

SECOND PARTY OPINION ON THE SUSTAINABILITY OF JASSO'S SOCIAL BOND

November 14th, 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (hereafter the "Second Party Opinion" ¹ or "SPO") on the sustainability credentials and management of the "Social Bond"² (the "Bond") planned to be issued in February 2020 by Japan Student Services Organization (the "JASSO" or the "Issuer"), which will be called as No. 58 JASSO Bond.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the International Capital Market Association's Social Bond Principles voluntary guidelines edited in June 2018 ("SBP").

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

- **Issuer:** assessment of the Issuer's ESG performance, its management of potential stakeholders-related ESG controversies and its involvement in controversial activities³.
- **Issuance:** assessment 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 from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris's exclusive ESG rating database, (iii) and 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.

Vigeo Eiris has carried out its initial due diligence from May 25th to June 29th 2018, and a latest follow-up research on ESG controversies and involvement in controversial activities as of the date of this SPO.

We consider that 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 by JASSO is aligned with the four core components of the Social Bond Principles voluntary guidelines (June 2018 version).

We express a reasonable⁴ assurance (our highest level of assurance) on the Bond's contribution to sustainable development.

The net proceeds of the Bond will be exclusively used 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.

The issuance of the Bond is considered to be coherent with the mission of JASSO and to contribute to sustainability.

- 1) **Issuer:** JASSO displays an overall good⁴ ESG performance (see Part I).
 - ▶ As of June 2019, JASSO displays an overall good of performance on the three ESG pillars: Environment, Social and Governance pillars.
 - ▶ As of November 14th 2019, JASSO faces one allegation regarding Business Behaviour. The controversy is considered isolated, its severity is considered significant, and JASSO is considered overall reactive.
 - ▶ The Issuer is not involved in any 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 "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 imply any opinion from Vigeo Eiris.

³ 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.

⁴ Please refer to Vigeo Eiris' assessment methodology at the end of the document.

- 2) **Issuance:** JASSO formalised its Social Bond Framework on 5 July 2018 that is made public on its website⁵. 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).

Use of proceeds

- ▶ The net proceeds of the Bond will exclusively be used to finance one Eligible Projects Category ("Eligible Category"), namely "Category 2 Scholarship Loans". We consider it is clearly defined.
- ▶ The Eligible Category is expected to contribute to one main social objective: access to education. We consider the objective is clearly defined and relevant. The Eligible Category has clearly defined a target population. The Issuer has assessed and quantified the expected social benefit, and has committed to quantify it annually in his reports.
- ▶ The Eligible Category is likely to contribute to one of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 4 – "Quality of Education".
- ▶ The Issuer has transparently communicated that the refinancing share is 0% and there is no lookback period.

Process for Projects evaluation and selection

- ▶ The process for project evaluation and selection is clearly defined both in the framework and internal documents. The process is good in terms of governance and transparency, and relies on relevant expertise and eligibility criteria.
- ▶ The identification and management of the material social risks associated with the Eligible Category of Projects are considered to be good.

Management of Proceeds

- ▶ JASSO's rules for management of proceeds are clearly defined. We consider it 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.

JASSO has also committed that its Social Bond issuance is supported by external review:

- 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.

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, and regarding the reporting indicators on the social benefits of the project.

This Opinion is valid as of the date of issuance, limited to JASSO's Social Bond issued in February 2020.

Paris, November 14th, 2019

Project team

Muriel CATON

*Managing Director Sustainable Finance
Strategy, Supervisor*

Julien SOURIAU

*Senior Sustainability Consultant
Project Manager*

For more information, contact:

Paul Courtoisier

*Head of sustainability bonds & loans
(+33) 6 85 35 43 51
paul.courtoisier@vigeo-eiris.com*

Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed six missions for JASSO (Second Party Opinion delivery on its previous Social Bonds in June 2018, September 2018, November 2018, March 2019, July 2019 and September 2019) but never provided any consultancy activity. No established relationship (financial or other) exist between Vigeo Eiris and the Issuer.

This opinion aims to explain to the Issuer why the 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 Bond. 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 Vigeo Eiris neither focuses on financial performance of the 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.

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.

⁵ https://www.jasso.go.jp/en/about/ir/_icsFiles/afieldfile/2018/07/05/framework_english.pdf

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.

Level of JASSO's ESG performance

As of June 2019, JASSO's overall ESG performance is considered to be good.

[< Table 1 > ESG performance](#)

| Domain | Comments | Opinion |
|-------------|---|----------|
| Environment | JASSO's performance in the Environment pillar is considered to be good. | |
| | 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. | Advanced |
| | 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. | Good |
| | 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. | Limited |
| | 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. | 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. | Advanced |
| | 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 13 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. | Good |
| | 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 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. | |
| 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 | |

Management of stakeholder-related ESG controversies

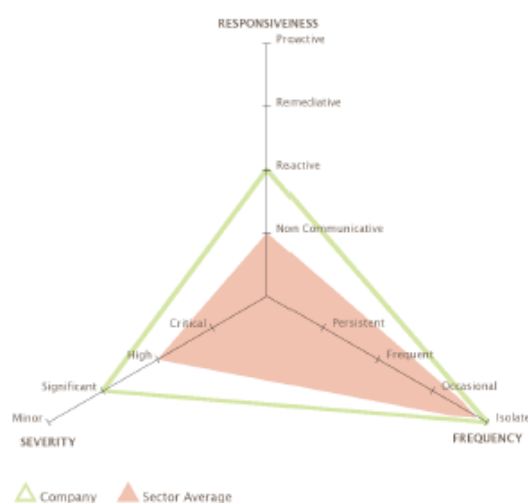
As of today, JASSO is involved in one controversy in the following domain analysed by Vigeo Eiris:

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

Frequency: The frequency of controversies is considered isolated.

Severity: The overall severity is considered significant 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.



Involvement in Controversial activities

The Issuer is not involved in any of the other 15 controversial activities screened under our methodology, namely: 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.

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.

Part II. ISSUANCE**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 with its main sector's sustainability issues, and contributes to achieve the Issuer's sustainability commitments.

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 20 trillion yen as scholarships to approximately 13.3 million people in 76 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, 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 exclusively be used to finance one Eligible Projects Category (“Eligible Category”), namely "Category 2 Scholarship Loans". We consider it 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 Eligible Category has clearly defined a target population: applicants who meet the criteria of the scholarship.

The Issuer has assessed and quantified the expected social benefit, and has committed quantify it annually in its report.

The Issuer has transparently communicated that the refinancing share is 0% and there is no lookback period.

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.

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

| Eligible Category | Definition | Main Social Objective | Expected social 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) | 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% |

Vigeo Eiris considers that the Eligible Category is likely to contribute to one of the United Nations’ Sustainable Development Goals (“SDGs”), namely: 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.

UN SDGs target 4.3: By 2030, 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 Category, JASSO is contributing to the UN SDG 4, with regards to the above-mentioned target 4.3.

Process for project evaluation and selection

The process for project evaluation and selection is clearly defined both in the framework and internal documents, 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.

It 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.
- 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 Category is considered to be 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

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

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.

Moreover, 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 Issuer has committed that 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 both tracking method and 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.

Reporting

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

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

The reporting process 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 has committed to edit performance reports annually, including the self-assessment and the financial statements. The reports will be made public on JASSO's website after being approved by the authorities.. 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.
- ▶ Regarding the financial statements, business reports and accounting reports, they 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 for approval.

The Issuer is committed to annually and transparently report on the Social Bond, until maturity of the Bond:

Use of proceeds : the indicators selected to report on the allocation of the net proceeds are considered 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 indicators selected to report on the social benefits of the projects are considered 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 social reporting will be made 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.

The key methodology of the social impact indicators are defined, and will be communicated in the relevant documents. In addition, the organisation will report in case of material development such as revision or abolition of its major operations.

Areas for improvement consist in having 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 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.

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. 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 Direction of Sustainable Finance and/or the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Ethics, and all the consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

Level of the Issuer's ESG performance

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues) has not been assessed following the complete process of rating and benchmark developed by Vigeo Eiris. For this SPO on JASSO, the ESG performance of the Issuer has been assessed using an adapted process developed by Vigeo Eiris, covering 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.

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.

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.

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.

Involvement in controversial activities

In addition, 15 controversial activities have been analysed by Vigeo Eiris 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 edited in 2018 and to Vigeo Eiris' 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. Vigeo Eiris 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 Vigeo Eiris 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 Vigeo Eiris' 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 Vigeo Eiris 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. Vigeo Eiris has evaluated the reporting framework regarding its transparency, exhaustiveness and relevance.

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 an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

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.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm. The agency works with partners through its Vigeo Eiris Global Network.

For more information: www.vigeo-eiris.com