



# Second-Party Opinion

## Concordia Financial Group

### Green Bond Framework

#### Evaluation Summary

Sustainalytics is of the opinion that the Concordia Financial Group Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9, and 11.



**PROJECT EVALUATION / SELECTION** Eligible projects are selected and finally decided by the Corporate Planning Dept., based on the eligibility criteria established through discussions at the Group SDGs Committee. Concordia Financial Group's Policy for Specific Sectors related to sectors that are likely to pose risks to the environment and society and process to ensure compliance with relevant rules and regulations in the loan screening process, are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate. Sustainalytics views this process by the Concordia Financial Group as aligned with market practice.



**MANAGEMENT OF PROCEEDS** Green bond proceeds will be tracked and managed using Excel files at least once a year by the Corporate Planning Dept. In cases where any proceeds remain unallocated, the amount equal thereto will be invested in cash and cash equivalents and/or highly liquid securities. Concordia Financial Group's process for the management of proceeds is in line with market practice.



**REPORTING** Until full allocation of the proceeds, Concordia Financial Group intends to report on the proceeds' allocation status and positive environmental impacts on its website at least once a year. Allocation reporting will include the amount of allocated proceeds for each category of eligibility criteria as well as the amount of unallocated proceeds. Sustainalytics considers that Concordia Financial Group's reporting is aligned with market practice.

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**Evaluation Date** July 30, 2021

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**Issuer Location** Tokyo, Japan

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#### Alignment with Japan's Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Concordia Financial Group Green Bond Framework is in line with Japan's Green Bond Guidelines 2020 (Elements described with the word "should") developed by the Ministry of the Environment of Japan.

## Introduction

Concordia Financial Group, Ltd. (hereinafter, “Concordia FG” or the “Company”) is a financial holding company headquartered in Tokyo. It was established in 2016 through the management integration between the Bank of Yokohama, Ltd. and the Higashi-Nippon Bank, Ltd. The Company is mainly engaged in the banking business in addition to securities, leasing, information service and research, and venture capital businesses. Currently, the Company has its head office and branches in Japan and Asia and operates its business primarily in Kanagawa Prefecture and the Tokyo metropolitan area.

Concordia FG has developed the Concordia Financial Group Green Bond Framework (the “Framework”) under which it intends to issue green bond and use the proceeds to finance and/or refinance, projects that deliver environmental benefits. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation

Concordia FG engaged Sustainalytics to review the Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with Green Bond Principles 2021 (GBP)<sup>1</sup> and Japan’s Green Bond Guidelines 2020.<sup>2</sup> A summary overview of the Framework has been provided in Appendix 1.

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the GBP as administered by ICMA, and Japan’s Green Bond Guidelines 2020;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Concordia FG’s Corporate Planning Dept. to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Concordia FG representatives have confirmed (1) they understand it is the sole responsibility of Concordia FG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Concordia FG.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: [http://www.env.go.jp/policy/guidelines\\_set\\_version\\_with%20cover.pdf](http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf)

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Concordia FG has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Concordia Financial Group Green Bond Framework

Sustainalytics is of the opinion that the Framework is credible and impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Concordia FG's Green Bond Framework:

- Use of Proceeds:
  - The four eligible categories for the use of proceeds, Green Buildings, Renewable Energy, Energy Efficiency, and Clean Transportation, are recognized by the Green Bond Principles as project categories with clear environmental benefits. Sustainalytics considers that the Company's use of proceeds will contribute to the transition to a low-carbon society. Please refer to Section 3 for Sustainalytics' in-depth assessment of environmental benefits expected from the use of proceeds.
  - In the Green Building Category, the use of proceeds is limited, under the eligibility criteria, to loans and expenditures associated with the construction, acquisition, or refurbishment of buildings that have received a domestically and internationally recognized third-party green building certification, namely: 1) LEED Gold or above; 2) BREEAM Excellent or above; or 3) CASBEE A Level or above. The Framework also excludes allocation of proceeds to buildings intended for the extraction, storage, transport and production of fossil fuels. Sustainalytics considers that the establishment of eligibility criteria that limit the use of proceeds to properties with top two levels of the aforementioned certification schemes and exclusionary criteria will ensure the allocation of proceeds to green buildings with positive environmental impacts and is in line with market practice. (For the details of the green building certification schemes, please refer to Appendix 3.) With regard to CASBEE certification, Concordia FG includes, in addition to CASBEE real estate and CASBEE buildings (for New building, Existing building, and Renovation), buildings that have achieved level A or higher under the local government-version CASBEE<sup>4</sup>, as the use of proceeds. Since these programs are based on self-evaluation, which is less rigorous and reliable in ensuring environmental performance, Sustainalytics encourages Concordia FG to allocate the proceeds in the buildings that obtains a green building certification assessed by a third party.
  - In the Renewable Energy category, the Company has limited the use of proceeds to projects that relate to the development, construction, acquisition, and operation of solar, wind, geothermal, biomass, and small-scale (25 MW or less) hydropower generation facilities. Sustainalytics positively assesses the following elements in the Company's use of proceeds and views that they are in line with market practice:
    - As to geothermal power generation, the Company has confirmed to Sustainalytics that the use of proceeds will be limited to projects with a direct CO<sub>2</sub> emission rate of less than 100 g CO<sub>2</sub>/kWh.
    - To be eligible for the green bond proceeds, biomass power generation facilities must use sustainable raw materials or waste as fuel. The Company has confirmed to Sustainalytics that it will use non-waste-derived fuels only in projects with a life-cycle GHG emission rate of less than 100 g CO<sub>2</sub>/kWh and exclude palm oil, peat, uncertified

<sup>4</sup> Information on the CASBEE evaluation by the local governments of 24 cities is available at [http://www.ibec.or.jp/CASBEE/local\\_cas.htm](http://www.ibec.or.jp/CASBEE/local_cas.htm)

- materials, or materials sourced from unknown suppliers. The Company also confirmed that it would exclude waste-derived fuels sourced from palm oil vendors who have not obtained the Roundtable on Sustainable Palm Oil (RSPO) certification.
- In the Energy Efficiency category, the Company intends to allocate the proceeds to projects relating to energy-saving equipment, including LED lighting, highly efficient HVAC systems (heating, ventilation, and air conditioning), building insulation, and energy usage control systems.
  - In the Clean Transportation category, the Company has defined, as the use of proceeds, the development, operation, and renovation of electric vehicles, fuel cell vehicles and their associated infrastructure, as well as public transport, including improvements to rail transport powered by electricity or with direct emissions of less than 50 g CO<sub>2</sub>/p-km per passenger transport, bicycles and other non-motor transport.
  - Concordia FG intends to allocate the green bond proceeds to new lending and expenditure, or refinancing. The Company has set the lookback period for refinancing at five years preceding the date of green bond issuance for capital expenditure (CAPEX) and three years for operating expenditure (OPEX).
  - Project Evaluation and Selection:
    - Eligible projects are selected and finally decided by the Company's Corporate Planning Dept., based on the eligibility criteria established through discussions at the Group SDGs Committee, which is responsible for establishing the Group's SDGs and ESG policies and managing and supervising the implementation.
    - Concordia FG has in place a Policy for Specific Sectors related to sectors that are likely to pose risks to the environment and society and a process to ensure compliance with relevant rules and regulations in the loan screening process, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional detail see Section 2.
    - Sustainalytics views that the clear process above is in line with market practice.
  - Management of Proceeds:
    - Green bond proceeds will be regularly tracked and managed using Excel files by the Corporate Planning Dept. at least once a year. Concordia FG intends to complete the allocation of proceeds within 36 months after the issuance of the green bond. In cases where any proceeds remain unallocated, the amount equal thereto will be invested in cash and cash equivalents and/or highly liquid securities.
    - Sustainalytics is of the opinion that the Company's scheduled tracking of proceeds and the way of managing unallocated proceeds are aligned with market practice.
  - Reporting:
    - Concordia FG intends to report on the allocation of green bond proceeds and information on positive environmental impacts on its website, at least once a year, until full allocation of the green bond proceeds.
    - Allocation reporting will include the amount of proceeds allocated and unallocated to each eligible category, together with the amount of outstanding green bonds.
    - Impact reporting will provide, as quantitative metrics, the amount of CO<sub>2</sub> emissions reduced in the Green Building, Energy Efficiency, and Clean Transportation categories, as well as the amount of power generated (kWh) and the amount of CO<sub>2</sub> emissions reduced in the Renewable Energy category.
    - In light of the reporting policies and metrics above, Sustainalytics considers that the Company's commitment to the reporting on the allocation and positive environmental impacts is aligned with market practice.

#### **Alignment with Green Bond Principles 2021**

Sustainalytics has determined that the Concordia Financial Group Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

#### **Alignment with Japan's Green Bond Guidelines 2020**

Sustainalytics is of the opinion that the Framework is in line with Japan's Green Bond Guidelines 2020 developed by the Ministry of the Environment of Japan. The guidelines communicate what an issuer is expected to do to issue a credible green bond, and also covers sustainability bonds that include green projects in the use of proceeds. Sustainalytics assessed the alignment between the Framework and the elements

described with the word “should” in the Japan’s Green Bond Guidelines 2020. For detailed information please refer to Appendix 2: Alignment with Japan’s Green Bond Guidelines 2020.

## Section 2: Sustainability Strategy of Concordia FG

### Contribution of framework to Concordia Financial Group, Ltd.’s sustainability strategy

In the SDGs Policy<sup>5</sup> established based on its management philosophy, Concordia FG has committed itself to addressing environmental and social issues by conducting its core business while contributing to the sustainable development of society. Sustainalytics highlights the following targets, policies, and initiatives in light of the relevance to the Framework:

- As one of its six materiality topics to be addressed for the development of sustainable society, the Company has identified “Responding to Global Warming and Climate Change.”<sup>6</sup> Furthermore, in its medium-term management plan<sup>7</sup> for the three years from FY2019, the Company positioned “SDGs initiatives” as one of its key priorities, and announced its commitment to engaging in the following as its anti-global warming and climate change mitigation measures: 1) support for eco-business promotion; 2) the Company’s environmental burden reduction; 3) environmental considerations in investment and loan; and 4) environmental conservation activities.
- As its action plan based upon the SDGs Policy above, Concordia FG established its “Long-term KPI for Sustainability,”<sup>8</sup> according to which the Company aims to provide sustainable financing facilities worth two trillion yen, for uses in the environmental and social issue areas from FY2019 to FY2030. One trillion out of the two trillion yen will be allocated to investments and financing facilities in the environmental area. Further, for the reduction of environmental burdens arising from its business activities, the Company has set a goal of reducing CO<sub>2</sub> emissions emitted from its domestic offices by 50% from the FY2013 level by FY2030 and achieving carbon neutrality by FY2050. It also aims to increase the use of renewable energy-based electricity to 60% by FY2030 and to 100% by FY2050.<sup>9</sup>
- Under its Environmental Policy,<sup>10</sup> Concordia FG has committed itself to: 1) supporting customers in their efforts to environmental business through the development and provision of products and services; 2) complying with environment-related laws and regulations; 3) reducing environmental burden by promoting saving resources, saving energy, and recycling; 5) reviewing and improving the impact of its corporate activities on the environment, and enhancing the disclosure of it; and (6) promoting local environmental protection and ecosystem conservation activities. According to the Policy, the Company manages its branch and headquarters buildings in an environmentally friendly manner as initiatives toward the reduction of environmental burden, as a result of which the Bank of Yokohama headquarters building received a Gold Level LEED certification for Operations & Maintenance (O + M).<sup>1112</sup>

Given the above, Sustainalytics is of the opinion that Concordia FG has integrated its sustainability initiatives into its management strategy and that the Company is well positioned to issue green bonds. Sustainalytics also considers that the use of proceeds defined in the Framework will further promote the Concordia FG’s initiatives to address global warming and climate change.

### Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that, while the proceeds of green bonds issued according to the Framework will be allocated to eligible projects that are expected to generate positive environmental impacts, these projects may expose developers to negative environmental and social risks, which may damage Concordia FG’s reputation as a lender to the projects. These risks mainly include adverse effects on the ecosystem, water

<sup>5</sup> Concordia Financial Group, Ltd., “Sustainability of the Group”, at: <https://www.concordia-fg.jp/e/csr/sustainability.html>

<sup>6</sup> Concordia Financial Group, Ltd., “Sustainability Management System Materiality”, at: <https://www.concordia-fg.jp/e/csr/materiality.html>

<sup>7</sup> Concordia Financial Group, Ltd., “Medium-term Management Plan 【FY2019-21】”, at: <https://www.concordia-fg.jp/common/pdf/e/mmp.pdf>

<sup>8</sup> Concordia Financial Group, Ltd., “Sustainability of the Group”, at: <https://www.concordia-fg.jp/e/csr/sustainability.html>

<sup>9</sup> Concordia Financial Group, Ltd., “Sustainability of the Group”, at: <https://www.concordia-fg.jp/e/csr/sustainability.html>

<sup>10</sup> Concordia Financial Group, Ltd., “The Concordia Financial Group’s Environmental Policy”, at: <https://www.concordia-fg.jp/csr/globalwarming/environment/index.htm>

<sup>11</sup> Concordia Financial Group, “Efforts on environmental care”, at: <https://www.concordia-fg.jp/e/csr/globalwarming/ecofriendly/index.html>

<sup>12</sup> Concordia Financial Group, Ltd., The Bank of Yokohama, Concordia Financial Group, “Headquarters Building Receives ‘LEED’ Green Building Certification –The First in the Financial Sector and Kanagawa Pref.– (Japanese only)”: [https://ssl4.eir-parts.net/doc/8332/ir\\_material10/81207/00.pdf](https://ssl4.eir-parts.net/doc/8332/ir_material10/81207/00.pdf)

pollution, noise, and negative impacts on neighboring residents associated with the development and operation of large-scale infrastructure such as power generation facilities. Sustainalytics is of the opinion that the Company is well positioned to manage and reduce environmental and social risks associated with eligible projects through the following policies and measures:

- In the Framework, Concordia FG made a commitment to manage and mitigate environmental and social risks associated with projects by reviewing each project's compliance with applicable laws and regulations during the course of loan screening by responsible departments of the Group's member companies, the Bank of Yokohama and the Higashi-Nippon Bank. In Japan, solar, wind, geothermal, biomass, and hydroelectric power plants that exceed a certain scale are required, under the Environmental Impact Assessment Act, to carry out an environmental impact assessment. Environmental metrics to be reviewed in the assessment include, in the case of a solar power plant, for example, air quality, noise and vibration during construction and other processes, impact on animals, plants, and ecosystems, and impact on the landscape and human-nature interaction activities;<sup>13</sup> in the case of an offshore wind power plant, the environmental metrics include noise and ultra-low frequency, water quality, flora and fauna, landscape, and human-nature interaction.<sup>14</sup> These environmental metrics will be assessed when they are considered important in view of the project's business and regional characteristics, and the provision of briefing and reporting sessions to local residents, an important metric in the social area, will also be reviewed. Concordia FG ensure the management of environmental and social risks by checking compliance with applicable laws and regulations during the loan screening process, thereby reducing the environmental risks of concern in the development of power plants.
- Concordia FG established its "Policy for Specific Sectors"<sup>15</sup> for initiatives in specific sectors and has committed itself to ensuring that negative environmental and social impacts arising from its lending and other activities are mitigated or prevented. The Policy provides guidelines for investments in, and loans for, projects that are likely to pose risks to the environment and society in the following four sectors: 1) coal-fired power generation business; 2) cluster bomb manufacturing business; 3) palm oil plantation development business; and 4) deforestation projects. With regard to the palm oil plantation development business, for example, the Company considers whether the RSPO or other certification has been obtained and to what extent consideration is given to local communities and the environment. The Company also prohibits investments in, and loans for, the development of palm oil plantations that may involve illegal logging or human rights violations such as child labor. As to the deforestation projects, the Company mitigates risks by making investments and loans with great care, taking into account whether the projects have received international certifications such as FSC (Forest Stewardship Council) and PEFC (Forest Certification Program) as well as the level of consideration given to local communities and the environment.

Comprehensively considering all of the above, Sustainalytics is of the opinion that Concordia FG is well positioned to manage and reduce potential environmental and social risks associated with projects financed by green bond proceeds.

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP and Japan's Green Bond Guidelines 2020. Sustainalytics explains why those project categories produces positive environmental impacts in Japan as follows:

<sup>13</sup> Ministry of Economy, Trade and Industry: "Environmental Impact Assessment for Solar Power Projects (Japanese only)", at: [https://www.meti.go.jp/shingikai/sankoshin/hoan\\_shohi/denryoku\\_anzen/pdf/020\\_03\\_00.pdf](https://www.meti.go.jp/shingikai/sankoshin/hoan_shohi/denryoku_anzen/pdf/020_03_00.pdf)

<sup>14</sup> Ministry of the Environment, "Outline of the Report from the Committee on the Basic Concept of the Environmental Impact Assessment of Offshore Wind Power Generation", at: <http://www.env.go.jp/press/files/jp/105418.pdf>

<sup>15</sup> Concordia Financial Group, Ltd., "Policy for Specific Sectors", at: <https://www.concordia-fg.jp/e/csr/globalwarming/sector/index.html>

### Importance of promoting the introduction of renewable energy

The power generation sector is the largest emitting sector, accounting for around 40% of Japan's total CO<sub>2</sub> emissions.<sup>16</sup> In terms of the energy mix, in 2019, fossil fuel-fired thermal power accounted for 75.7% and renewable energy (solar, wind, geothermal, biomass, and hydropower) for 18.1%.<sup>17</sup> In April 2021, the Japanese government pledged to reduce greenhouse gas (GHG) emissions by 46% by FY2030 compared to FY2013 levels,<sup>18</sup> and is considering its energy mix consistent with this target. The draft of the Sixth Basic Energy Plan<sup>19</sup>, revealed on 21 July 2021, proposes to increase the share of renewable energy in total electricity generation to 36-38% by FY 2030 (an increase from 22-24% previously set out in the 2020 updated national emission reduction target (NDC)<sup>20</sup>). Furthermore, the government pledged to achieve net-zero GHG emissions by 2050<sup>21</sup>, and launched the "Green Growth Strategy"<sup>22</sup> to ensure the achievement. In the Strategy, the government stated that it would advance discussions on the utmost use of renewable energy, with the reference goal of renewable sources accounting for 50-60% of the country's energy supply by 2050. As mentioned above, promoting the introduction of renewable energy as a zero-emission power source can be considered to be a central measure for achieving Japan's climate goals.

Concordia FG intends to allocate the green bond proceeds to projects related to renewable energies, namely, solar, wind, geothermal, biomass, and small-scale hydropower generation projects. Sustainalytics is of the opinion that the use of proceeds by Concordia FG will contribute to the expansion of renewable energies and to the achievement of the medium- to long-term GHG reduction targets set by the Japanese government.

### Contribution to the achievement of climate goals through green building and improved energy efficiency

In Japan, energy consumption and CO<sub>2</sub> emissions attributable to buildings (in the residential and the commercial and other sectors) each account for about 30% of the country's total.<sup>23,24</sup> With regard to the reduction of CO<sub>2</sub> emissions in the sector, the current NDC (updated in 2020 and committing to "a 26% reduction in national GHG emissions by FY2030 compared to FY2013")<sup>25</sup> targets a reduction in CO<sub>2</sub> emissions of around 40%, the largest of all sectors. The Government of Japan estimates that in order to achieve this reduction target, the whole nation's energy efficiency must be improved by approximately 35% and reduce its energy demand by 50.3 million kL of crude oil equivalent.<sup>26</sup> In order to improve energy efficiency in buildings, the Japanese government enacted the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act) in 2015,<sup>27</sup> and is strengthening relevant regulations in stages. With the increase in the GHG emission reduction target by 2030, it is expected that further efforts will be required to reduce CO<sub>2</sub> emissions from buildings and to improve energy efficiency throughout the country.

Concordia FG intends to allocate the proceeds to projects that are aimed at construction, acquisition, and refurbishment of green buildings certified by a third party, as well as projects that help improve the energy efficiency of buildings, including the efficiency of lighting and air conditioning equipment thereof. Given the above, Sustainalytics is of the opinion that Concordia FG's intended use of proceeds in the Green Building and

<sup>16</sup> National Institute for Environmental Studies (NIES), "Greenhouse Gas Emissions Data for Japan (1990-2019)", at: <https://www.nies.go.jp/gio/archive/ghgdata/index.html>

<sup>17</sup> Agency for Natural Resources and Energy, "FY2019 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: <https://www.meti.go.jp/press/2021/04/20210413004/20210413004-1.pdf>

<sup>18</sup> The Prime Minister's Office of Japan, "Press conference by the Prime Minister on the greenhouse gas reduction targets and the declaration of a state of emergency (Japanese only)" at: [https://www.kantei.go.jp/jp/99\\_suga/statement/2021/0422kaiken.html](https://www.kantei.go.jp/jp/99_suga/statement/2021/0422kaiken.html)

<sup>19</sup> Ministry of Economy, Trade and Industry, "Over view of Basic Energy Plan (draft) (Japanese only)", at: [https://www.enecho.meti.go.jp/committee/council/basic\\_policy\\_subcommittee/2021/046/046\\_004.pdf](https://www.enecho.meti.go.jp/committee/council/basic_policy_subcommittee/2021/046/046_004.pdf)

<sup>20</sup> "Submission of Japan's Nationally Determined Contribution (NDC)", at: [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/SUBMISSION%20OF%20JAPAN'S%20NATIONALLY%20DETERMINED%20CONTRIBUTION%20\(NDC\).PDF](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/SUBMISSION%20OF%20JAPAN'S%20NATIONALLY%20DETERMINED%20CONTRIBUTION%20(NDC).PDF)

<sup>21</sup> Prime Minister of Japan and His Cabinet, "Policy Speech by the Prime Minister to the 203rd Session of the Diet", at: [https://japan.kantei.go.jp/99\\_suga/statement/202010/\\_00006.html](https://japan.kantei.go.jp/99_suga/statement/202010/_00006.html)

<sup>22</sup> Ministry of Economy, Trade and Industry, "Green Growth Strategy through Achieving Carbon Neutrality in 2050 (Japanese only)", at: <https://www.meti.go.jp/press/2021/06/20210618005/20210618005-3.pdf>

<sup>23</sup> Agency for Natural Resources and Energy, "FY2019 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: <https://www.meti.go.jp/press/2021/04/20210413004/20210413004-1.pdf>

<sup>24</sup> Ministry of the Environment, "Greenhouse Gas Emissions in Fiscal Year 2019 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/116118.pdf>

<sup>25</sup> Submission of Japan's Nationally Determined Contribution (NDC)", at: [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/SUBMISSION%20OF%20JAPAN'S%20NATIONALLY%20DETERMINED%20CONTRIBUTION%20\(NDC\).PDF](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/SUBMISSION%20OF%20JAPAN'S%20NATIONALLY%20DETERMINED%20CONTRIBUTION%20(NDC).PDF)

<sup>26</sup> Ministry of Economy, Trade and Industry, Ministry of the Environment, "Policy Trends Towards the Promotion of ZEH and Related Budget Proposals for FY2021", at: <https://www.mlit.go.jp/jutakukentiku/house/content/001388304.pdf>

<sup>27</sup> Ministry of Land, Infrastructure, Transport and Tourism, "Overview of the Act on the Improvement of Energy Consumption Performance of Buildings", at: <http://www.mlit.go.jp/common/001134876.pdf>

the Energy Efficiency categories is expected to contribute to the achievement of the climate goals set by the Japanese government, through the reduction of energy consumption and CO<sub>2</sub> emissions derived from buildings.

#### Importance of clean transportation

The transportation sector accounts for approximately 20% of Japan's total CO<sub>2</sub> emissions, of which about 90% is derived from automobiles.<sup>28</sup> The Japanese government aims to reduce CO<sub>2</sub> emissions from the transport sector through measures to promote the use of next-generation vehicles including electric vehicles (EVs), promote the use of public transportation, and a modal shift to rail freight transportation.<sup>29</sup> Especially, in the Green Growth Strategy<sup>30</sup> formulated to achieve the net-zero GHG emissions by 2050, the government announced its commitment to the promotion of automotive electrification, stating that all new cars in the market should be switched to an electrified (EVs, Hybrid Vehicles, Plug-in Hybrid Vehicles, or Fuel Cell Vehicles) model by 2035, and that the electrification policy would also be applied to commercial vehicles in a phased manner.

Concordia FG intends to allocate the proceeds to projects related to the expansion of electric vehicles and the use of public transportation. Sustainalytics is of the opinion that the use of proceeds will promote the Japanese government's efforts to reduce carbon emissions through the reduction of CO<sub>2</sub> emissions derived from automobiles, and is expected to contribute to the achievement of the nation's climate goals.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Concordia Financial Group Green Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

<sup>28</sup> Ministry of Land, Infrastructure, Transport and Tourism, "Carbon dioxide emissions in the transport sector", at: [https://www.mlit.go.jp/sogoseisaku/environment/sosei\\_environment\\_tk\\_000007.html](https://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html)

<sup>29</sup> Submission of Japan's Nationally Determined Contribution (NDC)", at:

[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/SUBMISSION%20OF%20JAPAN'S%20NATIONALLY%20DETERMINED%20CONTRIBUTION%20\(NDC\).PDF](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Japan%20First/SUBMISSION%20OF%20JAPAN'S%20NATIONALLY%20DETERMINED%20CONTRIBUTION%20(NDC).PDF)

<sup>30</sup> Ministry of Economy, Trade and Industry, "Green Growth Strategy through Achieving Carbon Neutrality in 2050 (Japanese only)", at: <https://www.meti.go.jp/press/2021/06/20210618005/20210618005-3.pdf>



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## Conclusion

Concordia FG has established the Concordia Financial Group Green Bond Framework, and intends to issue green bonds based on the Framework, and will use the proceeds to finance and/or refinance projects in the Green Building, Renewable Energy, Energy Efficiency, and Clean Transportation categories. Sustainalytics positively views the Company's projects to be financed by the green bond proceeds, as they are expected to create positive environmental impacts.

The Framework describes processes for allocating, tracking, and managing the proceeds and shows the Company's commitment to reporting the allocation status and positive environmental impacts of the use of proceeds. Moreover, Sustainalytics considers that the Framework is in alignment with the Company's sustainability strategy and that the eligible project categories for the use of proceeds will provide support for the promotion of the SDGs No. 7, 9, and 11. Sustainalytics also considers that Concordia FG is well positioned to identify, manage, and mitigate environmental and social risks commonly associated with eligible projects to be financed by the proceeds.

Comprehensively considering the above, Sustainalytics is of the opinion that Concordia FG is well positioned to issue green bonds and the Framework is credible and transparent, and in alignment with the four requirements of the GBP and Japan's Green Bond Guidelines 2020.

## Appendices

### Appendix 1: Framework Overview

For the purpose of issuing green bonds, Concordia FG has developed the following Framework which addresses the four key core components of the GBP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, in July 2021. The Framework belongs to Concordia FG.

#### 1. Use of proceeds

Green bond proceeds will be allocated to new and existing loans or expenditures that meet the eligibility criteria listed below or refinancing through the group company. When the proceeds are allocated to refinancing existing loans and expenditures, such loans and expenditures will be limited to those that have been made within five years prior to the date of the green bond issuance for capital investment, and three years prior to the date of the green bond issuance for operating expenses.

##### 1.1 Eligibility Criteria

###### ■ Green Building

Construction or acquisition of a new building that, or refurbishment of an existing building that, received any of the ratings below.

- LEED: Gold or above
- BREEAM: Excellent or above
- CASBEE: A Level or above

###### ■ Renewable Energy

New and existing projects related to the renewable energy below.

- Solar power generation
- Wind power generation
- Geothermal power generation
- Biomass power generation (limited to sustainable raw materials or waste)
- Small-scale hydropower generation (with a capacity at or below 25 MW)

###### ■ Energy Efficiency

Projects that relate to energy-saving equipment, including, but not limited to, LED lighting, high-efficiency HVAC (heating, ventilation and air conditioning), building insulation, and energy usage controlling system

###### ■ Clean Transportation

Projects that relate to the shift to clean energy vehicles (including electric vehicles, fuel cell vehicles and infrastructure that supports them), and development, operation, and renewal of public transportation (including improvements in rail, bicycle, and other non-motor transportation)

##### 1.2 Exclusionary Criteria

- In Green Buildings, industrial buildings intended to be used for fossil fuel projects, such as oil and coal, are excluded.
- The Company is determined to take a careful approach to investments and loans for palm oil plantation development projects in the biomass category, paying sufficient attention to the attainment of relevant credentials such as RSPO, an international certification for sustainable palm oil, as well as to the level of consideration for local communities and the environment.

### 2. Process for project evaluation and selection

#### 2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

The eligibility criteria were: 1) drafted by the Concordia Financial Group's Corporate Planning Dept.; 2) discussed at a meeting of the Group SDGs Committee, a body responsible for formulating the Group's SDGs and ESG initiatives and controlling and supervising the implementation thereof; and 3) finally examined for the consistency with the Group's SDGs policy. The Group's Corporate Planning Dept. has the responsibility for selecting eligible projects and making final decisions thereon.

## 2.2 Environmental Objectives

As a regional financial institution, the Concordia Financial Group aims to become a bridge between all stakeholders, and to engage in corporate activities aimed at solving social issues, thereby achieving sustainable growth and development together with local communities. With this aim, the Group continues to build a sustainable society through its corporate activities, which include revitalizing local economies, community development, support for enriching people's lifestyles, and environmentally conscious initiatives. In its Environmental Policy, the Concordia Financial Group declared that it will: 1) support its customers in their efforts to address environmental issues through the development and provision of products and services; and 2) strive to reduce its environmental impact by saving resources, saving energy, and recycling waste. The Group has been exerting itself to reduce environmental burden by setting the following Long-term KPIs for Sustainability: 1) Providing green financing worth one trillion yen within the period from FY2019 through FY2030; 2) Reducing the Group's CO<sub>2</sub> emissions by 50% by FY2030 (from the FY2013 level) and achieving carbon neutrality by FY2050; and 3) Increasing the ratio of renewable energy used in the Group to 60% by FY2030 and 100% to FY2050. The Group intends to promote these initiatives further by utilizing green bond proceeds.

## 2.3 Process to Mitigate Environmental and Social Risks

The Concordia Financial Group established its Sector Policy to ensure that loans and other financing facilities are carefully judged to reduce or avoid environmental and social impacts. The businesses referred to in the Policy include coal-fired power generation, cluster bomb manufacturing, palm oil plantation development, and deforestation projects. Furthermore, the Group is endeavoring to reduce or avoid negative impacts on the environment and society by complying with relevant rules and regulations and giving considerations to the impacts on the environment and society, through the loan screening process performed by responsible departments of its affiliated companies, the Bank of Yokohama and the Higashi-Nippon Bank.

## 3. Management of Proceeds

The allocation of green bond proceeds will be monitored regularly by the Group's Corporate Planning Dept., and traceability of the proceeds will be secured through Excel-based management. These activities will be performed at least once a year. Pending allocation of the green bond proceeds to eligible projects, or in cases where any proceeds remain unallocated, the amount equal to the unallocated proceeds will be invested in cash and cash equivalents or highly liquid securities.

## 4. Reporting

### 4.1 Allocation reporting

Until full allocation of green bond proceeds, Concordia Financial Group will disclose the following items on its website at least annually:

- Amount of allocated proceeds by the category of eligibility criteria
- Amount of unallocated proceeds
- Balance of green bonds

### 4.2 Impact reporting

Until full allocation of green bonds proceeds, Concordia Financial Group will disclose the following metrics on its website at least annually:

Category of eligibility criteria	Impact reporting metrics
Green buildings	Amount of CO <sub>2</sub> emissions reduced
Renewable energy	Amount of power generated (kWh) (Theoretical value), amount of CO <sub>2</sub> emissions reduced
Energy efficiency	Amount of CO <sub>2</sub> emissions reduced
Clean transportation	Amount of CO <sub>2</sub> emissions reduced

## Appendix 2: Alignment with Japan's Green Bond Guidelines 2020

Four elements	Alignment	Sustainalytics' comments
1. Use of Proceeds	Yes	Projects related to green buildings, renewable energy, energy efficiency, and clean transportation, which are defined as the use of proceeds in the Framework by the Concordia FG, are recognized by Japan's Green Bond Guidelines 2020 as project categories with clear environmental benefits. In the Framework, the Company also provides, in addition to the eligible criteria, explanations about environmental risks associated with the eligible projects and its measures to manage and mitigate such risks, allowing investors to access in advance. Furthermore, the Company has confirmed to Sustainalytics that if it refinances assets that require a long-term maintenance through multiple issuances of green bonds, it will disclose the assets' age, remaining useful life, and the amount of refinancing, and assess the persistence of the positive environmental impacts at the time of issuance.
2. Process for Project Evaluation and Selection	Yes	In the Framework, the Company explains environmental goals that it aims to achieve through the issuance of green bonds. It also explains in the Framework the eligibility criteria, exclusionary criteria, and the process for assessing and selecting eligible projects.
3. Management of Proceeds	Yes	In the Framework, the Company explains that its Corporate Planning Department is assigned to the management of the proceeds and will track the amount of allocated and unallocated proceeds regularly, at least once a year. The Company has confirmed to Sustainalytics that it will perform the management [until the maturity of green bonds. In cases where any proceeds remain unallocated, the amount equal thereto will be invested in cash and cash equivalents and/or highly liquid securities.
4. Reporting	Yes	In the Framework, Concordia FG explain that it will disclose, at least annually, information on the allocation of proceeds and positive environmental impacts on its website until full allocation of green bond proceeds. The Company has committed with Sustainalytics that, it will make this disclosure on a timely basis in case of material developments. The allocation reporting will include the overview of projects to which the proceeds have been allocated for each category of eligibility criteria (including progress of projects), the amount of proceeds allocated and unallocated, and the amount of outstanding green bonds, as well as expected timing of allocation and management method of unallocated proceeds to the extent practicable. Impact reporting will provide the amount of CO <sub>2</sub> emissions reduced in the Green Building, Energy Efficiency, and Clean Transportation categories, and the amount of power generated (kWh) and the amount of CO <sub>2</sub> emissions reduced in the Renewable Energy category.



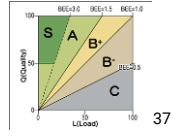
### Appendix 3: Overview of Green Building Certification Schemes

	LEED <sup>31</sup>	BREEAM <sup>32</sup>	CASBEE Certification <sup>33</sup>
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Certification is a green building certification scheme in Japan, which a third party certifies the environmental performance of buildings. The certification scheme includes, based on types of buildings: CASBEE for Buildings, CASBEE for Real Estate, and CASBEE for Housing.
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)  * 4-grade evaluation for CASBEE for Real Estate excluding C rank
Areas of Assessment: Environmental Project Management		Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	CASBEE assesses two main factors: inside and outside the building site, which translate into Q (Built Environment Quality) and, L (Built Environment Load), respectively.  * The above are not applied to CASBEE for Real Estate
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Efficiency</li> <li>• Resource efficiency</li> <li>• Local environment</li> <li>• Indoor environment</li> </ul> * Areas for assessment of CASBEE for Real Estate are energy/GHG, water, resource, biodiversity, indoor environment

<sup>31</sup> More information on the LEED certification scheme at: <https://new.usgbc.org/leed>.

<sup>32</sup> BREEAM, "What is BREEAM?", at: <https://www.breeam.com/>.

<sup>33</sup> Institute for Building Environment and Energy Conservation, "CASBEE certification scheme (Japanese only)", at: <http://www.ibec.or.jp/CASBEE/certification/certification.html>.

<p>Requirements</p>	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools- /Retail- /Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item<sup>34</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Score-based performance level.</p> <p>CASBEE uses the BEE (Built Environment Efficiency) as its assessment indicator, which is calculated from Q (Built Environment Quality) as the numerator and L (Built Environment Load) as the denominator. Q and L are obtained through the classification and rearrangement of the four areas of assessment.</p> <p>Buildings may receive ranks ranging from C (poor) to S (excellent), in order of increasing BEE value.</p> <p>For authorization, a building must receive a report from the CASBEE Certification system, which is afterwards assessed by the local government.</p> <p>* CASBEE for Real Estate does not use BEE, additional point system. Certification will not be given, if required item are not met.</p>
<p>Performance display</p>	 <p>Platinum 80+ points earned 35</p>	 <p>Pass Outstanding 36</p>	 <p>37</p>
<p>Qualitative considerations</p>	<p>Worldwide recognition and application</p>	<p>Worldwide recognition and application</p>	<p>CASBEE is continuously developed based on industry-government-academia collaboration under the support of Ministry of Land, Infrastructure, Transport and Tourism. In Japan, many local governments have made CASBEE assessment results mandatory for building permits.</p>

<sup>34</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

<sup>35</sup> U.S. Green Building Council, "Green building leadership is LEED", at: <https://new.usgbc.org/leed>

<sup>36</sup> BREEAM, "What is BREEAM?", at: <https://www.breeam.com/>

<sup>37</sup> Institute for Building Environment and Energy Conservation, "Method of Evaluation and Built Environment Efficiency (BEE)", at: [http://www.ibec.or.jp/CASBEE/CASBEE\\_outline/method.html](http://www.ibec.or.jp/CASBEE/CASBEE_outline/method.html).

## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Concordia Financial Group, Ltd.
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Concordia Financial Group Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	July 30, 2021
<b>Publication date of review publication:</b>	

### 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 GBP:

- |  |  |
|--|--|
| <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 REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> 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*)

Please refer to Evaluation Summary above.

### 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*):

The eligible categories for the use of proceeds Green Buildings, Renewable Energy, Energy Efficiency, and Clean Transportation, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9, and 11.

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

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" 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 checked="" 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 processes                            | <input checked="" 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 GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Eligible projects are selected and finally decided by the Corporate Planning Dept., based on the eligibility criteria established through discussions at the Group SDGs Committee. Concordia Financial Group's Sector Policy related to sectors that are likely to pose risks to the environment and society and process to ensure compliance with relevant rules and regulations in the loan screening process, are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate. Sustainalytics views this process by the Concordia Financial Group as aligned with market practice.

#### 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

- Evaluation / Selection criteria subject to external advice or verification
  In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Green bond proceeds will be tracked and managed using Excel files at least once a year by the Corporate Planning Dept. In cases where any proceeds remain unallocated, the amount equal thereto will be invested in cash and cash equivalents and/or highly liquid securities. Concordia Financial Group's process for the management of proceeds is in line with market practice.

#### 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):

Until full allocation of the proceeds, Concordia Financial Group intends to report on the proceeds' allocation status and positive environmental impacts on its website at least once a year. Allocation reporting will include the amount of allocated proceeds for each category of eligibility criteria as well as the amount of unallocated proceeds. Sustainalytics considers that Concordia Financial Group's reporting is aligned with market practice.

#### Use of proceeds reporting:

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

**Information reported:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts  | <input type="checkbox"/> Green Bond financed share of total investment |
| <br>   |  |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Amount of proceeds unallocated and the amount of outstanding green bonds. |  |

**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> ):        |

**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> ): Amount of power generated by renewable energy (kWh) |

**Frequency**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</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> ): The Company's website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

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.)

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

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **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.
- ii. **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.
- iii. **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.
- iv. **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.

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## Disclaimer

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

This document is translated from the Japanese language. In case of discrepancies between the Japanese language and translated versions, the Japanese language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

