

Green News & Views

Real Assets – Sustainability initiatives

July 2020



The Mozo Wonder City shopping mall in Nagoya City, Aichi, Japan

In our real estate joint venture with Mitsubishi Corp-UBS Realty Inc. in Japan, we issued the first Green Bond in the Japan J-REIT market.

Green bonds provide investors with a means to earn market returns with investment proceeds used in a responsible, positive way.

Investors can diversify their portfolio while incorporating environmentally-based products.

Green Bonds – Innovative financing and a cornerstone of responsible investing

In 2018, our real estate joint venture with Mitsubishi Corporation in Japan (MC-UBS) issued a highly innovative five-year JPY 8 billion green bond in Japan's REIT (J-REIT) market. We then issued a second five-year JPY 7 billion green bond in 2019 to invest in further green initiatives across the portfolio. So how and why are we active in this space?

Green bonds are debt instruments where proceeds are used to fund new or existing projects that have positive environmental or climate effects. Although green bonds are a fairly new segment of the bond market, investors are increasingly seeing the benefits of the environmentally conscious offerings that define green bonds. We are therefore proud to have been pioneers in this area. With countries like Japan making environmental issues a central priority, the demand for financial products that incorporate sustainability is currently thriving.

The first green bond issued by The Japan Retail Fund Investment Corporation (JRF) was to refinance bank loans originally used to acquire a DBJ Green Building certified asset, the G-Bldg. Kichijoji 02, an urban retail property in Tokyo. The second bond was used primarily to invest in green initiatives across the portfolio including our flagship asset, Mozo Wonder City, a shopping mall and JRF's first asset to be DBJ Green Building certified. For example, Mozo Wonder City is taking action to improve its environmental performance by actively promoting the use of LED lighting to reduce electricity consumption and to reduce operating costs.

Our framework and policy

The JRF Bond Framework has been independently assessed as fulfilling the four pillars of the Green Bond Principles 2017 which relate to: the use of proceeds, the process for project evaluation and selection, the management of proceeds and reporting. This includes how we use the proceeds which support eligible projects such as green buildings, which have environmental benefits.

JRF firstly uses the DBJ Green Building Certification Programme or the CASBEE Certification Rank to determine the eligibility of green buildings. The fund has an internal process to track and monitor the allocation and amount of outstanding proceeds. In addition, we report annually on key environmental performance indicators including electricity, fuel and water consumption as well as CO₂ emission of the assets funded through the green bonds.

The MC-UBS Sustainability Committee promotes JRF's sustainability activities in alignment with its Environmental Charter and Responsible Property Investment Policy. We are proud to be the first J-REIT asset manager to sign the UN Principles for Responsible Investment (PRI) and the Montreal Carbon Pledge. In addition, we are signatory to the Principles for Financial Action towards a Sustainable Society, supported by the Ministry of the Environment and the UN Environment Programme Finance Initiative (UNEP FI).

How we use the proceeds

Green bonds are by nature designed to fund environmentally friendly projects and positively impact the environment. Therefore, all proceeds are directed to carefully selected projects related to renewable energy, energy efficiency and positive climate change impacts.

The proceeds are allocated toward the acquisition of new assets or the enhancement of existing assets that meet eligible green projects criteria, as well as refinancing existing debts that have already been allocated to these eligible green projects.

These eligible green projects are evaluated and selected by the MC-UBS Sustainability Committee in accordance with its commitment to integrating environmental considerations into investment and operation processes. The criteria for the eligibility of green projects includes reducing greenhouse gas emissions, promoting the sustainable use of natural resources, demonstrating a commitment to protecting ecosystems, conservation activities, and engaging stakeholders about information on the environmental impacts of assets.

Why go green?

The primary purpose of green bonds is to match investors looking to incorporate products with specific environmental or "green" attributes into their investment portfolios. While green bonds are not immune from broader capital market disruptions, their fundamental drivers for long-term growth of the market remain in place. In particular, for investors who look to benefit from a synergy between green bond investor demand and a desire to support investment and growth in renewable resources and a reduction in CO₂ emissions.

Certifications

Signatory of:



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