

The Gunma Bank, Ltd. (Green Bond 2019)

Type of Engagement: Annual Review

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Introduction

In November 2019, the Gunma Bank, Ltd. ("the Gunma Bank") issued a green bond (the "Green Bond") aimed at financing and/or refinancing projects related to renewable energy, energy efficiency, clean transportation, and green buildings, and allocated the proceeds to a total of 174 projects related to renewable energy, energy efficiency, and clean transportation as of 30 September 2021. In October 2021, the Gunma Bank engaged Sustainalytics to review the projects funded through the Green Bond and assess whether the projects met the Use of Proceeds criteria and the reporting commitments outlined in the Gunma Bank, Ltd. Green Bond Framework (the "Framework").¹ This is Sustainalytics' second annual review of the Gunma Bank's Green Bond following the previous review in November 2020.²

Evaluation Criteria

Sustainalytics evaluated the projects funded from November 2019 to September 2021 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Eligibility Criteria and associated KPIs for the Use of Proceeds category to which the proceeds were allocated.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

The Gunma Bank is committed to allocate green bond proceeds towards new and existing loans or expenses that meet the following eligibility criteria.

Use of Proceeds	Eligibility Criteria	KPIs
Renewable energy	Loans for the following power generation businesses, including the leasing, purchase, construction, operation and expansion of power generation facility assets. i. Solar power generation business (including expenses related to leasing business conducted by Gungin Leasing Co., Ltd., a subsidiary of the Gunma Bank) ii. Biomass power generation business * Limited to businesses using waste-derived biomass iii. Hydropower generation business * Limited to businesses with capacity is less than 25MW	• CO₂ reduction by power source (Solar (i), Biomass (ii), Hydropower (iii)) • Total CO₂ reduction (i) + (ii) + (iii)
Energy efficiency	Loans for installation and renovation of equipment that contributes to improving energy efficiency, including LED	• CO₂ reduction

¹ The Gunma Bank, Ltd. Green Bond Framework (Japanese only) available at: <https://www.gunmabank.co.jp/ir/bondinfo/pdf/greenbondwdf.pdf>

² Sustainalytics' previous annual review of the Gunma Bank's Green Bond is available at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spots/the-gunma-bank-ltd.-green-bond-annual-review.pdf?sfvrsn=a92fbb21_3

	lighting, upgrade of air conditioning equipment and refurbishment of buildings.	
Clean transportation	Loans and expenses for the purchase or maintenance of electric vehicles (EVs), fuel-cell vehicles (FCVs), and supporting infrastructure, including the following businesses or initiatives: - Loans offered by the Gunma Bank - Car leasing business by Gungin Leasing Co., Ltd., a subsidiary of the Gunma Bank - Promotion of the introduction of eco-cars as companies' cars, in group companies	CO₂ reduction

Issuing Entity's Responsibility

the Gunma Bank 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 the Gunma Bank's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from the Gunma Bank employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by the Gunma Bank 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 the Gunma Bank.

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 the Gunma Bank's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. The Gunma Bank has disclosed to Sustainalytics that the proceeds of the Green Bond (9,950 million JPY after deducting the issuance fees of the Green Bond) have been fully allocated as of 30 September 2021.

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.

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 Green Bond from November 2019 to September 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 Green Bond from November 2019 to September 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on KPI per Use of Proceeds criteria.	None

Appendices

Appendix 1: Allocation of Green Bond Proceeds

Use of Proceeds Category	Sub category	Number of Projects	Description	Look-back period for refinanced projects	Net Bond Proceeds Allocation (million JPY) ⁴
Renewable energy	Solar power generation	150	Confirmed that all allocations were towards loans and expenses for solar power generation business	NA	9,423
Renewable energy	Hydro power generation	2	Confirmed that all allocation were towards loans for hydropower generation business with a capacity of less than 25MW	NA	457
Energy efficiency	-	6	Confirmed that all allocation were towards expenses ⁵ for installation of LED lighting	NA	23
Clean transportation	-	16	Confirmed that all allocations were towards loans and expenses for the purchase of EVs	NA	45
Allocated Proceeds:					9,950
Unallocated Proceeds:					0
Net Proceeds from Green Bond Issuance:					9,950

⁴ The amount of net bond proceeds allocated to each category is rounded down to the nearest million JPY.

⁵ While the Gunma Bank's Green Bond Framework defines "loans" as its eligibility criteria for the use of proceeds category "Energy efficiency", considering the proceeds were allocated to projects that deliver the environmental benefit stated in the Green Bond Framework, Sustainalytics views the Gunma Bank's use of proceeds as aligned with the Green Bond Framework.

Appendix 2: List of Project Impact

Use of Proceeds Category	Sub category	Number of Projects	CO ₂ emissions reduction	
Renewable energy	Solar power generation	150	4,496 t-CO ₂ /y	Total 12,548 t-CO ₂ /y
Renewable energy	Hydro power generation	2	8,052 t-CO ₂ /y	
Energy efficiency	-	6	47 t-CO ₂ /y	
Clean transportation	-	16	11,680 kg-CO ₂ /y	

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