

The Norinchukin Bank (2021 Green Bonds, 2022 Green Bond and 2023 Green Bond)

Type of Engagement: Annual Review

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Introduction

The Norinchukin Bank (“Nochu”) issued two green bonds in September 2021 (USD 500 mn 5-Year Green Bond and USD 500 mn 10-Year Green Bond, hereinafter the “2021 Green Bonds”), a green bond in September 2022 (USD 500 mn 5-Year Green Bond, hereinafter the “2022 Green Bond”) and a green bond in March 2023 (USD 500 mn 5-Year Green Bond, hereinafter the “2023 Green Bond”), which were aimed at financing projects related to Renewable Energy, Clean Transportation and Green Buildings. As of 31 March 2023, the proceeds were allocated to 24 renewable energy projects and two green building projects. In May 2023, Nochu engaged Sustainalytics to review the projects funded through the 2021 Green Bonds, the 2022 Green Bond and the 2023 Green Bond and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Norinchukin Bank Green Bond Framework (the “Framework”).¹ This is Sustainalytics’ second annual review of Nochu’s 2021 Green Bonds following the previous review in June 2022² and the first annual review of the 2022 Green Bond and the 2023 Green Bond.

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds as of 31 March 2023 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on the impact indicators for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Eligibility Criteria, and associated impact indicators for the Use of Proceeds category to which the proceeds were allocated.

Table 1: Use of Proceeds, Eligibility Criteria, and associated impact indicators

Use of Proceeds	Eligibility Criteria	Impact indicators
Renewable Energy	Funds to finance or refinance renewable energy projects (including power generation/transmission) with the emission threshold of 100g of CO ₂ per kwh or less: <ol style="list-style-type: none"> a. Construction, maintenance and/or operation of solar, solar thermal, wind (onshore and offshore), geothermal power assets b. Construction, maintenance and/or operation of biomass power plant using virgin wood (chips and pellets) from the forestry with a suitable certification on resource conservation and management. 	<ul style="list-style-type: none"> • Distribution by sub-sector and location • Annual power generation • Subject to confidentiality and clients’ prior consent, high-level description of select projects • Where feasible, quantitative assessment of expected positive environmental impacts on an aggregate basis (Example KPI: estimated CO₂ emission avoidance and the proportion of the loans)
Green Buildings	Funds to finance or refinance real-estate properties (including those owned by	<ul style="list-style-type: none"> • Certification vintage

¹ The Norinchukin Bank Green Bond Framework is available at:

https://www.nochubank.or.jp/en/ir/fixcd_income_information/green_bond_information/pdf/Green_Bond_Framework.pdf

² Sustainalytics’ previous annual review of Nochu’s 2021 Green Bonds is available at:

Annual Review (June 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/the-norinchukin-bank-green-bond-2021-annual-review-\(2022\).pdf?sfvrsn=6d7dd3bb_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/the-norinchukin-bank-green-bond-2021-annual-review-(2022).pdf?sfvrsn=6d7dd3bb_1)

	<p>Japanese Real Estate Investment Trusts (JREITs)) which have earned or is expected to earn one of the following:</p> <ul style="list-style-type: none"> a. Gold or Platinum rating under LEED b. Excellent or Outstanding rating under BREEAM c. A or S rating under CASBEE d. 4 or 5 stars under DBJ Green Building Certification 	<ul style="list-style-type: none"> • Subject to confidentiality and clients' prior consent, two or three case studies of underlying REITs and real estate properties funded with the relevant Green Bond • Example KPI: estimated CO₂ emission avoidance
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Issuing Entity's Responsibility

Nochu is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Nochu's 2021 Green Bonds, 2022 Green Bond and 2023 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Nochu employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Nochu with respect to the projects in the eligible categories. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Nochu.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the Norinchukin Bank's 2021 Green Bonds, 2022 Green Bond and 2023 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Norinchukin Bank Green Bond Framework. While Nochu disclosed to Sustainalytics its full allocation of the 2021 Green Bonds as at 31 March 2022, Sustainalytics conducted another round of review in May 2023 as there have been developments in the allocation of proceeds. Nochu has confirmed to Sustainalytics that the proceeds of the 2021 Green Bonds were fully reallocated to renewable energy projects and green buildings projects in line with eligibility criteria under the Framework, and the proceeds of the 2022 Green Bond and the 2023 Green Bond were fully allocated as at 31 March 2023.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Evaluation Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2021 Green Bonds, the 2022 Green Bond and the 2023 Green Bond as of 31 March 2023 to determine if projects were aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the 2021 Green Bonds, the 2022 Green Bond and the 2023 Green Bond as of 31 March 2023 to determine if the impact of projects was reported in line with the impact indicators outlined in the Framework and above in Table 1.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

Appendix

Appendix 1: Impact Reporting⁴ and Allocation of Green Bond Proceeds^{5,6}

1. 2021 Green Bond (USD 500 mn 5-Year Green Bond)

Project Category	Sub-category	Number of Projects	Impact Indicators		Loan Balance (USD-mn)
			CO ₂ emission reduction amount (t-CO ₂ /y)	CO ₂ emission reduction amount (Nochu's contribution) (t-CO ₂ /y)	
Renewable Energy	Wind	5	3,652,316	128,164	256
Renewable Energy	Solar	4	153,447	55,554	204
Green Buildings	Office/ DBJ 5 Stars	1	6,025	41	20
Green Buildings	Office/ CASBEE S	1	4,718	260	22
Total		11	3,816,506	184,018	503
Total Net Bond Proceeds from Green Bond Issuance:					500
Total Net Bond Proceeds Unallocated:					0

2. 2021 Green Bond (USD 500 mn 10-Year Green Bond)

Project Category	Sub-category	Number of Projects	Impact Indicators		Loan Balance (USD-mn)
			CO ₂ emission reduction amount (t-CO ₂ /y)	CO ₂ emission reduction amount (Nochu's contribution) (t-CO ₂ /y)	
Renewable Energy	Wind	2	1,275,820	85,780	453
Renewable Energy	Solar	2	38,162	14,021	71
Total		4	1,313,982	99,801	524
Total Net Bond Proceeds from Green Bond Issuance:					500
Total Net Bond Proceeds Unallocated:					0

⁴ Impact Reporting by Nochu is available at: https://www.nochubank.or.jp/en/ir/fixed_income_information/green_bond_information/

⁵ The amount of CO₂ emission reduction and loan balance is rounded. The exchange rate as of 31 March 2023 was used in converting to USD.

⁶ Nochu confirmed to Sustainalytics that the funded projects comply with the CO₂ emissions threshold (100g of CO₂ per kwh or less) and the Exclusion Criteria set out in the Framework.

3. 2022 Green Bond (USD 500 mn 5-Year Green Bond)

Project Category	Sub-category	Number of Projects	Impact Indicators		Loan Balance (USD-mn)
			CO ₂ emission reduction amount (t-CO ₂ /y)	CO ₂ emission reduction amount (Nochu's contribution) (t-CO ₂ /y)	
Renewable Energy	Wind	3	3,290,676	207,271	441
Renewable Energy	Solar	2	63,841	16,933	77
Total		5	3,354,517	224,203	518
Total Net Bond Proceeds from Green Bond Issuance:					500
Total Net Bond Proceeds Unallocated:					0

4. 2023 Green Bond (USD 500 mn 5-Year Green Bond)

Project Category	Sub-category	Number of Projects	Impact Indicators		Loan Balance (USD-mn)
			CO ₂ emission reduction amount (t-CO ₂ /y)	CO ₂ emission reduction amount (Nochu's contribution) (t-CO ₂ /y)	
Renewable Energy	Wind	2	1,281,833	72,188	244
Renewable Energy	Solar	4	499,085	63,894	279
Total		6	1,780,918	136,082	523
Total Net Bond Proceeds from Green Bond Issuance:					500
Total Net Bond Proceeds Unallocated:					0

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