Asahi Kasei Corp. (2020 Green Bond)

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Engagement Team:
Shigeru Ogawa, shigeru.ogawa@sustainalytics.com, (+81) 3 4520 2193
Yukie Osari, yukie.osari@sustainalytics.com, (+81) 3 4520 2192

Introduction

In June 2020, Asahi Kasei Corp. ("Asahi Kasei") issued a green bond aimed at financing projects related to hydroelectric power facilities (JPY 10 billion 5-Year Green Bond, hereinafter the "2020 Green Bond"). As of 31 March 2023, the proceeds were allocated to two projects related to renovations of hydroelectric power facilities. In June 2023, Asahi Kasei engaged Sustainalytics to review the projects funded through the 2020 Green Bond and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Asahi Kasei Green Bond Framework (the "Framework"). This is Sustainalytics' third annual review of Asahi Kasei's 2020 Green Bond following the previous review in June 2022.[1]

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from June 2020 to March 2023 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on the impact indicators for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Eligibility Criteria and associated impact indicators for the Use of Proceeds category to which the proceeds were allocated.

Table 1: Use of Proceeds, Eligibility Criteria, and associated impact indicators

Use of Proceeds	Eligibility Criteria	Impact indicators
Renewable Energy	Hydroelectric power facilities • Existing run-of-the-river hydroelectric power facilities without water reservoir with a maximum output of 5–20 MW and • Renovation, improvement, and maintenance of systems for the purpose of increasing the efficiency of power generation and extending the service life of systems, as well as work related thereto, while working to maintain or improve the safety level in the operation of systems	• Total capacity of hydroelectric power generation (MW) • Power generation capacity of renovated hydroelectric power generation systems (MW) • CO_2 emissions reduction (ton/ CO_2e)

Issuing Entity's Responsibility

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

[1] Sustainalytics' previous annual review of Asahi Kasei's 2020 Green Bond is available at:
Annual Review (June 2022): https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/asahi-kasei-corp.-green-bond-2020-annual-review-(2022)09c30ed1-dea1-424b-b121-c1bc60287c0f.pdf?sfvrsn=37307bb4_1
Annual Review (June 2021): https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/asahi-kasei-corp.-green-bond-annual-review.pdf?sfvrsn=27d60ae9_1

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Asahi Kasei's 2020 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Asahi Kasei employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Asahi Kasei with respect to the projects in the eligible category. 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 Asahi Kasei.

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 Asahi Kasei Corp.'s 2020 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Asahi Kasei Green Bond Framework. Asahi Kasei has disclosed to Sustainalytics that the proceeds of the 2020 Green Bond were fully allocated as at 31 March 2023.

Detailed Findings

Table 2: Detailed Findings

Evaluation Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2020 Green Bond from June 2020 to March 2023 to determine if the projects were aligned with the Use of Proceeds Criteria outlined in the Asahi Kasei Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the 2020 Green Bond from June 2020 to March 2023 to determine if the impact of the projects was reported in line with the impact indicators outlined in the Asahi Kasei Green Bond Framework and above in Table 1.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

[2] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description 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.

Appendix

Appendix 1: Allocation and Impacts of Green Bond Proceeds

Use of Proceeds Category	Sub-Category	Number of projects[3]	Impact Indicators[4]		Net Bond Proceeds Allocation (100 million JPY)
			Power generation capacity of renovated hydroelectric power generation systems (MW)	CO_2 emissions reduction (ton/ CO_2e)[5]	
Renewable Energy	Hydro electric Power	2	19.5	23,000	100
				Total Net Bond Proceeds Allocated:	100
				Total Net Bond Proceeds from Green Bond Issuance:	100
				Total Net Bond Proceeds Unallocated:	0

[3] The power generation facilities financed are Gokasegawa Power Plant and Mamihara Power Plant owned by Asahi Kasei. Sustainalytics confirmed that the power generation facilities are run-of-the-river hydroelectric power facilities without water reservoir (Maximum output of 14.5 MW and 5 MW), and the purpose of the renovation is to increase the efficiency of power generation and extend the service life of systems, while maintaining or improving the safety level in the operation of systems.
[4] Impact Reporting by Asahi Kasei is available at: https://www.asahi-kasei.com/sustainability/environment/climate_change/
[5] For Gokasegawa Power Plant, the amount of CO_2 emission reduction is calculated from May to September 2022 as its operating period, because the operation was temporarily stopped in September by the typhoon damage. For Mamihara Power Plant, the figure is the estimated CO_2 emissions reductions per year after its operation because it has not started its operation yet as of 31 March 2023.

Disclaimer

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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. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1,500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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The Green Bond Principles

The Social Bond Principles