

Kenedix Office Investment Corporation

Type of Engagement: Annual Review

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Introduction

In February 2019, Kenedix Office Investment Corporation (KDO) issued a green bond aimed at refinancing expenditures related to green buildings (the “Green Bond”). In February 2020, KDO engaged Sustainalytics to review the projects funded by the issued Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Kenedix Office Investment Corporation Green Bond Framework (the “Green Bond Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects funded in 2019 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 lists the associated the KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria
Green Buildings and Energy Efficiency	<p>Eligible Green Projects must meet one of the following criteria:</p> <ol style="list-style-type: none"> 1. Green Buildings that have achieved one of the following green building certifications two years prior to the settlement date of the bond or reporting dates or expect them to receive post issuance: <ol style="list-style-type: none"> (i) 3 stars of above under the DBJ Green Building (ii) B+ or above Rank under the CASBEE Certification System (iii) 3 stars of above under the BELS Certification 2. Construction and/or facility refurbishments with a primary purpose of achieving one of the following criteria within two years prior to the settlement date of the bond or expected to be spent post issuance: <ol style="list-style-type: none"> (i) At least 10% reduction in final energy consumption (ii) At least 10% reduction in final water consumption (iii) Other environmentally beneficial refurbishments generating at least 10% improvements

¹ The Kenedix Office Investment Corporation Green Bond Framework and Sustainalytics Second-Party Opinion: https://www.sustainalytics.com/wp-content/uploads/2019/01/Kenedix-Office-Investment-Corporation-Green-Bond-Framework-Overview-and-Second-Party-Opinion_Final.pdf

Table 2: Key Performance Indicators

Key performance indicators	
Green Buildings and Energy Efficiency	<p><u>Eligibility Criteria 1:</u> Green Buildings that have achieved green building certifications</p> <ul style="list-style-type: none"> • Number of Eligible Green Assets and certifications • Total floor area of the Eligible Green Assets • The following quantitative indicators of the Eligible Green Assets where KDO has energy control authority: <ul style="list-style-type: none"> – Energy consumption – Water consumption – CO₂ emissions <p><u>Eligibility Criteria 2:</u> Construction and/or facility refurbishments contributing to energy savings and positive environmental benefits:</p> <ul style="list-style-type: none"> – Energy consumption – Water consumption – CO₂ emissions

Issuing Entity's Responsibility

KDO is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of KDO's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from KDO's employees and review of documentation to confirm the conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by KDO with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by KDO.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of KDO's Green Bonds, are not in conformance with the Use of Proceeds Criteria and Reporting Commitments outlined in the Green Bond Framework. KDO has disclosed to Sustainalytics that the proceeds of the Green Bond were fully allocated as of March 2019.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green Bond in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Commitments	Verification of the projects funded by the Green Bond in 2019 to determine if impact of projects were reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on KPIs per Use of Proceeds criteria.	None

Appendix 1: Projects Reviewed

Use of Proceeds Category	Project Name	Type and Level of Certification	Certification Date	Compliance with Use of Proceeds Criteria
Green Buildings	KDX Kobayashi Doshomachi Building (funded by the green bond proceeds)	S rank under the CASBEE Certification System	Within two years prior to the green bond settlement (30 October 2018)	Yes
		3 stars under the DBJ Green Building Certification	Within two years prior to the reporting dates (28 February 2019)	Yes
	KDX Toranomom 1-Chome Building (funded by the green bond proceeds)	5 stars under the DBJ Green Building Certification	After the green bond settlement (28 February 2019)	Yes
	Total Eligible Green Assets	Either above 3 stars under the DBJ Green Building Certification, above B+ under the CASBEE Certification System, or above 3 stars under the BELS Certification	Either within two years prior to the green bond settlement or reporting date or after the green bond settlement	Yes

Appendix 2: Impact Reporting³

Use of Proceeds Category	Key performance indicators			Compliance with Reporting Commitments
Green Buildings	KDX Kobayashi Doshomachi Building	Number of Green Building Certifications	2	Yes
		Total Floor Area (m ²)	10,723.83	
		Energy Consumption (kl/y)	307	
		Water Consumption (m ³ /y)	7,847	
		CO ₂ Emissions (tCO ₂ /y)	658	
	KDX Toranomom 1-Chome Building	Number of Green Building Certifications	1	
		Total Floor Area (m ²)	11,212.05	
		Energy Consumption (kl/y)	444	
		Water Consumption (m ³ /y)	2,939	
		CO ₂ Emissions (tCO ₂ /y)	631	
	Total Eligible Green Assets	Number of Eligible Green Assets	21	
		Number of Green Building Certifications	25	
		Total Floor Area (m ²)	230,984.77	
		Energy Consumption (kl/y)	8,800	
		Water Consumption (m ³ /y)	147,519	
	CO ₂ Emissions (tCO ₂ /y)	15,474		

³ Energy Consumption, Water Consumption, and CO₂ Emissions are figures of the fiscal year ended March 31, 2019.

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