

# GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

## Section 1. Basic Information

Issuer name:	GPSS Holdings, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	GPSS Holdings, Inc. 1st Unsecured Bonds
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	July 31, 2020
Publication date of review publication:	July 31, 2020

## 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.*

GPSS Holdings Inc. (GPSS) is a company that develops renewable energy, established in 2012 as Japan Megasolar Inc. As of December 2019, GPSS had 72 sites, 140 MW of renewable energy power generation facilities nationwide (including those under development), and has established a system for covering the upstream and downstream of renewable energy contracts, including development, construction, and management, with subsidiaries within GPSS Group. GPSS aims to form a sustainable society with "grid parity", where the electricity cost by renewable energy becomes less than the existing electricity cost. GPSS's policy is to contribute to the creation of a sustainable society and the creation of new value through the use of renewable energy.

GPSS has established a "Sustainability Policy" to achieve their policy. The Sustainability Policy identifies 10 items to be achieved in relation to environmental, social, and governance (ESG). GPSS is making efforts to achieve the policy. JCR has confirmed that GPSS established a framework for promoting sustainability, including the Sustainability Committee, in order to put the Sustainability Policy into practice, and is promoting activities related to sustainability.

The subject to be evaluated is private placement bonds (the "Bonds") issued by GPSS. The proceeds for the issuance of the Bonds will be spent on capital expenditure and development for 14 solar power generation facilities under development by GPSS, and the annual CO2 savings are expected to 24,655t-CO2. JCR evaluates that the environmental improvement benefits is high. At the interview, JCR confirmed that GPSS and the departments of subsidiary in charge reviews with regard to the solar power generation facilities and confirmed that they identified potential risks in the development and management of the solar power generation facilities. As a consequence, there is no possibility of a serious negative impact on the environment that exceeds the benefits of environmental improvements, and JCR evaluates these as green projects that contribute greatly to reducing CO2 emissions. Based on its corporate philosophy at the time of its establishment and the various concrete initiatives derived from this philosophy, GPSS's management considers environmental issues to be a top priority. Therefore, JCR has confirmed that GPSS has established a robust management and operation structure and has high transparency with regard to the Bonds.

As a result, based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" as an overall "JCR Green Bond Evaluation" to the Bonds. Detailed evaluation is discussed in the next chapter.

The Bonds are considered to meet the standards for the requirements of the "Green Bond Principles" and the "Green Bond Guidelines 2020."

<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. 100% of proceeds will be allocated to the capital expenditures for solar power generation facilities and highly contribute to CO2 reductions.
- ii. The use of proceeds fall under "renewable energy" defined in the "Green Bond Principles," and "renewable energy projects" exemplified in the "Green Bond Guidelines."

#### **b. Negative impact on Environment**

GPSS is examining and making decisions on whether the planned site has factors that could negatively affect the environment (e.g., wildlife reserves, special areas such as national parks, special landslide disaster warning areas, rivers and erosion control areas) and other factors (e.g., areas with reserves, plans for use by local governments, etc.) based on its own assessment criteria in the project development of solar power generation facilities.

JCR confirmed that GPSS conducted several due diligence sessions not only at the beginning of the project but also in accordance with the progress of the project. In the event that the project had a negative impact on the environment, the project will be suspended until the counter measures are implemented. In the case of large-scale solar power generation facilities such as in Hirono and Kanuma, JCR confirmed through interviews that GPSS referred the technical assessment report of a third party organization and the opinions of a law firm. As a result, JCR confirmed that the negative impact on the environment is minimal.

JCR confirmed that solar power generation facilities subject to use of the proceeds will have casual insurance against natural disasters, etc. and that efforts will be made to restore them if they suffered damage and that if recovery is not possible, proceeds will be allocated to other projects out of the 14 candidate solar power plants.

#### **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 | <input type="checkbox"/> Other (please specify) :  |

areas not yet stated in GBPs

*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) :

- a. The proceeds of the Bonds will be used for capital expenditures for 14 solar power facilities currently under construction, and will not be used for other purposes.
- b. For account management, the proceeds are deposited in GPSS's account and then moved to SSIM's account. The proceeds are then allocated from SSIM to Special Purpose Companies (SPCs) for the projects in the form of investments. JCR confirmed that the resolution of the Board of Directors instructs transferring the proceeds from GPSS to SSIM and the manager of the Accounting and Finance Department of SSIM approve the transfer the investment to SPCs from SSIM. The proceeds are checked on a quarterly basis, and any unallocated funds are managed in deposits.
- c. With regard to tracking management, joint construction progress meetings are held and checked at each special purpose company for each division to implement the project.
- c. GPSS intends to use internal and external audits to fund procurement through the Bonds.
- d. Prior to redemption of the Bonds, JCR confirmed that, in the event that solar power generation facilities are destroyed due to natural disasters or other factors and unallocated funds are generated, JCR will promptly select a solar power generation facility as a substitute and allocate funds to the facility. If unallocated funds are expected to be invested in deposits until an alternative facility is selected.
- JCR evaluates that GPSS's funds management is appropriate and that disclosures to investors are also appropriate.

**Tracking of proceeds:**

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

**Additional disclosure:**

- ☒ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☒ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (*please specify*):

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

The proceeds of the Bonds will be used to fund capital expenditures for the 14 solar power generation facilities described in Phase 1. The period of allocation will last about a year. JCR confirms that the unallocated proceeds are managed in cash and cash equivalents.

In the event that an unallocated funds are generated due to the destruction of solar power generation facilities subject to funds before redemption of the Bonds, GPSS promptly selects a replacement solar power generation facility and confirms that the funds will be appropriated. If such unallocated funds arise during the period, GPSS will report to investors on changes in their allocation.

**b. Impact reporting for environmental benefits**

GPSS will report on environmental benefits by disclosing three items, CO2 emissions, power generation, and household-equivalent figures that have been reduced by eligible green projects. GPSS will undergo an annual JCR review of the accuracy of the reporting status by the due date.

JCR evaluates that the reporting is planned to be disclosed appropriately to investors, etc. in terms of both the allocation of proceeds and the effects of environmental improvement.

**Use of proceeds reporting:**

- ☒ Project-by-project
- ☐ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other (*please specify*):

**Information reported:**

- ☒ Allocated amounts
- ☐ Green Bond financed share of total investment
- ☐ Other (*please specify*):

**frequency:**

- ☒ Annual
- ☐ Semi-annual
- ☐ Other (*please specify*):

**Impact reporting:**

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

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators <i>(please specify)</i> :<br><i>Power Output, Power Output converted to household</i> |

**Means of Disclosure**

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report   | <input type="checkbox"/> Information published in sustainability report                           |
| <input type="checkbox"/> Information published in ad hoc documents   | <input checked="" type="checkbox"/> Other <i>(please specify)</i> :<br><i>Show on the website</i> |
| <input type="checkbox"/> Reporting reviewed<br><i>Yes, both use of proceeds and impact reporting are subject to external review.</i> |   |

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 GPSS	<a href="https://gpssgroup.jp/about-us_esg_en/">https://gpssgroup.jp/about-us_esg_en/</a>
JCR's website about green bond evaluation methodology	<a href="https://www.jcr.co.jp/en/greenfinance/">https://www.jcr.co.jp/en/greenfinance/</a>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

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

**Review provider(s):** Japan Credit Rating Agency, Ltd.

**Date of publication:** July 31, 2020

## 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.