

Z Holdings Corporation (2021 Green Bond)

Type of Engagement: Annual Review

Date: July 7, 2023

Engagement Team:

Shigeru Ogawa, shigeru.ogawa@sustainalytics.com, (+81) 3 4520 2193

Yukie Osari, yukie.osari@sustainalytics.com, (+81) 3 4520 2192

Introduction

In July 2021, Z Holdings Corporation (“ZHD”) issued a green bond aimed at financing projects related to Energy Efficiency and Renewable Energy (JPY 20 billion 7-Year Green Bond, hereinafter the “2021 Green Bond”). As of 31 March 2023, the proceeds were allocated to three projects related to data centers. In June 2023, ZHD 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 Green Bond Framework (the “Framework”).¹ This is Sustainalytics’ second annual review of ZHD’s 2021 Green Bond following the previous review in July 2022.²

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from July 2021 to 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
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

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

¹ Z Holdings Corporation Green Bond Framework is available at:

https://www.z-holdings.co.jp/en/sustainability/2022/04/ZHoldings_GreenBondFramework_ENG-1.pdf

² Sustainalytics’ previous annual review of ZHD’s 2021 Green Bond is available at:

Annual Review (July 2022): [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/z-holdings-corporation-green-bond-2021-annual-review-\(2022\).pdf?sfvrsn=fa4b30ec_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/z-holdings-corporation-green-bond-2021-annual-review-(2022).pdf?sfvrsn=fa4b30ec_1)

Sustainalytics has relied on the information and the facts presented by ZHD 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 ZHD.

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 Z Holdings Corporation's 2021 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Z Holdings Corporation Green Bond Framework. ZHD has disclosed to Sustainalytics that the proceeds of the 2021 Green Bond were fully allocated as at 31 March 2023.

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 2023 to determine if the projects were aligned with the Use of Proceeds Criteria outlined in the Z Holdings Corporation Green Bond 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 2023 to determine if the impact of the projects was reported in line with the impact indicators outlined in the Z Holdings Corporation Green Bond Framework and above in Table 1.	All projects reviewed reported on impact indicators per Use of Proceeds criteria.	None

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.

Appendix

Appendix 1: Allocation of Green Bond Proceeds

Use of Proceeds Category	Overview of Project	Net Bond Proceeds Allocation (billion JPY)
Energy Efficiency	1) Construction, refurbishment, acquisition, or operation of data centers that achieve a Power Usage Effectiveness (PUE) of less than 1.5 i. Shirakawa Data Center: capital expenditure (Refinancing) ii. Actapio Data Center: capital expenditure (Refinancing) iii. Kitakyushu Data Center: capital expenditure (Construction of a new building)	20
Renewable Energy		
Total Net Bond Proceeds Allocated:		20
Total Net Bond Proceeds from Green Bond issuance:		20
Total Net Bond Proceeds Unallocated:		0

Appendix 2: List of impact indicators^{4,5}

Use of Proceeds Category	Impact Indicators
Energy Efficiency	PUE values ⁶ : 1.33
Renewable Energy	Amount of electricity procured (kWh) ⁷ : 290,274,774

⁴ Data for fiscal year 2022 (from 1 April 2022 to 31 March 2023)

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

⁶ Average value of all data centers (including owned and leased) used by ZHD in its business operation.

⁷ Amount of electricity procured by ZHD as a whole.

Disclaimer

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

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.

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. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1,500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

