

# Green Bond / Green Bond Programme Independent External Review Form

## Section 1. Basic Information

Issuer name:	Mitsubishi Estate Logistics REIT Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Green Finance Framework
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 18, 2021
Publication date of review publication:	January 18, 2021

## 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)

Mitsubishi Estate Logistics REIT Investment Corporation ("MEL") is a J-REIT mainly invests in logistics facilities and is sponsored by Mitsubishi Estate Co., Ltd., ("Mitsubishi Estate") established in July 2016, and listed on the Tokyo Stock Exchange (Real Estate Investment Trust Securities Market) in September 2017. Mitsubishi Jisho Investment Advisors, Inc. (the "Asset Manager") is responsible for the asset management business of MEL, and the Asset Manager is wholly owned by Mitsubishi Estate. As of September 1, 2020, MEL's portfolio consists of 19 properties (46.5% of which are located in the Tokyo metropolitan area) with an aggregate acquisition price of ¥142.1 billion.

MEL aims to maximize unitholder value through management that leverages the collective strengths of the Mitsubishi Estate Group. At the same time, MEL's basic philosophy is to contribute to the realization of an affluent society through development of logistics functions that support people's lives. MEL aims to build a high-quality portfolio and steadily and stably manage assets by leveraging the strengths of the Mitsubishi Estate and the Asset Manager. MEL is committed to endeavoring to enhance consideration towards the environment, social contributions and corporate governance to improve the sustainability of society. MEL recognizes that this is an important social responsibility for a listed enterprise to assume, and also believe that it is essential for maximizing our unitholder value. To put our commitment into practice based on the above recognition, MEL has developed policies and organizational structures, implementing initiatives as an organization.

The subject of this evaluation is the Green Finance Framework (the "Framework") established by MEL to limit the funds procured through Green Bonds or Green Loan (the "Green Finance") to the use of proceeds with environmental improvement effects. JCR will assess whether the Framework complies with the Green Bond Principles (2018 edition), the Green Loan Principles (2020 edition), the Green Bond Guidelines (2020 edition) and the Green Loan Guidelines and the Sustainability Linked Loan Guidelines (2020 edition). These principles and others are voluntarily published principles or guidelines by the International Capital Markets Association (ICMA), the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA) and the Ministry of the Environment, respectively, and they are not regulations. They are therefore not binding, but refer to these principles and guidelines as uniform standards both domestically and internationally at this time.

MEL uses qualifying criteria for the use of proceeds as bellow: (1) properties for which any of the following are acquired or renewed or scheduled to be acquired in the future: DBJ Green Building certification 3 stars or higher, CASBEE certification B+ or higher, and BELS evaluation 3 stars or higher; (2) renewable power generation facilities associated with buildings; and (3) facilities aimed at reducing environmental impacts. With respect to projects to be used for funding in the Framework, MEL plans to identify and manage negative environmental impacts and take appropriate action as necessary. Accordingly, JCR evaluated that the above-mentioned eligible criteria are expected to bring about environmental improvement effects. The selection of target projects is decided after approval by the Executive Committee of the Asset Manager and approval by the President, and comprehensive resolution or approval by the Board of Directors of MEL, and the management team is appropriately involved. Proceeds from the Green Finance are used to finance the acquisition of individual green eligible assets or to refinance the funds. After appropriation of the proceeds, the balance is managed by portfolio management in the event of a sale, etc. of green eligible assets. The status of appropriation of funds and the content of reports on the effects of environmental improvement are also appropriate. Based on the above, JCR evaluated that the management and operation structure of MEL has been established and that it is transparent.

Based on JCR Green Finance Evaluation Methodology, JCR assigned "g1 (F)" for "Greenness Evaluation (Use of Proceeds)" and "m1 (F)" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigned "Green1 (F)" for overall "JCR Green Finance Framework Evaluation" to the Framework.

The Framework is considered to meet the standards for items required by the Green Bond Principles, the Green Loan Principles, the Green Bond Guidelines and the Green Loan and Sustainability Linked Loan Guidelines.

<https://www.jcr.co.jp/en/greenfinance/>

## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

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

#### a. On the environmental improvement effects of the project

- i. The eligible criteria set out in the Framework for the use of proceeds are as follows: (1) green buildings with standards and certifications narrowed to the top three certification levels, which are recognized regionally, nationally or internationally; (2) renewable energy generation facilities with solar power; and (3) new investments and refinancing targeting the introduction of equipment aimed at reducing environmental impacts, with environmental improvement effects expected.
- ii. The use of proceeds fall under the following categories: "Green Buildings which meet regionally, nationally or internationally recognized standards or certifications," "Renewable Energy" and "Energy efficiency" in the Green Bond Principles and the Green Loan Principles; "Green Building Projects," "Renewable Energy Projects" and "Energy Efficiency Projects" among the uses of proceeds exemplified in Green Bond Guidelines and Green Loan and the Sustainable Linked Loan Guidelines.

#### b. Negative impact on Environment

The Asset Manager conducts due diligence by the Investment Sales Department when acquiring properties, using a check sheet to confirm from various perspectives, thereby identifying and managing material environmental risks associated with green-eligible assets. When there is a risk of negative impact on the environment, MEL will follow a policy to avoid and mitigate risks by forgoing property acquisitions, requesting corrections from sellers, or implementing additional construction, among others. In addition, since the installation of renewable energy power generation facilities is limited to solar power generation facilities on buildings' rooftops, etc. on the premise of the properties, no negative effects on the environment such as deforestation and land development are expected. In addition, it is planned to confirm that the waste treatment of the previous facilities is properly carried out when the equipment for the purpose of reducing the environmental impacts is introduced. Accordingly, JCR confirmed that MEL has appropriately taken measures to identify, avoid and mitigate environmental risks with respect to the use of funds set forth in the Framework.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" 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):**

MEL has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.

Such matters are disclosed in the JCR's evaluation report.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other (please specify) :   |

### Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) :   |   |

## 3. MANAGEMENT OF PROCEEDS

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

The proceeds will be managed using an Excel spreadsheet by the Logistics REIT Department of the Asset Manager. When managing and operating funds, prior approval is given by the manager such as the General Manager or the President, depending on the content of the procedure. The proceeds from the Green Finance are managed in cash or cash equivalents and will be used for the subject project within one month.

The proceeds from the Green Finance are used to finance the acquisition of individual green eligible assets or to refinance such funds. In the event that a decline in green eligible assets is expected due to the sale or impairment of assets after appropriation of the proceeds, MEL will confirm the greenness of such the Green Finance by confirming that the balance of the Green Finance does not exceed the amount of green eligible liabilities. If the balance of the Green Finance exceeds the amount of green eligible liabilities, measures, such as increasing the amount of green eligible assets, will be taken. JCR believes that there are no particular issues to be addressed on the management by MEL, as this portfolio management is consistent with the manner commonly used as the market practice.

The control of funds procured through the Green Finance is subject to internal audits and external audits by auditing firms, and thereby controls are ensured.

A structure has been put in place in which documents on the management of funds for the Green Finance are stored for a sufficient period of time after the redemption or repayment of the Green Finance.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

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

## 4. REPORTING

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

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

MEL plans to disclose the appropriation of the proceeds from the Green Finance on its website once a year. In the unlikely event that there is a change in green eligible assets and there is an unappropriated funds, details of such changes and the management method of such funds will be also disclosed.

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

In addition to the status of obtaining certification for green eligible assets and details of each green eligible asset, MEL plans to disclose the KPIs set forth in the Framework above for all green eligible assets annually on its website. It is also planned that, for renewable energy power generation facilities by solar light and facilities aimed at reducing environmental loads, indicators necessary for calculating the effects of environmental improvement will be sufficiently disclosed.

### **Use of proceeds reporting:**

☒ Project-by-project

☐ Linkage to individual bond(s)

☒ On a project portfolio basis

☐ Other (*please specify*):

### **Information reported:**

☒ Allocated amounts

☐ Other (*please specify*):

☐ Green Bond financed share of total investment

### **frequency:**

☒ Annual

☐ Other (*please specify*):

☐ Semi-annual

### **Impact reporting:**

☒ Project-by-project

☐ Linkage to individual bond(s)

☒ On a project portfolio basis

☐ Other (*please specify*):

### **frequency:**

☒ Annual

☐ Other (*please specify*):

☐ Semi-annual

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

☒ GHG Emissions / Savings

☐ Decrease in water use

☒ Energy Savings

☒ Other ESG indicators (*please specify*):

- Status of Environmental Certification Acquisition
- Weight of waste
- Water consumption
- etc.

## Means of Disclosure

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report                     |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ):<br>Show on the website |
| <input type="checkbox"/> Reporting reviewed                        |   |

Where appropriate, please specify name and date of publication in the useful links section.

## USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

Mitsubishi Estate Logistics REIT Investment Corporation Basic Policy and Management Structure of ESG	<a href="https://mel-reit.co.jp/en/esg/index.html">https://mel-reit.co.jp/en/esg/index.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>

## Type(s) of Review provided:

- |   |  |
|---|--|
| <input type="checkbox"/> Second Party Opinion             | <input type="checkbox"/> Certification             |
| <input type="checkbox"/> Verification                     | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

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

**Date of publication:** January 18, 2021

## 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.