

Z Holdings Corporation (Green Bond 2021)

Type of Engagement: Annual Review

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Introduction

In July 2021, Z Holdings Corporation ("Z Holdings") issued a green bond aimed at financing projects related to energy efficiency of data centers and procurement of renewable energy for data centers (JPY 20 bn 7-Year Green Bond, hereinafter the "2021 Green Bond"). As of March 31, 2022, the proceeds have been allocated to three projects related to the Eligible Criteria. In July 2022, Z Holdings engaged Sustainalytics to review the projects funded through the 2021 Green Bond and assess whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Z Holdings Corporation's Green Bond Framework (the "Framework").¹

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from July 2021 to March 2022 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
Energy Efficiency	Construction, refurbishment, acquisition, or operation of data centers that achieve a Power Usage Effectiveness (PUE) of less than 1.5	PUE values
Renewable Energy	Sourcing of electricity to be used for data center operation from renewable energy	Amount of electricity procured (kWh)

Issuing Entity's Responsibility

Z Holdings 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 Z Holdings' 2021 Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Z Holdings employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by Z Holdings with respect to the projects in the eligible categories. Sustainalytics is not responsible nor shall it be held liable if any of the opinions,

¹ Z Holdings Corporation's Green Bond Framework is available at the following link: https://www.z-holdings.co.jp/en/sustainability/2022/04/ZHoldings_GreenBondFramework_ENG-1.pdf

findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Z Holdings.

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 projects, funded through proceeds of Z Holdings' 2021 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework.

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 Bond from July 2021 to March 2022 to determine if projects 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 Bond from July 2021 to March 2022 to determine if the impact of projects were reported in line with the impact indicators outlined in the Framework and above in Table 1. For a list of impact indicators reported please refer to Appendix 2.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

² 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.

Appendix

Appendix 1: Allocation of Green Bond Proceeds

Item	Amount (JPY 100 million)
Total Net Bond Proceeds from Green Bond issuance:	200
Total Net Bond Proceeds Allocated³:	160
Total Net Bond Proceeds Unallocated:	40

Appendix 2: List of Project Impact⁴

Use of Proceeds Category	Impact Indicators ⁵
Energy Efficiency	PUE values: 1.36 ⁶
Renewable Energy	Amount of electricity procured: 134,432,291kWh ⁷

³ Total value of two energy efficiency projects (Shirakawa Data Center and Actapio Data Center) and renewable energy procurement

⁴ Data for fiscal year 2021 (April 1, 2021 - March 31, 2022)

⁵ Impact Reporting by Z Holdings is available at: <https://www.z-holdings.co.jp/en/sustainability/stakeholder/19/>

⁶ Average value of data centers (including owned and leased) used by Z Holdings in its business operation

⁷ Amount of electricity procured by Z Holdings as a whole

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