

Asahi Kasei Corp. (Green Bond 2020)

Type of Engagement: Annual Review

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Introduction

In June 2020, Asahi Kasei Corp. (“Asahi Kasei”) issued a green bond aimed at financing expenditures related to renovation of hydroelectric power facilities (the “Green Bond”). In May 2021, Asahi Kasei engaged Sustainalytics to review the projects funded through 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 Asahi Kasei Corp.’s Green Bond Framework (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of March 31, 2021 based on whether the projects:

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

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

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	Hydroelectric power facilities <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Total capacity of hydroelectric power generation (MW) • Power generation capacity of renovated hydroelectric power generation systems (MW) • CO₂ emissions reduction (ton/CO₂e)

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.

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 Green Bond Use of Proceeds. The work undertaken as part of this

¹ Overview of Asahi Kasei Corp.’s Green Bond Framework (2020) available at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/asahi-kasei-corp/asahi-kasei-corp-green-bond-second-party-opinion/asahi-kasei-corp-green-bond-second-party-opinion-pdf>

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 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 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's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. Asahi Kasei intends to complete the allocation of the proceeds by the end of March 2023.

Detailed Findings

Table 2: 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 as of March 31, 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the 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 Green Bond as of March 31, 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on KPIs outlined in the reporting 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, amounts allocated, 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.

Appendices

Appendix 1: List of Use of Proceeds Categories Reviewed

Use of Proceeds Category	Sub-category	Number of Projects	Financing and/or refinancing expenditures	Power facilities (Type and Capacity)	Purpose of expenditure	Net Bond Proceeds Allocation (billion JPY)
Renewable Energy	Hydro electric Power	2 ³	New projects: 2	Run-of-the-river hydroelectric power facilities without water reservoir (Maximum output of 14.5 MW and 5 MW)	Confirmed that 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	0.7

Appendix 2: List of Project Impact

Use of Proceeds Category	Sub-category	Number of Projects	Total capacity of hydroelectric power generation (MW)	Power generation capacity of renovated hydroelectric power generation systems (MW)	CO ₂ emissions reduction (ton/ CO ₂ e) ⁴
Renewable Energy	Hydro electric Power	2	57.4	19.5	39,000

³ The power generation facilities financed are Gokasegawa Power Plant and Umamihara Power Plant owned by Asahi Kasei.

⁴ As the two use of proceeds projects had not commenced operations as of 31 March 2021, the above figures represent the estimated CO₂ emissions reductions per year of operation.

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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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Named

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