

Mitsubishi Heavy Industries, Ltd.

Type of Engagement: Annual Review

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Introduction

In November 2020, Mitsubishi Heavy Industries, Ltd. (MHI) issued a green bond aimed at financing and refinancing its expenditures related to renewable energy/clean energy (wind, hydrogen, and geothermal power generation facilities/businesses) (the “Green Bond”). In May 2021, MHI engaged Sustainalytics to review the project funded through the issued Green Bond and provide an assessment as to whether the project met the Use of Proceeds criteria and the Reporting commitments outlined in the Mitsubishi Heavy Industries, Ltd.’s Green Bond Framework (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects funded as of 31 March 2021 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on Key Performance Indicators (KPIs) outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key Performance Indicators (KPIs)
Renewable Energy/Clean Energy (wind, hydrogen, and geothermal power generation facilities/businesses)	Expenditures for, and refinancing of, the Group’s renewable energy/clean energy business (such as R&D funds, business development and operation funds, and working capital) that meet the following criteria: <ul style="list-style-type: none"> • Hydrogen power generation businesses and/or projects for 100% hydrogen combustion; • Geothermal power generation businesses and/or projects that emit less than 100g CO₂/kWh; • Investments in corporations that are exclusively engaged in the renewable energy/clean energy business or generate at least 90% of their sales from renewable energy/clean energy-related business; and • The expenditure for the business and/or project was made within 7 years preceding the green bond issuance date. 	<ul style="list-style-type: none"> • Annual power generation (MWh) and annual CO₂ reduction (tons) of renewable energy/clean energy facilities related to the funded business • Information on progress in R&D (such as the outline of projects participated in)

¹ Mitsubishi Heavy Industries, Ltd.’s Green Bond Framework overview available at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/mitsubishi-heavy-industries-ltd/mitsubishi-heavy-industries-ltd-green-bond-second-party-opinion/mitsubishi-heavy-industries-ltd-green-bond-second-party-opinion-pdf>

Issuing Entity's Responsibility

MHI is responsible for providing accurate information and documentation relating to the details of the project that have been funded, including description of the project, 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 MHI's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from MHI employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by MHI with respect to the Nominated Project. 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 MHI.

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,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond project, funded through proceeds of MHI's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. MHI has disclosed to Sustainalytics that the proceeds of the Green Bond were fully allocated as of November 24, 2020.

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of the project, amounts allocated, 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

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the project funded by the Green Bond as of 31 March 2021 to determine if the project aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	The project reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the project funded by the Green Bond as of 31 March 2021 to determine if impact of the project was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	The project reviewed reported on KPIs outlined in the reporting criteria.	None

Appendices

Appendix 1: List of Use of Proceeds Categories Reviewed

Use of Proceeds Category	Sub-category	Number of Projects	Requirement	Look-back period	Net Bond Proceeds Allocation (million JPY)
Renewable Energy/Clean Energy	Offshore wind power	1	Confirmed that the proceeds were used for refinancing of an investment in a corporation exclusively engaged in offshore wind power facilities business. ³	Confirmed that the expenditure was made within 7 years prior to the Green Bond issuance date	24,893

Appendix 2: List of Project Impact

Use of Proceeds Category	Sub-category	Fiscal Year ⁴	Annual power generation (MWh) ⁵	Annual CO ₂ reduction (tons) ⁵
Renewable Energy/Clean Energy	Offshore wind power	2016	981,602	490,000
		2017	3,176,087	1,600,000
		2018	5,499,659	2,770,000
		2019	7,610,776	3,840,000
		2020	9,772,989	4,930,000

³ MHI Vestas Offshore Wind A/S

⁴ Each fiscal year begins on 1 April and ends on 31 March of the following year.

⁵ The impact results are theoretical values from FY2016 onwards, when the offshore wind power facilities are expected to start operation following the completion of the development, design and manufacture of the facilities by the corporation after receiving investment (allocation of proceeds) from MHI in Fiscal year 2014.

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