

Marui Group Co., Ltd. (2018 Green Bond)

Type of Engagement: Annual Review

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Introduction

In October 2018, Marui Group Co., Ltd. (Marui Group) issued a green bond aimed at financing and refinancing expenditures related to i) Source 100% of electricity from renewable power sources, ii) Reduction of GHG emissions and iii) Renewable power generation (JPY 10 bn 5-Year Green Bond, hereinafter the “2018 Green Bond”). As of March 31, 2022, the proceeds have been allocated to expenditures related to all three categories mentioned above. In June 2022, Marui Group engaged Sustainalytics to review the projects funded through the 2018 Green Bond and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Marui Group Green Bond Framework (the “Framework”). This is Sustainalytics’ fourth annual review of Marui Group’s 2018 Green Bond following the previous review in June 2021.¹

Evaluation Criteria

Sustainalytics evaluated the projects funded in fiscal year 2021² 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
i) Source 100% of electricity from renewable power sources	Costs related to MARUI GROUP’ efforts to achieve 100% renewable energy utilization, mainly via solar and wind power, consumed by its business segments	Ratio of renewable power to the Group’s total power consumption (%)
ii) Reduction of GHG emissions	Costs related to energy-saving efforts at stores and offices	Rate of reduction of the group wide total GHG emissions in comparison to the level in the fiscal year ending March 31, 2017 (%)
iii) Renewable power generation	Costs related to implementation of renewable energy power generation projects	Amount of renewable power generation (kWh)

¹ Sustainalytics’ previous annual reviews of the 2018 Green Bond is available at:

Annual Review (June 2021) https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/marui-group-green-bond-annual-review41b57cec-2a05-4a16-b91a-7ed7af3f12db.pdf?sfvrsn=13f7c084_1

Annual Review (June 2020) https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/marui-group-green-bond-annual-review.pdf?sfvrsn=4ce7e309_3

Annual Review (December 2019) https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/marui-group-green-bond-annual-review-english.pdf?sfvrsn=d66a4365_3

² The fiscal year 2021 begins on 1 April 2021 and end on 31 March 2022.

Issuing Entity’s Responsibility

Marui 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 Marui Group’s 2018 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Marui Group employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Marui Group with respect to the projects in the eligible categories. 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 Marui 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,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Marui Group’s 2018 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework.

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 2018 Green Bond in fiscal year 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 2018 Green Bond in fiscal year 2021 to determine if impact of projects were reported in line with the impact indicators outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

³ 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.

Appendices

Appendix 1: Allocation of Green Bond Proceeds

Use of Proceeds Category	Description	Net Bond Proceeds Allocation (million JPY) ⁴	
		Fiscal year 2021	Cumulative total ⁵
i) Source 100% of electricity from renewable power sources	<ul style="list-style-type: none"> Costs related to purchase of power from renewable energy sources 	1,203.4	3,189.7
ii) Reduction of GHG emissions	<ul style="list-style-type: none"> Costs related to LED lights (at least 40% of the reduction in power consumption) Costs related to air-conditioners (at least 30% reduction on power consumption) Costs related to hot and cold water dispensers and cooling water pumps (at least a 30% reduction on power consumption) Costs related to efforts to achieve efficient operation of escalators and elevators Costs related to guidance lights (at least 40% of the reduction in power consumption) 	1,154.7	5,387.3
iii) Renewable power generation	<ul style="list-style-type: none"> Costs of operating solar power generation facilities 	0.4	2.0
Total Net Bond Proceeds Allocated:		2,358.5	8,579.0
Total Net Bond Proceeds Unallocated:			1,421.0
Total Net Bond Proceeds from Green Bond issuance:			10,000.0

Appendix 2: List of Project Impact

Use of Proceeds Category	Impact indicators ⁶
i) Source 100% of electricity from renewable power sources	Ratio of renewable power to the Group's total power consumption: 60.9 %
ii) Reduction of GHG emissions	Rate of reduction of the group wide total GHG emissions in comparison to the level in the fiscal year ending March 31 2017: 65.5 %
iii) Renewable power generation	Amount of renewable power generation: 369,305 kWh

⁴ Figures are rounded to the nearest 100,000 JPY.

⁵ Total amount allocated from the Green Bond issuance (October 19, 2018) to March 31, 2022.

⁶ Impact Reporting by Marui Group is available at (Japanese only): <https://www.0101maruigroup.co.jp/sustainability/lib/databook.html>

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