

# Green Bond / Green Bond Programme Independent External Review Form

## Section 1. Basic Information

Issuer name:	Shizen Energy Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	5th unsecured private placement bonds
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	November 29, 2019
Publication date of review publication:	November 29, 2019

## 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.*

## EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Shizen Energy Inc. (the “Company”) was established in June 2011. The Company is primarily engaged in the generation of solar, wind, and small-scale hydroelectric power and other Renewable energy power generation business. The Company completed construction of the “Koshi-City Kumamoto Flour Milling Solar Power Plant in Kumamoto Prefecture (capacity: 1.2MW)”, the first mega-solar power plant of the Shizen Energy Group in December 2012. The company has been involved in the development of wind and small-scale hydroelectric power plants, including solar power, and has a track record of developing solar power plants of approximately 698MW, wind power of approximately 250MW, and small-scale hydroelectric power of 0.2MW. The Company is also focusing on the introduction of advanced know-how in Europe. In 2013, the Company established a joint venture, juwi Shizen Energy Inc. and juwi Shizen Energy Operation Inc., with German juwi AG, which has a wealth of experience developing renewable energy in Europe. The Shizen Energy Group has positioned "connecting the blue earth to the future" as its own PURPOSE (raison d'être). The Shizen Energy Group aims to build energy power plants worldwide and to expand the livelihoods in which safe and sustainable electricity is used. The Company is continuing its development with a target of 5GW in total power generation capacity by 2022.

The Private Placement Bonds (the “Bonds”) subject to this evaluation will be used to finance for new solar power generation projects (estimated project amount: about JPY 7 billion) that satisfy the eligibility criteria of the Green Finance Framework established by the Shizen Energy Group. The annual reductions of CO<sub>2</sub> emissions for this project are expected to be 14,666 t-CO<sub>2</sub> per year, which is highly effective in improving the environment. JCR confirmed that the Company has taken appropriate measures to avoid or mitigate the negative environmental impacts through identifying any possible adverse effects internally, developing a response system, and providing explanations to stakeholders.

Regarding the management and operation system, the management was involved in selecting and monitoring the eligible projects. Institutional decisions were also made. JCR evaluates that the management, operation, and transparency of the Company are appropriate, with the fact that internal control in fund management is properly implemented and the contents of reporting is appropriate.

Based on the JCR Green Finance Evaluation Methodology, JCR assigned “g1” for the “Greenness Evaluation (Use of Proceeds)” and “m1” for the “Management, Operating System and Transparency Evaluation.” As a result, JCR assigned “Green 1” for overall “JCR Green Bond Evaluation.” The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Ministry of the Environment's Green Bond Guidelines .

<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. All of the funds will be allocated to new expenditures for and refinancing development costs in the solar power generation projects. This project is highly likely to be completed the construction and to start operations as scheduled. Consequently, JCR concludes that it 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 implementing this project, the Company has identified the negative impacts on the environment as follows and has taken appropriate mitigation measures. The Company has established system for identifying and responding to the negative environmental impacts. JCR evaluates that avoidance and mitigation measures have been taken through appropriate applications for permits and prior explanations.

#### **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 funds raised through the Bonds will be fully allocated to new expenditures and refinancing for the development costs of the solar power generation project and will not be allocated to any other purposes. The funds raised through the Bonds will be allocated in a lump sum until May 2020 for new expenditures and at the time of issuance of the Bonds for refinancing.
- Funds raised from the Bonds are recorded on a dedicated form prepared by the Finance Department staff on each funding allocation (allocation to the existing expenditure and new expenditure) and the entire amount is linked to the Green Project for the use of proceeds. The relevant ledger is checked by the Finance Manager for each allocation.
- These forms will be appropriately stored until the redemption of the Bonds.
- The tracking management of the funds raised in the Bond is subject to annual audits and the forms are confirmed by the auditors.
- The funds raised through the Bonds will be managed by cash or cash equivalents until they are allocated to the green project. The management and operation of unallocated funds will be disclosed to investors in this report and in interviews with investors prior to the issuance of the Bonds.

### 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 checked="" 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 type="checkbox"/> Other (please specify) :                                       |

## 4. REPORTING

**Overall comment on section (if applicable):**

### a. Reporting on proceeds allocation

The Company plans to report on the proceeds allocation to investors only once at the time of full allocation or one year after the issuance because the funds raised by the Bonds are scheduled to be fully allocated to the development costs of the solar power generation project within one year after the issuance of the bonds.

In the event of a sale of the subject property prior to the redemption of the Bonds, the Company will disclose the fact and discuss with the investors in a timely manner to reallocate the unallocated portion to other green projects that meet the eligibility criteria. If the proceeds of the Bonds are to be refinanced, the Company will be disclosed annually to investors until the funds are fully allocated.

### b. Impact reporting for environmental benefits

The company plans to report on the environmental improvement effects of the solar power generation project. Since the Bonds will be redeemed prior to the commencement of operations of the project for which the funds are allocated, the Company will disclose to investors the estimated figures at the time of issuance regarding the reporting on the environmental improvement effect. Reporting will use the following indicators as KPIs (key performance indicator)

- Amount of the CO2 emissions reduction by green projects (theoretical values based on output standards)
- Amount of power generated by the green project (theoretical value based on the output standard)

### 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): The Company will disclose to investors the estimated figures at the time of issuance regarding the reporting on the environmental improvement effect.

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

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify):

Amount of power generated by the green project  
(theoretical value based on the output standard)

## 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>Disclosing to investors |
| <input checked="" type="checkbox"/> 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.*)

Shizen Energy's website	<a href="https://www.shizenenergy.net/">https://www.shizenenergy.net/</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:** November 29, 2019

## 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.