

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Daiwa Energy & Infrastructure Co. Ltd.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Daiwa Green Finance Program Trust Beneficiary Interests
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	January 29, 2020
Publication date of review publication:	January 29, 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.

Daiwa Energy & Infrastructure Co. Ltd. (the “Company”), a wholly owned subsidiary of Daiwa Securities Group Inc., was established to support the creation of future societies by promoting energy investments and loans based on SDGs and technology. The Company started operations in 2018 with the Energy Investment Division of Daiwa PI Partners Co. Ltd. as its predecessor. The Company aims to provide "new value" and contribute to SDGs by investing in renewable energy, infrastructure, and resources. As of September 2019, about 50% of the Company’s investments for renewable energy, including domestic and overseas solar power generation facilities. The Company intends to continue to actively invest in this field. To date, it has developed approximately 103MW of solar power generation facilities and 13MW of biomass power plants and all completed renewable energy projects have been operating stably. The environmental initiatives through renewable energy have been steadily implemented.

The subject to be evaluated is the trust beneficiary interests (the “Trust Beneficiary Interests”) backed by the loan for the fund for the acquisition of the solar power generation facilities. The Hokkaido Distributed Power Supply Platform (tentative name) (the “Project GK”), a joint venture company developed by the Company will acquire the facilities. The Company is a sponsor of Project GK and invests in silent partnerships. Project GK acquires the solar power generation facilities by borrowing loans from Hitachi Capital Trust Corporation (“Hitachi Capital”), a trustee of the Trust Beneficial Interests, and by receiving fund by silent partnerships. Loans from Hitachi Capital Trust are financed by funds raised through the trust fund. Hitachi Capital executes loans to Project GK subject to predetermined conditions such as conclusion of the related agreements. During the loan period, principal redemption and dividend payment will be made to the investors in a manner predetermined by the trust agreement, funded by the revenue from the sales of the solar power generation facilities.

JCR confirmed that 100% of the funds procured by the Trust Beneficiary Interests will be used to finance the acquisition of the solar power generation facilities, and that the annual CO2 emissions reductions by the solar power generation facilities are expected to be 9,214 t-CO2 per year. In addition, JCR confirmed that the Company recognizes the impact on the environment that could be anticipated in the implementation of the project under the supervision of the relevant internal department and external third-party organizations, and takes necessary avoidance and mitigation measures. From the above, JCR considers that the Trust Beneficiary Interest are for green projects with high environmental improvement effects.

JCR evaluates that the management of the Trust Beneficiary Interests have been established because of the funding allocation plan and the funding for the green projects, the implementation of tracking management, and the absence of any particular concerns regarding the operation of unallocated funds. In addition, as the appropriation of funds and the content of reports on the environmental improvement effects are appropriate, JCR evaluates that transparency of the Trust's Beneficiary Interests to investors is high.

As a result, based on the JCR Green Finance Evaluation Methodology, JCR assigns "g1" for the preliminary evaluation of “Greenness Evaluation (use of proceeds)” and "m1" for the preliminary evaluation of "Management, Operation and Transparency Evaluation" with regard to the Trust Beneficiary Interests. Consequently, JCR assigns "Green1" for overall "JCR Green Bond Preliminary Evaluation."

The Trust Beneficiary Interests meet the standards for the Green Bond Principles and the items required by the Ministry of the Environment's Green Bond Guidelines.

The Framework meets the standards for the items required in the Green Bond Principles, the Ministry of the Environment's Green Bond Guidelines, and the Green Loan Principles.

<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 the funds are used to acquire solar power generation facilities, which is highly effective in improving the environment.
- ii. The Use of Proceeds falls under the category of "renewable energy" as defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on Environment

In selecting projects subject to green bonds, the Company conducts preliminary surveys through technical due diligence reports by external organizations, assuming risks with negative impacts on the environment. When selecting projects, The Company also confirmed that CO2 emission reductions from the installation of solar power generation facilities exceed CO2 emission reductions from the land development. Based on the above, JCR assesses that the Company recognizes the negative impact of projects on the environment through internal departments and external third-party organizations, and takes necessary avoidance and mitigation measures.

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 (please specify) : |

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 entire proceeds from the issuance of the Trust Beneficiary Interests will be allocated in a lump sum to the loans from Hitachi Capital to Project GK. The loans will be used to acquire the Facilities in accordance with a trust agreement and loan agreement. Unallocated funds (undisbursed funds to project GK) are managed in a trust account as cash or cash equivalents.
Funds are tracked and managed by Hitachi Capital based on documents submitted by Project GK. Fund management until the redemption of the Trust Beneficiary Interests is stipulated in various agreements and the management status of the trust assets is scheduled to be periodically reported to the investors. From this JCR considers that controls are in place regarding fund management.

Tracking of proceeds:

- | |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input 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 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 checked="" type="checkbox"/> Other (please specify) :
Allocations only to existing investments |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The appropriation of funds procured from the Trust Beneficiary Interests will be reported semiannually in the Trust Assets Status Report issued by Hitachi Capital. In addition, no unallocated funds will be incurred because the entire amount of procured fund will be appropriated to the fund for the acquisition of the Facilities through the loans to the project GK, the loans will be repaid before the deadline when the Facilities are lost or sold, and the same amount will be appropriated for the redemption of the Trust Beneficiary Interests.

b. Impact reporting for environmental benefits

The environmental improvement effects of the Trust Beneficiary Interests are expected to be reported to investors. JCR evaluates that reporting on the Trust Beneficiary Interests is transparent as it plans to disclose to investors in detail and in an effective manner, both in terms of the appropriation of funds and the effectiveness of environmental improvements.

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:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (*please specify*):

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*):
electric power generation

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 (please specify):
Show on the website |
| <input type="checkbox"/> Reporting reviewed
<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.)

Sustainability activities by Daiwa Securities Group Inc. (the parent company of the issuer)	http://www.daiwa-grp.jp/english/csr/index.html
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:

- | | |
|--|--|
| <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): | |

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

Date of publication: January 29, 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.