

Second-Party Opinion

Nippon Building Fund Inc. Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Nippon Building Fund Inc. (“NBF” or the “Investment Corporation”) Green Finance Framework (The “Framework”) is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and the Green Loan Principles 2020 (GLP). 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 and GLP. Sustainalytics considers that NBF’s eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9.



PROJECT EVALUATION / SELECTION The candidate projects will be selected by the Real Estate Investment Team of the Investment & Finance Group of Nippon Building Fund Management Ltd. (NBFM), the asset management company of NBF, and after deliberations by the Investment Review Meeting and Executive Board, the President & CEO will make the final selection of the projects. NBF’s evaluation and selection process is in line with market practice.



MANAGEMENT OF PROCEEDS NBF manages the proceeds in a portfolio approach. While the green finance is outstanding, the Financial Team of NBFM will annually ensure that the amount of outstanding finance do not exceed the sum of acquisition costs of the Eligible Green Assets, using an accounting system and ledger sheet. Unallocated proceeds will be held in cash or cash equivalents. NBF’s management of proceeds is aligned with market practice.



REPORTING NBF will disclose on its website annually information on the allocation and environmental impacts. In the allocation reporting, NBF will disclose the names of the Eligible Green Assets, amount of Eligible Green Debts and outstanding green finance, and the fact that the outstanding green finance does not exceed the Eligible Green Debts. In the impact reporting, NBF will disclose the types and ranks of green building certifications of the Eligible Green Assets and qualitative and quantitative indicators including CO₂ emissions from energy consumption. Sustainalytics views NBF’s reporting as aligned with market practice.

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Issuer Location	Tokyo, Japan

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Alignment with Japan’s Green Bond Guidelines 2020 and Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with the Japan’s Green Bond Guidelines 2020 as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020, developed by the Ministry of the Environment of Japan.

Introduction

Nippon Building Fund Inc. (“NBF”, or the “Investment Corporation”) is a real estate investment fund (J-REIT) founded in March 2001. It has Mitsui Fudosan Co., Ltd. as main sponsor and was listed on the Tokyo Stock Exchange Real Estate Investment Trust Section in September 2001. NBF manages office buildings mainly in the center of Tokyo. The asset management is contracted out to NBFM.

NBF has developed the Nippon Building Fund Green Finance Framework (the “Framework”) under which it intends to issue green bonds and execute green loans and use the proceeds to finance and/or refinance, existing and/or future projects that generate environmental benefits. The Framework defines eligibility criteria in the following area:

1. Green Buildings

NBF engaged Sustainalytics to review the Framework, dated February 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the GBP,¹ GLP,² Japan’s Green Bond Guidelines 2020³ as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020.⁴ 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’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project 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, GLP as administered by LMA, and Japan’s Green Bond Guidelines 2020 as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020;
- The credibility and anticipated positive impacts of the use of proceeds; and
- 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 1.6.1, 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 NBFM’s Financial Team of the Investment & Finance Group 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. NBFM representatives have confirmed (1) they understand it is the sole responsibility of NBFM 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 NBF.

¹ International Capital Market Association, “Green Bond Principles 2018” at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bondprinciples-gbp>

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

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

⁴ Ministry of the Environment, Japan, “Green Loan and Sustainability Linked Loan Guidelines 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

⁵ 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.

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 projects expected to be financed with bond and loan 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 potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan 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 NBFM has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Nippon Building Fund Green Finance Framework

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

- Use of Proceeds:
 - The eligible category for the use of proceeds, Green Buildings, is recognized by the GBP and GLP as project category with clear environmental impact. The use of proceeds will advance NBF's measures to decrease energy usage and CO₂ emissions for reduction of the environmental load attributable to its portfolio and contribute to climate change mitigation. Please see Section 3 for Sustainalytics' assessment on the use of proceeds.
 - NBF intends to use the proceeds to acquire assets that meet the eligibility criteria (the "Eligible Green Assets"), to refinance borrowings that were allocated to acquire the Eligible Green Assets, or to redeem the outstanding investment corporation bonds (including green bonds). The proceeds will be allocated to, in accordance with the eligibility criteria, the assets that are certified or recertified, or will be certified or recertified, by one of the following green building certification programs: DBJ Green Building Certification; BELS Certification; or CASBEE for Real Estate Certification; with one of the top three ranks of certification. Sustainalytics notes that it is market practice to finance only green buildings that receive the top two levels of certification, while also noting that the financing of buildings at the third level can also be expected to have some positive impact. (Please see Appendix 2 for an overview of green building certification schemes.)
 - In the case of refinancing, NBF will allocate the proceeds to assets that are certified or recertified within 3 years (in the case of DBJ Green Building Certification) or 5 years (in the case of CASBEE for Real Estate Certification) prior to issuance of the green bond or execution of the green loan or that will be certified or recertified.
- Project Evaluation and Selection:
 - The candidate projects, to which the proceeds may be allocated, are selected and proposed by the Real Estate Investment Team of the Investment & Finance Group of NBFM, deliberated at the Investment Review Meeting, which consists of general managers or above of the teams, and then deliberated at the Executive Board of NBFM which consists of the President & CEO, Chief Investment Officer and Chief Operating Officer. The final selection will be made by the President & CEO. Considering involvement of the top management including the President & CEO and a plurality of officers in charge at meetings, Sustainalytics views that NBF's project evaluation and selection process is aligned with market practice.
- Management of Proceeds:

- The proceeds of the green finance will be managed in a portfolio approach. While the green finance is outstanding, the Financial Team of the Investment & Finance Group of NBFM will annually ensure that the amount of outstanding green finance do not exceed the sum of acquisition costs of the Eligible Green Assets, using an accounting system and ledger sheet, and the general manager of the Financial Team of NBFM will make the final approval to ensure the management of proceeds. In case the proceeds of the green finance are not fully allocated at an early stage, the unallocated proceeds will be held in cash or cash equivalents. Additionally, the Investment Corporation does not expect any unallocated proceeds at this time, as it will manage the proceeds by ensuring that the amount of outstanding green finance do not exceed the amount of Eligible Green Debts after full allocation. Sustainalytics considers NBF's proceeds management process to be aligned with market practice.
- Reporting:
 - NBF will annually disclose the allocation of proceeds and environmental impacts on its website. The allocation reporting will include the names of the Eligible Green Assets, amount of Eligible Green Debts and outstanding green finance as well as the fact that the outstanding green finance does not exceed the Eligible Green Debts. In the event of unallocated proceeds, NBF will also disclose the information on that the unallocated proceeds are held in cash or cash equivalents and expected timing of allocation. In the impact reporting that shows environmental impacts, NBF will disclose the type and rank of green building certifications of Eligible Green Assets as well as quantitative indicators of the entire portfolio of assets of the Investment Corporation, including data on the energy consumption, CO₂ emissions from energy consumption, water consumption and amount of waste. Considering the disclosure policy and indicators, Sustainalytics views NBF's reporting as aligned with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the Nippon Building Fund. Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2020 and Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020

The guidelines communicate what an issuer is expected to do to issue a credible green bond and loan. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in the Japan's guidelines 2020 on green bonds and green loans. For detailed information please refer to Appendix 3: Alignment with Japan's Green Bond Guidelines 2020 as well as Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020.

Section 2: Sustainability Strategy of NBF

Contribution of framework to NBF's sustainability strategy

Based on the recognition of the importance of consideration to ESG in the real estate investment business, NBFM, the asset manager for NBF, follows the Group Environmental Policy⁶ and Policy for Social Contribution Initiatives⁷ of Mitsui Fudosan Group, which is the main sponsor of NBF, and strives to achieve property management activities with consideration to reduction of environmental load.⁸ NBF also established the ESG Initiative Policy,⁹ committing itself to the property management that contributes to

⁶ Mitsui Fudosan Co., Ltd., "The Group Environmental Policy (Japanese only)", at: https://www.mitsui-fudosan.co.jp/corporate/esg_csr/environment/01.html#p01

⁷ Mitsui Fudosan Co., Ltd., "Formulation of Policy for Social Contribution Initiatives (Japanese only)", at: https://www.mitsui-fudosan.co.jp/corporate/csr/2013/mf_csr/social_policy/index.html

⁸ Nippon Building Fund Inc., "Nippon Building Fund Inc. ESG Report", at: https://www.nbf-m.com/nbf_e/profile/sustainability/doc/esg_report.pdf

⁹ Nippon Building Fund Inc., "Nippon Building Fund Inc. ESG Report", at: https://www.nbf-m.com/nbf_e/profile/sustainability/doc/esg_report.pdf

reduction in the environmental loads and working on sustainability initiatives through business activities by setting the following numerical targets and policies.

- NBF publishes its policy to promote efficient energy use and CO₂ emission reduction in the property investment business, and sets a target of reducing CO₂ emissions output intensity from energy consumption by over 40% by 2030 from the 2013 baseline. NBF is promoting measures to reduce energy use and CO₂ emissions from its portfolio, replacing air-conditioning equipment, installing LED lighting, increasing solar power generation and introducing BEMS and BAS at the properties under management.¹⁰
- NBF is committed to reduction in water usage, resources usage and waste generation, promoting recycling of resources through introduction of water-saving equipment and facilities for use of rain water and recycled water.¹¹
- NBF is committed to continuously obtaining green building certification from third-party certification agencies. As of June 30, 2020, 38 properties, or 53.5% of the portfolio assets, are certified by DBJ Green Building Certification System with three stars or higher ratings.¹²

Given the above, Sustainalytics views that the Framework is consistent with NBF's environmental targets and policies and provides support for the measures for reducing environmental loads of its portfolio that NBF is promoting.

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

Sustainalytics recognizes that, while the eligible projects related to green buildings defined in the Framework will generate clear positive environmental impacts, they may pose environmental and social risks associated with the eligible assets including energy consumption, water usage, discharged waste, negative impacts on natural environment in the surrounding areas and human health due to dispersal of pollutants. In the due diligence process for new investments, NBF retains, for external experts to carry out surveys on environmental and social risks including existence and control status of hazardous materials including asbestos, CFC, and PCB, soil contamination and status of environmental impact assessment required by relevant ordinances. If a risk is identified, NBF is committed in the Framework to forgo the acquisition of the property or carrying out corrective measures. NBF is also seeking to control and mitigate environmental and social risks of existing properties by carrying out regular monitoring of environmental and social risks and building assessment of energy-saving performance. Given the policies and programs described above, Sustainalytics views that NBF is well positioned to manage and mitigate environmental and social risks associated with eligible projects.

Section 3: Impact of Use of Proceeds

The use of proceeds category, Green Buildings, that NBF defines in the Framework is aligned with those recognized by the GBP, GLP, Japan's Green Bond Guidelines 2020 as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020. Sustainalytics explains why the project category leads to positive environmental impacts in Japan as follows:

Contribution of Green Buildings to climate change mitigation

NBF intends to allocate proceeds of the green finance to acquire green buildings that were certified or recertified, or will be certified or recertified in the future, by third-party green building certifications. In Japan, the final energy consumption of the commercial and others sector related to buildings such as offices and commercial facilities has increased about 20% since 1990. These buildings are also responsible for 18.5% of Japan's total CO₂ emissions. Accordingly, enhancement of the energy-saving performance of buildings are expected to play an important role in promoting climate change measures.¹³¹⁴ The Nationally Determined Contributions (NDC), in which Japan is committed to reducing GHG emissions by 26% by FY2030 in comparison to those in FY2013, imposes a 40% reduction in CO₂ emissions on the commercial and others

¹⁰ Nippon Building Fund Inc., "Nippon Building Fund Inc. ESG Report", at: https://www.nbf-m.com/nbf_e/profile/sustainability/doc/esg_report.pdf

¹¹ Nippon Building Fund Inc., "Nippon Building Fund Inc. ESG Report", at: https://www.nbf-m.com/nbf_e/profile/sustainability/doc/esg_report.pdf

¹² Nippon Building Fund Inc., "Nippon Building Fund Inc. ESG Report", at: https://www.nbf-m.com/nbf_e/profile/sustainability/doc/esg_report.pdf

¹³ Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Production Division, "Revision of the Building Energy Conservation Act (Japanese only)", at: https://www.meti.go.jp/shingikai/enecho/shoene_shinene/sho_energy/pdf/028_03_00.pdf

¹⁴ "Greenhouse Gas Emissions in Fiscal Year 2018 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113761.pdf>

sector in relation to buildings,¹⁵ which is a highest reduction target among all the sectors. In 2015, the Japanese government enacted the “Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act),”¹⁶ imposing rigorous regulations to promote energy efficiency measures for buildings. The BELS Certification Program, one of the green building certification systems defined by NBF as eligibility criteria, assesses the energy-saving performance of buildings.¹⁷ The CASBEE Certification Program and DBJ Green Building Certification Program assesses, in addition to energy-saving performance, a wide range of environmental aspects such as resource conservation including reduction in water use and waste, and the use of recycled resources, as well as consideration for the surrounding ecosystem.¹⁸¹⁹²⁰

Given the above, Sustainalytics is of the opinion that NBF’s allocation of proceeds to green buildings will generate clear environmental benefits, by contributing to reducing environmental loads attributable to buildings including energy consumption and CO₂ emissions, providing support for climate change measures that the Japanese government is promoting.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the Framework advances the following SDG 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

NBF will execute green finance under the Framework and allocate the proceeds to finance and/or refinance expenditures related to green buildings. Sustainalytics considers that use of proceeds category defined in the Framework will help NBF achieve the target for reduction of energy consumption and CO₂ emissions that NBF is pursuing for decreasing environmental loads associated with the portfolio, provide support for the climate change programs that the Japanese government is promoting and contribute to advancement of the UN Sustainable Development Goal 9.

The use of proceeds category of NBF is recognized by the GBP, GLP, Japan’s Green Bond Guidelines 2020, and expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020, as one with clear environmental impact. NBF will allocate the proceeds to green buildings that is certified or recertified, or will be certified or recertified, by a third-party of the green building certification scheme with the top three levels of certifications. NBF describes in the Framework the disclosure policy on management of the proceeds, allocation and environmental impacts on an annual basis, in addition to project evaluation and selection process, and Sustainalytics considers the commitments of NBF to be aligned with market practice.

¹⁵ “Submission of Japan’s Nationally Determined Contribution (NDC) (Japanese only)”, at: <https://www.env.go.jp/press/files/jp/113664.pdf>

¹⁶ Ministry of Land, Infrastructure, Transport and Tourism, “Overview of the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Conservation Act) (Japanese only)”, at: http://www.ibec.or.jp/ee_standard/files/outline_pamphlet.pdf

¹⁷ Association for Housing Performance Evaluation & Labeling, “About the energy-saving performance display system based on the Building Energy Conservation Law (Japanese only)”, at: https://www.hyokakyoukai.or.jp/bels/pdf/170401bels_04.pdf

¹⁸ Institute for Building Environment and Energy Conservation, “CASBEE for Buildings (New Construction) (Japanese only)”, at: https://www.ibec.or.jp/CASBEE/cas_nc.htm

¹⁹ Institute for Building Environment and Energy Conservation, “CASBEE for Real Estate (Japanese only)”, at: https://www.ibec.or.jp/CASBEE/CASBEE_MP.htm

²⁰ Development Bank of Japan, Japan Real Estate Institute, “DBJ Green Building Certification 2019 Scoring Model v1.3”: http://igb.jp/contentsdata/pdf/score-seat2019v1_3.pdf

Based on the above, Sustainalytics is of the opinion that the Framework is robust, transparent, and in alignment with the four core components of the GBP, GLP, Japan's Green Bond Guidelines 2020, and expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020.

Appendices

Appendix 1: Framework Overview

For the purpose of issuing green bonds and executing green loans, NBF has developed the following Framework which addresses the four key core components of the GBP and GLP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, in February 2021. The Framework belongs to NBF.

1. Use of proceeds

NBF will allocate the proceeds of green finance to acquire assets that meet the following eligibility criteria (the “Eligible Green Assets”), to refinance loans or to redeem investment corporation bonds (including green bonds) already issued, to finance the acquisition of Eligible Green Assets or the repayment of loans required for the acquisition of Eligible Green Assets.

In the case of refinancing, allocation will be limited to those certified or recertified within 3 years (in the case of DBJ Green Building Certification) or 5 years (in the case of CASBEE for Real Estate Certification) prior to issuance of the green bond or execution of the green loan or to those expected to be certified or recertified in the future.

In the event of refinancing an Eligible Green Asset, through the issuance of multiple green bonds or green loans, the asset’s age and remaining useful life and the amount to be refinanced will be disclosed, and the sustainability of the long-term environmental impact of the asset will be evaluated, at the time of issuance of the green bonds or green loans to the extent practicable.

1.1 Eligibility Criteria

Assets that were certified or recertified, or will be certified or recertified, by one of the following third-party certifications:

- 3, 4, or 5 Star under DBJ Green Building Certification
- 3, 4, or 5 Star under BELS Assessment
- B+, A, or S Rank under CASBEE for Real Estate Certification

2. Process for project evaluation and selection

2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

The eligibility criteria are proposed by the Financial Team of Nippon Building Fund Management Ltd. (“NBFM”), deliberated at the Investment Review Meeting that is composed of general managers or above of the teams, presented to the Executive Board of NBFM that is composed of the President & CEO, Chief Investment Officer and Chief Operating Officer, and finally decided by the President & CEO in consideration of the deliberation results of the Executive Board.

The eligible assets, to which the proceeds of the green finance are to be allocated, are proposed by the Real Estate Investment Team of the Investment & Finance Group of NBFM, deliberated at the Investment Review Meeting that is composed of general managers or above of the teams, presented to the Executive Board of NBFM that is composed of the President & CEO, Chief Investment Officer and Chief Operating Officer, and finally approved by the President & CEO in consideration of the deliberation results of the Executive Board.

2.2 Environmental Objectives

Mitsui Fudosan, which is the main sponsor of NBF, has, under the group statement of “Bring affluence and comfort to urban living,” set up the policies for social contribution and environmental activities of Mitsui Fudosan Group. NBF has, incorporating the policies and guidelines set up by Mitsui Fudosan, established the “Guidelines for ESG Programs” as its basic policy. Based on the recognition that respecting the ESG principle is an important issue in the real estate investment business, NBF is committed to the real estate management business that aims to reduce the environmental load, ensure safety and peace of mind, and enhance comfortableness, and seeks collaboration and cooperation of various types with various parties under the “Group Environmental Policy” and “Social Contribution Activity Policy” of Mitsui Fudosan Group.

2.2 Process to Mitigate Environmental and Social Risks

In the due diligence process for new investments, NBF retains external experts to identify environmental and social risks, which are utilized in the investment decision-making process. The environmental and social risk monitoring is carried out for the existing properties under management regularly, and the

specialized building assessment is also carried out such as the “energy-saving walk-through” as a program to reduce risks and to identify opportunities to enhance the value of the properties. In cases where there is a risk of negative impact on the environment, our policy is to avoid or mitigate the risk by postponing the acquisition of the property, requesting the seller to take corrective measures, or conducting additional construction.

3. Management of Proceeds

NBF will set the maximum amount of green finance as the sum of the acquisition costs of the Eligible Green Assets (the “Eligible Green Debts”). NBF will manage so that the outstanding amount of the green finance will not exceed the Eligible Green Debts.

The proceeds of green finance will be remitted to the account of NBF, and tracked by Financial Team of the Investment & Finance Group using an accounting system and ledger sheet.

While the green finance is outstanding, NBF will check once a year so that the outstanding green finance will not exceed the Eligible Green Debts. In carrying out the process above, the general manager of the Financial Team of NBFM is designated as final approver.

In case the proceeds of the green finance are not fully allocated at an early stage, the unallocated proceeds are identified and an amount equal to the unallocated proceeds will be kept in cash or cash equivalents. After the proceeds are fully allocated, NBF expects to manage the green finance balance ensuring that the amount of outstanding finance do not exceed the amount of Eligible Green Debts, and it does not expect any unallocated proceeds to be generated at this time.

4. Reporting

4.1 Allocation reporting

As long as the green finance is outstanding, NBF will annually disclose the following information on the website and in the ESG report:

- Names of Eligible Green Assets
- Amount of Eligible Green Debts
- Amount of Outstanding green finance
- The fact that the outstanding green finance does not exceed the Eligible Green Debts

The proceeds of the green finance will be allocated shortly, so that there will not be any unallocated proceeds. However, in the unlikely event that there are, NBF will disclose that the unallocated proceeds will be kept in cash or cash equivalents until they are allocated, and expecting timing of allocation.

In the event of significant change after full allocation, information on the allocation will be disclosed.

4.2 Impact reporting

NBF will disclose the following information on the website and in the ESG report at all times, and update at least once a year:

- Type and rank of environmental certification of Eligible Green Assets
- Environmental performances of the portfolio (energy, CO₂ from energy consumption, water consumption, amount of waste)

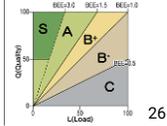
Appendix 2: Overview of Green Building Certification Schemes

	DBJ Green Building Certification²¹	BELS²²	CASBEE Certification²³
Background	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.	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.
Certification levels	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent) * 4-grade evaluation for CASBEE for Real Estate excluding C rank
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy & Resources (Energy conservation, resource conservation, etc.) • Amenity (Convenience and comfort) • Resilience (Environmental risks, legal compliance, etc.) • Community & Diversity (Consideration for the surrounding environment and biodiversity, etc.) • Partnership (information disclosure, etc.) 	<ul style="list-style-type: none"> • Energy efficiency 	<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

²¹ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>.

²² 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>.

²³ Institute for Building Environment and Energy Conservation, "CASBEE certification scheme (Japanese only)", at: <http://www.ibec.or.jp/CASBEE/certification/certification.html>

<p>Requirements</p>	<p>Score-based performance level.</p> <p>The assessment has a full score of 300 points and consists of 85 questions, 73 of which are regular questions and 12 of which are questions on innovative initiatives.</p> <p>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>	<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>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>* CASBEE for Real Estate does not use BEE, additional point system. Certification will not be given, if required item are not met.</p>
<p>Performance display</p>	 <p>24</p>	 <p>25</p>	 <p>26</p>
<p>Qualitative considerations</p>	<p>In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan. According to its website, as of end of March 2020, 902 properties in Japan are certified by the programme.²⁷</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>	<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 assessment results mandatory for building permits.</p>

²⁴ Development Bank of Japan, "DBJ Green Building", at: http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf

²⁵ Institute for Building Environment and Energy Conservation, "Display example of BELS (Japanese only)", at: https://www.hyokakyokai.or.jp/bels/pdf/170401bels_07.pdf

²⁶ 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

²⁷ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>

Appendix 3: Alignment with Japan’s Green Bond Guidelines 2020 and Expected Elements of Green Loans under the Green Loan and Sustainability Linked Loan Guidelines 2020

Four elements	Alignment	Sustainalytics’ comments
1. Use of Proceeds	Yes	The eligible category for use of proceeds defined by NBF in the Framework, green buildings, is recognized by Japan’s Green Bond Guidelines 2020 as well as expected elements of Green Loans under the Green Loan and Sustainability Linked Loan Guidelines 2020, as project category with clear environmental impact. The process to manage and mitigate environmental risks associated with the eligible projects are also described in the Framework for investors and lenders to review in advance. In the event of refinancing an asset through the issuance of multiple green bonds or execution of multiple green loans, NBF will, where feasible, disclose the asset’s age, remaining useful life, and the amount to be refinanced, and evaluate the sustainability of the long-term environmental impact of the asset, at the time of issuance. While expected elements of green loan under the Green Loan and Sustainability Linked Loan Guidelines 2020 expects that green loans that are part of multi-tranche loans should be clearly designated and tracked in an appropriate manner, the Investment Corporation has confirmed to Sustainalytics that it does not intend to execute green loans as part of multi-tranche loans.
2. Process for Project Evaluation and Selection	Yes	The Framework demonstrates the ESG Initiative Policy that NBF aims to achieve through issuance of green bonds and execution of green loans. The eligibility criteria and process for project evaluation and selection are also defined in the Framework.
3. Management of Proceeds	Yes	The Framework describes that the Financial Team of the Investment & Finance Group of NBFM will manage the proceeds, and that the team will track the amounts of allocated and unallocated amounts of the proceeds annually until the green bond and green loan is redeemed. While NBF does not expect that there will be unallocated proceeds, it explains in the Framework that in the event that unallocated proceeds arise, an amount equal to the unallocated proceeds will be kept in cash or cash equivalents.
4. Reporting	Yes	NBF is committed in the Framework to disclosing the status of allocation of the proceeds annually as long as the green finance is outstanding and environmental impacts at all times, and in a timely manner in the event of substantial change. The allocation reporting will include the names of the Eligible Green Assets, amount of Eligible Green Debts, amount of outstanding green finance, and the fact that the outstanding green finance does not exceed the Eligible Green Debts. In case there are unallocated proceeds, the expected timing of allocation and the method to manage unallocated proceeds will also be disclosed. The impact reporting will include the types and ranks of green building certification that the Eligible Green Assets have acquired and quantitative indicators of the Investments Corporation’s assets portfolio related to energy consumption,

CO₂ emissions from energy consumption, water usage, and waste discharge.

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Nippon Building Fund Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Nippon Building Fund Inc. Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 10, 2021
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 GBP:

- | | |
|--|--|
| <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 and GLP. Sustainalytics considers that NBF's eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 9.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The candidate projects will be selected by the Real Estate Investment Team of Nippon Building Fund Management Ltd. (NBFM), the asset management company of NBF, and after deliberations by the Investment Review and Executive Board, the President & CEO will make the final selection of the projects. NBF's evaluation and selection process is in line with market practice.

Evaluation and selection

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

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)*:

NBF manages the proceeds in a portfolio approach. While the green finance is outstanding, the Financial Team of the Investment & Finance Group of NBFM will annually ensure that the amount of outstanding finance do not exceed the sum of acquisition costs of the Eligible Green Assets, using an accounting system and ledger sheet. Unallocated proceeds will be held in cash or cash equivalents. NBF's management of proceeds is aligned with market practice.

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)*:

NBF will disclose on its website annually information on the allocation and environmental impacts. In the allocation reporting, NBF will disclose the names of the Eligible Green Assets, amount of Eligible Green Debts and outstanding green finance, and the fact that the outstanding green finance does not exceed the Eligible Green Debts. In the impact reporting, NBF will disclose the types and ranks of green building certifications of the Eligible Green Assets and qualitative and quantitative indicators including CO₂ emissions from energy consumption. Sustainalytics views NBF's reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis

Linkage to individual bond(s)

Other (*please specify*):

Information of NBF's entire portfolio will be reported

Information reported:

Allocated amounts

Green Bond financed share of total investment

Other (*please specify*):

Names of the Eligible Green Assets, amount of Eligible Green Debts and outstanding green finance, the fact that the outstanding green finance does not exceed the Eligible Green Debts, the information on that the unallocated proceeds are held in cash or cash equivalents, and expected timing of allocation and expected timing of allocation for unallocated proceeds, if any.

Frequency:

Annual

Semi-annual

Other (*please specify*):

Impact reporting:

Project-by-project

On a project portfolio basis

Linkage to individual bond(s)

Other (*please specify*):

Information of NBF's entire portfolio will be reported

Information reported (expected or ex-post):

GHG Emissions / Savings

Energy Savings

Decrease in water use

Other ESG indicators (*please specify*):

Type and rank of green building certifications of Eligible Green Assets as well as data on the energy consumption, CO₂ emissions from energy consumption, water consumption and amount of waste.

Frequency

Annual

Semi-annual

Other (please specify):

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 (please specify):
The Investment Corporation's corporate website and ESG Report |
| <input type="checkbox"/> 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:

- | | |
|--|--|
| <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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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

This document is translated from the Japanese language. In case of discrepancies between the Japanese language and translated versions, the Japanese language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

