

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Hudson Green Project Finance 2020-1
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Hudson Green Project Finance 2020-1 Trust Beneficial Rights
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 22, 2021
Publication date of review publication:	January 22, 2021

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF Independent External REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

This project finance covers a total of 33 solar power generation facilities located in Japan (the Project). The main companies operating the Project are two SPCs, Hudson Solar Japan 1 Godo Kaisha (HSJ1) and Hudson Solar Japan 2 Godo Kaisha (HSJ2), each possessing 11 and 22 solar power plants respectively. HSJ1 and HSJ2 are established by an investment-fund of Hudson Sustainable Investment Management LLC (HSIM) headquartered in the United States. In March 2019, HSJ1 acquired 11 solar PV facilities, and in December 2019, HSJ2 acquired 22 solar PV facilities from three original developers. HSIM invests in silent partnerships of HSJ1 and HSJ2.

The subject of this evaluation is the trust beneficial rights (the Trust Beneficial Rights) issued by Hitachi Capital Trust, backed by loans to HSJ1 and HSJ2. The use of the Trust Beneficial Rights will be used to refinance the existing loans to HSJ 1 and HSJ 2, which possess the Project. All 33 solar power facilities, for which the funds are used, have commenced commercial operations, and can be expected to have a strong environmental improvement impacts by reducing CO2 emission through operations. JCR confirms that a total of 33 solar power facilities are not expected to have a negative impact on the environment through a technical evaluation report issued by a third-party evaluation organization.

Under this scheme, HSIM the investor of the silent partnership of HSJ1 and HSJ2, and also an originator of the Project, under which it has 33 solar power facilities project, thereby JCR checks initiatives of HSIM and initiatives of Hudson Sustainable Group (Hudson), which include HSIM.

Hudson is a group, which invests in sustainability and environmental fields in 26 countries worldwide. Hudson was established in 2007 by key members who have been investing in environmental and sustainability since 2002. The expertise of Hudson employees covers broad areas including clean energy, resource efficiency, sustainable mobility and sustainable technology. Hudson believes that its investments are consistent with Sustainable Development Goals of the United Nations. Hudson places sustainability as its basis of corporate culture and also strives to improve its operations through stakeholder feedback.

Hudson complied its investment policy under "Hudson Green Financing Framework" and published it within the framework. It confirmed that the Project is in line with the above policy and an eligible project determined in the framework. JCR confirmed in an interview that Hudson will continue to invest in solar PV facilities and that it is aiming to have 300MW of solar PV facilities within three years.

In the Project, JCR confirmed that Hudson has human resources with expertise in solar power facilities and the environment, and it conducted screening and due diligence on the solar power facilities of the Project using the knowledge. The technical assessment of power generation facilities and risk assessment related to various natural disasters were carried out by using the knowledge of a third-party evaluation organization with expert knowledge.

As a consequence, JCR confirms that the Project has been fully in operation and has no material adverse environmental impacts through technical assessment reports by a third-party assessment agency and interviews with Hudson. JCR also confirmed that damage to solar power generation facilities caused by natural disasters such as heavy snow, typhoons, and lightning is covered by the insurance. As a consequence, JCR has evaluated that there is no possibility of serious negative environmental impacts that exceed the benefits of environmental improvement impacts, and the Project is a green project that greatly contributes to reducing CO2 emissions. JCR confirmed that Hudson's management has stated that it will actively invest in businesses that promote problem solving in environmental and sustainability, and it is conducting its operations by incorporating its investment policy into "Green Financing Framework."

The management and operation system of the Green Projects, for which proceeds of the Trust Beneficial Rights will be used, is also stipulated in various agreements, and JCR confirmed that the management and operation will be properly established as long as it is executed in accordance with these provisions, and a high level of transparency will be ensured for investors.

As a result, based on the JCR Green Bond Evaluation Methodology, JCR assigned "g1" for the "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation. Consequently, JCR assigned "Green1" for overall "JCR Green Bond Evaluation."

The Trust Beneficial Rights are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guidelines of Ministry of the Environment of Japan.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. The use of funds is 100% for refinancing of funds to acquire solar power facilities with high CO2 reduction effect.
- ii. The use of proceeds fall under Renewable Energy among the green projects defined in the Green Bond Principles and Renewable Energy Projects among the green projects exemplified in the Green Bond Guidelines of Ministry of Environment.

b. Negative impact on Environment

The 33 project sites subject to the use of funds of the Trust Beneficial Rights are diverse, ranging from wildland, forests, miscellaneous sites, public roads, and residential lots. Hudson makes investment decisions when investing in targeted solar power generation facilities after confirming that there are no negative environmental impacts or issues with neighboring residents. JCR also confirmed technical assessment reports for a total of 33 solar power generation facilities, and conducted interviews with Hudson to confirm that no negative environmental effects occurred in the targeted solar power generation facilities.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.

Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

The proceeds in lieu of the issuance of the Trust Beneficial Interests will be used in full to refinance existing loans of two SPCs with a total of 33 active solar facilities.

Tracking of fund usage is not required because the Trust Agreement and Loan Agreement with respect to this matter clearly stipulate that the proceeds in lieu of the issuance of the Trust Beneficial Rights will be used in full to refinance the funds for the acquisition of the solar power facilities.

Transactions until the Trust Beneficial Rights is issued and transferred to the investor are clearly stipulated in the agreements. Therefore, JCR believes that controls are secured as long as businesses are conducted in accordance with the agreements.

The proceeds of the Trust Beneficial Rights have been fully appropriated for refinancing existing loans of HSJ1 and HSJ2 through paying to Hitachi Capital Trust by the Arranger on the date of transfer, and no funds left unappropriated.

When the receivables are repaid prior to the final repayment date, the Trust Beneficial Rights will also be redeemed in accordance with the waterfall predetermined in the Trust Agreement, and therefore, it is not necessary to be reallocated.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING**Overall comment on section (if applicable):****a. Reporting on proceeds allocation**

As confirmed in the preceding paragraph, the proceeds of the Trust Beneficial Rights will be immediately used to refinance the existing loans of two SPCs, which have 33 operational solar facilities. JCR confirms that Hudson plans to state the amounts allocated and unallocated in Sustainability Report and others to be issued in the future. In addition, any significant changes with respect to the project are identified, they will be reported by the O&M company of the project to the asset management company (AM company). The AM company will report the matter to the trust company, which is the lender to the SPCs, and the contents of the report will be informed to the investors by the trust company.

b. Impact reporting for environmental benefits

Status of 33 solar power facilities, the target assets, is reported monthly by the respective O&M companies and AM companies to the two SPCs with respect to amount of radiation and power generation for each facility. Two SPCs report the matters to the trust company, which in turn to report the matter to the investors of the Trust Beneficial Rights.

Hudson also plans to issue an annual Sustainability Report in the future, in which it will disclose quantitative figures such as CO2 reductions and power generation from renewable energy.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify):
Power Output

Means of Disclosure

☐ Information published in financial report

☒ Information published in sustainability report

☐ Information published in ad hoc documents

☐ Other (please specify):

☐ Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

ESG initiatives by Hudson

<https://www.hudsonsustainable.com/esg-initiatives>

JCR's website about green bond evaluation methodology

<https://www.jcr.co.jp/en/greenfinance/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Second Party Opinion

☐ Certification

☐ Verification

☒ Scoring/Rating

☐ Other (please specify):

Review provider(s):

Japan Credit Rating Agency, Ltd.

Date of publication:

January 22, 2021

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.