



Second-Party Opinion HCUK Green Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the HCUK Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation and Renewable Energy – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



PROJECT EVALUATION / SELECTION Hitachi Capital (UK) PLC’s (“HCUK”) CSR Committee, which includes senior management, will be responsible for evaluating and selecting projects. HCUK has internal procedures in place to identify and manage environmental and social risks associated with assets financed in line with the UK and EU regulation, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS HCUK’s Treasury Team will be responsible for the management of proceeds using internal reporting systems and will report on the allocation of net proceeds to the CSR Committee. HCUK intends to allocate all proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash or short-term investments or used to repay debt. Sustainalytics considers this process to be in line with market practice.



REPORTING HCUK intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the percentage of allocated and unallocated proceeds, as well as the share of financing versus refinancing. In addition, HCUK is committed to reporting on relevant impact metrics. Sustainalytics views HCUK’s allocation and impact reporting as aligned with market practice.

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Alignment with the EU Taxonomy

Sustainalytics has assessed HCUK’s Green Financing Framework for alignment with the EU Taxonomy and is of the opinion that, of the Framework’s two eligibility categories (which map to five EU activities) both align with the applicable Technical Screening Criteria (“TSC”) in the EU Taxonomy and *partially align* with the Do No Significant Harm (“DNSH”) Criteria. No categories were determined to be *not aligned*. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s Minimum Safeguards.

Introduction

Hitachi Capital (UK) PLC (“HCUK”, or the “Company”) is a financial services provider that offers retail, vehicle leasing, business, and personal finance services to consumers, small-and-medium enterprises and multinational corporations in the United Kingdom and Europe. Headquartered in Staines-upon-Thames, UK the Company was established in 1982. Following the merger of Mitsubishi UFJ Lease & Finance Co., Ltd. (MUL) and Hitachi Capital Corporation (HC) to form Mitsubishi HC Capital Inc in April 2021, HCUK is now a wholly owned subsidiary of the merged entity.

HCUK has developed the HCUK Green Financing Framework (the “Framework”) under which it intends to issue green bonds and loans and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to reduce GHG emissions from road transportation by fostering electric mobility. The Framework defines eligibility criteria in two green areas:

1. Clean Transportation
2. Renewable Energy

HCUK engaged Sustainalytics to review the HCUK Green Financing Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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 Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁵;
- Alignment with the EU Taxonomy 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 1.10, 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 HCUK’s management team 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. HCUK representatives have confirmed (1) they understand it is the sole responsibility of HCUK 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.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading [Green_Loan_Principles_Feb2021_V04.pdf \(lma.eu.com\)](https://www.lma.eu.com)

³ The HCUK Green Financing Framework is available on Hitachi Capital (UK) PLC’s website at: <https://www.hitachicapital.co.uk/media/5042/hitachi-capital-uk-plc-green-financing-framework-2021.pdf>

⁴ 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.

⁵ In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and HCUK.

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 realized 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 HCUK has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the HCUK Green Financing Framework

Sustainalytics is of the opinion that the HCUK Green Financing Framework is credible and impactful and aligns with the four core components of the GBP, GLP, and the EU Taxonomy. Sustainalytics highlights the following elements of HCUK's Green Financing Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation and Renewable Energy – are aligned with those recognized by the GBP and GLP. Sustainalytics notes that the proceeds of the green debt instruments issued under the Framework activities are expected to reduce GHG emissions from road transportation by fostering electric mobility in the United Kingdom.
 - HCUK has established a 36 months look-back period for its refinancing activities, after the date the lease was signed, which Sustainalytics considers to be in line with market practice
 - Within the Clean Transportation category, HCUK may finance leases for the purchase of battery electric vehicles including cars and small vans (3.5t and under), as well as heavy goods vehicles (over 3.5t). In addition, HCUK intends to finance expenditures related to hybrid vehicles with direct emissions below 50gCO₂e per passenger-kilometer. Sustainalytics considers investments under this category and the specified threshold as aligned with market practice.
 - Under the Renewable Energy category, HCUK intends to finance electric vehicle charging points and hybrid solar farms. The hybrid solar farm is part of a photovoltaic solar power generation complex that has been developed by GRIDSERVE, a third-party sustainable energy solutions company. The complex also includes power storage capabilities and electric vehicle charging points. Project examples include upgrading the electric highway network of charging points and providing faster charging facilities across the motorways and major roads networks in the United Kingdom.
- Project Evaluation and Selection:
 - HCUK's CSR Committee will be responsible for evaluating and selecting eligible projects. The CSR Committee is chaired by the CEO and includes the General Manager from CEO's office, HR Director, Legal Director, Head of Enterprise Risk and a representative from each Business Unit and certain central functions including Treasury and Finance. The Committee will meet on a quarterly basis to ensure that projects comply with the eligibility criteria set forth in the Framework.
 - HCUK has internal procedures in place to identify and manage environmental and social risks associated with assets financed under the Framework in line with the UK and EU regulation. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional, details see Section 2.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.

- Management of Proceeds:
 - The Treasury Team will track the allocation of net proceeds to eligible assets through the Company’s internal reporting systems and will maintain a level of allocation to the portfolio that matches the bond proceeds. The amount of net proceeds allocated, and the balance of unallocated proceeds will be reported to the CSR Committee on a quarterly basis.
 - HCUK intends to allocate net proceeds to eligible projects within two years of issuance. Pending allocation, unallocated proceeds will temporarily be held in cash or short-term investments or used to repay debt. Sustainalytics notes that HCUK excludes the refinancing of debt linked to heavily polluting activities.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - HCUK intends to report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the percentage of allocated and unallocated proceeds and the share of financing versus refinancing.
 - In addition, HCUK is committed to reporting on relevant impact metrics subject to availability. Impact metrics may include information such as the amount of CO₂ emissions saved, solar energy supplied, and the description of eligible projects.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the HCUK Green Financing 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 the EU Taxonomy

Sustainalytics has assessed each of the Framework’s eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy’s three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria (“TSC”)
 - The two eligible green criteria outlined in the Framework, which are associated with five activities within the EU Taxonomy, were assessed and are aligned with the applicable TSC of the EU Taxonomy.
2. Do No Significant Harm (“DNSH”) Criteria
 - All five of the activities are partially aligned with the applicable DNSH criteria.
 - The five activities assessed have a total of 17 individual DNSH criteria (across all environmental objectives) applicable to them and are aligned with 11 and partially aligned with six of those individual DNSH criteria.
3. Minimum Safeguards
 - Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
 - For Sustainalytics’ assessment of alignment with the Minimum Safeguard see Section 2 below.

Table 1 provides an overview of the alignment of HCUK’s Framework with the TSC and DNSH criteria for the corresponding NACE⁶ activities in the EU Taxonomy.

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

Framework Criterion	Alignment with	Alignment per EU Environmental Objective
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⁶ The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy lists 72 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

	Taxonomy Criteria							
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Transport by motorbikes, passenger cars and light commercial vehicles	■	□	■	□	-	■	■	-
Freight transport services by road	■	□	■	□	-	■	■	-
Electricity generation using solar photovoltaic technology	■	□	■	□	-	■	-	■
Storage of electricity	■	□	■	□	-	■	-	■
Infrastructure enabling low-carbon road transport	■	□	■	□	■	□	■	■

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this Objective and/or Activity	-
Grey shading indicates the primary EU Environmental Objective	

* The EU Taxonomy has not yet defined TSC for EU Environmental Objectives other than Climate Mitigation and Climate Adaptation. In cases where an activity of the Framework has the intent of advancing a different Objective, Sustainalytics has assessed alignment against the DNSH criteria for all six Objectives.

Section 2: Sustainability Strategy of HCUK

Contribution of framework to HCUK's sustainability strategy

Sustainalytics is of the opinion that HCUK demonstrates a commitment to sustainability, driven by its ESG strategy.⁷ The ESG strategy is focused on four areas, (i) sustainable business, (ii) community and development, (iii) environment, and (iv) inclusion and diversity.⁷ Sustainalytics notes that the sustainable business area is the most relevant in relation to the projects financed under the Framework. Within this area, HCUK aims to foster electric mobility and electrifying the vehicles that the Company funds. To implement its ESG strategy and targets, HCUK has set up a Corporate Social Responsibility ("CSR") Committee which meets quarterly.³

HCUK has identified the Vehicle Solutions business ("HCVS") as the activity that has the largest environmental impact and is committed to minimizing the environmental impact of its lending activities through the electrification of the fleet.⁸ Within this area, HCUK operates over 81,000 assets, such as cars, vans, heavy good vehicles and machinery.⁸ By 2030, HCUK targets to electrify 100% of the funded car and small van (3.5t and under) fleet, and 50% of the funded larger van fleet (vehicles over 3.5t).⁷ The Company has also set a target of directly connecting 20% of its assets with renewable energy by March 2025.⁷ Sustainalytics notes that the provision of leases for electric vehicles under the Framework could, therefore, contribute towards the Company's electrification target.

⁷ HCUK (UK) PLC, "ESG Report", (2021), at: <https://www.hitachicapital.co.uk/media/5009/hcuk-esg-report-2020-2021.pdf>

⁸ HCUK (UK) PLC, "Annual Report and Consolidated Financial Statements", (2020), at: <https://www.hitachicapital.co.uk/media/4125/hcuk-group-annual-report-and-financial-statements-year-ended-31st-march-2020.pdf>

HCUK focuses on electrification and decarbonization of vehicle fleets by participating in the Optimise Prime project, a three-year innovation project.⁹ In 2019-20, HCUK partnered with Gridserve with an aim to accelerate the adoption of electric vehicles.⁷ During the 2020-21 fiscal year, the Company provided EUR 160.5 million in financing for electric and ultra-low emission vehicles and EUR 55.7 million in financing to support projects including electric forecourts¹⁰ and hybrid solar farms.⁷ HCUK estimates that the financing of electric vehicles and related charging infrastructure contributed to a total CO₂ reduction of 2,138 tonnes during 2020-21.⁷ As mentioned in Section 1, Gridserve is a clean energy company that develops solar PV generation infrastructure and electric vehicle charging points.¹¹ Sustainalytics notes that the projects funded under the Framework have the potential to assist HCUK in attaining its goals to finance electric vehicles across the UK.

Sustainalytics is of the opinion that the HCUK Green Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

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

While Sustainalytics recognizes that the net proceeds from the bonds and loans issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP and are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use issues associated with renewable energy and electric vehicle infrastructure development, waste generated in construction, and occupational health and safety.

Sustainalytics is of the opinion that HCUK is able to manage and/or mitigate potential risks through implementation of the following:

- HCUK is committed to reducing its energy consumption and carbon footprint and complying with environmental laws.¹² The UK has implemented several regulations regarding Environmental Impact Assessment in response to the amended EU Directive 2001/42/EC.¹³ These regulations are aimed at preventing environmental degradation by ensuring that any project that has the potential to have a significant environmental impact should be approved by a local planning authority.¹⁴
- HCUK is compliant with the Waste Electrical and Electronic Equipment Regulations adopted by the UK in 2013, which establishes producer responsibilities for managing waste generated throughout the installation, use, and end-of-life phases of electrical and electronic equipment.¹⁵
- Within the UK, the Health and Safety at Work etc. Act 1974¹⁶ and The Management of Health and Safety at Work Regulations 1999¹⁷, ensures the health and safety of the workplace, including risk assessment, adequate information, and training for employees and for health surveillance where appropriate. Employers with five or more employees need to document the significant findings of the risk assessment; furthermore, employers need to "make arrangements for implementing the health and safety measures identified as necessary by the risk assessment."

Based on these policies, standards and assessments, Sustainalytics is of the opinion that HCUK has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in

⁹ Optimise Prime is an industry-led project investigating the effects of commercial electric vehicles (EVs) on the electricity distribution network in order to help networks plan for promoting the EV adoption across the UK. More information available at: <https://www.optimise-prime.com/project-overview>

¹⁰ The electric forecourt is a charging infrastructure that provides faster-charging facilities to vehicle fleets. More information available at: <https://gridserve.com/braintree-overview/>

¹¹ Gridserve, "About us", at: <https://www.gridserve.com/about-us/>

¹² HCUK (UK) PLC, "Annual Report and Consolidated Financial Statements", (2020), at: <https://www.hitachicapital.co.uk/media/4125/hcuk-group-annual-report-and-financial-statements-year-ended-31st-march-2020.pdf>

¹³ European Union Law, "Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment", (2001), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32001L0042>

¹⁴ Government of the UK, "Environmental Impact Assessment", at: <https://www.gov.uk/guidance/environmental-impact-assessment>

¹⁵ UK Legislation, "The Waste Electrical and Electronic Equipment Regulations 2013", at: <https://www.legislation.gov.uk/ukxi/2013/3113/contents>

¹⁶ UK Legislation, "Health and Safety at Work etc. Act 1974", (1974), at: <http://www.legislation.gov.uk/ukpga/1974/37/contents>

¹⁷ UK Legislation, "The Management of Health and Safety at Work Regulations 1999", (1999), at:

<http://www.legislation.gov.uk/ukxi/1999/3242/contents/made>

compliance with the International Labour Organization's (ILO) declaration on Fundamental Rights and Principles at Work.

Human Rights

HCUK has implemented the following policies and procedures aimed at ensuring human rights:

- HCUK is subject to the Mitsubishi HC Capital Group's Code of Ethics and Conduct policy which recognizes the importance of promoting ethical behaviour and respecting human rights. The policy includes principles aimed at promoting the respect of human rights, and specifically requires all employees in the Group to respect human rights following international norms and standards.¹⁸
- HCUK strives to operate in a responsible manner and has defined such approaches in its CSR policy standard and reports on this progress in its annual Environmental, Social, and Governance (ESG) Report.

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively and is of the opinion that these measures appropriately safeguard minimum standards on human rights in relation to the activities of the framework.

Labour Rights

HCUK has implemented the following policies and procedures aimed at ensuring labour rights:

- HCUK's primary operations are within the UK, which has ratified all eight Fundamental Conventions of the International Labour Standards.¹⁹ HCUK terms and conditions comply with all UK statutory employment requirements.
- HCUK strives to implement a healthy work environment, including promoting awareness of contractual and statutory rights and Inclusion and Diversity at HCUK. Moreover, HCUK has an independent whistleblowing line for all staff to use in addition to the normal grievance and whistleblowing routes. HCUK has been accredited by the Living Wage Foundation as an employer committed to paying all employees a real living wage, in excess of the statutory minimum wage.²⁰
- HCUK produces a mandatory annual Modern Slavery Statement and is committed to conducting business ethically and aims to mitigate the risk of slavery and human trafficking within its business and supply chains.²¹

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively and is of the opinion that these measures appropriately safeguard minimum standards on labour rights in relation to the activities of the framework.

Anti-bribery and anti-corruption

HCUK has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- HCUK has implemented an anti-bribery and corruption ("ABAC") policy for all employees, underlining a zero-tolerance for anti-bribery and corruption. The Policy is underpinned by a Policy Standard which confirms actions and processes necessary for employees to comply with the Policy.
- HCUK has disclosed that all staff must complete mandatory training on bribery and corruption on an annual basis and must file any material gifts and hospitality on the gift and hospitality register. The line manager reviews the gift and hospitality registers, with oversight from the

¹⁸ The Mitsubishi HC Capital Group, "Code of Ethics and Conduct", at: <https://www.mitsubishi-hc-capital.com/english/corporate/csr/index.html>

¹⁹ ILO, "Core Conventions and Recommendations", (2021), at: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm#:~:text=The%20ILO%20Governing%20Body%20has,forced%20or%20compulsory%20labour%3B%20the>

²⁰ Living Wage Foundation, <https://www.livingwage.org.uk/accredited-living-wage-employers>

²¹ HCUK, "Anti-Slavery and Human Trafficking Statement 2019", (2019), at: <https://www.hitachicapital.co.uk/media/2809/hitachi-capital-anti-slavery-statement-2019.pdf>

Group Financial Crime Prevention Team. Any issues identified are escalated to the Chief Risk Officer.

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively and is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that HCUK policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of Use of Proceeds

Both use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on below where the impact is specifically relevant in the local context.

Air Pollution and GHG emissions: Health and environmental benefits of electric mobility in the UK

Air pollution, including particulate matters ("PM") such as PM_{2.5} and PM₁₀, and nitrogen dioxide (NO₂) poses critical risk on human health.²³ Air pollution damages lung function growth during childhood and accelerates lung function decline during ageing, which ultimately leads to an increasing vulnerability to lung diseases.²³ Evidence indicates a correlation between PM_{2.5} exposure and cardiovascular, respiratory, and lung cancer mortality.²² In London, UK a report commissioned by the City Hall estimated that 9,000 premature deaths were caused by long-term exposure to air pollution in 2010.²³ Road transport was a substantial contributor to air pollution in the UK in 2018, accounting for 22% of NO₂ emissions, 10% of PM_{2.5} emissions, and 9% of PM₁₀ emissions.²⁴ In 2019, the UK has introduced the Clear Air Strategy to limit the harm caused by air pollution to human health. This strategy has set a goal of reducing PM emissions by 46% by 2030.²⁵ As a result, the Framework's financing of zero and low emission vehicles is expected to help the UK reduce air pollution and bring substantial health benefits.

In addition, battery electric vehicles could help to reduce GHG emissions from road transportation in the UK. In 2019, the transport sector was the largest emitting sector, producing 27% of total GHG emissions in the UK.²⁴ The sector was also the largest emissions emitter on an end-user basis.²⁴ While the UK managed to reduce its overall territorial GHG emissions by 43% between 1990 and 2018,²⁶ there has been little overall change regarding GHG emissions from road transport.²⁴ The main source of emissions from the sector lies in the use of fossil fuels in road transport.²⁴ On the other side, battery electric vehicles generate lower GHG emissions than conventional vehicles on a life-cycle basis.²⁴ As such, they represent an opportunity for the UK to reduce GHG emissions from road transport. Sustainalytics notes that the financings of leases to battery electric vehicles could reduce the sector's overall GHG emissions.

Sustainalytics is of the opinion that the financings of leases for battery electric vehicles included in the Framework are impactful and could help reducing road transportation air pollution and GHG emissions.

Financing EV charging stations to foster EV adoption

Studies show that EV charging infrastructure has a strong impact on EV adoption.²⁷ One of the major barriers to large scale adoption of battery electric vehicles is "range anxiety", defined as the anxiety a consumer

²² WHO, "Health risks of air pollution in Europe - HRAPIE project", (2013), at: http://www.euro.who.int/_data/assets/pdf_file/0006/238956/Health_risks_air_pollution_HRAPIE_project.pdf

²³ Royal College of Physicians, "Every breath we take: the lifelong impact of air pollution", (2016), at: <https://www.rcplondon.ac.uk/projects/outputs/every-breath-we-take-lifelong-impact-air-pollution>

²⁴ Department for Transport, "Transport and Environment Statistics 2021 Annual report", (2021), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/984685/transport-and-environment-statistics-2021.pdf

²⁵ Government of the UK, "Clean Air Strategy 2019", at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/984685/transport-and-environment-statistics-2021.pdf

²⁶ Department for Business, Energy, & Industrial Strategy, "2018 UK Greenhouse Gas Emissions", (2018), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863325/2018-final-emissions-statistics-summary.pdf

²⁷ Lanz, B., et al., (2020), "The chicken or the egg: Technology adoption and network infrastructure in the market for electric vehicles", at: <https://ideas.repec.org/p/irn/wpaper/20-08.html>

experiences in response to the limited range of an electric vehicle.²⁸ As such, the UK’s Road to Zero strategy aims at expanding the electric vehicle infrastructure network in the UK, including off-street charging, home charging, and workplace charging.²⁹ As of April 2021, there were 22,790 public electric vehicle charging devices available in the UK.²⁴ However, more charging points are needed to foster the adoption of electric vehicles and to support the UK’s goal of banning petrol, diesel and hybrid cars by 2035.²⁹ In addition, acknowledging the potential impacts of EV adoption on power demand, the strategy seeks to promote smart charging to minimize peak demand and network congestion.²⁹ Moreover, anticipating a potential increase in electricity demand, the Strategy insists on meeting the additional power demand by renewable power generation.²⁹

As such, the financing of electric vehicle charging stations included in the Framework could help the UK in developing an affordable, efficient, and reliable EV infrastructure network. Moreover, by financing solar photovoltaic generation, HCUK could participate in the efforts required to meet the additional power demand induced by EV adoption.

Given the above, Sustainalytics considers that the projects funded under the Framework are impactful. The financings could help the UK in developing charging infrastructure networks and provide additional renewable energy production capacities.

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 bond(s) and loan(s) issued under the HCUK Green Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older person
Renewable Energy	7. Affordable and Clean Energy	7.1 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

HCUK has developed the HCUK Green Financing Framework under which it will issue green bonds and loans and use the proceeds to finance and refinance projects that support the clean energy transition and climate change mitigation. Sustainalytics considers that the projects funded by the green bond and loan proceeds are expected to deliver positive environmental impact.

The HCUK Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the HCUK Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that HCUK has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed HCUK’s Green Financing Framework for alignment with the EU Taxonomy, and is of the opinion that, of the Framework’s two use of proceeds criteria which map to five EU activities, both align with the applicable Technical Screening Criteria (“TSC”) in the EU Taxonomy and *partially align* with the applicable Do No Significant Harm Criteria. No categories were determined to be *not aligned*. Sustainalytics

²⁸ Faraj, M., et al., (2016), “Range anxiety reduction in battery-powered vehicles”, at: <https://ieeexplore.ieee.org/abstract/document/7520190>
²⁹ Department for Transport, “The Road to Zero”, (2018), at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/739460/road-to-zero.pdf

is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that HCUK is well-positioned to issue green bonds and loans and that the HCUK Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021, Green Loan Principles 2021 and the EU Taxonomy.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Approach to Alignment Assessment

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE³⁰ activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for HCUK's Framework is shown in Table 2 below.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Clean Transportation	Battery Electric Vehicles	Transport by motorbikes, passenger cars and light commercial vehicles	H49.32 H49.39 N77.11	Mitigation	Table 1
		Freight transport services by road	H49.4. H53.10 H53.20 N77.12	Mitigation	Table 2
Renewable Energy, Clean Transportation	Hybrid Solar Farms	Electricity generation using solar photovoltaic technology	D.35.11 F42.22	Mitigation	Table 3
		Storage of electricity		Mitigation	Table 4
	Electric Vehicle Charging Points	Infrastructure enabling low-carbon road transport		Mitigation	Table 5

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of HCUK’s Framework criteria with the EU Taxonomy’s TSC and DNSH criteria for the relevant NACE activity.

Table 3

Framework Activity assessed	Battery Electric Vehicles		
EU Activity	Transport by motorbikes, passenger cars and light commercial vehicles		
NACE Code			
	EU Technical Screening Criteria		Alignment with Technical Screening Criteria
Mitigation	For vehicles of category M1 and N1, vehicles have specific emissions of less than 50 gCO ₂ /km until 2025, and zero specific emissions thereafter.	All vehicles financed are battery-electric, with zero tailpipe emissions.	Aligned
	DNSH Criteria		Alignment with DNSH Criteria
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 8.		
Transition to a circular economy	<p>Vehicles are at least 85% (by weight) reusable or recyclable and 95% reusable or recoverable.</p> <p>Measures exist to manage wastes both in the use phase (maintenance) and the end-of-life of the fleet, including battery and electronics recycling and recovery of critical raw materials.</p> <p>Vehicles do not contain lead, mercury, hexavalent chromium and cadmium, except where specifically exempted by regulation.</p>	<p>Regulations currently mandate that all producers selling vehicles in the UK must comply with a 95% recovery target and 85% recycling by average weight. HCUK relies upon government enforcement of this regulation at this time to ensure alignment with this requirement but has expressed an ambition to work with manufacturers to better track and report this data going forward.</p> <p>HCUK is committed to reuse, and generally sells at auction vehicles at the end of their lease period, which is sooner than the end of the vehicle’s life. As such, they do not have any commitments for end-of-life recycling.</p> <p>EU regulations currently mandate that these substances are not used in vehicles. HCUK is of the view that all vehicles it purchases are in compliance with such regulations.</p>	Aligned
Pollution prevention and control	<p>Vehicle tires must comply with noise class A and energy performance class A or B³¹, as well as the noise requirements of Regulation (EC) No 661/2009.</p> <p>Vehicles overall comply with Regulation (EU) No 540/2014.</p>	HCUK has disclosed that its suppliers (i.e.. car manufacturers) are of the “general consensus” that all vehicles comply with these criteria. All vehicles financed possess an EC Certificate of Conformity attesting to this regulatory compliance.	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 9.		

³¹ Per Regulation (EU) 2020/740

Table 4

Framework Activity assessed	Battery Electric Vehicles		
EU Activity	Freight transport services by road		
NACE Code			
	<i>EU Technical Screening Criteria</i>	<i>Alignment with Technical Screening Criteria</i>	
Mitigation	<p>Vehicles with a technically permissible maximum laden mass not exceeding 7.5 tonnes have zero emissions, while those with a mass of greater than 7.5 tonnes have zero emissions or are classified as a “low emissions heavy vehicle” in EU regulation.</p> <p>Vehicles are not dedicated to the transport of fossil fuels.</p>	All vehicles financed are battery-electric, with zero tailpipe emissions, and are not dedicated to the transport of fossil fuels.	Aligned
	<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 8.		
Transition to a circular economy	<p>Vehicles are at least 85% (by weight) reusable or recyclable and 95% reusable or recoverable.</p> <p>Measures exist to manage wastes both in the use phase (maintenance) and the end-of-life of the fleet, including battery and electronics recycling and recovery of critical raw materials.</p> <p>Vehicles do not contain lead, mercury, hexavalent chromium and cadmium, except where specifically exempted by regulation.</p>	<p>Regulations currently mandate that all producers selling vehicles in the UK must comply with a 95% recovery target and 85% recycling by average weight. HCUK relies upon government enforcement of this regulation at this time to ensure alignment with this requirement, but has expressed an ambition to work with manufacturers to better track and report this data going forward.</p> <p>HCUK is committed to reuse, and generally sells at auction vehicles at the end of their lease period, which is sooner than the end of the vehicle’s life. As such, they do not have any commitments for end-of-life recycling.</p> <p>EU regulations currently mandate that these substances not be used in vehicles. HCUK is of the view that all vehicles it purchases are in compliance with such regulations.</p>	Aligned
Pollution prevention and control	<p>Vehicle tires must comply with noise class A and energy performance class A or B³², as well as the noise requirements of Regulation (EC) No 661/2009.</p> <p>Vehicles overall comply with Regulation (EU) No 540/2014 and the requirements of the most recent applicable stage of the Euro VI heavy duty emission type-approval.</p>	<p>HCUK has disclosed that its suppliers (i.e., car manufacturers) are of the “general consensus” that all vehicles comply with these criteria. All vehicles financed possess an EC Certificate of Conformity attesting to this regulatory compliance.</p> <p>Euro VI is not applicable for battery-electric vehicles.</p>	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 9.		

³² Per Regulation (EU) 2020/740

Table 5

Framework Activity assessed	Hybrid Solar Farms		
EU Activity	Electricity generation using solar photovoltaic technology		
NACE Code	D.35.11 and F42.22		
<i>EU Technical Screening Criteria</i>		<i>Alignment with Technical Screening Criteria</i>	
Mitigation	The activity generates electricity using solar PV technology.	Eligible by default	Aligned
<i>DNSH Criteria</i>		<i>Alignment with DNSH Criteria</i>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 8.		
Transition to a circular economy	The activity assesses availability of land, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.	HCUK's will work with partners on eligible projects such as GRIDSERVE that will be responsible for the design and construction of solar projects. HCUK will ensure that before selecting any projects as eligible for Green Financing partners will disclose a policy that ensures: 1. "projects will be developed in such a way that they can easily be dismantled for repair or refurbishment during their operating life and decommissioned at end of life," and further claims that key components are certified "where relevant and possible". 2. All land use is subject to local regulatory authority permitting requirements. 3. Current end-of-life procedures involve recycling and reuse of a significant proportion of components.	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 9.		

Table 6

Framework Activity assessed	Hybrid Solar Farms		
EU Activity	Electricity Storage		
NACE Code	n/a		
<i>EU Technical Screening Criteria</i>		<i>Alignment with Technical Screening Criteria</i>	
Mitigation	The activity is the construction and operation of electricity storage including closed-loop pumped hydropower storage.	As this is battery-electric storage, the activity is eligible by default.	Aligned
<i>DNSH Criteria</i>		<i>Alignment with DNSH Criteria</i>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 8.		
Sustainable use and protection of water and marine resources	For closed-loop pumped hydropower storage, environmental degradation risks related to water quality and stress are identified and addressed.	As HCUK's electricity storage is battery-based, this criterion is not applicable.	N/A

Transition to a circular economy	A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy.	HCUK's partners on eligible projects will aim to comply with the EU Waste Electrical & Electronic Equipment (WEEE) Directive (Directive 2012/19/EU), which covers the use, treatment, and end-of-life recycling of batteries and electronic equipment. Further, Partners will work with accredited partners to dispose of end-of-life batteries in line with the EU Battery Directive (2006/66/EC).	Aligned
Protection and restoration of biodiversity and ecosystems	Refer to the assessment set out in Appendix 3, Table 9.		

Table 7

Framework Activity assessed	Electric Vehicle Charging Points		
EU Activity	Infrastructure enabling low-carbon road transport		
NACE Code	F42.11, F42.13, F71.1 and F71.20		
	<i>EU Technical Screening Criteria</i>	<i>Alignment with Technical Screening Criteria</i>	
Mitigation	<p>The activity complies with one or more of the following criteria:</p> <ul style="list-style-type: none"> the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO2 emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems (ERS); the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods; the infrastructure and installations that are dedicated to public passenger transport. 	As the activity is the installation of electric charging points for zero-emissions vehicles, this activity is eligible by default.	Aligned
	<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 8.		
Sustainable use and protection of water and marine resources	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed, in accordance with a water use and protection management plan, developed in consultation with relevant stakeholders.	HCUK's partners on eligible projects such as GRIDSERVE have disclosed that a Construction Environment Management Plan (CEMP) or equivalent is developed and used for every project, and that it works with the relevant environment agency, local planning conditions and statutory service provider regulations to ensure that appropriate measures are in place to protect and preserve water quality. This CEMP is in place throughout the construction and operation phases	Aligned

<p>Transition to a circular economy</p>	<p>At least 70% (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material defined in category 17 05 04 in the European List of Waste established by Commission Decision 2000/532/EC) generated on the construction site is prepared for re-use, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate re-use and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p>	<p>HCUK's partners such as GRIDSERVE have implemented an ISO 14001- accredited Environmental Management System or equivalent in relation to its construction policies and processes.</p> <p>Partners on eligible projects aim to comply with the EU Waste Electrical & Electronic Equipment (WEEE) Directive (Directive 2012/19/EU), which would cover such wastes generated from the installation of charging points.</p> <p>Partners on eligible projects will have Construction Environment Management Plans, or equivalent implemented for each project, addresses some concerns related to construction materials and waste.</p>	<p>Partially Aligned</p>
<p>Pollution prevention and control</p>	<p>Where relevant, noise and vibrations from use of infrastructure are mitigated by introducing open trenches, wall barriers or other measures and comply with Directive 2002/49/EC.</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>HCUK's partners on eligible projects have disclosed that a Construction Environment Management Plan (CEMP) is developed and used for every project. As part of this procedure, risk mitigation plans to effectively manage the risk of noise, dust and pollutants are developed and put in place.</p>	<p>Aligned</p>
<p>Protection and restoration of biodiversity and ecosystems</p>	<p>Refer to the assessment set out in Appendix 3, Table 9.</p>		

Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 8

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.³³ The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections. for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. 	<p>HCUK’s will ensure that partners on eligible projects disclose that they have conducted a climate risk analysis for major projects and consider the outcomes of this assessment in the design. In particular, for example one of our partners GRIDSERVE has identified flood risks as a major consideration, and has consequently prepared dyke protection, ditches and scrapes/swales to manage water run-off areas where necessary.</p> <p>GRIDSERVE has also disclosed that their intended design and implementation plans are intended for long-term (25-60 years) operations, and that they therefore consider risk factors over this time scale.</p> <p>HCUK has stated that it will consider overall compliance and alignment with regional and national adaptation planning is considered as part of its general CSR activities, overseen by the CSR Committee.</p>	<p>Partially Aligned</p>

³³ The EU Delegated Act identifies several climate related risks and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

Table 9

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
<p>An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards.</p> <p>Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</p> <p>For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.</p>	<p>HCUK’s partners on eligible projects carries out EIA where applicable as part of its Construction Environmental Management Plan (CEMP) or equivalent. These are conducted in accordance with UK and any relevant local regulations.</p> <p>Partners on eligible projects will aim for full compliance with any mitigation measures arising from the EIA process. Specifically, the legal Decision Notice granted by the local permitting authority (or separate legal agreement where the obligations are related to requirements off-site) are cited as documents ensuring appropriate compensation measures.</p> <p>Partners on eligible projects will comply with UK regulation governing the protection of sensitive areas, and states that the existing permitting process to which it is subject ensure that impacts on such areas are minimized or avoided. Relevant local authorities must sign off on this determination.</p>	Aligned

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

Section 1. Basic Information

Issuer name:	Hitachi Capital (UK) PLC
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	HCUK Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 11, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize 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 categories for the use of proceeds – Clean Transportation and Renewable Energy – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

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 checked="" 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 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)*:

Hitachi Capital (UK) PLC's ("HCUK") CSR Committee, which includes senior management, will be responsible for evaluating and selecting projects. HCUK has internal procedures in place to identify and manage social and environmental risks associated with assets financed in line with the UK and EU regulation, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be 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 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):

HCUK's Treasury Team will be responsible for the management of proceeds using internal reporting systems and will report on the allocation of net proceeds to the CSR Committee. HCUK intends to allocate all proceeds within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash or short-term investments, in accordance with HCUK's Treasury policy. Sustainalytics considers this process to be in line 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):

HCUK intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the percentage of allocated and unallocated proceeds, as well as the share of financing versus refinancing. In addition, HCUK is committed to reporting on relevant impact metrics. Sustainalytics views HCUK's allocation and impact 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 reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>):
Unallocated Proceed, the share of financing versus refinancing | |

Frequency:

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

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): solar energy supplied, the description of eligible projects, the amount financed in eligible categories |

Frequency

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

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 (<i>please specify</i>): website |
| <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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