/repayment of all the green finance. If the eligible assets already financed by the green finance become out of the proceeds due to the loss by disasters, or sales, it shall confirm the outstanding of total green eligible projects does not exceed the green eligible liabilities outstanding to confirm the greenness of the green finance. Under this assumption and in case that the unallocated amount occurs, it shall reallocate the fund to other projects. JCR considers that the amount of Green Eligible Liabilities should be "the sum of the acquisition prices of assets that satisfy the qualified criteria and the sum of expenditures for repairs, etc. that satisfy the qualified criteria" multiplied by LTV (Loan to Value).

The investment corporation secures the system to maintain the documents and electric files regarding green finance until the redemption/repayment or longer.

Although JCR has different opinion on its portfolio management, SOSiLA's fund management system is evaluated as appropriate.

### 3. Reporting

#### **(1) JCR's Key Consideration in This Factor**

In this section JCR assesses whether a detailed and effective system for disclosing information to investors before and after the implementation of green finance, which will be implemented with reference to framework, has been planned.

#### **(2) Current Status of Evaluation Targets and JCR's Evaluation**

##### **a. Reporting on the fund allocation**

SOSiLA will disclose the allocation of green financing procurement funds on its website annually. In the event of a change in Green Qualified Assets and the occurrence of unallocated funds, the details of such changes and the methodology of managing unallocated funds will be disclosed in the same manner. JCR evaluates reporting of fund availability to be appropriate.

##### **b. Reporting on environmental improvement effects**

SOSiLA will disclose the name of subject property, status of acquisition of environmental certification, and the level of certification, as well as the electricity usage, CO<sub>2</sub> emissions, and water consumption of all green eligible assets annually on its website, etc. For renewable energy and energy saving equipment, the indicators necessary for calculating the environmental improvement effect are sufficiently disclosed. JCR evaluates that the SOSiLA's disclosure items and disclosure frequency are appropriate in light of the impact reporting standards for green buildings established by ICMA.

## 4. Environmental Initiatives of the Organization

### (1) JCR's Key consideration in This Factor

In this section JCR assesses whether the issuer's management considers environmental issues to be of high priority to management, and whether green finance procurement policies and processes and criteria for selecting green projects are clearly positioned through the establishment of a department that specializes in environmental fields or collaboration with external organizations.

### (2) Current Status of Evaluation Targets and JCR's Evaluation

The Investment Corporation has established portfolios centered on the "SOSiLA" series of logistics real estate developed by Sumitomo Corporation. The "SOSiLA" series aims to realize "logistics facilities connecting people and society," and the concept of "consideration of the environment and sustainable development (Sustainability)" and "sociability with society (Sociability)" and "consideration of the human and labor environment (Individuality)."

The concept of the "SOSiLA" series is integrated into the entire business management from the development stage of the Sumitomo Corporation Group, and the portfolios of SOSiLA reflect the environmental friendly business operation of them. Considering the strong integration of the Sumitomo Corporation Group and SOSiLA, which are centered on these "SOSiLA" series, JCR will examine the organizational environmental efforts of the Sumitomo Corporation Group and SOSiLA, respectively.

#### a. Sumitomo Corporation Group's Environmental Initiatives

The Sumitomo Corporation Group's business activities are based on the business philosophy of Sumitomo. It has been cultivated in about 400 years of history based on the Monjuin Shiigaki written by Sumitomo Masatomo, the founder of the Sumitomo family. The Sumitomo Corporation Group's business philosophy is based on the concept of "Benefit for self and others, private and public interests are one and the same" (Sumitomo's business, while benefiting Sumitomo, must also benefit the nation and benefit society.) It simply expresses the Sumitomo Corporation Group's approach to society and the environment.

The Sumitomo Corporation Group has formulated the following basic philosophy and policies as its environmental policy under the business philosophy.

#### Sumitomo Corporation Group Environmental Policy

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##### I. Basic Policy

The Sumitomo Corporation Group recognizes that environmental issues are global in scale and that they are long-range concerns affecting future generations. As a global organization, the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at both social and economic progress and environmental preservation.

##### II. Basic Guidelines

###### 1. Basic stance with regard to the environment

To place great importance on protecting the global environment as a good corporate citizen in accordance with the Sumitomo Corporation's Activity Guidelines.

###### 2. Compliance with environmental legislation

To strictly observe legislation related to environmental matters not only in Japan but also overseas, and to abide by any agreements made.

###### 3. Caring for the natural environment

To place great importance on preserving the environment, including the natural ecosystem and biodiversity.

###### 4. Response to climate change

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To place great importance on mitigating climate change and adapting to its impact.

**5. Efficient use of resources and energy**

To be mindful of the finite availability of resources and energy and strive to use them both efficiently and effectively.

**6. Contributing to the building of a recycling-oriented society**

To endeavor to help build a recycling-oriented society by reducing waste and reusing and recycling resources.

**7. Promotion of businesses that contribute to environmental preservation**

To utilize our integrated corporate strength to promote businesses and projects, which contribute to environmental preservation and reduction of the impact of society on the natural environment.

**8. Establishment of environmental management**

To use an environmental management system to prevent environmental pollution and set environmental objectives and targets which are regularly reviewed and continuously upgraded.

**9. Disclosure of the environmental policy**

To communicate this Environmental Policy to all people who are working for or on behalf of the Sumitomo Corporation Group, as well as disclosing it externally.

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The Sumitomo Corporation Group is engaged in various business activities based on the environmental policy. In particular, in the real estate business, which is a core business, environmental considerations such as the use of heat-insulating outer-wall sandwich panels and LED-lighting, and the introduction of water-saving hygiene equipment have been incorporated in many places based on the spirit of Hands-on based on the "DNAs of Manufacturing" cultivated over the past 100 years. The social and environmental initiatives of the Sumitomo Corporation Group are reflected in the "SOSiLA" Series. SOSiLA takes over through various types of sponsorship support through the Asset Management Company and cooperation in environmental initiatives with the Sumitomo Corporation's Corporate Sustainability Dept.<sup>67</sup>

**b.Environmental Initiatives of SOSiLA Logistics REIT**

The Asset Management Company is committed to contributing to the development of the logistics real estate markets and the realization of a prosperous society based on the Sumitomo Corporation Group's environmental policy. The Group's basic philosophy is to provide a wide range of investors with opportunities to invest in ESGs by inheriting its concepts through the creation of portfolios centered on the "SOSiLA" series. An initiative such as establishing a green finance framework from the beginning of the IPO and implementing green finance will be part of this effort.

The Asset Management Company has established an ESG task force consisting of ESG managers from all internal offices, and is actively engaged in ESG activities across internal departments. The Business Planning Department, which compiles ESG promotion, has established a Technical Center, which provides technical support for individual properties by persons with specialized knowledge and experience, such as buildings, and has established a system for conducting environmental activities from objective and specialized perspectives. In the acquisition and management of specific assets, a system has been established to tackle environmental issues business, such as actively evaluating real estate, which is assessed to have a relatively low environmental impact from the viewpoint of management, as an investment target, and introducing highly energy-efficient facilities and facilities.

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<sup>6</sup> This expression expresses Sumitomo Corporation's policy on real estate development, which means "to pursue business with a sense of touch without leaving to other people" and emphasizes the field of "proactive involvement and practice" and aims to create products with care from the user's point of view at all times.

<sup>7</sup> A panel in which a heat insulating material is sandwiched between two pieces of surface material. It has high heat insulation and workability, and is excellent in durability.

In addition to internal initiatives, the Asset Management Company works with Sumitomo Corporation's Sustainability Promotion Department to ensure consistency between the Sumitomo Corporation Group's environmental initiatives and real estate operations at SOSiLA, and to refine its knowledge of environmental initiatives widely through discussions and other means. Specialized expertise is reflected in business operations by utilizing outside consultant companies, etc., depending on the field, such as establishing a company-wide system, acquiring various types of certifications, and improving the performance of individual properties, including energy conservation.

In interviews with the Asset Management Company, JCR confirmed that such collaboration with specialized departments and organizations both inside and outside the Company is also being carried out with regard to the formulation of the Green Finance Framework and the implementation of Green Finance, which are subject to the current evaluation.

From the above, JCR assesses that the Sumitomo Corporation Group and the management of SOSiLA have regarded environmental issues as high priority issues for management, and that green bond procurement policies and processes, green project selection standards, etc. have been clearly identified through cooperation with departments and external organizations with specialized knowledge.

■ Evaluation Results

Based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1 (F)" for the "Greenness Evaluation (Uses of Proceeds)" and "m1 (F)" for the "Management, Operation, and Transparency Evaluation." As a result, JCR assigns "Green 1 (F)" for the "JCR Green Finance Framework Evaluation" to the Framework. The Framework meets the standards for the items required in the Green Bond Principles, the Green Bond Guidelines, and the Green Loan Principles.

[JCR Green Finance Framework Evaluation Matrix]

		Management, Operation, and Transparency Evaluation				
		m1 (F)	m2 (F)	m3 (F)	m4 (F)	m5 (F)
Greenness Evaluation	g1 (F)	Green 1 (F)	Green 2 (F)	Green 3 (F)	Green 4 (F)	Green 5 (F)
	g2 (F)	Green 2 (F)	Green 2 (F)	Green 3 (F)	Green 4 (F)	Green 5 (F)
	g3 (F)	Green 3 (F)	Green 3 (F)	Green 4 (F)	Green 5 (F)	Not qualified
	g4 (F)	Green 4 (F)	Green 4 (F)	Green 5 (F)	Not qualified	Not qualified
	g5 (F)	Green 5 (F)	Green 5 (F)	Not qualified	Not qualified	Not qualified

■ Scope of Subject

Issuer: SOSiLA Logistics REIT, Inc. (Securities Code:2979)

[Assignment]

Subject	Evaluation
Green Finance Framework	JCR Green Finance Framework Evaluation :Green 1 (F)
	Greenness Evaluation :g1 (F)
	Management, Operation, and Transparency Evaluation :m1 (F)

(Responsible analysts for this evaluation) Atsuko Kajiwara and Hiroya Kakiuchi

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## Important Explanation of the Green Finance Framework Evaluation

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### 1. Assumptions, significance, and limitations of JCR Green Finance Framework Evaluation

JCR Green Finance Framework evaluation, which is granted and provided by Japan Credit Rating Agency, Ltd. (JCR), covers the policies set out in the Green Finance Framework, and expresses the overall opinion of JCR at this time regarding the appropriateness of the Green Project as defined by JCR and the extent of management, operation and transparency initiatives related to the use of funds and other matters. Therefore, it is not intended to evaluate the effects of specific environmental improvements, management and operation systems, and transparency of individual bonds and borrowings, etc. to be implemented based on these policies. In the event that an individual bond or individual borrowing based on this framework is subject to a green finance evaluation, it is necessary to conduct a separate evaluation. In addition, the JCR Green Finance Framework evaluation does not demonstrate the environmental improvement effects of individual bonds or borrows implemented under this framework, and does not assume responsibility for environmental improvement effects. In principle, JCR does not directly measure the environmental improvement effects of funds procured under the Green Finance Framework, although JCR confirms the quantitative and qualitative measures by the issuer or a third party requested by the issuer.

### 2. Methodology used to carry out this assessment

The methodologies used in this assessment are described in "JCR Green Finance Evaluation" on the "Sustainable Finance ESG" section of the JCR website (<https://www.jcr.co.jp/en/>).

### 3. Relationship with Credit Rating Business

The act of granting and providing an evaluation of JCR Green Finance Framework is conducted by JCR as a related business and differs from the act related to the credit rating business.

### 4. Relationship with Credit Ratings

This evaluation differs from credit ratings and is not intended to provide or guarantee that a predetermined credit rating will be provided or made available for inspection.

### 5. Third-Party Evaluation of JCR Green Finance Framework Evaluation

There are no capital relationships or personnel relationships that could cause conflicts of interest between the subject party and JCR.

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#### ■Matters of Attention

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#### ■Glossary

JCR Green Finance Framework Evaluation: The extent to which the funds procured through green finance are appropriated for green projects as defined by JCR, and the degree to which the management, operation, and transparency of the green finance are managed. Evaluations are performed on a 5-point scale, from the top to the top using the Green1 (F), Green2 (F), Green3 (F), Green4 (F), and Green5 (F) symbols.

#### ■Status of Registration as an External Evaluator of Green Finance

- Registered as an External Reviewer of Green Bonds by the Ministry of the Environment
- ICMA (registration as an observer with the Institute of International Capital Markets)
- Climate Bonds Initiative Approved Verifier

#### ■Other status of registration as a credit rating agency, etc.

- Credit Rating Agency Commissioner (Rating) No. 1
- EU Certified Credit Rating Agency
- NRSRO: JCR is registered in the following 4 classes of 5 credit rating classes (as defined by the NRSRO(Nationally Recognized Statistical Rating Organization of the U.S. Securities and Exchange Commission): (1) Financial institutions, broker-dealers, (2) insurance companies, (3) general business corporations, and (4) governments and municipalities. If we are subject to disclosures under Rule 17g-7(a) of the U.S. Securities and Exchange Commission, such disclosures are attached to news releases appearing on the JCR website (<https://www.jcr.co.jp/en/>).

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