

DNV·GL

Japan Railway Construction, Transport and Technology Agency

JRTT Sustainability Finance

DNV GL Post Issuance verification and periodical review



Nov. 2020

DNV GL Business Assurance Japan K.K.

Revision history

Issue Date	Remarks
January 2019	JRTT Sustainability Finance Eligibility DNV GL Pre Issuance Verification and Report
October 2019	JRTT Sustainability Finance DNV GL Post Issuance verification and periodical review (1st)
October 2020 (this report)	JRTT Sustainability Finance DNV GL Post Issuance verification and periodical review (2nd) <ul style="list-style-type: none"> - Allocation Status: All Proceeds (sustainability bond 114 billion yen, sustainability loan 42.64 billion yen) have been allocated as planned - Project progress: Part of railway construction business opened - Environmental improvement effect: Confirmed of CO2 emissions per transport volume by CBS eligible criteria (low carbon transport) - Application of CBS v3.0 (CBS v2.1 was applied for the previous report) *

*: The application of CBS Ver3.0 was implemented according to the intention of JRTT who wants to be verified by applying the latest version of the CBI criteria in JRTT, who is developing a business with environmental improvement effect. Comparing this year (FY2019) and the previous year (FY2018), the requirements of the Climate Bond Standard are different due to the application of the latest version, but no contents that was not eligible was found in Use of Proceeds, Project Evaluation and Selection, Management of Proceeds., Reporting, and technical standards required by CBS. We confirmed the consistency and effectiveness in terms of compliance with the requirements this year as well, continuing from the "DNV GL Post Issuance verification and periodical review" with CBS Ver2.1 applied (October 2019).

Scope and Objectives

The scope of this report includes both Post Issuance Verification Statement and Periodical review of JRTT Sustainability Finance^{*1} Issuances as Climate Finance(bond and loan) currently outstanding in FY 2019.

As JRTT sustainability finance, Japan Railway Construction, Transport and Technology Agency (hereinafter "JRTT" or "Issuer") issued a total of 114 billion yen with a bond on 30th May 2019, 29th August 2019, 28th November 2019, and 27th February 2020, and raised a total of 42.64 billion yen with a loan on 27th March 2020. JRTT has secured certification of the Finance from the Climate Bonds Initiative against the Climate Bonds Standard. DNV GL Business Assurance Japan Co., Ltd. (hereinafter referred to as "DNV GL") conducted post issuance verification against Climate Bond Standards version3.0 (hereinafter "CBS v3.0") and periodical review of the Finance eligibility assessment by using the Sustainability Bond Guidelines 2018 (ICMA, hereinafter "SBG") and the Green Bond Guidelines (the Ministry of the Environment, Japan 2017, hereinafter "GBGLs").

* 1: financing method that includes contribution to both environmental (green) and social (social) nature, and bond issuance (bond) and market borrowing (loan)

JRTT determined principle 'We contribute to build safe, secure, eco-friendly transportation networks.' for social contribution. Under its principle, JRTT executes various business includes sustainability eligible project portfolio "Railway Construction" and "Joint Ownership Shipbuilding". JRTT defines its sustainable social contribution through its business associating its Finance eligible project with SDGs.

As of October 2020, JRTT has allocated the proceeds (bonds and loans) from JRTT Sustainability Finance to the following categories of nominated projects and assets as refinance, as scheduled:

"Project 01, Railway Construction"

- No. R-2, Public railway ; Leased railway [Arterial railway(Main line and Interurban line)] *refinance
- No. R-3, Public railway ; Assigned railway [Public railway operated by Private sector] *refinance
- No. R-4, Urban railway *refinancing

Please refer to the schedule-1 for details.

DNV GL has been commissioned by JRTT to provide the initial(pre-issuance) and periodic(post-issuance) verification and review of the JRTT's eligibility of the Finance against the CBS v3.0 determined Climate Bonds Initiative (hereinafter "CBI"), as well as SBG and GBGLs. Pre-issuance verification which was conducted in January 2019 concluded the eligibility of railway construction against CBS v3.0 and related technical sector criteria. Our criteria and information covered to achieve this is described under 'Work Undertaken' shown below. The periodic review was based on information and documents provided by JRTT as of 9 Sep 2020. Finance has received the CBI certification and been certified as programmatic certification who issues repeated and multiple finance which contribute environmentally sustainability.

No assurance is provided regarding the financial performance of the Finance, the value of any investments in the Finance, or the long-term environmental benefits arising from the nominated projects. Our objective of these reviews has been to provide an assessment that the usage of the proceeds of the Finance has met the criteria established on the basis set out below.

- **Low Carbon Transport**

[Low Carbon Land Transport and the Climate Bonds Standard (Version 1.0)]

Also, DNV GL includes other related criteria described in the section "Basis of DNV GL's opinion" for annual report review.

Responsibilities of the Management of JRTT and DNV GL

The management of JRTT has provided the information and data used by DNV GL during the delivery of this verification and review. Our statement represents an independent opinion and is intended to inform JRTT management and other interested stakeholders in the Finance as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by JRTT. DNV GL is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by JRTT used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

DNV GL has conducted the verification against the CBS v3.0^{*1} and associated Sector Technical Criteria through the creation and execution of a verification protocol addressing each requirement of those standard and criteria. The detail of areas covered in the DNV GL verification is summarized in Schedule 2 below.

Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion. The overarching principle behind the criteria is that a Finance should "enable capital-raising and investment for new and existing projects with environmental and social benefits".

As per DNV GL's Protocol for assessment, in addition to the CBS v3.0 above, DNV GL also considers the criteria against which the Finance has been reviewed are grouped under the four Principles (GBP^{*2}, SBP^{*3}, SBG^{*4}, GLP^{*5}, and GBGLs^{*6}) as follows:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a Finance must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental and/or social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a Finance should outline the process it follows when determining eligibility of an investment using Finance proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a Finance should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the finance stakeholders should be made of the use of finance proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

*1: Climate Bonds Standard version 3.0 (Climate Bonds Initiative)

*2: Green Bond Principles (June 2018, International Capital Market Association)

*3: Social Bond Principles (June 2018, International Capital Market Association)

*4: Sustainability Bond Guidelines (June 2018, International Capital Market Association)

*5: Green Loan Principles (2018, Loan Market Association, Asia Pacific LMA and LOAN SYNDICATION AND TRADING ASSOCIATION

*6: Green Bond Guidelines, 2017 (March 2017, Ministry of the Environment, Japan)

Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by JRTT in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion includes :

Pre Issuance (Initial) Verification/assessment (completed previously):

- Creation and execution of a Climate Bonds Standard Protocol, adapted to include the relevant Sector Technical Criteria for the Finance nominated projects and assets, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary supporting documents provided by JRTT on the Finance and supplemented assessment by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with JRTT, and review of relevant documentation;
- Documentation of findings against each element of the criteria.
- Field survey and inspection against the projects and assets;

Post Issuance (Periodic) Verification and Assessment:

- Evaluation of the supporting documents provided by JRTT and related to the Finance issuance, high level desktop research, document reviews, and interviews with key personnel of the Issuer. These checks refer to best practices in current assessment and standard methodologies;
- Discussions with JRTT management and review of relevant documentation;
- Field survey and inspection against the projects and assets, if required;
- Review of the nominated projects and assets as described in Schedule 2;
- Documentation of findings in detail.

Our opinion as detailed below is a summary of these findings.

Findings and DNV GL's opinion

DNV GL has conducted the Post Issuance Verification of the Finance (bond) issued 30th May 2019, 29th August 2019, 28th November 2019 and 27th February 2020, and of the Finance (loan) issued 27th March 2020 by JRTT. It is DNV GL's responsibility to provide an independent verification statement on the compliance of the JRTT Finance with the CBS v3.0.

DNV GL conducted the verification in accordance with the CBS v3.0 and with International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Information. The verification included i) checking whether the provisions of the CBS v3.0 were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV GL's verification approach draws on an understanding of the risks associated with conforming to the CBS v3.0 and the controls in place to mitigate these. DNV GL planned and performed the verification by obtaining evidence and other information and explanations that DNV GL considers necessary to give limited assurance that the Finance continues to meet the requirements of the CBS v3.0.

Based on the limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the Finances are not, in all material respects, in accordance with the requirements of the CBS v3.0 and Associated Low Carbon Transport Technical Criteria. Furthermore, nothing has come to our attention that causes us to believe that the reported impacts associated with the nominated projects and assets are inaccurate.

DNV GL also conducted periodical review, other than post issuance verification of the JRTT's annual report against to the criteria of GBP2018, SBP2018, SBG2018, GLP2018, and GBGLs2017 accordingly.

DNV GL's findings are listed below:

Principle One, Use of Proceed

JRTT has reported usage of the proceeds (total finance proceeds: Sustainability bond 114 billion JPY, Sustainability loan 42.64 billion JPY) as refinance into following two projects under the eligible projects on its website.

(1) Sustainability Finance Eligible Project (refinanced): Sustainability bond

Railway Construction (Project 01 R-2, R-3 and R-4)

Project 01 R-2: Public railway; Leased railway [Arterial railway (Main line and interurban line)]

Sub Total : 28.0 billion JPY

Project 01 R-3: Public railway; Assigned railway (Public railway operated by Private sector)

Sub Total : 45.65billion JPY

Project 01 R-4: Urban railway line

Sub Total : 40.35billion JPY

Total : **114 billion JPY**

(2) Sustainability Finance Eligible Project (refinanced): Sustainability loan

Railway Construction (Project 01 R-2 and R-3)

Project 01 R-2: Public railway; Leased railway [Arterial railway (Main line and interurban line)]

Sub Total : 27.87billion JPY

Project 01 R-3: Public railway; Assigned railway (Public railway operated by Private sector)

Sub Total : 14.77billion JPY

Total : **42.64 billion JPY**

Schedule-1 shows lists and details of sustainability projects

DNV GL reviewed the eligibility of the funded projects and assets to meet the criteria for the project categories above.

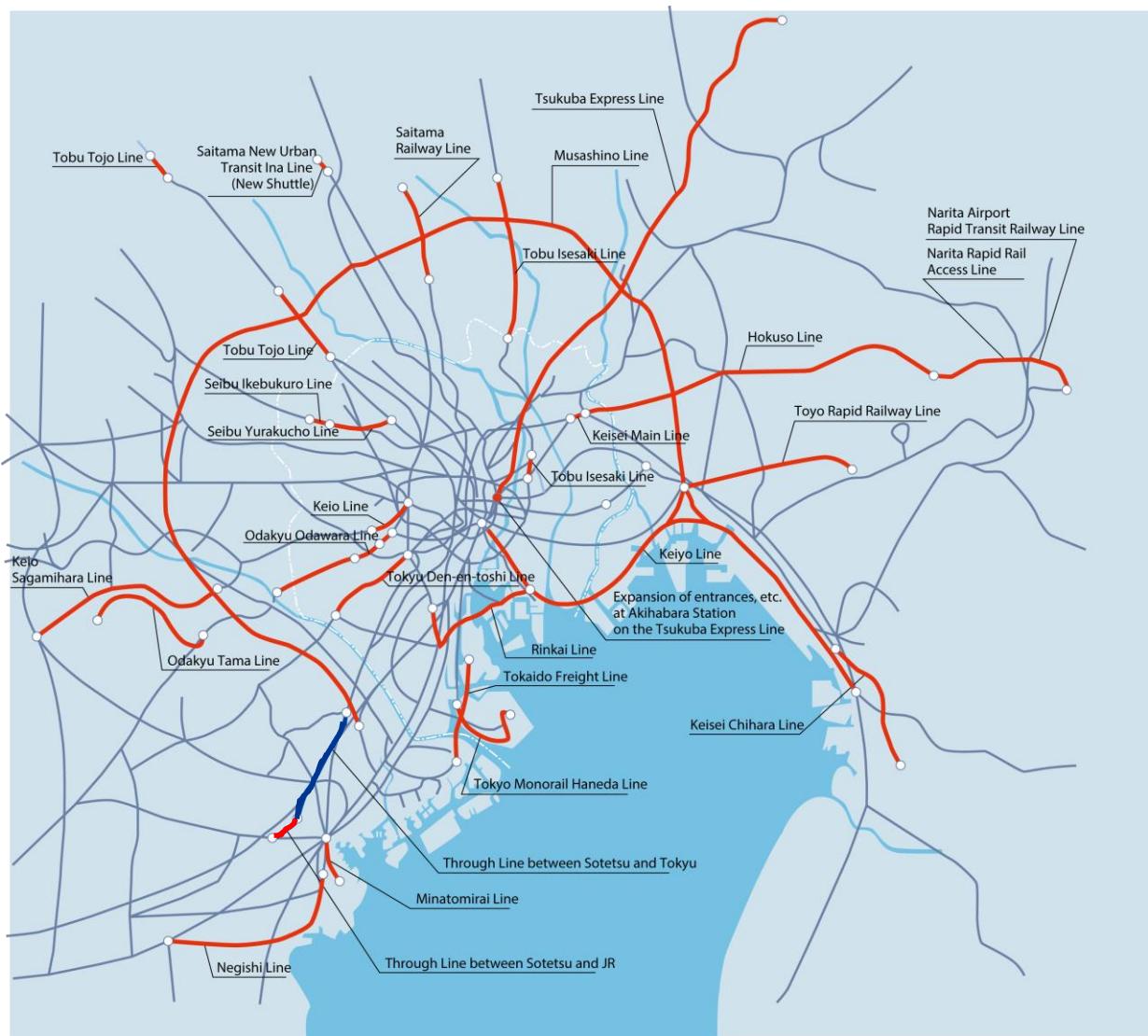


Fig-1 Project 01 representative railway construction

(legend Red line: in operation, Blue line: under construction)

Principle Two, Process for Project Evaluation and Selection

The Finance's proceeds have been allocated solely to refinance the projects and assets as defined in Schedule 1. As for the negative impact caused by these projects, appropriate countermeasures and practical action plans which comply with relevant regulations and laws have been taken and will be taken after the evaluation by JRTT. DNV GL confirmed that JRTT resulted that its effect is limited and appropriate action will be executed if required.

Principle Three, Management of Proceeds

DNV GL has reviewed evidence showing how JRTT traced the proceeds from the Finance (loan or Bond, from the time of issuance to the time of disbursement). The full amount of the proceeds fund has been allocated promptly. The details of the disbursement value are tracked using JRTT's internal protocol. At the end of each financial period (fiscal year), JRTT manages the outstanding balance of the Finance.

DNV GL confirmed based on the evidences showing by JRTT that the Sustainability bond 114 billion JPY and the Sustainability loan 42.64 billion JPY have been allocated at the end of the FY 2019 (End of Mar. 2020) as refinance, as scheduled.

As stated above, DNV GL provides no assurance regarding the financial performance of the Finance, the value of any investments in the Finance, or the effects of the transaction.

Principle Four, Reporting

DNV GL has confirmed that JRTT annual report includes and maintains a dedicated section on the Finance in its website. This includes the project and value of the proceeds invested, as well as the associated qualitative and quantitative environmental impacts based on the MLIT data. Since annual report provided representative information and data which can be officially available, it may not align with FY 2018 activities. JRTT will update those information and data when it is available in timely manner.

JRTT disclosed environmental and social benefit and management proceeds on its web site.

<https://www.jrtt.go.jp/ir/sustainability-finance.html> (Reporting)

- CO₂ emission per transportation unit (FY 2018)
- Numbers of passenger of eligible railway project (representative line) (FY 2017)
- FY 2019 Fund amount of allocation and outstanding
- FY 2019 Refinance share
- FY 2019 Project progress (funded amount)

Project progress has been published in the followings in its web site

- Environmental report 2020
- FY 2019 Annual business report
- FY 2019 Annual financial report
- FY 2019 Annual financial statement
- FY 2019 project report
- Finance information report

Project progress information above includes other than project funded FY 2019

Table-1 shows the qualitative and quantitative environmental impacts by JRTT sustainability finance project, Railway Construction, published by MLIT. CO₂ emission per unit (passenger and freight) is comparably lower enough than other transportation categories.

MLIT : Ministry of Land, Infrastructure, Transport and Tourism, Japan

Table-1 CO₂ emission per unit(passenger and freight) (2018)

reference : MLIT

category	passenger : g-CO ₂ /p-km	freight : g-CO ₂ /t-km
Private light vehicle	133	1,162
Cargo vehicle	-	233
Airplane	96	-
Bus	54	-
Ship	-	39
Railway	18	22

DNV GL Business Assurance Japan K.K.

30th. Oct. 2020



Masato Kanedome

Project Leader

DNV GL – Business Assurance Japan K.K.



Naoki Maeda

Managing Director

DNV GL – Business Assurance Japan K.K.



Masahito Seiwa

Assessor

DNV GL – Business Assurance Japan K.K.

About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.



1. Schedule-1 JRTT Sustainability finance nominated project/asset portfolio

Table JRTT Sustainability Finance (Sustainability bond) Project/Asset Portfolio (Project No. 01)

Project No.	Nominated Project/Asset Portfolio	Sustainability Project Category	Sustainability Project Sub-Category	Funded amount in FY 2019	Remarks
01	R-1 Public railway ; Railway Project under the Urban Railway Convenience Improvement Law (Projects to Enhancement the convenience of urban railways)	•Clean transportation •Affordable basic infrastructure	•rail (electric) •transportation(public)	-	Railway Construction (Construction Account) : Nominated Project •Eastern Kanagawa Lines•etc
	R-2 Public railway ; Leased railway (Arterial railway(Main line and Interurban line))	•Clean transportation •Affordable basic infrastructure	•rail (electric) •transportation(public)	28.0 billion JPY	Railway Construction (Construction Account) : the following is project example Nominated Project •Keiyo line •Musashino line•etc
	R-3 Public railway ; Assigned railway (Public railway operated by Private sector)	•Clean transportation •Affordable basic infrastructure	•rail (electric) •transportation(public)	45.65 billion JPY	Railway Construction (Construction Account) : the following is project example Nominated Project •Minatomirai 21 line•Odakyu Odawara line•etc
	R-4 Public railway ; Railway Project under the Act on Special Measures concerning Integrated Promotion of Residential Land Development and Railway Construction in Major Urban Areas (Urban railway)	•Clean transportation •Affordable basic infrastructure	•rail (electric) •transportation(public)	40.35 billion JPY	Railway Construction (Construction Account) : Nominated Project •Joban new line (TX line)
The amount of assets: 1,665,692,253,461JPY (end of FY 2019) Sustainability Finance (Sustainability Bond); 114,000,000JPY (FY 2019 result)					

Table JRTT Sustainability Finance (Sustainability Loan) Project Portfolio (Project No. 01)

Project No.	Nominated Project/Asset Portfolio	Sustainability Project Category	Sustainability Project Sub-Category	Funded amount in FY 2019	Remarks
01	R-1 Public railway ; Railway Project under the Urban Railway Convenience Improvement Law (Projects to Enhancement the convenience of urban railways)	•Clean transportation • Affordable basic infrastructure	•rail (electric) •transportation(public)	—	Railway Construction (Construction Account) : Nominated Project •Eastern Kanagawa Lines•etc
	R-2 Public railway ; Leased railway (Arterial railway(Main line and Interurban line))	•Clean transportation • Affordable basic infrastructure	•rail (electric) •transportation(public)	27.87 billion JPY	Railway Construction (Construction Account) : the following is project example Nominated Project • Keiyo line • Musashino line • etc
	R-3 Public railway ; Assigned railway (Public railway operated by Private sector)	•Clean transportation • Affordable basic infrastructure	•rail (electric) •transportation(public)	14.77 billion JPY	Railway Construction (Construction Account) : the following is project example Nominated Project • Minatomirai 21 line • Odakyu Odawara line•etc
	R-4 Public railway ; Railway Project under the Act on Special Measures concerning Integrated Promotion of Residential Land Development and Railway Construction in Major Urban Areas (Urban railway)	•Clean transportation • Affordable basic infrastructure	•rail (electric) •transportation(public)	—	Railway Construction (Construction Account) : Nominated Project • Joban new line (TX line)
The amount of assets: Sustainability Finance (Sustainability loan) allocated amount;				1,665,692,253,461JPY (end of FY 2019) 42,640,000,000JPY (FY 2019 result)	

2. Schedule-2 CBS v3.0 Verification criteria

Summary criteria for assertions of compliance with the CBS v3.0

Prior to incorporating eligible projects and assets for the Finance, the criteria for reviewing relevant projects and assets are categorized based on CBS 3.0 and technical criteria. The main requirements of CBS3.0 version and technical criteria are roughly categorized into Part A to Part C in the table below.

DNV GL has verified that JRTT conforms with all requirements here based on the evidences provided JRTT's relevant documents and interview through verification. Hereafter 'bond' also suggests finance, both bond and loan. These requirements broadly include:

Part A: Pre-Issuance Requirements

Area	Requirement
1. Use of Proceeds	The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets.
2. Process for Evaluation and Selection of Projects & Assets	(The Issuer) shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets.
3. Management of Proceeds	The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.
4. Reporting Prior to Issuance	(The issuer) shall clarify the disclosure of the framework, eligible criteria, management of allocation (new investment and refinancing) unallocated funds, preparation of update reports including project information and disclosure plans.

Part B: Post-Issuance Requirements

Area	Requirement
5. Use of Proceeds	The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets. Allocated projects and assets should not be mixed with other green bonds, loans, etc. In addition, the value of the target project and assets should be at least equal to or greater than the bond issuance amount (at the time of issuance) or the issued amount.
6. Process for Evaluation and Selection of Projects & Assets	The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets.
7. Management of Proceeds	The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.
8. Reporting	The Issuer shall prepare and disclose an Update Report at least annually while the Bond remains outstanding. The update report shall include allocation reporting, environmental improvement effect and information about the target project. Information required for eligibility shall be provided to the verifier and to the Climate Bonds Standard Board.

Part C: Eligibility of Projects & Assets

Area	Requirement
9. Climate Bonds Taxonomy	Nominated Projects & Assets shall fall into one or more of the investment areas listed as included in the Climate Bonds Taxonomy.
10. Sector Eligibility Criteria	Low Carbon Transport All electrified public transport (infrastructure, infrastructure refurbishment, rail and transport vehicles) meet the standards. <u>For example, electrified railroads, trams, trolleys, buses and cable cars.</u>

3. Schedule-3 Sustainability Finance Eligibility Assessment Protocol

Checklist Sustainability Finance Guideline (SBG) Eligibility checklist

Finance means JRTT's general proceeds instruments including both bond and loan. Hereafter 'bond/BOND' also suggests both bond and loan, official bond statement and loan document. JRTT Sustainability Finance Framework, official bond statement and loan document, etc. will be published for explanation to investor on JRTT's website as follows;

<https://www.jrtt.go.jp/05Ir/ir-sustainabilityfinance.html>

Following (1)~(4) are based on Sustainability Bond Guideline (ICMA, 2018) "SBG" referring to Green Bond Principle (ICMA, 2018), Social Bond Principle (ICMA, 2018). DNV GL established checklist according to the above guideline and principles. DNV GL describes our findings in the checklists based on the evidences provided JRTT's relevant documents and interview through verification.

(1) SBG-1 Use of Proceeds

Ref.	Criteria	Requirements	DNV GL Findings
1a	Type of bond	The bond must fall in one of the following categories, as defined by the Sustainability (Green and Social) Bond Principles: <ul style="list-style-type: none">• Sustainability Use of Proceeds Bond• Sustainability Use of Proceeds Revenue Bond• Sustainability Project Bond• Sustainability Securitized Bond	The reviewed evidence confirms that the BOND falls in the category: Green/Social(Sustainability) Use of Proceeds Bond.
1b	Project Categories	The cornerstone of a Sustainability Bond is the utilization of the proceeds of the bond which	As identified by the purpose of the loan is to use the proceeds to finance and refinance for projects falling under the following categories;

Ref.	Criteria	Requirements	DNV GL Findings
		should be appropriately described in the legal documentation for the security.	<p>FY 2019, proceeds of Bond 114 billion JPY and proceeds of loan 42.64 billion JPY have been allocated to the <i>Gothic, Italic and underscored</i> projects</p> <p><Railway Construction></p> <ul style="list-style-type: none"> - Public railway ; Railway Project under the Urban Railway Convenience Improvement Law (Projects to Enhancement the convenience of urban railways) - <i>Public railway ; Leased railway (Arterial railway(Main line and Interurban line)</i> - <i>Public railway ; Assigned railway (Public railway operated by Private sector)</i> - Public railway ; Railway Project under the Act on Special Measures concerning Integrated Promotion of Residential Land Development and Railway Construction in Major Urban Areas (Urban railway) <p><Joint Ownership shipbuilding></p> <ul style="list-style-type: none"> - Joint ownership shipbuilding (freight and passenger ship) <p>DNV GL's assessment concluded that these asset and project would present eligible project against green and social bond principles (as sustainability bond) and green loan principles. Above information was included in official document about a bond and loan issued by JRTT. DNV GL concluded that 1b requirement is satisfied. In case that new project is nominated, JRTT will evaluate and its eligibility and disclose it as official document.</p>
1c	Environmental and Social benefits	All designated Sustainability Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	DNV GL, as CBI verifier, assessed and verified eligibility of Railway construction project portfolio through relevant criteria such as Low carbon land transportation as well as CBS. Railway construction project portfolio also has social benefit. Joint ownership shipbuilding project portfolio aligns with mainly social benefit and also have environmental secondary benefit (CO ₂ emission reduction and prevent marine pollution).

Ref.	Criteria	Requirements	DNV GL Findings
			<p>DNV GL confirmed that JRTT evaluate its benefit qualitatively and quantitatively as much. DNV GL also confirmed that JRTT determines the relationship between those projects and SDGs mapping based on the MLIT policy and ICMA document/17/. DNV GL reviewed JRTT provided document and explanation that JRTT already identified the environmental risk and addressed appropriate countermeasures. DNV GL concluded that 1c requirement is satisfied.</p>
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced.	<p>The proceeds of the BOND, in their entirety has been allocated to sustainability project described schedule-1 as refinance, project 01 in FY 2019. Refinance was as follows</p> <ul style="list-style-type: none"> -Refinance to Railway construction project portfolio (all for refinance) <p>Identification of finance or refinance has been disclosed to investor in official document.</p>

(2) SBG-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	DNV GL Findings
2a	Investment-decision process	<p>The issuer of a Sustainability Bond should outline the decision-making process it follows to determine the eligibility of projects using Sustainability Bond proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Sustainability Projects categories 	<p>As per the JRTT sustainability finance framework, the issuer has set out the following criteria for project selection. Eligible project (portfolio) means alignment with their corporate philosophy and basic environmental policy. In this sustainability bond, JRTT has taken into consideration that the two operations carried out by JRTT (railway construction operations and Joint Ownership shipbuilding) meet the Green Bond Principles 2018 and Social Bond Principles 2018, as well as Climate Bond Standards v3.0 and related sector technical criteria and selected following eligible projects. Since the CBI technical criteria for the Joint Ownership shipbuilding was not effective at the time of the assessment, it was decided to verify when the target project is executed in the future.</p>

Ref.	Criteria	Requirements	DNV GL Findings
		<p>identified in the Green Bond Principles and Social bond principle;</p> <ul style="list-style-type: none"> • The criteria making the projects eligible for using the Sustainability Bond proceeds; and • The environmental and social sustainability objectives • 	<p><reference criteria></p> <ul style="list-style-type: none"> -Climate Bonds Standard (version 3.0 Low Carbon Transport) -Green Bond Principles (ICMA) -Social Bond Principles (ICMA) -Sustainability Bond Guidelines (ICMA) -Green Loan Principles (Loan Market Association) -Green Loan Principles (Asia Pacific Loan Market Association) -Green Loan Principles (The LOAN SYNDICATION AND TRADING ASSOCIATION) - Ministry of the Environment Green Bond Guidelines (2017 Edition) <p>(Reference: Green Bonds, Social Bonds; SDGs Related: High Level Mapping to Sustainable Goals (June 2018 Edition, ICMA)</p> <p><eligible project></p> <p>Railway Construction</p> <ul style="list-style-type: none"> - Clean Transportation(Railway Construction, Joint Ownership shipbuilding) - Pollution prevention and control (Joint Ownership shipbuilding) - Essential and imperative transportation infrastructure (Railway Construction, Joint Ownership shipbuilding) - Low cost and easy access for various customers (Railway Construction, Joint Ownership shipbuilding) - Efficient distribution (Joint Ownership shipbuilding) - Operation of routes to remote island (Railway Construction, Joint Ownership shipbuilding) <p>Those nominated project portfolio is discussed with JRTT's related department and responsibilities (JRTT boards). DNV GL also confirmed that JRTT determines the relationship between those projects and SDGs mapping based on the MLIT policy and ICMA document. DNV GL concluded that 2a requirement is satisfied through interview and document review.</p>
2b	Issuer's environmental and	In addition to information disclosed by an issuer on its Sustainability Bond process, criteria and assurances,	As per the interview and review documents provided by JRTT, DNV GL confirmed that JRTT has addressed to achieve both sustainable green and social activities according to environmental

Ref.	Criteria	Requirements	DNV GL Findings
	social and governance framework	Sustainability Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<p>action(https://www.jrtt.go.jp/01Organization/Csr/csr-kankyo.html) and domestic marine route for future creative plan published by MLIT(http://www.mlit.go.jp/common/001190904.pdf).</p> <p>DNV GL also confirmed that JRTT has issued and intends to issue the loan and bonds continuously based on their framework which aligns with CBS requirement and CBI certification (programmatic certification)</p> <p>https://www.climatebonds.net/certification/get-certified https://www.climatebonds.net/programmatic-certification.</p> <p>DNV GL concluded that 2b requirement is satisfied</p>

(3) SBG-3 Management of Proceeds

Ref.	Criteria	Requirements	DNV GL Findings
3a	Tracking procedure-1	The net proceeds of Sustainability Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Sustainability Projects.	It is confirmed that each proceeds expense of JRTT is required to submit each use of proceeds and be approved by minister of MLIT according to the relevant laws. Deposit accounts of the proceeds are strictly managed by each project portfolio. The balance of the proceeds is also managed with subaccount spread sheet (divided each project unit). DNV GL has reviewed actual documents then concluded that 3a requirement is satisfied
3b	Tracking procedure-2	So long as the Sustainability Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible sustainability investments or loan disbursements made during that period.	It is confirmed balance of the bond and loan tracked proceeds (allocated and unallocated amount) has been managed at least annually during bond reimbursement or loan disbursement period. DNV GL reviewed actual documents (Mar. 2020) then concluded that 3b requirement is satisfied.
3c	Temporary holdings	Pending such investments or disbursements to eligible Sustainability Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	According to the Japanese incorporated administrative agency general law, temporary investment instrument is limited to avoid risks. It is clearly described some options of the balance of the bond proceed will be managed safely instrument in framework. DNV GL concluded that 4a requirement is satisfied DNV GL confirmed that there is no balance of the proceeds except of negligible amount (less than 0.1% compared with total fund amount) in FY 2019 and it has been allocated into eligible project in FY 2020)

(4) SBG-4 Reporting

Ref.	Criteria	Requirements 要求事項	DNV GL Findings (DNV GL観察結果)
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Sustainability Bond proceeds have been allocated including</p> <ul style="list-style-type: none">- when possible with regards to confidentiality and/or competitive considerations- a brief description of the projects and the amounts disbursed, as well as the expected environmentally and social sustainable impact.	<p>JRTT has published the annual report including a dedicated section on the Finance in JRTT website. This includes description of the project and value of the proceeds invested, as well as the associated environmental impact. DNV GL reviewed that JRTT has already reported them in its website. DNV GL confirmed it as per report in its website, then concluded that 4a requirement is satisfied https://www.jrtt.go.jp/05Ir/ir-sustainabilityfinance.html (refer to the reporting section)</p>