

Second-Party Opinion

Comforia Residential REIT, Inc.

Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Comforia Residential REIT, Inc. ("CRR" or the "Investment corporation") Green Bond Framework (The "Framework") 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 SDG 9.



PROJECT EVALUATION / SELECTION CRR's projects will be evaluated and selected by the Investment Committee of TLC REIT Management Inc. (TRM), the asset manager for the Investment corporation. The TRM Investment Committee is composed of the President & CEO, Director, and General Managers of relevant departments and divisions. CRR's process for evaluating and selecting projects is in line with market practices.



MANAGEMENT OF PROCEEDS CRR's green bond proceeds will be tracked annually by TRM using an internal file, as long as the green bonds are outstanding. TRM will ensure that the amount of outstanding green bonds do not exceed the sum of the total book value of Eligible Green Projects and cost of refurbishments that meet the Eligibility Criteria. Pending allocation, unallocated funds will be held in cash or cash equivalents. The Investment corporation's process to manage proceeds is in line with market practices.



REPORTING CRR has committed to disclose annually, on its website, an allocation report until the proceeds are fully allocated as well as an impact report as long as the green bonds are outstanding. The disclosure on allocation will include the amount of financing and refinancing of Eligible Green Projects and/or refurbishments, the amount of unallocated proceeds, allocation schedule, and the method to manage unallocated proceeds. As environmental impact metrics, qualitative metrics such as green building certifications and levels achieved and quantitative metrics such as energy consumption will be disclosed. Sustainalytics considers the Investment corporation's reporting to be in line with market practices.

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Issuer Location	Tokyo, Japan

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Alignment with Japan's Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with Japan's Green Bond Guidelines 2020. The guidelines communicate what an issuer is expected to do to issue a credible green bond. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in the Japan's Green Bond Guidelines 2020.

Introduction

Founded in June 2010, CRR was listed on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange in February 2013. The Investment corporation invests in and manages rental residents mainly in the Tokyo metropolitan area. Its portfolio as of the end of March 2020 stood at 133 properties, with a total acquisition price of JPY 242.5 billion.¹ CRR outsources its asset management to TRM, a wholly owned subsidiary of Tokyu Land Corporation, a comprehensive real estate company.

With the intention of issuing green bonds, CRR has developed the Comforia Residential REIT Green Bond Framework (hereinafter referred to as the “Framework”) and plans to allocate the green bond proceeds to finance or refinance projects that will reduce environmental impacts of the Investment corporation’s portfolio, which is composed of domestic residential properties. The Framework defines eligibility criteria in the following area:

1. Green Buildings

CRR engaged Sustainalytics to review the Framework, dated May 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the GBP² and Japan’s Green Bond Guidelines 2020.³ A summary overview of the Framework has been provided in Appendix 1.

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the GBP, as administered by ICMA, and Japan’s Green Bond Guidelines 2020;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of TRM to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. TRM representatives have confirmed (1) they understand it is the sole responsibility of TRM to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. 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.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CRR.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

¹ Comforia Residential REIT, Inc., “Portfolio Feature”, at: <https://www.comforia-reit.co.jp/en/portfolio/data.html>

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CRR has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Comforia Residential REIT, Inc. Green Bond Framework

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 eligibility category for the use of CRR's green bond proceeds, Green Buildings, is recognized by the GBP as a project category with positive environmental benefits. The allocation of proceeds to Green Buildings will accelerate the achievement of the Investment corporation's medium-to-long-term targets for reducing the energy use intensity and the CO₂ emission intensity by 1% per year on average, which have been set to address one of the key issues (the "Materiality") faced by the Investment corporation in the area of sustainability. The allocation will also contribute to the implementation of anti-climate change measures by society as a whole. Please refer to Section 3 for Sustainalytics' assessment of environmental benefits expected from the use of proceeds.
 - The Eligibility Criteria A is met when at least one of the following certifications or recertifications has been received: S, A, or B+ rank under the CASBEE (Comprehensive Assessment System for Built Environmental Efficiency) certification; 5, 4, or 3 stars under the DBJ Green Building Certification Program; or 5, 4, or 3 stars under the BELS (Building-Housing Energy-efficiency Labeling System) certification. Furthermore, the Eligibility Criteria B is met when the certifications and levels defined under the Eligibility Criteria A are achieved through refurbishments, or reduction of both its energy and water consumption by at least 20% are achieved. CRR has defined projects that meet the Eligibility Criteria A as "Eligible Green Projects," and intends to allocate green bond proceeds to the acquisition of Eligible Green Projects or refurbishments that meet the Eligibility Criteria B.
 - With regard to the Eligibility Criteria A, CRR has set the thresholds at any of the top three levels of third-party green building certifications, as noted above. While Sustainalytics recognizes that market practice is to allocate proceeds to green buildings that receive the top two levels of certifications as the market expects the proceeds to be allocated to green buildings with a higher environmental performance, it considers that positive environmental impacts will be generated by allocating proceeds to residential buildings that receive top three levels. (Please see Appendix 2 for an overview and comparison of green-building certification schemes.)
 - With regard to the Eligibility Criteria B, CRR has set the thresholds at a reduction of at least 20% in the energy and water consumption through a refurbishment project defined under the Framework. Sustainalytics considers that the market prefers the proceeds to be allocated to projects that reduce energy consumption by at least 20% to 30% and that CRR's thresholds align with market practices.
 - CRR intends to allocate the proceeds not only to new buildings but to existing ones. For allocating proceeds to existing buildings, the framework has defined that the buildings have received certifications (Eligibility Criteria A) or completed the refurbishments (Eligibility Criteria B) within 36 months prior to the bond's payment date.

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- **Project Evaluation and Selection:**
 - The eligible green bond projects will be evaluated and selected by the TRM Investment Committee, which discusses the management of CRR's assets in line with the Eligibility Criteria as to the use of proceeds. The Investment Committee of TRM, is composed of the President & CEO and Director of TRM, the Chief Division Officer of Comforia Management Division, the General Manager of Asset Investment Department, the General Manager of Finance & Accounting Department, the General Manager of Corporate Planning & Administration Department, the General Manager of Environmental Engineering Department, the General Manager of Compliance Department, the General Manager of Asset Management Department in the Comforia Management Division, and the General Manager of the Strategy Department in the Comforia Management Division. Sustainalytics considers the Investment corporation's project evaluation and selection process to be in line with market practices.
- **Management of Proceeds:**
 - The proceeds of CRR's green bond will be tracked annually by TRM using an internal file, as long as the green bonds are outstanding. TRM will ensure that the amount of outstanding green bonds do not exceed the sum of the total book value of Eligible Green Projects that meet the Eligibility Criteria A and cost of refurbishments that meet the Eligibility Criteria B. CRR also plans to allocate the total amount of proceeds raised through the green bond issuance immediately to buildings that satisfy the Eligibility Criteria A or refurbishments that meet the Eligibility Criteria B. Pending allocation, the Investment corporation commits to holding an amount equal to that of unallocated funds in cash or cash equivalents. Sustainalytics considers the Investment corporation's proceeds management process to be in line with market practices.
- **Reporting:**
 - CRR will disclose allocation status annually on its website until the proceeds are fully allocated. The disclosure will include the amount of Eligible Green Projects and/or refurbishments financed/refinanced, and the amount of, allocation schedule for, and the method to manage, unallocated proceeds as of the end of every January. The Investment corporation will also disclose, as long as the green bonds are outstanding, the total book value of all the Eligible Green Projects and the amount of outstanding green bonds as of the end of every January, and thereby report that the outstanding amount of green bonds has not been in excess of the sum of the total book value of Eligible Green Projects and cost of refurbishments, defined in the Eligibility Criteria.
 - Additionally, CRR has committed to disclosing an impact report annually on its website, as long as the green bonds are outstanding. The disclosure will include a summary of Eligible Green Projects, progress and levels of certifications, energy and water consumption by the Eligible Green Projects, and the estimated rate of reduction (%) in the energy and water consumption before and after refurbishment projects.
 - Sustainalytics considers the Investment corporation's allocation and impact reporting to be in line with market practices.

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 2020

Sustainalytics is of the opinion that the Framework is in line with Japan's Green Bond Guidelines 2020. The guidelines communicate what an issuer should do to issue a credible green bond. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in the Japan's Green Bond Guidelines 2020.

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GBP and Japan's Green Bond Guidelines 2020	Alignment with GBP and Japan's Green Bond Guidelines 2020	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines 2020⁵
1. Use of Proceeds	Yes	The green building projects, defined by CRR as use of proceeds within the Framework, are recognized by Japan's Green Bond Guidelines 2020 as projects with environmental benefits. The Investment corporation also provides, in the Framework, explanations about environmental risks associated with Eligible Green Projects and its measures to manage and mitigate such risks, allowing investors to access in advance. Furthermore, in the event that green bonds will be issued for multiple times to refinance an asset that requires long-term maintenance, CRR commits to disclosing the asset's age, and to the extent possible the remaining useful life and the amount to be refinanced at the time of the bond issuance.
2. Process for Project Evaluation and Selection	Yes	In the Framework, CRR explains its environmental targets it seeks to achieve through the issuance of green bonds. The Framework also provides Eligible Criteria for the use of proceeds and explains that projects are evaluated and selected by the TRM Investment Committee, which is comprised of TRM's President & CEO, Director, and General Managers of relevant departments.
3. Management of Proceeds	Yes	In the Framework, it is explained that as long as the green bonds are outstanding, TRM will annually manage and ensure the amount of outstanding green bonds do not exceed the sum of the total book value of Eligible Green Projects and cost of refurbishments that meet the Eligibility Criteria by using an internal file. CRR plans to allocate the total amount of proceeds raised through the green bond issuance immediately to Eligible Green Projects. Pending allocation, the Investment corporation also commits to holding an amount equal to that of unallocated funds in cash or cash equivalents.
4. Reporting	Yes	In the Framework, CRR provides that it will report on the allocation of proceeds annually until the proceeds are fully allocated and whenever there has been

⁵ For detailed comments on alignment with ICMA GBP, please see Appendix 3.

a major change in the situation in a timely manner even after the full allocation. The disclosure will include the amount of Eligible Green Projects and/ or refurbishments financed/refinanced, and the amount of, allocation schedule for, and the method to manage, unallocated proceeds as of the end of every January. The Investment corporation will also disclose, as long as the green bonds are outstanding, the total book value of all the Eligible Green Projects and the amount of outstanding green bonds as of the end of every January. It has also committed to provide an annual impact report as long as green bonds are outstanding. Metrics to be disclosed in the report include a summary of Eligible Green Projects, certifications received and their levels, and estimated rates of reduction (%) in the energy and water consumption before and after refurbishment projects.

Section 2: Sustainability Strategy of CRR

Contribution of framework to Comforia Residential REIT, Inc.'s sustainability strategy

As one of their significant medium- to long-term environmental and social issues (the "Materiality"), CRR and TRM have raised the "reduction of environmental impact."⁶ To address this issue, CRR has set a goal of reducing, on a medium- to long-term basis, the energy consumption intensity and the energy-induced CO₂ emission intensity by an annual average of 1% for its entire portfolio and individual projects, in accordance with the Act on the Rational Use of Energy (the "Energy Saving Act").⁷ In addition, TRM, the asset manager for CRR, has established its Sustainability Policies⁸ and identified energy efficiency, decarbonization, water efficiency, and waste reduction as four major items in the "Environmental Considerations" category, promising that it would undertake improvement efforts through its asset management operations. As its concrete initiatives at residential properties, CRR is undertaking refurbishment projects that contribute to the energy efficiency, such as switching to LED lights and replacement of air conditioners.⁹ Further, as a result of promoting green building initiatives, the Investment corporation received a third-party green building certification for four of its properties.¹⁰

In view of CRR's efforts to achieve sustainability through the goals and policies mentioned above, Sustainalytics is of the opinion that the Investment corporation is well-positioned to issue green bonds. Sustainalytics also views that the Investment corporation's use of proceeds is consistent with its initiatives to reduce environmental impact caused by buildings in its portfolio, and will contribute to the achievement of medium- to long-term environmental goals.

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

Sustainalytics recognizes that, while CRR's Eligible Green Projects have clear environmental benefits, they may potentially pose environmental and social risks associated with the development, operation and refurbishment of buildings. Major risks include negative impact on the surrounding environment such as destruction of the ecosystem, energy and water consumption and health effects on workers caused by the

⁶ Comforia Residential REIT, Inc., "Materiality", at : <https://www.comforia-reit.co.jp/en/sustainability/materiality.html>

⁷ Comforia Residential REIT, Inc., "Examples of initiatives", at : <https://www.comforia-reit.co.jp/en/sustainability/examples.html>

⁸ TLC REIT Management Inc., "Sustainability Initiatives" at: <https://www.tokyu-trm.co.jp/en/sustainability/>

⁹ Comforia Residential REIT, Inc., "Examples of initiatives", at : <https://www.comforia-reit.co.jp/en/sustainability/examples.html>

¹⁰ Comforia Residential REIT, Inc., "Environmental Certification", at : <https://www.comforia-reit.co.jp/ja/sustainability/evaluation.html>

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release of hazardous substances into the environment. The Investment corporation is working to reduce these risks through the following systems and policies:

- In order to reduce environmental impact at the stage of building operation, CRR has committed to Sustainalytics to monitor the energy consumption intensity, energy-induced CO₂ emissions and water consumption at properties to which green bond proceeds are allocated, within the monthly meeting of Comforia Management Division attended by the General Manager of Asset Management Department, Comforia Management Division and other members. Additionally, CRR has committed to Sustainalytics that in case of finding an increase in environmental impact as a result of monitoring, CRR will investigate the cause of the increase and take measures such as updating the facilities.
- In its Sustainability Policies, TRM has committed itself to complying with environmental and social laws and regulations and evaluating environmental and social risks including soil contamination, presence of hazardous substances, status of waste management, and implementation of environmental impact assessments when required by ordinances, during the due diligence process at the time of acquiring a real estate.¹¹ With regard to hazardous substances, etc., that contain asbestos, polychlorinated biphenyl (PCB), or CFCs, CRR and TRM commits to reducing risks associated with occupational safety and health at properties to which proceeds are allocated, by following appropriate procedures for controlling and treating hazardous substances and complying with work standards that conform to relevant laws and regulations, including the "Occupational Safety and Health Act (Ordinance on Prevention of Health Impairment due to Asbestos)," "Air Pollution Control Act," and "Act on Securing the Recovery and Destruction of Fluorocarbons Contained in Specified Products."

In light of the systems and policies mentioned above, Sustainalytics is of the opinion that CRR is well positioned to manage and reduce environmental and social risks associated with eligible projects.

Section 3: Impact of Use of Proceeds

The use of proceeds category, Green Buildings, defined in the Framework, is recognized by the GBP and Japan's Green Bond Guidelines 2020 as a project category with positive environmental impact. Sustainalytics explains why this project category generates positive environmental impact in Japan as follows:

Importance of promoting energy efficiency at residential buildings

In FY2018, the volume of CO₂ emissions originated from residential buildings in the residential sector accounted for 15.6% of Japan's total CO₂ emissions.¹² Compared to the 1990 level, the total energy consumption by the residential sector increased by approx. 15%,¹³ which indicates that it is imperative to increase energy efficiency at residential buildings, to reduce CO₂ emissions in Japan. The Japanese government has been strengthening its energy efficiency-related regulatory measures in a phased manner. In 2015, it enacted the "Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act),"¹⁴ which requires medium- to large-scale residential buildings with an area of 300 m² or more to file an energy efficiency plan. In 2019, the government made partial amendments to the Act by issuing the "Revised Building Energy Efficiency Act,"¹⁵ which made it mandatory for small-scale residences to provide explanations about their compliance with energy-saving standards.

In addition, in its Nationally Determined Contribution (NDC) under the Paris Agreement,¹⁶ the Japanese government made a commitment that Japan would reduce its greenhouse gas emissions by 26% by 2030 from 2013 levels. To achieve this, the government set a target of reducing the residential sector's final energy consumption and CO₂ emissions by 27% and 39%, respectively.¹⁷ Energy saving measures to be implemented collectively to achieve the target include the improvement of energy efficiency in newly-built residential

¹¹ TLC REIT Management Inc., "Sustainability Initiatives" at: <https://www.tokyu-trm.co.jp/en/sustainability/>

¹² Ministry of the Environment, "Japan's National Greenhouse Gas Emissions in Fiscal Year 2018 (Final Figures) <Executive Summary>," at: <https://www.env.go.jp/press/files/en/829.pdf>

¹³ Ministry of Land, Infrastructure, Transport and Tourism, "Future Energy Conservation Measures for Housing and Buildings (Second Report) (Reference Material) (Japanese only)," at: <https://www.mlit.go.jp/common/001275971.pdf>

¹⁴ Ministry of Land, Infrastructure, Transport and Tourism, "Overview of the Building Energy Efficiency Act (Detailed Explanatory Session) (Japanese only)," at: <https://www.mlit.go.jp/common/001178846.pdf>

¹⁵ Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Production Division, Building Environment Planning Office, "Outline of Amendments to the Building Energy Conservation Law and Future Schedule, etc. (Japanese only)," at: https://www.mlit.go.jp/jutakukentiku/shoenehou_assets/img/library/R1gaiyouseitumeikaiteitext.pdf

¹⁶ "Submission of Japan's Nationally Determined Contribution," at: <https://www.env.go.jp/press/files/jp/113675.pdf>

¹⁷ Ministry of Land, Infrastructure, Transport and Tourism, "Energy Consumption Reduction Targets in the Global Warming Prevention Plan Based on the Paris Agreement (Japanese only)," at: <https://www.mlit.go.jp/common/001270436.pdf>

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buildings, promotion of existing residential buildings' heat-insulation refurbishment, introduction of high-efficiency lighting equipment, and implementation of thorough energy management.

In the Framework, CRR intends to use green bond proceeds to finance the acquisition of green buildings and refurbishments that contribute to the improvement of environmental performance. Items to be evaluated under the third-party green building certification schemes that apply to the use of proceeds, include energy-saving performance, water consumption, and waste management. Sustainalytics is of the opinion that CRR's use of proceeds will contribute to the reduction of energy consumption and other environmental impacts of domestic residential buildings, as well as to the achievement of climate change measures that have been implemented by the Japanese government.

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	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

Conclusion

CRR plans to issue green bonds based on the Framework and allocate the proceeds to finance/refinance projects related to green buildings. Sustainalytics considers that the use of proceeds will not only contribute to the achievement of the Investment corporation's goals to reduce its portfolio's environmental impact, but also support the achievement of the Japanese government's anti-climate change measures and the promotion of the SDG 9, through the reduction of energy consumption by residential buildings in Japan.

CRR's use of proceeds is recognized by the Green Bond Principles and Japan's Green Bond Guidelines 2020 as a project category with environmental benefits. The Eligibility Criteria defines the green bond proceeds to be used for acquisition of buildings that have received, or are expected to receive, any of the top three levels of nationally-recognized third-party green building certifications, as well as refurbishments that contribute to the acquisition of the said certifications or to the improvement of environmental performance. Furthermore, in the Framework, CRR has provided explanations about the Investment corporation's management of proceeds, project evaluation and selection processes, and reporting policies, which Sustainalytics considers to be in line with market practices.

Based on the above considerations, Sustainalytics is of the opinion that the Framework is credible and transparent, and in alignment with the four core components of the Green Bond Principles and Japan's Green Bond Guidelines 2020.

Appendices

Appendix 1: Framework Overview

For the purpose of issuing green bonds, CRR 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, on May, 2020. The framework belongs to CRR.

1. Use of proceeds

The proceeds of the green bond will be allocated to acquire the existing or new buildings that meet the following Eligibility Criteria A ('Eligible Green Projects'), or refurbishments that meet the following Eligibility Criteria B or to refinance the existing loan/investment corporation bonds which have been allocated to Eligible Green Projects or refurbishments. Additionally, in the event of refinancing assets that requires long-term maintenance through the issuance of multiple green bonds, CRR will disclose at the time of issuance the age of the asset, and to the extent possible the remaining useful life and the amount to be refinanced.

1.1 Eligibility Criteria

CRR shall apply one or more of the following criteria to allocate the proceeds into Eligible Projects:

A. Buildings that have achieved the following top three levels of third-party green building certification/recertification within 36 months prior to the payment date of green bonds or will achieve:

- B+, A, or S Rank under CASBEE
- 3, 4, or 5 Stars under DBJ Green Building Certification Program
- 3, 4, or 5 Stars under BELS

B. Refurbishments with a primary purpose of achieving one of the following criteria and are completed within 36 months prior to the payment date of green bond or will be completed:

- Refurbishments with more than 20% reduction in energy consumption and water consumption
- Newly achieve the top three levels of green building certifications listed above Eligibility Criteria A or more than one level of star/rank improvement in the green building certifications

2. Process for project evaluation and selection

2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

CRR declares that it will use the proceeds to finance the acquisition of buildings that meet the Eligibility Criteria A or finance refurbishments that meet the Eligibility Criteria B, or refinance the loans or finance redemption of bonds that have been allocated to Eligible Green Projects or refurbishments, and not use the proceeds for the purposes other than the above, excluding the portion allocated to the costs associated with the issuance of the green bonds.

Eligible Projects are evaluated and selected based on eligible criteria by the Investment Committee of TRM, which comprises the President & CEO, Director, the Chief Division Officer of Comforia Management Division, the General Manager of Asset Investment Department, the General Manager of Finance & Accounting Department, the General Manager of Corporate Planning & Administration Department, the General Manager of Environmental Engineering Department, the General Manager of Compliance Department, the General Manager of Asset Management Department in Comforia Management Division, and the General Manager of Strategy Department in Comforia Management Division.

2.2 Environmental Objectives

CRR is aware of the importance of incorporating the social demand for ESG (Environment, Society, and Governance) into its business operation and realizing a sustainable society. TRM established its Sustainability Policies in April 2019 and identified the priority ESG issues as "Materiality" in July 2019.

In order to reduce environmental impact, the Investment corporation has set the following medium- to long-term targets: (i) for energy use, 1% average annual reduction in energy use intensity; and (ii) for energy-induced CO₂ emissions, 1% average annual reduction in greenhouse gas emissions intensity. Its initiatives include implementation of refurbishments for higher energy efficiency, acquisition of environmental certifications, assessments, etc., efforts to improve waste management, introduction of green leases, and monitoring by Sustainability Promotion Council.

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2.3 Process to Mitigate Environmental and Social Risks

CRR has established a system to identify and manage environmental and social risks. More specifically, the Investment corporation regularly monitors not only its progress in implementing sustainability goals and measures but also relevant data on properties. Furthermore, CRR will hold the Comforia Management Division Meeting led by the Chief Division Officer of Comforia Management Division and attended by the General Manager of Asset Management Department, Comforia Management Division, the General Manager of Strategy Department, Comforia Management Division, and other members to report and discuss the progress, key issues, and solutions. The Chief Division Officer of Comforia Management Division oversees the execution of businesses as the person responsible for managing CRR's assets. Accordingly, approval by the Chief Division Officer of Comforia Management Division is required for the execution of plans or solutions.

3. Management of Proceeds

CRR extracts the Eligible Green Projects out of CRR's portfolio and uses the calculable total book value of the Eligible Green Projects as of the end of the latest fiscal period prior to the date of each bond issuance as the Debts of Eligible Green Projects. As long as the Green Bond is outstanding, TRM will monitor once a year, to ensure that the total amount of outstanding green bonds does not exceed the sum of Debts of Eligible Green Projects and green bond proceeds allocated to refurbishments by using an internal file. Payment of principal and interest on the green bonds will be made from CRR's general funds and will not be directly linked to the performance of any Eligible Green Projects.

CRR will disclose that the net proceeds from the green bonds will be immediately, or shortly thereafter, fully allocated to finance the acquisition of buildings that meet the Eligibility Criteria A, or finance refurbishments that meet the Eligibility Criteria B, or refinance the loans or finance redemption of bonds that have been allocated to Eligible Green Projects or refurbishments.

If the proceeds from the green bonds are temporarily not allocated to finance the acquisition of buildings that meet the Eligibility Criteria A, or finance refurbishments that meet the Eligibility Criteria B, or refinance the loans or finance redemption of bonds that have been allocated to Eligible Green Projects or refurbishments, CRR will identify the unallocated amount of the funds and manage them in cash or cash equivalents until they are allocated.

4. Reporting

4.1 Allocation reporting

CRR will disclose on its website the amount of Eligible Green Projects and/or refurbishments financed/refinanced, allocation status, including the amount of unallocated proceeds, schedule of allocation and managing method, of the net proceeds of green bonds as of end of every January until the proceeds are fully allocated. In the event of major change in situation, such as the accrual of unallocated funds as a result of the sale of relevant assets, such facts will be disclosed in a timely manner. CRR will also disclose that the total amount of outstanding green bonds does not exceed the sum of Debts of Eligible Green Projects and green bond proceeds allocated to refurbishments. Furthermore, after issuance, for as long as the green bonds are outstanding, it will annually report on the book value of all the Eligible Green Projects and the total amount of outstanding amount of the green bonds as of the last day of January in each year.

4.2 Impact reporting

As long as there is an unredeemed balance of the relevant green bonds, CRR will annually disclose on its website summary and the progress and levels of certifications of Eligible Green Projects. Additionally, CRR will annually disclose the following indicators of Eligible Green Projects where CRR has energy control authority:

- Energy consumption
- Water consumption

As for the refurbishments that have been funded by the green bonds, the environmental benefits brought by each project will be disclosed. CRR will indicate an estimated rate of reduction (%) of energy consumption and water usage before and after the refurbishment.

Appendix 2: Overview and Comparison of Green Building Certification Schemes

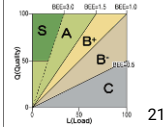
	CASBEE Certification ¹⁸	DBJ Green Building Certification ¹⁹	BELS ²⁰
Background	The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Certification is a green building certification scheme in Japan, which a third party certifies the environmental performance of buildings. The certification 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	The scope of evaluation of the DBJ Green Building Certification includes construction specifications, environmental features, as well as social factors.	None
Areas of Assessment: Environmental Performance of the Building	• Energy Efficiency • Resource efficiency • Local environment • Indoor environment • * Areas for assessment of CASBEE for Real Estate are energy/GHG, water, resource, biodiversity, indoor environment	• Energy & Resources (Energy efficiency, resource efficiency, etc.) • Amenity (Convenience/comfortableness) • Resilience (Environmental risk, regulatory compliance, etc.) • Community & Diversity (Considerations to surrounding environment, biodiversity, etc.) • Partnership (Information disclosure, etc.)	• Energy efficiency

¹⁸ Institute for Building Environment and Energy Conservation, "CASBEE certification scheme (Japanese only)", at: <http://www.ibec.or.jp/CASBEE/certification/certification.html>.

¹⁹ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>.

²⁰ Association for Housing Performance Evaluation & Labeling, "Building-Housing Energy-efficiency Labelling System Building Energy-efficiency Performance Labeling System (Japanese only)", at: <https://www.hyoukakyoukai.or.jp/bels/bels.html>.

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Requirements	Score-based performance level.	Score-based performance level	Score-based performance level.
	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. * CASBEE for Real Estate does not use BEE, additional point system. Certification will not be given, if required item are not met.	The assessment is based on a 300-point scale and consists of 85 questions (73 ordinary questions and 12 innovation questions). JREI will conduct an on-site review of the building performance based on the indicators above, and a committee set within JREI will make the final decision on the certification results.	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. A two-star rating is equivalent to meeting existing energy conservation standards, with higher star ratings implying greater savings. The score is calculated by an accredited third party.
Performance display	 21	 22	 23
Qualitative considerations	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 assessment results mandatory for building permits.	In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the accepted green building standards in Japan. According to its website, as of March 2019, 695 properties in Japan have been certified by the Programme.²⁴	BELS is aligned with official government standards. The scheme assesses only energy performance, without any broader consideration of holistic environmental factors.

²¹ 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.

²² Development Bank of Japan, "DBJ Green Building", at: http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf.

²³ Institute for Building Environment and Energy Conservation, "Display example of BELS (Japanese only)", at: https://www.hyoukakyokai.or.jp/bels/pdf/170401bels_07.pdf.

²⁴ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>

Appendix 3: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Comforia Residential REIT, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Comforia Residential REIT, Inc. Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 7, 2020
Publication date of review publication:	

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:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ 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)

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):

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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 SDG 9.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| ☐ Renewable energy | ☐ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☐ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | ☐ 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):

CRR's projects are evaluated and selected by the Investment Committee of TLC REIT Management Inc. (TRM), the asset manager for the Investment corporation. The TRM Investment Committee is composed of the President & CEO, Director, and General Managers of relevant departments and divisions. CRR's process for evaluating and selecting projects is in line with market practices.

Evaluation and selection

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

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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):

CRR's green bond proceeds will be tracked annually by TRM using an internal file, as long as the green bonds are outstanding. TRM will ensure that the amount of outstanding green bonds do not exceed the sum of the total book value of Eligible Green Projects and cost of refurbishments that meet the Eligibility Criteria. Pending allocation, unallocated funds will be held in cash or cash equivalents. The Investment corporation's process to manage proceeds is in line with market practices.

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):

CRR has committed to disclose annually, on its website, an allocation report until the proceeds are fully allocated as well as an impact report as long as the green bonds are outstanding. The disclosure on allocation will include the amount of financing and refinancing of Eligible Green Projects and/or refurbishments, the amount of unallocated proceeds, allocation schedule, and the method to manage unallocated proceeds. As environmental impact metrics, qualitative metrics such as green building certifications and levels achieved and quantitative metrics such as energy consumption will be disclosed. Sustainalytics considers that the Investment corporation's reporting is in line with market practices.

Use of proceeds reporting:

- ☐ Project-by-project ☒ On a project portfolio basis

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☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Green Bond financed share of total investment

☒ Other (please specify): Amount of financing/refinancing, amount of unallocated proceeds, schedule of allocation and managing method, book value of all the Eligible Green Projects and the total amount of outstanding amount of the green bonds

Frequency:

☒ Annual

☐ Semi-annual

☒ Other (please specify): In the event of major change in situation

Impact reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported (expected or ex-post):

☐ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify): Progress and levels of certifications of Eligible Green Projects, energy consumption, water consumption, and estimated rate of reduction (%) of energy consumption and water usage before and after the refurbishment

Frequency

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify):
CRR's website

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- ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

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:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ 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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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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Sustainalytics

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