

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 aimed at financing and/or refinancing projects related to renewable energy, energy efficiency, clean transportation, and green buildings (the "Green Bond"). In October 2020, the Gunma Bank 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 Gunma Bank, Ltd. Green Bond Framework (the "Green Bond Framework").¹

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded as of 30 September 2020 based on whether the projects:

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 each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds and 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
a. Renewable energy	Loans for the following power generation businesses, including the leasing, purchase, construction, operation and expansion of power generation facility assets. - Solar power generation business (including expenses related to leasing business conducted by Gungin Leasing Co., Ltd., a subsidiary of the Gunma Bank) - Biomass power generation business * Limited to businesses using waste-derived biomass - Hydropower generation business * Limited to businesses with capacity is less than 25MW	- Total CO₂ reduction (i) + (ii) + (iii) - CO₂ reduction by power source (Solar (i), Biomass (ii), Hydropower (iii))
b. Green private placement bonds	Underwriting of bank-guaranteed private placement bonds for solar power companies that meet either of the following criteria:	CO₂ reduction

¹ Overview of the Gunma Bank, Ltd. Green Bond Framework (2019) available at: <https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2019/10/Gunma-Bank-Green-Bond-Second-Party-Opinion-24102019-ENGLISH.pdf>.

	i. Companies that have obtained ISO 14001 certification ii. Companies that have obtained the Ministry of the Environment's Eco-Action 21 certification iii. Companies that have obtained Gunma Prefecture's Environment GS certification	
c. Energy efficiency	Loans for installation and renovation of equipment that contributes to improving energy efficiency, including LED lighting, upgrade of air conditioning equipment and refurbishment of buildings. The loans applicable to the category (e) are exempted from the category (c).	• CO₂ reduction
d. 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: i. Loans offered by the Gunma Bank ii. Car leasing business by Gungin Leasing Co., Ltd., a subsidiary of the Gunma Bank iii. Promotion of the introduction of eco-cars as companies' cars, in group companies	• CO₂ reduction
e. Green buildings	Loans for the construction, purchase or repair of buildings that have obtained or meet standards for green building certification recognized nationally. i. CASBEE: S, A, or B+ ii. DBJ Green Building Certification: five stars, four stars, or three stars iii. BELS: five stars, four stars, or three stars	• The number of green buildings funded • Type of certification obtained • Level of certification obtained

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 the collection of documentation from the Gunma Bank and the review of documentation to confirm the conformance with the Green Bond 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,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 the Gunma Bank's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond 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 Green Bond as of 30 September 2020 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
Reporting Criteria	Verification of the projects funded by the Green Bond as of 30 September 2020 to determine if the impact of projects was reported in line with the KPIs outlined in the Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, 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: List of Project Categories Reviewed

Use of Proceeds Category	Sub category	Number of Projects	Description	Look-back period for refinanced projects
Renewable energy	Solar power generation	102	Confirmed that all allocations were towards loans and expenses for solar power generation business	NA
Renewable energy	Hydro power generation	1	Confirmed that the allocation was towards a loan for hydropower generation business with capacity less than 25MW	NA
Energy efficiency	-	1	Confirmed that the allocation was towards expenses ³ for installation of LED lighting	NA
Clean transportation	-	5	Confirmed that all allocations were towards loans and expenses for the purchase of EVs	NA

Appendix 2: List of Project Impact

Use of Proceeds Category	Sub category	Number of Projects	CO ₂ emissions reduction	
Renewable energy	Solar power generation	102	3,057 t-CO ₂ /y	Total 7,083t-CO ₂ /y
Renewable energy	Hydro power generation	1	4,026 t-CO ₂ /y	
Energy efficiency	-	1	8 t-CO ₂ /y	
Clean transportation	-	5	3,650 kg-CO ₂ /y	

³ 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.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

This document is translated from the Japanese language. In case of discrepancies between the Japanese language and translated versions, the Japanese language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

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The
Green Bond
Principles