

## Marui Group Co., Ltd.

**Type of Engagement:** Annual Review

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**Engagement Leaders:**

Wakako Mizuta, wakako.mizuta@sustainalytics.com, (+81) 3 4571 2343

Marie Toyama, marie.toyama@sustainalytics.com, (+81) 3 4571 2343

### Introduction

In October 2018, Marui Group Co., Ltd. (Marui Group) issued a green bond aimed at financing and refinancing expenditures related to renewable energy, energy efficiency and renewable power generation (the “Green Bond”). In November 2019, Marui 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 Marui Group Green Bond Framework (the “Green Bond Framework”).<sup>1</sup>

### Evaluation Criteria

Sustainalytics evaluated the projects funded in 2018 and 2019 based on whether the projects:

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

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

Marui Group has committed that the proceeds of the Green Bond will be allocated towards financing and refinancing projects that meet the following eligibility criteria, and that refinancing of projects will be limited to existing projects with a look-back period of 24 months prior to the date of issuance of the Green Bond.

Use of Proceeds	Eligibility Criteria
<b>(A) Source 100% of electricity from renewable power sources</b>	Costs related to MARUI GROUP’ efforts to achieve 100% renewable energy utilization, mainly via solar and wind power, consumed by its business segments
<b>(B) Reduction of GHG emissions</b>	Costs related to energy-saving efforts at stores and offices
<b>(C) Renewable power generation</b>	Costs related to implementation of renewable energy power generation projects

<sup>1</sup> Marui Group Green Bond Framework and Sustainalytics Second-Party Opinion: [https://www.sustainalytics.com/wp-content/uploads/2018/09/Marui-Group-Green-Bond-Framework-Overview\\_SPO\\_Final.pdf](https://www.sustainalytics.com/wp-content/uploads/2018/09/Marui-Group-Green-Bond-Framework-Overview_SPO_Final.pdf)

**Table 2: Key Performance Indicators**

Marui Group has committed to report on the following impact indicators on an annual basis throughout the term of the bond.

Key performance indicators	
<b>(A) Source 100% of electricity from renewable power sources</b>	Ratio of renewable power to the Group's total power consumption (%)
<b>(B) Reduction of GHG emissions</b>	Rate of reduction of the group wide total GHG emissions in comparison to the level in the fiscal year ending March 31, 2017 (%)
<b>(C) Renewable power generation</b>	Amount of renewable power generation (kWh)

#### 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, estimated and realized costs of projects, 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 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 Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by Marui 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 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,<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 Marui Group's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework.

<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, estimated and realized costs 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.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the Green Bond in 2018 and 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the Green Bond in 2018 and 2019 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 KPI per Use of Proceeds criteria.	None

## Appendix 1: List of Project Categories Reviewed

Use of Proceeds Category	Description	Look-back period for refinanced projects	All projects in category meet Use of Proceeds Criteria
<b>(A) Source 100% of electricity from renewable power sources</b>	<ul style="list-style-type: none"> <li>Costs related to purchase of power from renewable energy sources and transitioning to power from renewable energy sources (costs of switching power purchase agreements)</li> </ul>	None	Yes
<b>(B) Reduction of GHG emissions</b>	<ul style="list-style-type: none"> <li>Costs related to LED lights (at least 40% of the reduction in power consumption)</li> <li>Costs related to air-conditioners (at least 30% reduction on power consumption)</li> <li>Costs related to hot and cold water dispensers and cooling water pumps (at least a 30% reduction on power consumption)</li> <li>Costs related to transformers (at least 50% of the reduction in power consumption)</li> <li>Costs related to escalators and elevators (at least 30% of the reduction in power consumption)</li> </ul>	Confirmed that the lookback period for all the refinanced projects are within 24 months prior to the issuance date of the Green Bond.	
<b>(C) Renewable power generation</b>	<ul style="list-style-type: none"> <li>Costs of operating solar or wind power generation facilities</li> </ul>		

## Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	KPIs
<b>(A) Source 100% of electricity from renewable power sources</b>	Ratio of renewable power to the Group's total power consumption: 1.1%
<b>(B) Reduction of GHG emissions</b>	Rate of reduction of the group wide total GHG emissions in comparison to the level in the fiscal year ending March 31 2017: 5.8%
<b>(C) Renewable power generation</b>	Amount of renewable power generation: 383,614 kWh

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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