

# 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. 3rd Unsecured Bonds
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	February 26, 2021
Publication date of review publication:	February 26, 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 ( <i>please specify</i> ): |  |

*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)

GPSS Holdings Inc. ("GPSS") is a company that develops renewable energy, established in 2012 as Japan Megasolar Inc. As of November 2020, GPSS had 75 renewable power generation facilities (including those under development) generating 135 MWs nationwide, and it has established a system that covers everything from upstream to downstream, from contract to development, construction, and operation related to renewable energy by its group subsidiaries. GPSS has been targeting "grid parity" where electricity costs from renewable energy are equal or less than the existing electricity costs, as well as forming a sustainable society through grid parity. GPSS's policy is to contribute to the creation of a sustainable society at each area of Japan and the new value through the use of renewable energy.

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

The bonds hereby to be evaluated are private placed bonds (the "Bonds") issued by GPSS. The proceeds of the issuance of the Bonds are used for development cost for four wind power facilities that are being developed by GPSS, and the annual CO2 savings from the assets subject to the use of proceeds in this project are expected to be 149,300 t-CO2. JCR confirmed that if its four wind power generation facilities are expected to continue to have a negative impact on the environment going forward, construction work will be suspended until countermeasures are taken. Consequently, the possibility of serious negative environmental impacts that exceed the benefits of environmental improvements is small, and JCR evaluated it as a green project that greatly contributes to reducing CO2 emissions. In addition, based on the corporate philosophy at the time of establishment and various specific initiatives, GPSS management views environmental issues as a high-priority issue. Thereby JCR confirmed that GPSS established a robust management and operation system and has a high level of transparency with respect to the Bonds.

As a result, based on the JCR Green Bond Evaluation Method, JCR assigned "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation, and Transparency Evaluation." Consequently, JCR assigned "Green 1" for overall evaluation of the Bonds.

The Bonds are considered to meet the standards for items required in 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. CO2 reduction effect can be expected in the future, with 100% of the proceeds being used to finance development cost for wind power facilities.
- 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 Green Bond Guidelines 2020 Edition.

#### b. Negative impact on Environment

In the project development related to wind power generation facilities, GPSS Group (the "Group") is considering and deciding whether the planned land has factors that could negatively affect the environment (e.g., special areas such as wildlife sanctuaries and national parks, sediment-related disaster special warning areas, rivers and sand control areas) and other factors (e.g., areas where there are reserve cultures, plans for use by local governments, and risks such as shadow flickers, noise, and bird strikes at wind power generation facilities) based on the in-house evaluation criteria.

JCR confirmed that due diligence is carried out not only at the start of the project but also for several times according to the progress of the project, and that if there is a negative impact on the environment, development/construction will be halted until countermeasures are implemented.

As mentioned earlier, GPSS has an in-house department specializing in due diligence for renewable energy projects and evaluates them internally. However, it may also order assessment reports from third-party organizations for confirmation. Among the candidates for the subjects of the use of funds, JCR confirmed that the risk assessment reports and hazard reports will be obtained for the four wind power generation facilities.

After reviewing internal due diligence materials and hearing, JCR confirmed that in some wind power facilities among four wind facilities, GPSS had discussion with local residents about the wind power generation facilities. JCR confirmed that if its four wind power generation facilities are expected to continue to have a negative impact on the environment going forward, construction work for them will be suspended until countermeasures are taken.

JCR confirmed that wind power facilities eligible for funding will be insured against natural disasters and that efforts will be made to restore wind power facilities in the event of damage, and that proceeds will be allocated to other projects out of the four wind power facilities eligible for recovery if recovery is not possible.

#### Use of proceeds categories as per GBP:

Renewable energy

Energy efficiency

Pollution prevention and control

Environmentally sustainable management of living natural resources and land use

Terrestrial and aquatic biodiversity conservation

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 ( <i>please specify</i> ):   |

### 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 ( <i>please specify</i> ):   |   |

## 3. MANAGEMENT OF PROCEEDS

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

- a. The proceeds of the issuance of the Bonds to be evaluated will be used to fund development cost for four wind power facilities, and are not expected to be used for any other purposes.
- b. For account management, the proceeds from bond issue are deposited into GPSS's account and then transferred to the account of SSIM, a subsidiary of GPSS, and recorded and managed in a dedicated electric file. Regarding fund transfers from GPSS to SSIM and expenditures from SSIM to respective projects, JCR confirmed that responsibilities are made by resolutions of the Board of Directors and by persons in charge of SSIM's Accounting and Finance Department, respectively. The proceeds are checked on a quarterly basis, and any unallocated funds are managed in deposits.
- c. With regard to tracking, SSIM holds and checks joint construction progress meetings for respective divisions implementing the project.
- d. GPSS plans to subject the proceeds from the Bonds to internal and external audits.
- e. JCR confirmed that if wind power facilities that are subject to the use of funds are destroyed by natural disasters or if unused funds arise due to project cancellation prior to the redemption of the Bonds, GPSS will promptly select

alternative wind power facilities and appropriate funds. In the process, it is also planned that the facilities to be replaced will be managed in deposits until the alternative equipment is selected.  
Based on the above, JCR evaluates that GPSS fund management is appropriate and disclosures to investors are 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 from the Bonds will be used to fund development cost for the four wind power facilities described in Phase 1. JCR confirmed that GPSS plans to allocate full amount of the proceeds of the Bonds and no unappropriated funds are expected. Reporting of the proceeds raised by the Bonds will be published on GPSS website on an annual basis for the three items listed below.

1. Overview of green project to allocate proceeds procured through green bond issuance
2. Amount of funds appropriated for green projects
3. The amount or proportion of unappropriated funds, the timing of allocation, and the method of investment, if any.

JCR confirmed that in the event that unappropriated funds arise prior to the redemption of the Bonds due to such factors as the cancellation of projects to construct wind power facilities, GPSS will promptly select alternative wind power facilities and appropriate funds. If such unused funds occur during the period, GPSS plans to report to investors any changes in their appropriations.

**b. Impact reporting for environmental benefits**

GPSS plans to disclose three items of CO2 emissions, power generation, and household-equivalent power reduced by eligible green projects on GPSS website on an annual basis as a report of environmental improvement benefits. GPSS plans to undergo an annual JCR third-party review of the accuracy of the status of reporting through the redemption date.

JCR evaluated that the above reporting is planned to be disclosed appropriately to investors, etc. in terms of both the appropriation of funds 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:

- 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):  
*Power Output, Power Output converted to household*

### Means of Disclosure

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
*Show on the website*  
 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 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:**

Second Party Opinion

Certification

Verification

Scoring/Rating

Other (*please specify*):

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

**Date of publication:** February 26, 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.