SECOND PARTY OPINION[1]

ON THE SUSTAINABILITY OF JASSO'S SOCIAL BOND

September 2021

SCOPE

V.E was commissioned to provide an independent opinion (hereafter the "Second Party Opinion" or "SPO") on the sustainability credentials and management of the "Social Bond"[2] (the "Bond") to be issued by Japan Student Services Organization (the "JASSO" or the "Issuer") in November 2021, called No. 65 JASSO Bond. This SPO will assess the compliance with the Social Bond Framework (the "Framework") created to govern its issuance.

Our opinion is established according to V.E's Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the ICMA's Social Bond Principles ("SBP") voluntary guidelines (referred together as the "SBP"), edited in June 2021.

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

- **Issuer**: we assessed the Issuer's integration of ESG factors in its commitments and strategies[3], its management of potential stakeholders-related ESG controversies and its involvement in controversial activities[4].
- **Issuance**: we assessed of the coherence between the Bond and Issuer's sustainability strategy and commitments, of its potential contribution to sustainability, and of the Bond's alignment with the SBP.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) information from V.E's exclusive ESG rating database, and (iii) information provided by the issuer, through documents and interviews conducted with the President of the Issuer as well as staff involved departments and managers on site.

We carried out its initial due diligences from May 25th to June 29th 2018, followed by subsequent due diligences for No. 53, No. 54, No. 55, No. 56, No. 57, No. 58, No. 59, No. 60, No. 61, No. 62, No. 63, No.64 and No.65 and a latest follow-up research on ESG controversies and involvement in controversial activities as of the date of this SPO. The latest update was performed from August 25th to September 3rd, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

V.E'S OPINION

V.E is of the opinion that the Social Bond considered by JASSO is aligned with the four core components of the Social Bond Principles voluntary guidelines (June 2021 version).

We express a reasonable[5] assurance (our highest level of assurance) on the Issuer's commitments and on the contribution of the contemplated Bonds to sustainability.

The net proceeds of the Bond will be exclusively used to finance 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 this 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.

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

[2] The "Social Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not implies any opinion from Vigeo EirisV.E.

[3] The Issuer's ESG performance was assessed in September 2021 by a complete process of rating and benchmark developed by V.E. All potential evolutions and data published after this date are not included in the rating.

[4] The 17 controversial activities analysed by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco

[5] Please refer to V.E's assessment methodology at the end of the document.

1) Issuer (see Part I):

- As of September 2021, JASSO displayed an overall reasonable[6] performance regarding the integration of Environmental, Social and Governance factors in its strategy.
- As of September 2021, JASSO faces two controversies related to the Business Behaviour domain (criteria "Information to customers" and criteria "Customer relations"). The frequency of the controversies is considered isolated. The severity of their impact on both the company and its stakeholders is considered significant. JASSO is considered reactive.
- The Issuer appears to not be involved in any of the 17 controversial activities screened under V.E methodology.

2) Issuance (See Part II):

The Issuer has described the main characteristics of the Bond within a formalised Social Bond Framework which covers the four core components of the SBP 2021 (the first version was created and provided to V.E on July 5th, 2018 and later updated in August 2020).

We are of the opinion that the Social Bond Framework is coherent with JASSO's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments.

Use of Proceeds

- The net proceeds of the Bond will exclusively be used to finance one Eligible Projects Category ("Eligible Category"), namely: Scholarship Loans. We consider the Eligible Category is clearly defined.
- The Eligible Category is expected to contribute to one social objective: access to education. We consider the objective is clearly defined and relevant.
- The target populations that will benefit from the Eligible Categories have been clearly defined, namely: applicants who meet the criteria of the scholarship (Scholarship Loans).
- The Eligible Category is considered to provide clear social benefits. The Issuer has committed to assess and, where feasible, quantify the expected social benefits of the Bond. An area for improvement consists in defining ex-ante quantified social target(s) for the Eligible Category.
- The Eligible Category is likely to contribute to one of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 4. Quality Education.
- The Issuer has transparently communicated on the estimated share of refinancing for its first Bond issuance, which will be equal to 0%. The Issuer has committed that there will be no look-back period.

Process for Project Evaluation and Selection

- The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework and in internal documentation. We consider that the process is reasonably structured, transparent and relevant.
- The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objectives defined for the Eligible Categories.
- The identification and management of the social risks associated with the Eligible Projects are considered good.

Management of Proceeds

- The rules for the management of proceeds are clearly defined. We consider that they would enable a documented and transparent allocation process.

Reporting

- The reporting process and commitments appear to be good, covering both the fund allocation and the social benefits of the Eligible Projects.
- The selected reporting indicators are relevant and clear.

[6] Scale of assurance: Weak, moderate, reasonable.

JASSO has committed that its Social Bond issuance will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by V.E, covering all the features of the Bond, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website, at the date of issuance.

In the process of making the performance report of JASSO's activities, JASSO receives opinion from Japan Student Services Organization Evaluation Committee, which is composed of external experts assigned by the President of JASSO. An area of improvement includes to receive external verification by a third party regarding the tracking method and the fund allocation as well as the reporting indicators on the social benefits of the Eligible Projects.

This Second Party Opinion is based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the SBP voluntary guidelines (June 2021). JASSO acknowledges that in case of changes of such standards and market practices and expectations, V.E shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

September 3st, 2021

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Part I. ISSUER

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.

Integration of ESG factors in the Issuer's commitments and strategy

As of September 2021, JASSO's integration of ESG factors in its commitments and strategy is considered to be robust.

Table 1. Integration of ESG factors in commitments and strategy

Domain	Comments	Opinion
Environment	**JASSO's capacity to integrate its most material environmental factors in its strategy is considered good.** Due to the nature of its activities, JASSO's impacts on the environment through its activities is considered to be minor. Although JASSO has not received any certification for its environmental management system, it has achieved a 30% reduction in CO2 emissions by 2020 compared to 2015. These results exceed the goal of reducing CO2 emissions by 5% by 2020 compared to 2015. The Japan Student Services Organization (JASSO) has a global warming initiative that covers all employees. 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. 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. Regarding the environmental impacts related to the transport of its personnel, all 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.	Advanced Robust Limited Weak
Social	**JASSO's capacity to integrate its most material social factors in its strategy is considered good.** 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.	Advanced

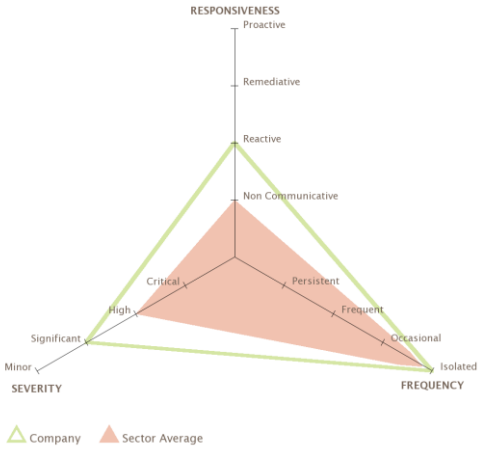
Domain	Comments	Opinion
	Currently, all staff take at least one training per year, and individual annual performance evaluations are carried out. In addition, JASSO provides personnel evaluation training and has established a system to conduct evaluations by multiple evaluators. Moreover, it has also introduced evaluations of the evaluators. 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. 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 increased 1.9% from 23.9% in 2019 to 25.8% in 2020, demonstrating a positive trend. 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. 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.	Robust Limited Weak
Governance	**JASSO's performance in the Governance pillar is 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 11 members, including the President and academic experts, etc. Upon the request of the President, the Council discusses and advices the President on important issues such as planning of projects related to the Mid-Term Plan. 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 Auditing Bureau 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	Advanced Robust

Domain	Comments	Opinion
	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.	Limited
	Regarding risk management, the Risk Management Committee, chaired by the Chairman, is formed and held when deemed necessary. Risk management officers 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. Since reporting and deliberating is possible at the Management Coucil regarding matters requiring urgent attention, an internal policy has been revised to enable the Chairman to hold Risk Management Committee. 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

Management of stakeholder-related ESG controversies

As of September 2021, JASSO is involved in two stakeholder-related ESG controversies, linked to one of the six domains analysed by V.E:

- Business Behaviour: in the criteria of "Information to customers" (on delayed repayment collection practices) and "Customer relations" (on inadequate administration of an exam).



Frequency: The frequency of the controversies is considered isolated, in line with the sector average.

Severity: The severity of their impact on both the company and its stakeholders is considered significant, better than the sector average.

Responsiveness: JASSO is overall reactive, better than the sector average: JASSO explains its position on these issues. Regarding the inadequate exam administration, JASSO has voluntarily taken specific corrective actions.

Involvement in Controversial activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, fossil fuel industry, unconventional oil and gas, Gambling, Genetic engineering, Human Embryonic Stem Cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

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 V.E.

Part II. ISSUANCE

Coherence of the issuance

According to the data from JASSO, there are 3,480,000 students enrolled in Japan's higher education institutions, 37% (1,300,000 students) of which have received JASSO's scholarship in 2019. [7] 1 in 2.7 students are utilizing JASSO's scholarship loan programs.[8]

Equal access to higher education is a key element of the Sustainable Development Goals (SDGs), and despite the current efforts underway by JASSO, ensuring a sound scholarship policy to provide equal access to education remains a challenge for Japan.

We are of the opinion that the contemplated Bond is coherent with JASSO's strategic sustainability priorities and contribute to achieving the Issuer's sustainability commitments and targets.

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 22 trillion yen as scholarships to approximately 14.13 million people in 78 years since the start of programme in 1943 (including the former entity, the Japan Scholarship Foundation) to 2020.[9]

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.

V.E 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, 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.

By creating a Framework to issue Social Bonds intended to finance projects related to scholarship loans, the Issuer coherently aligns with its sustainability strategy and commitments and addresses the main issues of the sector in terms of sustainable development.

[7] https://www.jasso.go.jp/en/about/organization/index.html

[8] https://www.jasso.go.jp/en/about/ir/siryo.html

[9] https://www.jasso.go.jp/en/about/ir/siryo.html

Use of proceeds

The net proceeds of the Bond will exclusively be used to finance one Eligible Projects Category ("Eligible Category"), namely: Scholarship Loans. We consider the Eligible Category is clearly defined.

The Eligible Category is expected to contribute to one social objective: access to education. We consider the objective is clearly defined and relevant.

The target populations that will benefit from the Eligible Categories have been clearly defined, namely: applicants who meet the criteria of the scholarship (Scholarship Loans).

The Eligible Category is considered to provide clear social benefits. The Issuer has committed to assess and, where feasible, quantify the expected social benefits of the Bond.

The Issuer has transparently communicated on the estimated share of refinancing for its first Bond issuance, which will be equal to 0%. The Issuer has committed that there will be no look-back period.

The "Category 2 Scholarship Loans", which are the use of the proceeds of thise 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.

Table 2. Information on Eligible Category

JASSO Framework			V.E Analysis
Eligible Category	**Definition**	**Main social objective and benefits**	
Category 2 Scholarship Loans	Interest-bearing scholarship loans that have to be repaid – 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)	**Equal access to education** Provide scholarship loans to all applicants who meet the criteria Percentage of recipients of the scholarship among the applicant who meet the criteria: 100%	The definition of the Eligible Category is clear. The Eligible Projects is intended to contribute to one main social objective of equal access to education. It is considered clear and relevant. The social benefits are clear, relevant and measurable.

In addition, the Eligible Category is likely to contribute to one of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 4. Quality Education.

Eligible Category	UN SDGs identified	UN SDGs targets
Scholarship Loans		4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

Process for project evaluation and selection

The governance and process for the evaluation and selection of the Eligible Projects are formalised in the Framework. We consider that the process is reasonably structured, transparent and relevant.

The process for projects evaluation and selection is clearly defined.

The evaluation and selection of Eligible Project is based on relevant internal expertise, with well-defined roles and responsibilities:

- 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.
- 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 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. Furthermore, a relevant verification system is in place to avoid mis-selection that do not meet the criteria during the process.

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The content of each criterion is clearly stated in the Guide of Operation and other related documents that are open to the public.
- A relevant verification system is in place to avoid mis-selection that do not meet the criteria during the process.

An area for improvement consists in having external reviews, in order to verify the compliance of the selected Social projects and to ensure traceability of the decisions throughout the process.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objective defined for the Eligible category.

- The selection is based on the Eligible Categories defined in the Use of Proceeds section of the Framework.
- The Issuer is committed to exclude any Project aiming at financing any activity within high extra financial risk sectors (tobacco, coal or non-conventional fossil fuels, night clubs, adult entertainment, gambling). Moreover, the Issuer has also committed to refrain from engaging commercial activities with economic actors which regularly and repeatedly breach international Human and Labour Rights conventions or Environment agreements and has established for this purpose an exclusion list.

The identification and management of environmental and social risks associated with the Eligible Projects is considered good.

- 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.
- 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 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

The rules for the management of proceeds are clearly defined. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are clearly defined:

- The net proceeds of the Bond will be credited and kept in an account dedicated to the “Category 2 Scholarship Loans” and managed separately from funds for other scholarships.
- The issuance 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.
- The net proceeds will not be used for any other purposes. Of note, in case that the Bond is issued at above par, JASSO uses the portion above the face value as part of future interest payment costs, which is an accounting treatment required by "Incorporated Administrative Agencies Account Standards" and related guidelines set by The Ministry of Internal Affairs and Communications.

Traceability and verification of the allocation of the proceeds are ensured throughout the process:

- The net proceeds of the Bond will be managed entirely by the Finance Department.
- Regarding the contents of the remittance destination and the remittance amount, JASSO has established a system to track remittance through the prescribed procedure within the organisation.

An area for improvement is to have an independent third party to verify the Eligible Projects’ outstanding amount once a year and until full allocation.

Monitoring & Reporting

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

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in internal documentation.

The process is structured and based on relevant internal expertise and involve relevant departments of the Issuer:

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.

Performance report:

- The Issuer has committed to edit performance reports annually, including the self-assessment and the financial statements.
- JASSO consults with independent administrative agency, Japan Student Services Organization Evaluation Committee, which is composed of external experts.
- 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.

Financial statements, business reports and accounting reports:

- Audited by auditors and accounting auditors.
- 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 for approval.

The Issuer has committed to report annually and until the maturity of the Bond through the issuer's website.

The reporting will be at Bond level as a large number of underlying projects limit the amount of detail that can be made available. 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.

- Allocation of proceeds: the selected indicators are clear and relevant.

Table 3. Use of proceeds reporting

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

- Social benefits : the selected indicators are clear and relevant.

Table 4. Social benefits reporting

Reporting indicators
– 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 Issuer has committed to publically disclose the key methodology of the social impact indicators and will be communicated in the relevant documents including Social Impact Report 2020 and Overview of JASSO Bonds. In addition, the Issuer will report in case of material development such as revision or abolition of its major operations.

Areas for improvement include:

- To report on the type and amount of temporary placement of unallocated funds.
- To have an independent external verification of the reported information on the tracking method and allocation of the proceeds, and on the social benefits measured.

METHODOLOGY

In V. E's 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 organization, activity or transaction. In this sense, V.E writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

V.E's methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

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 Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally V.E' Scientific Council.

All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The ESG performance of the Issuer has not been assessed following the complete process of rating and benchmark developed by V.E. In this SPO, the assessment has been limited to the integration of ESG factors in the Issuer's commitments and strategy, i.e. the content, visibility and ownership of its ESG policies.

Integration of ESG factors in the Issuer's commitments and strategy

JASSO has been evaluated by V.E based on its capacity to integrate the main ESG sector issues in its strategy and commitments, based on 13 relevant ESG drivers organized in the 6 sustainability domains.

The assessment of JASSO's ESG performance has focused only on the Leadership items from V.E's ESG rating methodology:

- Leadership: relevance of the commitments (content, visibility and ownership).

Management of stakeholder-related ESG controversies

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.

V.E 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 is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- 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).
- 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 company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (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 company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's 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.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company'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 specific nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Bond has been evaluated by V.E according to the the ICMA's Social Bond Principles edited in June 2020 and to V.E's methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. V.E evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for project evaluation and selection

The evaluation and selection process has been assessed by V.E regarding its transparency, governance and relevance. The eligibility criteria have been assessed regarding their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based on material issues considered in V.E's ESG assessment methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

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

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed by the issuance. V.E has evaluated the reporting framework regarding its transparency, exhaustiveness and relevance.

V.E's ASSESSMENT SCALES

Performance evaluation	
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.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.
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	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.

Level of assurance	
Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework

Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has executed eleven audit missions for JASSO until so far. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E 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.

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