

Second-Party Opinion

Mori Hills REIT Investment Corporation Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Mori Hills REIT Investment Corporation’s (“MHR” or the “Investment Corporation”) Green Bond Framework (The Framework) is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP). This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Green buildings, is aligned with those recognized by the GBP. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDGs), specifically 7, 9 and 11.



PROJECT EVALUATION / SELECTION Sustainalytics considers MHR’s project evaluation and selection process to be in line with market practice. The Sustainability Committee of Mori Building Investment Management Co., Ltd. (“MIM” or the “Asset Manager”), which is an asset manager for MHR, evaluates and selects projects for MHR. The Sustainability Committee comprises MIM’s President & CEO, all General Managers, persons in charge in departments related to ESG, among others. Final decision will be made by the President & CEO.



MANAGEMENT OF PROCEEDS MHR’s management process of the proceeds of green bonds is in line with market practice. MIM’s finance department will annually track and manage to ensure that the amount of green bond issuance does not exceed the total acquisition price of Eligible Green Projects, using internal electric files. If the total amount of the proceeds of the green bonds are not immediately allocated to Eligible Green Projects, the amount equal to the unallocated proceeds will be managed in cash or cash equivalents.



REPORTING While the green bonds are outstanding, MHR intends to annually report the allocation status of the proceeds of the green bonds and their environmental performances indicators on its website. Allocation reporting includes the amount of allocated proceeds. Impact reporting includes the building names of the Eligible Green Projects, types and levels of certifications received, and the environmental performance indicators including quantitative indicators such as CO₂ emissions (kg/t) and energy consumption (GJ). Sustainalytics considers MHR’s reporting to be in line with market practice.

Alignment with Japan’s Green Bond Guidelines 2017

Sustainalytics is of the opinion that the Framework is in line with Japan’s Green Bond Guidelines 2017. The guidelines communicate what an issuer should do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between the Framework and the ‘requirements of’ items outlined in the Japan’s Green Bond Guidelines 2017.

Evaluation date	February 27, 2020
Issuer Location	Tokyo, Japan

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Introduction

MHR was established in February 2006 and was listed on the Tokyo Stock Exchange in November 2006. MHR invests in office buildings, residential properties, commercial facilities, among others, mainly in central Tokyo, owning 11 properties as of January 31, 2020 with the total value of ¥390.6 billion on the acquisition price basis. MIM is entrusted with the management of MHR's assets.

MHR has developed the Framework under which it intends to issue green bonds and use the proceeds to finance and refinance, projects that will reduce the environmental footprint of MHR's properties and contribute to climate change countermeasures. The Framework defines eligibility criteria in the following areas:

1. Green buildings

MHR engaged Sustainalytics to review the Framework, dated February 2020 and provide a second-party opinion on the Framework's environmental credentials and its alignment with the GBP,¹ and Japan's Green Bond Guidelines 2017.² A summary overview of the Framework has been provided in Appendix 1.

As part of this engagement, Sustainalytics held conversations with various members of MIM's Finance Department to understand the sustainability impact of MHR's business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

¹ International Capital Market Association, "The Green Bond Principles (GBP)", at: <https://www.icmagroup.org/green-social-and-sustainabilitybonds/green-bond-principles-gbp/>.

² Ministry of the Environment, Japan, "Green Bond Guidelines, 2017", at: <https://www.env.go.jp/en/policy/economy/gb/summary2017.pdf>.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Mori Hills REIT Investment Corporation Green Bond Framework

Summary

Sustainalytics is of the opinion that the Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category for MHR's use of the proceeds, Green buildings, is recognized as a project category that has environmental benefits in the GBP. Please refer to Section 3 for the details of Sustainalytics' evaluation of environmental benefits of the use of the green bond proceeds for green buildings.
 - MHR's eligibility criteria are based on green building certification systems operated by third-party organizations, and MHR defines that the proceeds of green bonds will be used for the acquisition, or to refinance existing loans or to redeem investment corporation bonds (including green bonds) already issued, which would be necessary for the acquisition of buildings that have already obtained or will obtain the highest or second highest level of certification in the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Certification for Real Estate, CASBEE Certification for Buildings, DBJ Green Building Certification, or Building Energy-efficiency Labelling System (BELS). Sustainalytics considers that these third-party certification systems are robust and credible and that MHR's eligibility criteria, which limit the use of the green bond proceeds to the projects with the highest or second highest level of certification, are in line with market best practice. Please refer to Appendix 2 for the details of each certification system.
 - MHR defines a lookback period for Green Building Certification to be no longer than 24 months.
- Project Evaluation and Selection:
 - The Sustainability Committee of MIM, which is an asset manager for MHR, evaluates and selects projects for MHR. The Sustainability Committee comprises MIM's President & CEO, all General Managers, persons in charge in departments related to ESG, among others. Final decision will be made by the President & CEO. Sustainalytics considers that MHR's project evaluation and selection process is in line with market practice.
- Management of Proceeds:
 - MIM's finance department will annually track and manage to ensure that the amount of green bond issuance does not exceed the total acquisition price of Eligible Green Projects, using internal electric files. If the total amount of the proceeds of the green bonds are not immediately allocated to Eligible Green Projects, the amount equal to the unallocated proceeds will be managed in cash or cash equivalents. MHR's management process of the proceeds of green bonds is in line with market practice.
- Reporting:
 - While the green bonds are outstanding, MHR will annually report the allocation situation of the proceeds of the green bonds and their environmental performances indicators on its website. Furthermore, MHR will disclose any material change in the allocation situation of the green bond proceeds even after the entire amount of the green bond proceeds has been allocated. MHR's allocation reporting includes the amount of allocated proceeds, and impact reporting includes the building names of Eligible Green Projects, types and levels of the certifications received, and quantitative indicators of environmental performance such as CO₂ emissions (kg/t) and energy consumption (GJ). Sustainalytics considers that MHR's reporting is in line with market practice.

Mori Hills REIT Investment Corporation Green Bond Framework

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2017

Japan's Green Bond Guidelines 2017 communicate what an issuer should do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between the Framework and the 'requirements of' items outlined in the Japan's Green Bond Guidelines 2017.

GBP and Japan's Green Bond Guidelines 2017	Alignment with GBP and with Japan's Green Bond Guidelines?	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines 2017 ³
1. Use of Proceeds	Yes	Green buildings, which MHR designates as the eligible project category for the use of the green bond proceeds under the Framework, is recognized as a project category that has clear environmental benefits in Japan's Green Bond Guidelines 2017. In addition, MHR describes in the Framework the measures MHR takes to mitigate environmental risks associated with eligible projects. This information will be made available to investors in advance.
2. Process for Project Evaluation and Selection	Yes	MHR describes the environmental initiatives which it aims to promote through the issuance of green bonds and the eligibility criteria it adopts for the use of proceeds in the Framework. Furthermore, it is explained that the Sustainability Committee comprising MIM's President & CEO, General Managers, persons in charge in departments related to ESG, among others, selects and evaluates projects, while the President & CEO gives final decision.
3. Management of Proceeds	Yes	MHR's finance department will use internal electronic files and annually track and manage to ensure that the amount of green bond issuance does not exceed the total acquisition price of Eligible Green Projects. Furthermore, MHR states in the Framework that the amount equal to the unallocated proceeds will be managed as cash or cash equivalents.
4. Reporting	Yes	MHR states in the Framework that, while the green bonds are outstanding, MHR will annually report the allocation situation of the proceeds of the green bonds and their environmental performance on its website. Within this reporting, MHR will disclose the amount of proceeds allocated, as well as the names of Eligible Green Projects, types and levels of the certifications received, CO ₂ emissions (t-CO ₂) and energy consumption (GJ), as environmental performance indicators of environmental benefits. Furthermore, MHR commits that it will disclose any material change in the allocation situation of green bond proceeds.

³ For detailed comments on alignment with ICMA GBP, please see Appendix 3.

Section 2: Sustainability Strategy of MHR

Contribution of framework to Mori Hills REIT Investment Corporation's sustainability strategy

MHR and MIM aim to “contribute to the creation and development of cities by providing investment opportunities in high-quality urban assets to investors.” by making investments in high-quality urban assets and working on solving environmental and social challenges through the structures and policies explained below.⁴

- MIM has established the Sustainability Committee chaired by its President & CEO to develop its sustainability policy and programs, monitor their progress, and discuss proposals made by each department.⁵
- As its effort to address environmental issues, MHR proactively works on the acquisition of third-party green building certifications. With a long-term goal of maintaining the ratio of properties with a green building certification at or above 90% (on the acquisition price basis), MHR has obtained certifications such as the CASBEE Certification for Real Estate and DBJ Green Building Certification. As of January 31, 2020, 93.2% of the properties in MHR's portfolio had green building certification. For the properties which have not yet received any certification, MHR is promoting their energy efficiency through such initiatives as introducing LED lighting and renovating air-conditioning facilities.⁶

Sustainalytics is of the opinion that the structures in place for sustainability and the proactive approach to the acquisition of green building certifications at MHR and MIM ensure that MHR is well positioned to issue green bonds.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics is aware that while the eligible green building projects MHR defines in the Framework have clear environmental benefits, they may also cause unintended environmental and social risks including energy and water consumption, the dispersal of toxic substances, and negative impacts on the health of people. Sustainalytics is of the opinion that MHR and MIM are well positioned to mitigate environmental and social risks associated with green buildings due to the policy and process described below.

- MHR has its own Environmental Management System (EMS) in place, whereby MIM's Sustainability Committee measures, evaluates and discloses environmental data such as energy consumption, CO₂ emissions, water consumption, and the recycling rate of MHR's portfolio through a PDCA cycle and develops improvement plans.⁷
- MIM's Investment Management Guidelines require that due diligence conducted before acquiring new properties must include confirmation on whether any toxic substance such as CFC, PCB and asbestos exists and its management status, and stipulates to consider the findings when acquiring properties. Furthermore, MIM commits that any toxic substance detected in its existing investment properties will be properly managed pursuant to relevant laws and regulations to avoid leakage or release.⁸

⁴ Mori Hills REIT Investment Corporation, “Approach and System”, at: https://www.mori-hills-reit.co.jp/en/outline/approach_system/tabid/392/Default.aspx#Approach

⁵ Mori Hills REIT Investment Corporation, “Approach and System”, at: https://www.mori-hills-reit.co.jp/en/outline/approach_system/tabid/392/Default.aspx#Approach

⁶ Mori Hills REIT Investment Corporation, “Environment Initiatives”, at: https://www.mori-hills-reit.co.jp/en/outline/environment_initiatives/green_building/tabid/399/Default.aspx

⁷ Mori Hills REIT Investment Corporation, “Environment Management System”, at: https://www.mori-hills-reit.co.jp/en/outline/Sustainability/environment_initiatives/ems/tabid/423/Default.aspx

⁸ Mori Hills REIT Investment Corporation, “Environment Initiatives”, at: https://www.mori-hills-reit.co.jp/en/outline/Sustainability/environment_initiatives/resource_recycling/tabid/398/Default.aspx

Section 3: Impact of Use of Proceeds

The use of proceeds category, Green Buildings, described in the Framework are recognized by the GBP and Japan's Green Bond Guidelines 2017 as projects that produce positive environmental impacts. Sustainalytics explains why this project category generates positive environmental impacts in Japan as follows:

Green buildings' contribution to climate change countermeasures

CO₂ emissions in the Commercial and Other sector and Residential sector, which represent CO₂ emissions from buildings such as offices, commercial facilities and residential buildings, account for approximately 30% of total CO₂ emissions in Japan⁹. In the Tokyo Prefecture where MHR focuses its investments, the ratio reaches approximately 70%¹⁰. Final energy consumption in the Commercial and Other sector and Residential sector rose approximately 20% from 1990¹¹, making it essential to promote energy efficiency in buildings to achieve CO₂ emissions reductions in Japan. Based on this situation, the Ministry of Land, Infrastructure, Transport and Tourism of Japan introduced the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act)¹² in 2015, as an effort to strengthen energy efficiency regulations for buildings through, for instance, regulatory measures such as the requirement for large non-residential buildings to satisfy energy efficiency standards.

Furthermore, the Japanese government made a commitment to reduce greenhouse gas emissions by 26% by FY2030 in comparison with FY2013 in its Nationally Determined Contributions (NDC)¹³ and set a 40% CO₂ emission reduction target for the Commercial and Other sector and Residential sector, respectively. The Japanese government aims to achieve these targets through the cumulative impact of actions such as improving the energy efficiency performance of new buildings, renovating existing buildings, ensuring thorough energy management, and introducing highly efficient lighting equipment.

MHR will allocate the green bond proceeds to the projects related to the properties which have obtained the highest or second highest level of green building certification from third-party certification organizations. In addition to energy efficiency performance, these certifications evaluate buildings' performance and operation in areas such as resource efficiency, contamination prevention and biodiversity. Based on the above, Sustainalytics is of the opinion that MHR's use of the green bond proceeds will promote green buildings in Japan and contribute to the reduction of environmental footprints in the real estate sector and climate change actions facilitated by the Japanese government.

⁹ Ministry of the Environment of Japan, "Japan's National Greenhouse Gas Emissions in Fiscal Year 2017 (Final Figures)", at: <https://www.env.go.jp/press/798.pdf>

¹⁰ Bureau of Environment, Toyo Metropolitan Government, "Final Energy Consumption and Greenhouse Gas Emissions in Tokyo (FY2017 preliminary figures)(Japanese only)", at: https://www.kankyo.metro.tokyo.lg.jp/climate/zenpan/emissions_tokyo.files/2017sokuhou.pdf

¹¹ Ministry of Land, Infrastructure, Transport and Tourism, "Future Energy Saving Measures for Housing and Buildings (Second Report (Reference Data) (Japanese only)": <https://www.mlit.go.jp/common/001275971.pdf>

¹² Ministry of Land, Infrastructure, Transport and Tourism, "Overview of the Act on the Improvement of Energy Consumption Performance of Buildings (Briefing Meeting), (Japanese only)", at: <https://www.mlit.go.jp/common/001178846.pdf>

¹³ Ministry of Foreign Affairs of Japan, "Japan's Intended Nationally Determined Contributions (INDC) (Japanese only)", at: http://www.kantei.go.jp/jp/singi/ondanka/kaisai/dai30/yakusoku_souan.pdf

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Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goal and target:

Use of Proceeds Category	SDG	SDG target
Green buildings	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
	9. Industry, innovation and infrastructure	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
	11. Sustainable Cities and Communities	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. 11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters.

Conclusion

MHR intends to issue green bonds based on the Framework and to allocate their proceeds to provide financing or refinancing for green buildings. Sustainalytics considers that the use of the green bond proceeds MHR has stipulated in the Framework will support MHR's initiatives to reduce environmental footprints of the properties it owns and contribute to the reduction of environmental footprints in the real estate sector and climate change actions of the Japanese government as well as the promotion of SDGs 7, 9, and 11.

Green buildings, which MHR designates as the eligible project category for the use of the proceeds, are recognized as a project category that has clear environmental benefits in the GBP and Japan's Green Bond Guidelines 2017. Furthermore, MHR has stipulated as its criteria for eligible projects that the proceeds of green bonds shall be used for the properties that have already obtained or are scheduled to obtain the highest or second highest level of certification in green building certification systems operated by third-party organizations. Sustainalytics is of the opinion that the eligibility criteria established by MHR is in line with market best practice. In addition, MHR's project evaluation and selection process, management of the proceeds of green bonds, and reporting commitments are all in line with market practice.

Based on the above, Sustainalytics expresses its view that the Framework is highly credible and transparent and aligns with GBP's four core components and Japan's Green Bond Guidelines 2017.

Appendices

Appendix 1: Framework Overview

For the purpose of issuing green bonds, MHR has developed the following framework which addresses the four key core components of the GBP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, in February 2020. The framework belongs to MHR, and a summary overview has been provided below.

1. Use of proceeds

The proceeds of the green bonds will be allocated to acquire the assets that meet the following eligibility criteria (Eligible Green Projects), to refinance existing loans or to redeem investment corporation bonds (including green bonds) already issued, which was necessary for the acquisition of Eligible Green Projects.

Eligibility Criteria

An asset that has obtained any of the following certifications. Certifications are limited to those which have been obtained or renewed within the last 24 months as of the date of the green bond issuance or at the time of reporting or those which are scheduled to be acquired or renewed in the future.

- A or S Rank under CASBEE for Real Estate
- A or S Rank under CASBEE for Buildings
- 4 or 5 Stars under DBJ Green Building Certification Program
- 4 or 5 Stars under BELS

2. Process for project evaluation and selection

2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

MIM's Sustainability Committee selects projects that meet the eligibility criteria, and the President & CEO makes decisions. The Sustainability Committee is comprised of MIM's President & CEO, all General Managers, persons in charge in departments related to ESG, among others.

2.2 Environmental Objectives

MHR and MIM aim to "contribute to the creation and development of cities by providing investment opportunities in high-quality urban assets to investors," as stated in their respective basic policy and company mission. Furthermore, they place emphasis on ESG (Environment, Social and Governance) and make investments in high-quality urban assets, while working on resolving various environmental and social challenges. Through these activities, they aim to contribute to the creation of a sustainable society and the maximization of medium- and long-term investor value.

As its environment initiatives, MHR mainly works on the following themes: CO₂ (Climate Change), Resource Recycling (Water and Waste), Increasing Greenery and Biodiversity, and External Assessment and Green Building Certification.¹⁴

2.3 Process to Mitigate Environmental and Social Risks

In MIM, the Sustainability Committee plays a central role in developing programs to promote sustainability, monitoring the progress of programs, and identifying and managing environmental and social risks under the supervision of the President & CEO. Sustainability initiatives are periodically reported to the boards of directors of MHR and MIM. Each organ oversees the efforts to address important challenges related to ESG and the status of compliance risk management.

¹⁴ Mori Hills REIT Investment Corporation, "Environment Initiatives", at: https://www.mori-hills-reit.co.jp/en/outline/environment_initiatives/green_building/tabid/399/Default.aspx

3. Management of Proceeds

The proceeds of the green bonds are allocated and managed by the finance department of MIM using internal electronic files. As long as the green bonds are outstanding, MIM annually confirms that the total amount of the outstanding green bonds does not exceed the total acquisition price of the Eligible Green Projects.

If the total amount of the proceeds of the green bonds are not immediately allocated to Eligible Green Projects, MIM will specify the amount of the unallocated proceeds and, pending their allocation to Eligible Green Projects, manage the amount equal to the unallocated proceeds in cash or cash equivalents.

4. Reporting

4.1 Allocation reporting

MHR will disclose on its website that the proceeds of the green bonds are fully allocated to Eligible Green Projects in accordance with its Green Bond Framework and that the total amount of the outstanding green bonds does not exceed the total acquisition price of Eligible Green Projects.

While the green bonds are outstanding, MHR will annually report the total acquisition price of Eligible Green Projects, amount of allocated proceeds, and the total amount of the outstanding green bonds on its website. MHR will also disclose any material change in the situation of the allocation of green bond proceeds even after the completion of their allocation.

4.2 Impact reporting

MHR will annually disclose the following quantitative indicators on its website as long as the green bonds are outstanding (within the scope practically possible):

- Name of, and types and levels of certifications acquired by, each Eligible Green Project
- CO₂ emissions (kg/t) (Scope 1, Scope 2, primary unit)
- Energy consumption (GJ)

Appendix 2: Overview and Comparison of Green Building Certification Schemes

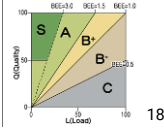


	CASBEE Certification ¹⁵	DBJ Green Building Certification ¹⁶	BELS ¹⁷
Background	The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Certification is a green building certification scheme in Japan, which a third party certifies the environmental performance of buildings. The certification scheme includes, based on types of buildings: CASBEE for Buildings, CASBEE for Real Estate, and CASBEE for Housing.	The Development Bank of Japan (DBJ) Green Building Certification Programme was launched by Development Bank of Japan in 2011 and is operated in conjunction with the Japan Real Estate Institute (JREI), a major appraisal firm in Japan. The certification scheme is recognized as one of Japan's major regional standards. The certification is available for office buildings, logistics, residential, and retail facilities.	The Building-Housing Energy-efficiency Labelling System (BELS) is an energy performance label, issued under guidelines established by Japan's Ministry of Land, Infrastructure, Transport, and Tourism. The BELS certification scheme evaluates primary energy consumption in order to measure performance of energy conservation.
Certification levels	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent) * 4-grade evaluation for CASBEE for Real Estate excluding C rank	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	1 Star 2 Stars 3 Stars 4 Stars 5 Stars
Areas of Assessment: Environmental Project Management	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, L (Built Environment Load), respectively. * The above are not applied to CASBEE for Real Estate	Evaluation of DBJ Green Building Certification includes construction specifications, environmental features as well as social factors.	None
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy Efficiency • Resource efficiency • Local environment • Indoor environment * Areas for assessment of CASBEE for Real Estate are energy/GHG, water, resource, biodiversity, indoor environment	Assessment includes three areas. Each area includes additional subcategories: <ul style="list-style-type: none"> • Ecology • Risk management & amenities/diversity • Community & partnership 	Energy efficiency

¹⁵ Institute for Building Environment and Energy Conservation, "CASBEE certification scheme (Japanese only)", at: <http://www.ibec.or.jp/CASBEE/certification/certification.html>.

¹⁶ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>.

¹⁷ Association for Housing Performance Evaluation & Labeling, "Building-Housing Energy-efficiency Labelling System Building Energy-efficiency Performance Labeling System (Japanese only)", at: <https://www.hyoukakyokai.or.jp/bels/bels.html>.

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<p>Requirements</p>	<p>Score-based performance level.</p> <p>CASBEE uses the BEE (Built Environment Efficiency) as its assessment indicator, which is calculated from Q (Built Environment Quality) as the numerator and L (Built Environment Load) as the denominator. Q and L are obtained through the classification and rearrangement of the four areas of assessment.</p> <p>Buildings may receive ranks ranging from C (poor) to S (excellent), in order of increasing BEE value.</p> <p>For authorization, a building must receive a report from the CASBEE Certification system, which is afterwards assessed by the local government.</p> <p>* CASBEE for Real Estate does not use BEE, additional point system. Certification will not be given, if required item are not met.</p>	<p>Score-based performance level.</p> <p>Assessment structure composed of the following three pillars:</p> <ol style="list-style-type: none"> 1. Areas of assessment The features and characteristics of the green building will be classified into five main categories: <ul style="list-style-type: none"> •Energy & Resources •Amenity •Resilience •Community & Diversity •Partnership 2. Innovation point system An additional point system is adopted to reflect exceptionally innovative initiatives in each subcategory. Such initiatives need not fit in the scope of the respective questions. 3. Onsite survey JREI will conduct on the ground review of building performance on the indicators above, and a committee set in JREI will decide the result of certification rank. <p>The assessment has a full score of 300 points and consists of 85 questions.</p>	<p>Score-based performance level.</p> <p>The BELS score is based on the Building Energy Index, obtained by comparing the energy consumption of a building to the standard primary energy consumption of the building type in official guidelines.</p> <p>A two-star rating is equivalent to meeting existing energy conservation standards, with higher star ratings implying greater savings.</p> <p>The score is calculated by an accredited third party.</p>
<p>Performance display</p>			
<p>Qualitative considerations</p>	<p>CASBEE is continuously developed based on industry-government-academia collaboration under the support of Ministry of Land, Infrastructure, Transport and Tourism. In Japan, many local governments have made CASBEE</p>	<p>In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is recognized as one of Japan's green building standards. According to its website, as of March 2019, 695 properties in Japan are</p>	<p>BELS is aligned with official government standards.</p> <p>The scheme assesses only energy performance, without any broader consideration of holistic environmental factors.</p>

¹⁸ Institute for Building Environment and Energy Conservation, "Method of Evaluation and Built Environment Efficiency (BEE)", at: http://www.ibec.or.jp/CASBEE/CASBEE_outline/method.html.

¹⁹ Development Bank of Japan, "DBJ Green Building", at: http://www.dbj.jp/en/pdf/service/finance/q_building/gb_presentation.pdf.

²⁰ Institute for Building Environment and Energy Conservation, "Display example of BELS (Japanese only)", at: https://www.hyokakyokai.or.jp/bels/pdf/170401bels_07.pdf.

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	<p>assessment results mandatory for building permits.</p> <p>Compared to similar tools available internationally, CASBEE displays a unique and simple structure.</p>	<p>certified by the programme.²¹</p>	
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²¹ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>.

Mori Hills REIT Investment Corporation Green Bond Framework
Appendix 3: Green Bond / Green Bond Programme - External Review Form
Section 1. Basic Information

Issuer name:	Mori Hills REIT Investment Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Mori Hills REIT Investment Corporation Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 27, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

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 REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

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*)

Please refer to Evaluation Summary above.

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*):

The eligible category for the use of proceeds, Green buildings, is aligned with those recognized by the GBP. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals (SDGs), specifically 7,9, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <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 (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Sustainalytics considers that MHR's project evaluation and selection process is in line with market practice. The Sustainability Committee of MIM, which is an asset manager for MHR, evaluates and selects projects for MHR. The Sustainability Committee comprises MIM's President & CEO, all General Managers, persons in charge in departments related to ESG, among others. Final decision will be made by the President & CEO.

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 type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

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- Summary criteria for project evaluation and selection publicly available
 Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

MHR's management process of the proceeds of green bonds is in line with market practice. MIM's finance department will annually track and manage to ensure that the amount of green bond issuance does not exceed the total acquisition price of Eligible Green Projects, using internal electric files. If the total amount of the proceeds of the green bonds are not immediately allocated to Eligible Green Projects, the amount equal to the unallocated proceeds will be managed in cash or cash equivalents.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

While the green bonds are outstanding, MHR intends to annually report the allocation status of the proceeds of the green bonds and their environmental performances indicators on its website. As part of its disclosure on the allocation status of the green bond proceeds, MHR will report the amount of allocated proceeds. In its impact reporting, MHR will disclose the property names of the Eligible Green Projects, types and levels of certifications received, and the indicators of environmental benefits including quantitative indicators such as CO2 emissions (kg/t) and energy consumption (GJ). Sustainalytics considers that MHR's reporting is in line with market practice.

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Use of proceeds reporting:

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

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

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

Impact reporting:

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

Frequency:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): property names, types and levels of certifications received, energy consumption (GJ) |

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>): MHR's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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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.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **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.
- ii. **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.
- iii. **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.
- iv. **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.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics “Best SRI or Green Bond Research or Ratings Firm” and in 2018 and 2019, named Sustainalytics the “Most Impressive Second Party Opinion Provider. The firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the “Largest Approved Verifier for Certified Climate Bonds” by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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