

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the alignment with the Social Bond Principles voluntary guidelines (hereafter the "SBP") and on the sustainability credentials of the FILP Agency Bond planned to be issued by Japan Student Services Organization (the "JASSO" or the "Issuer") in February 2019, No. 54 JASSO Bond (hereafter the "Bond"), according to Vigeo Eiris' Environmental, Social and Governance (the "ESG") assessment methodology.

The opinion is based on the review of the two following components:

- **Issuer:** evaluation of the Issuer's ESG performance, its involvement in potential ESG controversies and the involvement in controversial activities².
- **Issuance:** analysis of the coherence between the Bond and issuer's sustainability strategy and commitments, and evaluation of the bond's alignment with SBP.

Vigeo Eiris gathered information from its rating database, the issuer, press content providers and stakeholders, and complemented it by interviews with the President of the Issuer as well as involved departments and managers. Vigeo Eiris has carried out its initial due diligence from May 25th to June 29th 2018 and the latest follow-up research on ESG controversies and the involvement in controversial activities in November 2018.

We were able to access all appropriate documents and speak to all solicited people. We consider that the provided information enables us to establish our opinions with a reasonable level of assurance on their completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Bond considered to be issued by JASSO is aligned with the Social Bond Principles and expresses an overall reasonable³ assurance on the Bond's contribution to sustainability.

The net proceeds of the Bond will be used as funds for the "Category 2 Scholarship Loans" of JASSO. JASSO's scholarship programmes have two types; "Scholarship Grants" that do not need to be repaid and "Scholarship Loans" that have to be repaid. The "Scholarship Loans" have two categories; the "Category 1 Scholarship Loans" that are interest-free loans and the "Category 2 Scholarship Loans" that are interest-bearing loans. The "Category 2 Scholarship Loans", which are the use of the proceeds of the bond, apply less strict criteria than the "Category 1 Scholarship Loans". As a result, all applicants, in principle, are entitled to receive the "Category 2 Scholarship Loans" as long as they satisfy the conditions of the selection criteria. Therefore, the "Category 2 Scholarship Loans" contributes to equal access to education. The issuance of the Bond is considered to be coherent with the mission of JASSO that has a high public nature and carries out scholarship programmes that are highly beneficial to society.

- **Issuer:** JASSO displays an overall good³ ESG performance (see Part I).
 - ▶ JASSO displays homogeneous levels of performance on the three ESG pillars: it achieves good performances in the Environment, Social and Governance pillars.
 - ▶ As of November 16th 2018, JASSO faces one isolated allegation regarding Business Behaviour. The overall severity is considered minor and JASSO is overall reactive.
 - ▶ JASSO has not been involved in the 15 controversial activities analysed by Vigeo Eiris.

¹ This opinion is to be considered as the "Second Party Opinion" described by the Social Bond Principles (www.icmagroup.org).

² The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

³ Please refer to Vigeo Eiris' assessment methodology at the end of the document.

- **Issuance:** JASSO has formalised its Social Bond Framework that is made public on its website. We are of the opinion that the issuance of the Bond is coherent with JASSO's mission and its activities, and contributes to achieve the Issuer's sustainability commitments (see Part II).
 - ▶ The net proceeds of the Bond will be used to finance Eligible Project, namely "Category 2 Scholarship Loans", which is expected to contribute to access to education and is aligned with United Nations Sustainable Development Goal 4 – "Quality of Education". The Eligible Project has a clearly defined target population and the social objective is precise, measurable and relevant. The Issuer has committed to assess and quantify expected social benefits.
 - ▶ The process for project evaluation and selection is clearly defined. The process is good in terms of governance and transparency, and relies on relevant eligibility criteria. The identification and management of social risks associated with the Eligible Project are considered to be good.
 - ▶ JASSO's rules for management of proceeds are clearly defined and would enable a documented and transparent allocation process.
 - ▶ The reporting process and commitments of the issuer appear to be good, covering the fund allocation and social benefits.

EXTERNAL REVIEW

JASSO's Social Bond issuance is supported by external reviews:

- Second Party Opinion – the hereby Second Party Opinion performed by Vigeo Eiris as sustainability consultant – on the sustainability credentials of the Bond, based on pre-issuance commitments and covering all features of the Bond.

The Issuer does not consider to receive external verification by any third party regarding the fund allocation and the reporting indicators, which is an area of improvement. However, we consider that transparency and objectivity of the reporting contents are institutionally assured at a certain level since JASSO has established a highly transparent and objective monitoring and reporting system.

This Opinion is valid as of the date of issuance limited to JASSO's Social Bond issued in February 2019.

Paris, November 16th, 2018



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed one mission for JASSO (Second Party Opinion delivery on its previous Social Bond in June 2018) but never provided any consultancy activity. There is no established relationship (financial or other) between Vigeo Eiris and JASSO.

This opinion aims to explain to the issuer why the Social Bond is considered sustainable, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other tests to check the accuracy of the information provided by the Issuer. The correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the Project financed by the Social Bond. JASSO is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Social Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of JASSO's or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Restriction on distribution and use of this Second Party Opinion: the Second Party Opinion is provided by Vigeo Eiris to the Issuer and is only to be used by the Issuer. The distribution and publication are at the discretion of the Issuer, submitted to Vigeo Eiris' approval.

DETAILED RESULTS

Part I. ISSUER

Level of JASSO's ESG performance

As of June 2018, JASSO's overall ESG performance is considered to be good.

[< Table 1 > ESG performance](#)

Domain	Comments	Opinion
Environment	<p>JASSO's performance in the Environment pillar is considered good.</p> <p>Due to the nature of its activities, JASSO's impacts on the environment through its activities is considered to be minor. JASSO has announced its commitment to address global warming, with a clear target to reduce its CO2 emission, although it has not certified it according to an environmental management system or an equivalent qualification. In addition, JASSO has implemented measures to address global warming, which cover all of the staff.</p>	Advanced
	<p>For example, when purchasing goods, JASSO strives to procure environmental-friendly goods through taking into account the third parties' environmental labels such as Eco Mark and Ecoleaf. When selecting service providers and public construction contractors, depending on the scale, JASSO considers those who carry out environmental management through ISO 14001 or an environmental activity evaluation programme, or those who make environmental reports as priorities.</p>	Good
	<p>Moreover, JASSO strives to choose low GHG emission fuels such as biomass fuel, city gas and LPG for its existing combustion equipment if they can use such low GHG emission fuels. When renovating the existing combustion equipment, JASSO strives to enable them to use low GHG emission fuels. For existing buildings, JASSO conducts energy usage checks, and strives to reduce its energy consumption through different measures such as introducing Cool Biz, using LED lighting equipment and rising awareness of the personnel. When constructing buildings, JASSO strives to take into account energy saving measures.</p>	Limited
	<p>As regards the environmental impacts related to the transport of its personnel, all of the personnel use public transportation in principle and among them, railway is the top priority. Besides, JASSO is engaged in purchasing low-emission vehicles and undertaking maintenance of its cars to reduce pollution.</p>	Weak

Domain	Comments	Opinion
Social	<p>JASSO's performance in the Social pillar is considered to be good.</p>	Advanced
	<p>JASSO has set the Personnel Basic Plan and commits to secure quality personnel, train them and allocate them at a right position in order to implement its work. In addition, it also commits to offer trainings to the personnel to improve their abilities, awareness, and expertise. In addition, JASSO has set up an organisational and systematic training plan with setting a goal that all of the staff take at least one training per year. It also offers field-specific training which is necessary for the current position of the staff. Currently, all staff take at least one training per year, and individual annual performance evaluations are carried out. In addition, JASSO provides personnel evaluation training and has established a system to conduct evaluations by multiple evaluators. Moreover, it has also introduced evaluations of the evaluators.</p>	
	<p>JASSO is committed to preventing and eliminating human rights violations such as sexual harassment. It is also committed to abolishing discrimination against people with disabilities based on the Act on Eliminating Discrimination against Persons with Disabilities. Moreover, it has developed a guideline to promote the commitments and allocated measures in this regard such as establishing a consultation system by deploying counsellors at each office, promoting training and awareness raising for executives and employees, as well as disciplinary measures against personnel who exhibit discriminatory behaviour.</p>	Good
	<p>In addition, JASSO has an action plan to promote women's empowerment and gender equality with setting a clear target concerning the proportion of women in managerial posts. The measures allocated in this regard include establishing a reemployment system for personnel who retired because of caring for their elderly or sick relatives, raising awareness about systems to support work balance and childcare and/or care for relatives, as well as offering training to promote career advancement of the female personnel. The proportion of women in managerial positions at the organisation has been stable at around 20% in the last years.</p>	Limited
<p>With regards to occupational health and safety, JASSO has carried out various initiatives for all of the staff, based on the Industrial Safety and Health Act, including holding a health and safety committee at each office every month to provide opportunities to discuss health and safety in the workplace with industrial doctors, distributing information on safety and health through its staff portal site, conduct interviews with industrial doctors and/or public health nurses, setting up an external consultation office. JASSO has also allocated measures to reduce stress at work such as offering stress checks for all of the personnel and mental health training every year.</p>	Weak	
<p>There are two unions composed of the personnel at JASSO. JASSO conducts collective bargaining from each association based on the Labour Union Act, the Labour Standards Act and the related laws, under supervision of a director in charge of general affairs. In addition, JASSO provides necessary information according to the union's request. Freedom of association is guaranteed for the personnel and the part-time personnel except the managers.</p>		

Domain	Comments	Opinion
Governance	JASSO's performance in the Governance pillar is considered to be good. As an independent administrative institution (Dokuritsu Gyosei Hojin), the governance system of JASSO is regulated by laws such as the Act on the Japan Student Services Organization, Independent Administrative Agency. Currently, the executives of JASSO consist of the President, four executive officers and two auditors. Within the organisation, the Advisory Council has been set up and consists of 15 members, including the President and academic experts, etc. Upon the request of the President, the Council discusses and advises the President on important issues such as planning of projects related to the Mid-Term Plan.	Advanced
	Regarding internal control, the Management Council discusses and examines important policies and measures of JASSO and the internal control of the organisation. In addition, the Internal Audit Office, which is independent from the operating divisions, conducts internal audits (for example, audits concerning its operation, accounting, self-evaluation, internal document audit, personal information protection and information security) in order to investigate specific issues within the organisation and to ensure the appropriateness of operations of JASSO. Moreover, an external accounting auditor audits the financial statements and the business reports (only the accounting section). In addition, in order to detect and correct systematic and individual violations of laws and regulations at an early stage, JASSO has set up a whistle-blowing system and a consultation desk that are used by personnel, part-time staff, temporary staff, retirees and other individuals of interest in the organisation.	Good
	Regarding risk management, the Risk Management Committee, chaired by the President, is formed and held every month. Risk management officers regularly conduct annual assessments to identify the risks inherent in each operation flow and their degree of impact as well as to determine the priority of response. The officers report to the Risk Management Committee. Internal audits are also conducted for some important issues.	Limited
	Regarding information security including protection of user information, which is considered to be of high importance due to the characteristics of the organisation's activities, JASSO has appointed a "Chief Information Security Officer (CISO)", who is responsible for overseeing information security measures. JASSO has also established the Information Security Committee to coordinate information security policies and objectives of the organisation.	Weak

Stakeholder-related ESG controversies

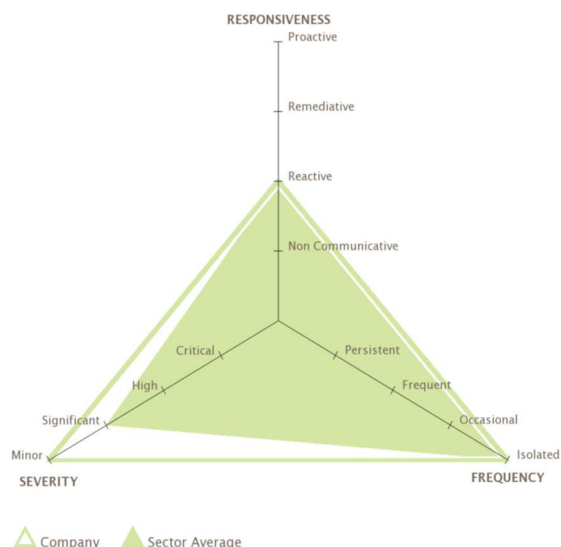
As of 16th November 2018, JASSO is involved in one controversy in the following domain analysed by Vigeo Eiris:

- Business Behaviour: Information to customers (on delayed repayment collection practices)

Frequency: The frequency of controversies is considered isolated.

Severity: The overall severity is considered minor based on the analysis of their impacts on both the organisation and the stakeholders.

Responsiveness: JASSO is overall reactive, which explains its position on this issue.



Part II. ISSUANCE

JASSO has formalised its Social Bond Framework that is made public on its website.

Coherence of the issuance

We are of the opinion that the issuance of the Bond is coherent with JASSO's mission and its activities, and contributes to achieve the Issuer's sustainability commitments.

JASSO was founded as an independent administrative institution on April 1, 2004 under the Ministry of Education, Culture, Sports, Science and Technology (Monbukagakusho) for the purpose of organising and integrating various student support services for higher education in Japan. JASSO comprehensively administers scholarship programs, support programs for international students, and student support programs. The purpose of these programs is to foster the development of creative individuals who, rich in humanism, will become the leaders of society in the next generation, while at the same time to promote international understanding and exchange.

Through the scholarship programmes, JASSO provides support for students who have difficulties to study due to economic reasons and it therefore contributes to the "Equality of Educational Opportunities" as stipulated in the Constitution of Japan and the Basic Act on Education. Through the scholarship programmes, JASSO has provided a cumulative total of approximately 18 trillion yen as scholarships to approximately 12.46 million people in 74 years since the start of programme in 1954 (including the former entity, the Japan Scholarship Foundation).

JASSO's scholarship programmes have two types; "Scholarship Grants" that do not need to be repaid and "Scholarship Loans" that have to be repaid. Scholarship Loans have two categories; the "Category 1 Scholarship Loans" that are interest-free loans and the "Category 2 Scholarship Loans" that are interest-bearing loans. The "Category 2 Scholarship Loans", which are the use of the proceeds of the bond, apply less strict criteria than the "Category 1 Scholarship Loans". As a result, all applicants, in principle, are entitled to receive the "Category 2 Scholarship Loans" as long as they satisfy the conditions of the selection criteria. Moreover, the interest rates of the loans are set lower than private education loans.

According to the related laws and regulations, JASSO can issue bonds to raise funds necessary for the Scholarship Loans. The net proceeds of the bond will be used as funds for the Category 2 Scholarship Loans. The Loans do not bear interest during the lending term (during the period of study) as the payments of interests related to the Bond are subsidised by the government. When lending the scholarship, sufficient information is provided to the applicants prior to signing the written contract. For the repayment, there are the Scholarship Repayment Consultation Center and various relief systems for recipients who have difficulty in making repayments such as reduction of the monthly instalment and postponement of repayment.

Vigeo Eiris is aware of the fact that there are discussions over scholarship system and costs for higher education in Japan like other countries. JASSO is a policy execution institution of the government and has established the Scholarship Grants Programmes that do not need to be repaid since fiscal year 2017, after the government's revision of the law in response to a series of discussions over the topics and requests from the society. Regarding the collections of repayments of the Scholarship Loans, Vigeo Eiris considers that it is necessary to keep the collection rate above a certain level from the viewpoint of protecting the sustainability of the scholarship programmes and the benefits of future scholarship applicants.

Use of proceeds

The net proceeds of the Bond will be used to finance Eligible Project, namely "Category 2 Scholarship Loans", that are expected to contribute to access to education. The Eligible Project has clearly defined target population and the social objective is precise, measurable and relevant. The Issuer has committed to assess and quantify expected social benefits.

[< Table 2 > Information on Eligible Projects](#)

Eligible Project Category	Definition	Objectives	Sustainability benefits
Category 2 Scholarship Loans	Interest-bearing scholarship loans that have to be repaid <ul style="list-style-type: none"> - Recipients can choose the interest rate conditions of the repayment (fixed, variable revised every 5 years) - The upper limit on the loans' interest rate is 3% - No interest-bearing during the lending period (during the period of study) - Repayment starts after graduation (termination of lending) 	Provide scholarship loans to all applicants who meet the criteria	Contribution to equal access to education

Vigeo Eiris considers that the Eligible Project is aligned with United Nations Sustainable Development Goal 4 – "Quality of Education"



The UN SDG 4 consists in ensuring inclusive and quality education for all and promoting lifelong learning. More precisely, UN SDG 4 targets include to ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

By using the Bond proceeds to finance Eligible Project, JASSO is contributing to the UN SDG 4, with regards to the above-mentioned target.

Process for project evaluation and selection

The process for project evaluation and selection is clearly defined, appears to be good in terms of governance and transparency, and relies on relevant eligibility criteria.

JASSO's process for projects evaluation and selection is clearly defined, is based on relevant internal and external expertise with well-defined roles and responsibilities and relies on relevant selection criteria.

- JASSO implements its scholarship programme aimed at supporting students so as not to give up to study at higher education institutions for economic reasons despite their abilities. Relevant procedures are in place in order to avoid discrimination in the selection process, recipients' attributes such as race, ideology, beliefs and gender are not taken into account through the selection process. JASSO also does not give preferential treatment to a specific educational institution or education field through the selection process.
- Based on the Ministerial Ordinance to JASSO, it selects scholarship students based on recommendation by the principals of educational institutions. The division responsible for application processing conducts the selection. The results of the selection are reported to the division responsible for scholarship planning and the executive officer gives approval.
- JASSO makes decisions comprehensively based on the applicants' personality, academic ability and financial condition. The content of each criterion is clearly stated in the Guide of Operation and other related documents that are open to the public. The criteria applied for the "Category 2 Scholarship Loans" are less strict than the "Category 1 Scholarship Loans" and there are no additional criteria for exclusion other than the above-mentioned selection criteria. As a result, all applicants, in principle, are entitled to receive the "Category 2 Scholarship Loans" as long as they satisfy the conditions of the selection criteria. Besides, a relevant verification system is in place to avoid mis-selection that do not meet the criteria during the process.

The identification and management of social risks associated with the Eligible Project is considered to be good.

- Prior to signing the written contract, the applicants must submit a "confirmation letter" to confirm that they need to repay with ample understanding of the importance of repayment, to comply with the matters specified in the various regulations of JASSO as a condition of loan, and to have a responsibility and pride as a scholarship recipient. In addition, JASSO strives to provide sufficient information to the recipients such as distributing various documents including the "Scholarship Brochure" during the period of lending and the "Guide of Repayment" before starting the repayment period. These documents and the confirmation letter are distributed to the recipients through their educational institutions.
- Scholarship students (recipients) will receive the Scholarship Loans from the net proceeds of the bond. The repayment from the recipients may be delayed after starting of the repayment period after their graduation (end of lending period). There are various relief systems for recipients who have difficulty in making repayments such as reduction of the monthly instalment and postponement of repayment. In addition, the Scholarship Repayment Consultation Center has been established as a consultation point concerning the repayment of scholarships. The recipients can consult about the repayment at any time by contacting the Consultation Center.
- In case the repayment is delayed for a long time period, JASSO will ultimately make a petition to the court. However, before the ultimate action, JASSO takes sufficient actions such as encouraging repayment by sending letters and making telephone calls as well as dealing with cases according to the circumstances of the individual returnees. Moreover, JASSO takes necessary steps before making a petition to the court, such as sending a document to inform the fact that legal processing is to start.

Management of proceeds

Vigeo Eiris evaluates that JASSO's rules for management of proceeds are clearly defined and would enable a documented and transparent allocation process.

Funds procured will be fully managed entirely by the Finance Department. Funds deposited will be kept in an account dedicated to the "Category 2 Scholarship Loans" and be managed separately from funds for the other scholarships. Therefore, the funds procured will not be used for any other purposes.

Moreover, the issue date of the bond is set two business days before the remittance date and the entire amount of the funds procured will be used for the remittance. For this reason, there will be no funds to be refinanced and unallocated funds will not exist after the remittance date.

Regarding the contents of the remittance destination and the remittance amount, JASSO has established a system to grasp the details of the remittance through the prescribed procedure within the organisation.

Reporting

The reporting process and commitments of the issuer appear to be good, covering the fund allocation and social benefits.

JASSO makes a performance report annually including the self-assessment and the report is made publicly available.

Regarding the process of making the performance report, JASSO consults with independent administrative agency, Japan Student Services Organization Evaluation Committee, which is composed of external experts. After that, the Executive Committee discusses the contents of the self-assessed performance report and the President approves the report. The approved performance report is submitted to the Minister of Education, Culture, Sports, Science and Technology to be evaluated.

With regards to the financial statements, business reports and accounting reports are audited by auditors and accounting auditors. After that, the Executive Committee examines the statements and the President approves them. The financial statements by the President are submitted to the Minister of Education, Culture, Sports, Science and Technology to be approved.

The reporting process that is based on relevant internal departments is as follows.

Funds allocation report:

- The Scholarship department will provide the latest funds allocation information to the Finance department.
- In response to this, the Finance department is to disclose the funds allocation situation.

Social impact report:

- The Scholarship department will provide the latest funds allocation information to the Finance department.
- In response to this, the Finance department is to disclose the social impact situation.

The Issuer is going to annually and transparently report on the Social Bond on:

- Use of proceeds

[< Table 3 > Use of proceeds reporting](#)

Reporting indicators
- A brief description of the Eligible Project Category, the "Category 2 Scholarship Loans"
- Total amount of proceeds allocated per year
- Total amount of unallocated proceeds
- Share of refinancing (in %)

- Social impact

[< Table 4 > Social impact reporting](#)

Reporting indicator
- Total number of recipients of the "Category 2 Scholarship Loans" per year
- Total amount of lending through the "Category 2 Scholarship Loans" per year
- Percentage of recipients of the scholarship among the applicant who meet the criteria (in %)
- Collection rate of repayment concerning the "Category 2 Scholarship Loans" per year (in %)

The social reporting will be made on the bond level as a large number of underlying projects limit the amount of detail that can be made available. In addition, related data (including some external data) will be disclosed such as the 18-year-old population, the advancement rate to higher education institutions, and the number of scholarship recipients.

The above-mentioned reports will be made public on the website of JASSO. In addition, the organisation will report in case of changes in circumstances.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organisation, and on the objectives, management and reporting of the projects to be (re)financed by this transaction.

Vigeo Eiris' methodology to define and to assess corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organised in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behavior and Corporate Governance. The evaluation framework has been customised based on specificities of the sectors and the projects.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of the Issuer and interviewed members from several departments of the Issuer.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the organisation, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

Part I. ISSUER

NB: JASSO's performance has been conducted by Vigeo Eiris Enterprise based on information provided by JASSO, public information and stakeholders' views and opinion collected from public documentation.

Level of the Issuer's ESG performance

The Issuer's Corporate Social Responsibility (CSR) performance has been evaluated by Vigeo Eiris, based on the 6 sustainability domains. The Issuer's performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
 - Implementation: coherence of the implementation (process, means, control/reporting).
 - Results: indicators, stakeholders' feedbacks and controversies.
- ▶ Scale of assessment of ESG performance: Advanced, Good, Limited, Weak.

Stakeholder-related ESG controversies and involvement in controversial activities

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the organisation, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the organisation (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the organisation for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).
- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

The impact of a controversy on an organisation's reputation reduces with time, depending on the severity of the event and the organisation's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

In addition, 15 controversial activities have been analysed following 30 parameters to verify if the organisation is involved in any of them. The organisation's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the organisation.

Part II. ISSUANCE

The Bond has been evaluated by Vigeo Eiris according to the Social Bond Principles and our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance Eligible Project and are traceable within the issuing organisation. Each Project endorsed shall comply with at least one of the Eligible Project Category definition in order to be considered as an Eligible Project. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability of the Bond is assessed based on the Issuer's commitments and the estimated benefits associated with the Eligible Project. The contribution of Eligible Project to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of selection criteria and associated supporting elements, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of the Eligible Project financed by the Bond proceeds, collected at project level and potentially aggregated at Bond level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

- ▶ Scale of assessment for processes and commitments: Weak, Limited, Good, Advanced.
- ▶ Scale of level of assurance on Issuer's capacity: Reasonable, Moderate, Weak.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers two types of services through separate business units

- ▶ **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- ▶ **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Santiago, Stockholm and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

For more information: www.vigeo-eiris.com