

## Daiwa Securities Group Inc. (Green Bond 2018)

**Type of Engagement:** Annual Review

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### Introduction

In November 2018, Daiwa Securities Group Inc. (Daiwa Securities Group) issued a green bond aimed at financing and refinancing expenditures related to renewable energy and green buildings (the “Green Bond”). In November 2020, Daiwa Securities Group engaged Sustainalytics to review the projects funded through the Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the reporting commitments outlined in the Daiwa Securities Group Green Bond Framework (the “Green Bond Framework”).<sup>1</sup> This is Sustainalytics’ second annual review of the Daiwa Securities Group’s Green Bond, following the previous review in November 2019.

### Evaluation Criteria

Sustainalytics evaluated the projects funded as of 30 June 2020 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of 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 list the associated KPIs.

**Table 1: Use of Proceeds and Eligibility Criteria**

Use of Proceeds	Eligibility Criteria
<b>(A) Renewable Energy</b>	<p>Investment and lending through Daiwa Energy &amp; Infrastructure Co. Ltd. (DEI) for renewable energy generation projects that meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Expenditures are associated with the development, construction and operation of renewable energy generation projects (including those carried out by its affiliates). The eligible projects include solar photovoltaic power, wind-power, geothermal power, hydroelectric power (excluding large hydro with more than 20 MW capacity), biomass power (limited to projects with waste sources).</li> <li>• For refinanced projects, the projects must be funded within the 24 months prior to the date of green bond issuance.</li> </ul> <p>Context: Special purpose vehicles (SPV) will be established for each renewable energy generation project and DEI will invest or lend to each SPV, restricting the use of proceeds only for renewable energy related expenditure outlined above.</p>
<b>(B) Green Buildings</b>	<p>Expenditures related to the construction of green buildings as well as refurbishment to convert existing buildings into green buildings by Daiwa Securities Group and/or Daiwa Property Co.,Ltd.. The green buildings should meet the following criteria:</p>

<sup>1</sup> Overview of the Daiwa Securities Group Green Bond Framework (2018): [https://www.sustainalytics.com/wp-content/uploads/2018/11/Daiwa-Securities-Group-Green-Bond-Framework-Overview-SPO\\_Final.pdf](https://www.sustainalytics.com/wp-content/uploads/2018/11/Daiwa-Securities-Group-Green-Bond-Framework-Overview-SPO_Final.pdf).

	<ul style="list-style-type: none"> <li>• Buildings that have received top three evaluations by credible third-party certifications within the 24 months preceding the date of a green bond issuance and/or buildings that are expected to receive the certification post issuance: <ul style="list-style-type: none"> <li>– 3,4 or 5 Stars under the DBJ Green Building Certification</li> <li>– B+, A or S Rank under CASBEE</li> </ul> </li> </ul>
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**Table 2: Key Performance Indicators**

Impact reporting will include the following indicators on an individual project basis, and Daiwa Securities Group plans to disclose calculation for the indicators where possible:

Key performance indicators	
<b>(A) Renewable Energy</b>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions reduced by the eligible green projects (theoretical value)</li> <li>• Amount of power generated by the eligible green projects (theoretical value based on output standard)</li> </ul>
<b>(B) Green Buildings</b>	<ul style="list-style-type: none"> <li>• During construction, application progress on Real Estate Certification</li> <li>• After construction, the following environmental impact metrics: <ul style="list-style-type: none"> <li>– Energy consumption (J/kl)</li> <li>– Energy consumption by use (%)</li> <li>– CO<sub>2</sub> emission (t)</li> <li>– Water consumption (m<sup>3</sup>)</li> <li>– Waste generated (kg)</li> <li>– Recycle rate (%)</li> <li>– Level of certifications</li> </ul> </li> </ul>

## Issuing Entity's Responsibility

Daiwa Securities Group 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 Daiwa Securities Group's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Daiwa Securities Group'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 Daiwa Securities Group 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 Daiwa Securities Group.

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,<sup>2</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Daiwa Securities Group's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. While Daiwa Securities Group disclosed to Sustainalytics its full allocation in November 2019, there have been developments in the allocation of proceeds and the list of projects allocated due to changes in investment amount in 2020. Sustainalytics conducted another review in November 2020 and Daiwa Securities Group has confirmed to Sustainalytics that the proceeds of Green Bond remain fully allocated while reallocating the proceeds to eligible renewable energy projects as of 30 June 2020.

## Detailed Findings

**Table 3: Detailed Findings**

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the Green Bond as of 30 June 2020 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	<p>All projects reviewed complied with the Use of Proceeds criteria.</p> <p>Sustainalytics notes that the green building project reviewed has obtained DBJ Green Building Certification's plan certification and does not intend to obtain a post construction certification. While the Framework does not specify the type of DBJ Green Building Certification, Sustainalytics does not consider this to be error or exceptions, however, considering the indication in the Framework and credibility of the environmental positive impact, it encourages Daiwa Securities Group to pursue to achieve the post construction certification in order to further strengthen compliance with the Use of Proceeds criteria.</p>	None
<b>Reporting Criteria</b>	Verification of the projects funded by the Green Bond as of 30 June 2020 to determine if impact of projects was 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 at least one KPI per Use of Proceeds criteria.	None

<sup>2</sup> 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 Project Categories Reviewed

#### Use of Proceeds Category 1 – Renewable Energy

Sub-category	Number of Projects	Date of Allocation for financed and refinanced projects
Solar Energy	4	Confirmed that all 4 projects were either refinanced within last 24 months prior to the green bond issuance date or financed post issuance

#### Use of Proceeds Category 2 – Green Buildings

Sub-category	Number of Projects	Certification Level
Green Buildings	1	5 stars under the DBJ Green Building Certification's plan certification

## Appendix 2: Impact Reporting by Eligibility Criteria

### Use of Proceeds Category 1 – Renewable Energy

#	Sub-category	Annual CO <sub>2</sub> Emissions Reduced (t-CO <sub>2</sub> )	Annual Power Generation (MWh)
1	Solar Power	2,169	4,635
2	Solar Power	17,103	36,544
3	Solar Power	2,662	5,688
4	Solar Power	18,302	39,107
	Total	40,236	85,975

### Use of Proceeds Category 2 – Green Buildings

#	Project Status	Application Progress on Real Estate Certification	Environmental Impact Metrics <sup>3</sup>
1	Under construction	Achieved plan certification of 5 star under DBJ Green Building Certification.	NA

<sup>3</sup> Daiwa Securities Group is committed to reporting the environmental impact indicators after completion of construction of the buildings.

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### 5th Green Bond Pioneer Awards

Climate Bonds Initiative

Largest Verifier for Certified  
Climate Bonds of 2019

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More information [conference.climatebonds.net/awards](http://conference.climatebonds.net/awards)



GlobalCapital  
SRI Awards

Named

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



The  
Green Bond  
Principles