

Mitsubishi UFJ Lease & Finance

Type of Engagement: Annual Review

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Introduction

In 2018, Mitsubishi UFJ Lease & Finance Company Limited (Mitsubishi UFJ Lease & Finance) issued green bonds aimed at refinancing loans that fund solar power generation projects in Japan. In March 2019, Mitsubishi UFJ Lease & Finance engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Mitsubishi UFJ Lease and Finance Green Bond¹.

Evaluation Criteria

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

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 the 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

Use of Proceeds	Eligibility Criteria
Renewable Energy	<p>The proceeds of the green bond will be allocated towards refinancing loans that fund solar power generation projects and that meet the eligibility criteria described below:</p> <ol style="list-style-type: none"> I. Expenditures are associated with the development, construction and operation of a solar power facility located in Japan, II. A client (power producer), on the contract, has confirmed compliance of both the environmental impact assessment and relevant regulations and law such as Japan's Forest Act in construction and installation of the facility, where applicable, III. A client (power producer) has provided explanation to and obtained understanding of the local residents prior to construction and installation of the facility, and IV. A loan that has been provided within the last 24 months prior to the date of green bond issuance.

¹ the Mitsubishi UFJ Lease and Finance Green Bond Framework is available at https://www.sustainalytics.com/wp-content/uploads/2018/03/Green-Bond-Framework-and-Opinion_Mitsubishi-UFJ-Lease-and-Finance_Final.pdf

Table 2: Key Performance Indicators

Key performance indicators	
Renewable Energy	<ul style="list-style-type: none"> • CO2 emissions reduced by the eligible green projects (theoretical value based on output standard) • Amount of power generated by the eligible green projects (theoretical value based on output standard)

Issuing Entity's Responsibility

Mitsubishi UFJ Lease & Finance 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 Mitsubishi UFJ Lease & Finance's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Mitsubishi UFJ Lease & Finance'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 Mitsubishi UFJ Lease & Finance 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 Mitsubishi UFJ Lease & Finance.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Mitsubishi UFJ Lease and Finance Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. Mitsubishi UFJ Lease & Finance has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of April 2018.

² 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

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2018 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. For a list of Compliance to the Eligibility Criteria please refer to Appendix 1.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 2.	All projects reviewed reported on KPI per Use of Proceeds criteria. For a list of KPIs reported please refer to Appendix 2.	None

Appendix 1: Compliance to the Eligibility Criteria

Project Category	Number of Projects	Eligibility Criteria				All projects in category meet Use of Proceeds Criteria
		I. Types of Expenditures	II. Compliance with Environmental Impact Assessment (EIA) and Regulations	III. Explanation to Local Residents	IV. Date	
Solar Energy	25	All 25 projects funded through the green bond are associated with the development, construction and operation of solar power facilities located in Japan	The clients for all 25 projects have confirmed compliance with EIA and relevant regulations, where applicable, through the contracts	The clients for all 25 projects have provided explanation to local residents prior to construction and installation of the facilities	All 25 projects were funded within last 24 months prior to the date of the green bond issuance	Yes

Appendix 2: Project Impact

Project Category	Number of Projects	Total CO2 emissions Reduced (t-CO2/y)	Total amount of power generated (kWh)	KPIs for all projects in category meet Reporting Criteria
Solar Energy	25	27,037	52,805,736	Yes

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Sustainalytics

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For more information, visit www.sustainalytics.com

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