

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 AEON REIT Investment Corporation

Subject : AEON REIT Investment Corporation Green Finance Framework

<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

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 40 properties (38 in Japan and 2 overseas), with an asset size of JPY362.4 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 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 2018¹, the Loan Markets Association (LMA) and the Asia Pacific Loan Markets Association (APLMA) Green Loan Principles² and the Green Bond Guidelines 2017³⁴.

In the Framework, eligible criteria of the proceeds are defined as projects that meet "Properties that have acquired or are expected to acquire any of 3 stars or more of DBJ Green Building certification, B+ or higher of CASBEE certification, 3 stars or more of BELS certification, or Silver or higher of LEED certification (Eligible Criteria 1)" or "Properties that have acquired or are expected to acquire facilities or other improvements that are beneficial to the environment, such as energy-efficiency and water-consumption performance (in principle, those that are expected to reduce energy consumption by more than 10% compared to the previous level)" (Eligible Criteria 2). It is unlikely that the projects which meet either of Eligible Criteria will have a negative impact on the environment. JCR evaluates the eligible criteria as having environmental improvement effects.

The Investment Corporation plans to decide green projects by the Investment Committee of the Asset Management Company and the Board of Directors of the Investment Corporation regardless of the financing method. Proceeds through the Green Finance are fully linked to individual projects and, in principle, and will be allocated to the use of proceeds by the day following the day when funds are procured. It will manage balances based on portfolio management until the Green Finance is redeemed or repaid. The status of fund allocation and the content of reports on environmental improvements effects are also appropriate. JCR confirmed the management system and transparency of the Investment Corporation as appropriate

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.

The Framework meets the requirements of the Green Bond Principles, the Ministry of the Environment's Green Bond Guidelines, and the Green Loan Principles.

¹ ICMA (International Capital Market Association) Green Bond Principles 2018 Edition

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

² LMA (Loan Market Association), APLMA (Asian Market Loan Association) Green Loan Principle 2018

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

³ http://greenbondplatform.env.go.jp/pdf/greenbond_guideline2017.pdf, Ministry of the Environment Green Bond Guidelines 2017

⁴ 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 confirms whether the green eligible assets set out in the Framework are green projects that have clear environmental improvement effects. Next, JCR confirms whether the internal specialized departments or external third-party organizations thoroughly examine the impacts and necessary countermeasures and mitigation measures are taken when negative environmental impacts are anticipated. Finally, JCR confirms consistency with the Sustainable Development Goals (SDGs).

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

<Framework for the Use of Proceeds>

Proceeds from Green Bonds or Green Loans (Green Bonds, etc.) will be used to finance the acquisition, renovation, and refinancing of Green Buildings that meet the following criteria.

- **Eligible criteria 1**

Properties for which either third-party certification entities (1) to (5) have been acquired or are scheduled to be acquired in the future

- (1) Three stars, four stars, or five stars in DBJ Green Building certification
- (2) B+ Rank, A Rank, or S Rank in CASBEE certification
- (3) Three stars, four stars, or five stars in BELS certification
- (4) Silver, Gold or Platinum in LEED certification
- (5) Evaluation of third-party certification other than the above-mentioned certification at the same level

- **Eligible criteria 2**

Equipment repair work for the real estate which manages to improve the efficiency of energy consumption, water consumption performance, and other environmental benefits (in principle, a 10% reduction in usage to convention.)

<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.

(2) Evaluation of Eligible Criteria 2 (Repair work, etc.)

Renovation works are targeting at the works to improve energy efficiency, water consumption performance, and other environmental benefits. The Investment Corporation defines eligible renovation work as to have an energy saving effect of 10% or more or a reduction in water consumption. JCR considers that target setting is not very high compared with the global level, but it is appropriate as the target value in the current Japanese green building market.

From the above, JCR evaluates that the eligibility criteria of the Investment Corporation have the environmental improving effect.

ii. The use of proceeds falls under the category of "Green Buildings which meet regional, national or international recognized Standards and Certification" and "Energy Efficiency" among the green projects defined in the Green Bond Principles, the Green Loan Principles, or the Ministry of Environment of Japan's Green Bond Guidelines.

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 CO₂ 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

Although the Asset Management Company estimates that the eligible criteria are unlikely to have a negative impact on the environment, it confirms the negative impact on the environment by acquiring engineering reports and conducting on-site due diligence by the Investment Management Department as a process of property acquisition or renovation work such as facilities. When there is a negative impact on the environment, it basically conducts property acquisition after the impact has been resolved. Through the implementation of these due diligences and countermeasures against risks, the Investment Corporation avoids and mitigates negative environmental impacts of green projects.

JCR has confirmed that appropriate consideration is given to the negative impact on the environment.

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. Goals

<Framework for the Goals>

The basic Principle of AEON REIT Investment Corporation (The "Investment Corporation") is "to contribute to the realization of affluent lifestyles and local communities through investments in retail facilities." The Investment Corporation aims to secure stable earnings over the medium to long term through investments in the living infrastructure assets of local communities. AEON Reit Management Co., Ltd. (the "Asset Management Company"), which is responsible for the asset management business of the Investment Corporation, has formulated and implemented the "Sustainability Policy" based on the belief that in order to realize its philosophies and targets, it is important to give consideration to ESG in all businesses and to collaborate with stakeholders in order to achieve them. The Investment Corporation will formulate Green Finance Framework to realize its philosophies and targets, expand financing methods by expanding the investor base that is proactive in ESG investment, and develop green finance, including the investment corporation bonds and green bonds markets.

Sustainability Policy (excerpt)

- In order to realize a low-carbon society, we will strive to reduce greenhouse gas emissions through continuous improvement of energy efficiency at commercial facilities and other facilities, which are assets under management, and the utilization of renewable energy.
- Considering the conservation of ecosystems, we will promote harmony with nature through the management of real estate, such as tree-planting activities at commercial facilities, which are the target assets of management.
- We are committed to conserving resources and recycling resources by promoting water conservation at commercial facilities, which are assets under management, and the reduction, reuse and recycling (3R) of resources for the purpose of sustainable resource utilization.
- We comply with environmental laws and regulations and strive to prevent environmental pollution.

(Source: AEON REIT Investment Corporation website)

<JCR's Evaluation for the Framework>

The purpose of Green Finance implemented under the Framework is to acquire and renovate green buildings. The Investment Corporation is working through Green Finance to raise the ratio of certified properties among all properties owned or the level of certification. JCR confirmed that the Investment Corporation's Green Finance is particularly consistent with the underlined part of Sustainability Policy (see above) and consistent with the goals of the Framework.

b. Selection Criteria

The eligibility criteria of the Framework are set out in Evaluation Phase 1 of this report.

The use of proceeds is evaluated by the Financial and Planning Department of the Asset Management Company for compliance with the eligible criteria.

JCR evaluates the selection criteria for green projects as appropriate.

c. Processes

Proposals for green projects to be funded by Green Finance are drafted by the Finance Planning Department of the Asset Manager and determined by the Investment Committee and the Board of Directors of the Investment Corporation. These processes are the same regardless of the method of financing.

JCR considers that these are appropriate for the process of selecting 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. Adequacy and Transparency of Cash Management

(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

<The Framework for Cash Management>

(1) Procurement fund appropriation plan and appropriation method

- Appropriation plans are formulated in accordance with procurement plans for each finance.
- Immediately after fund procurement, funds are appropriated from the accounts of the Investment Corporation to funds that meet the purpose of fund procurement.

(2) How to track procured funds

- In principle, funds will be appropriated by the day following the day when funds are procured.
- As an exception, we will shorten the term as much as possible, although we will allow fund procurement dates to differ from the repayment dates, as in the case of investment corporation bonds.
- In such cases, follow-up management is performed to ensure that the procured funds are used to pay for the project concerned.

- Until the funds are appropriated to the subject project, the procured funds are managed with cash or cash equivalents (negotiable certificates of deposit, etc.).

(3) Measures to be taken in the event of the sale, etc. of a project for which funds are used

- In principle, we will choose projects which we don't plan to sell as the subject to the use of the proceeds.
- If the assets which are subject to the use of the proceeds are sold or excluded from the eligible criteria, we consider that the Green Finance procurement will remain provided that the funds procured from Green Finance are smaller than the upper limit of Green Finance procurement. In that case, we will regularly manage the balance of Green Finance until the repayment date of Green Finance.

<JCR's Evaluation for the Framework>

Cash management will be conducted by the Finance Planning Department of the Asset Management Company. Specifically, follow-up management of the allocation of funds procured through Green Finance and management of the upper limit of Green Finance procurement will be carried out using a confirmation sheet. The Asset Management Company plans to properly store the documents on Green Finance until Green Finance is redeemed or repaid. The Compliance Committee is scheduled to conduct internal audits to check compliance with laws and internal regulations regarding investment decision-making procedures in addition to audits by the Compliance Department regarding cash management. Therefore internal controls are sufficiently maintained.

Under the Framework, all funds raised through Green Finance are linked to individual project. On the other hand, the cash management until Green Finance is redeemed or repaid shall be carried out as a portfolio management using the upper limit of Green Finance procurement by multiplying the total asset amount which satisfies the eligible criteria 1 and 2 by the total asset LTV.

Funds procured through Green Finance are, in principle, appropriated for use by the day following the day when the funds are procured. Portfolio management is also adopted during the life of Green Finance. Therefore, under the Framework, no unallocated funds will be generated.

From the above, JCR evaluates the appropriateness and transparency of the Investment Corporation's cash management to be high.

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

<The Framework for Reporting>

(1) Method and frequency of disclosure of fund allocation

- In principle, disclosure is not required because the funds procured are to be appropriated by the next day.
- However, if the unappropriated period is prolonged or past fund appropriations are disclosed to the lender (or investor) once a year.

(2) Method and frequency of disclosure of impact reporting

- Disclosure to the lender (or investor) at least annually until the redemption date of the Green Loan (or the maturity date of the Green Bond).

(3) KPIs in impact reporting

- Based on the above disclosure method and frequency of disclosure, the following indicators are disclosed.
 - 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)

<JCR's Evaluation for the Framework>

a. Reporting on the Appropriation of Funds

The Investment Corporation plans to disclose the status of funds for Green Finance, the balance of Green Finance, total eligible criteria, and the upper limit of Green Finance procurement on its website once a year. It plans to disclose the details of any changes in the green projects and the investment method of unallocated funds in the event that such changes occur, for example, due to the sale of assets. In addition, it plans to disclose the appropriation of funds when necessary if the period of which the funds are unallocated is extended. JCR evaluates that reporting on the appropriateness of funds is appropriate.

b. Reporting on Environmental Improvement Effects

In addition to evaluating the number of green eligible assets and each certification acquired, the Investment Corporation plans to disclose the total energy consumption and greenhouse gas emissions of its properties on its website once a year. JCR assesses these disclosures and their frequency as appropriate in light of the ICMA's Green Building Impact Reporting Standards.

4. Organization's Environmental Initiatives

(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 built a portfolio centered on large-scale commercial facilities rooted in the regions development and operated by the sponsor, Aeon Group. The Investment Corporation aims to build win-win relationships with the Aeon Group and maximize investment value. The Investment Corporation follows the policies of its parent company, Aeon.

a. AEON's environmental activities

AEON, which the Investment Corporation belongs to, has been developing a system for systematically implementing CSR activities since the late 1980s. In 1989, AEON established the AEON Group 1% Club (now AEON One Percent Club) and established the JUSCO Committee and the AEON Group Environmental Foundation (now AEON Environmental Foundation) to address environmental and social issues. In the 28 years since its establishment in 1990, Aeon Environmental Foundation has contributed a total of 2,948 organizations, totaling about JPY 2.7 billion for the conservation and sustainable use of biodiversity.

In September 2018, AEON revised its "AEON Sustainability Policy" and revised the "Big Challenge 2020" set in 2014 to further advance sustainable management. In particular, the company has set medium-to long-term Objectives for three key environmental challenges: AEON Decarbonization Vision 2050, AEON Sustainable Procurement Policy and 2020 Targets, and the AEON Group Food Waste Reduction Targets (2025).

AEON Sustainability Policy

<Key Environmental Issues>

- 1) To realize a decarbonization society
- 2) To conserve biodiversity
- 3) To promote resource recycling

<Key Social Issues>

- 1) To create products and stores that meet society's expectations
 - 2) To conduct business activities with respect for human rights
 - 3) To collaborate with communities
-

The purpose of this vision is to reduce emissions from stores to zero by 2050 and to contribute to the realization of decarbonization through efforts to reduce greenhouse gas emissions from the three perspectives of "Stores," "Products and Logistics," and "Working with Customers." Since 2012, the AEON Eco Project has been working to reduce energy consumption and CO₂ emissions. In order to achieve stronger commitments, the AEON Group has formulated specific plans for its activities in all directions, indicating that the AEON Group is responding to environmental issues with a strong awareness.

In March 2018, AEON became the first major Japanese retailer to participate in RE100 (Renewable Energy 100, the initiative which the Climate Group, an international environmental NGO began in 2014. As of

August 20 2019, 191 companies had joined it). AEON is stepping up its efforts with the goal of "business management with 100% renewable energy."

b. Environmental Initiatives of AEON REIT Investment Corporation

The Investment Corporation promotes sustainable management by setting priority issues and responding to various issues under the Aeon Group Basic Policy on Sustainability, which is the policy of the entire Aeon Group for the development of a sustainable society. The Asset Management Company formulates and implements the "Sustainability Policy" based on the recognition that consideration for ESG in all businesses and collaboration with stakeholders are important. In order to implement its Sustainability Policy, the Investment Corporation formulated Energy Conservation Policy and Greenhouse Gas Emission Reduction Policy. It is working to improve energy efficiency in its real estate portfolios and continuously reduce energy consumption and CO₂ emissions.

As a specific activity of the Aeon Group, the Asset Management Company conducts discussions on sustainability with tenants such as Aeon Mall and Aeon Retail, as well as joint energy conservation efforts. These efforts have also been evaluated and verified through various third-party certifications related to green buildings, and have been highly rated for being ranked as S, the highest in CASBEE-real estate evaluations at AEON MALL Kofu Showa, AEON MALL Kagoshima, and AEON MALL Yamato Koriyama.

The Asset Management Company has established the Sustainability Promotion Committee, which discusses concrete measures to realize sustainability policies and targets. The chairman of the Committee (President and CEO), who has the final decision-making authority, discusses the achievement status of targets and measures for the current fiscal year, as well as the targets and measures for the following fiscal year. The Sustainability Promotion Committee comprises a wide range of members, from the president, who is the chairman of the Committee, to the people in charge of the sustainability issues. The Investment Corporation has put in place a system for addressing environmental issues throughout the organization.

The Asset Management Department of the Asset Management Company is a specialized department that undertakes initiatives to obtain third-party certification and evaluations, such as CASBEE certification. The Asset Management Department is clearly involved in the Investment Corporation's green finance by cooperating with the Investment Corporation in creating the Framework by utilizing expertise, and sharing materials with the Finance Planning Department when selecting green projects. The Investment Corporation also receives certification from outside experts and advice on the design of websites and ESG initiatives, and actively utilizes expertise from outside the company.

Based on the above, JCR evaluated that Aeon and the Investment Corporation's management regard environmental issues as an important management priority, and that departments with specialized knowledge are clearly involved in green bond procurement policies and processes and the selection of green projects.

■ 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: AEON REIT Investment Corporation (Security Code: 3292)

[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)

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Important Explanation of the Green Finance Framework Evaluation

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.

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■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)

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