

# The Gunma Bank, Ltd. (Green Bond 2019)

**Type of Engagement:** Annual Review

**Date:** November 16, 2021

**Engagement Team:**

Kosuke Kanematsu, kosuke.kanematsu@sustainalytics.com, (+81) 3 4571 2343

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

## 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”).<sup>1</sup> This is Sustainalytics’ second annual review of the Gunma Bank’s Green Bond following the previous review in November 2020.<sup>2</sup>

## 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
<b>Renewable energy</b>	Loans for the following power generation businesses, including the leasing, purchase, construction, operation and expansion of power generation facility assets. <ol style="list-style-type: none"> <li>i. Solar power generation business (including expenses related to leasing business conducted by Gungin Leasing Co., Ltd., a subsidiary of the Gunma Bank)</li> <li>ii. Biomass power generation business               <ul style="list-style-type: none"> <li>* Limited to businesses using waste-derived biomass</li> </ul> </li> <li>iii. Hydropower generation business               <ul style="list-style-type: none"> <li>* Limited to businesses with capacity is less than 25MW</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> reduction by power source (Solar (i), Biomass (ii), Hydropower (iii))</li> <li>• Total CO<sub>2</sub> reduction (i) + (ii) + (iii)</li> </ul>
<b>Energy efficiency</b>	Loans for installation and renovation of equipment that contributes to improving energy efficiency, including LED	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> reduction</li> </ul>

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

<sup>2</sup> 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/spos/the-gunma-bank-ltd.-green-bond-annual-review.pdf?sfvrsn=a92fbb21\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/the-gunma-bank-ltd.-green-bond-annual-review.pdf?sfvrsn=a92fbb21_3)

	lighting, upgrade of air conditioning equipment and refurbishment of buildings.	
<b>Clean transportation</b>	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: <ul style="list-style-type: none"> <li>i. Loans offered by the Gunma Bank</li> <li>ii. Car leasing business by Gungin Leasing Co., Ltd., a subsidiary of the Gunma Bank</li> <li>iii. Promotion of the introduction of eco-cars as companies' cars, in group companies</li> </ul>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> reduction</li> </ul>

### 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,<sup>3</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 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.

<sup>3</sup> 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**

<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 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
<b>Reporting Criteria</b>	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) <sup>4</sup>
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 <sup>5</sup> for installation of LED lighting	NA	23
Clean transportat ion	-	16	Confirmed that all allocations were towards loans and expenses for the purchase of EVs	NA	45
<b>Allocated Proceeds:</b>					9,950
<b>Unallocated Proceeds:</b>					0
<b>Net Proceeds from Green Bond Issuance:</b>					9,950

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

<sup>5</sup> 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 <sub>2</sub> emissions reduction	
Renewable energy	Solar power generation	150	4,496 t-CO <sub>2</sub> /y	Total 12,548 t-CO <sub>2</sub> /y
Renewable energy	Hydro power generation	2	8,052 t-CO <sub>2</sub> /y	
Energy efficiency	-	6	47 t-CO <sub>2</sub> /y	
Clean transportation	-	16	11,680 kg-CO <sub>2</sub> /y	

## Disclaimer

**Copyright ©2021 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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.

## About Sustainalytics, a Morningstar Company

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](http://www.sustainalytics.com).

