

SECOND PARTY OPINION

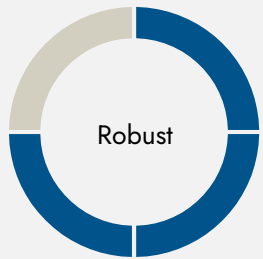
on the sustainability of JASSO's Social Bond Framework

V.E considers that JASSO's Social Bond Framework is aligned with the four core components of Social Bond Principles 2021 ("SBP").

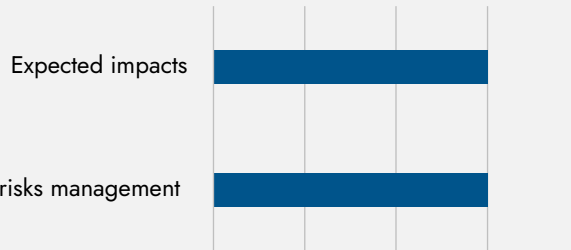


Framework

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak



SDG Mapping

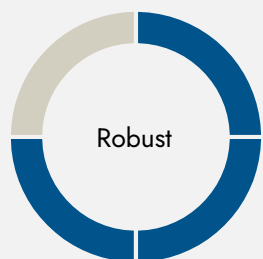


Characteristics of the Framework

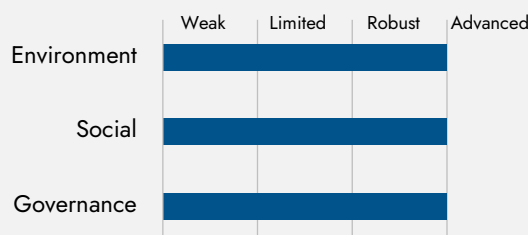
Social Project Category	⇒ Scholarship Loans (Category 2)
Project locations	Japan
Target Population	Students with financial difficulties
Existence of framework	Yes
Share of refinancing	No refinancing
Look back period	N/A

Issuer

ESG Performance as of November 2021



- Advanced
- Limited
- Robust
- Weak



Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- Alcohol
- Fossil fuels industry
- High interest rate lending
- Pornography
- Animal welfare
- Coal
- Human embryonic stem cells
- Reproductive medicine
- Cannabis
- Gambling
- Military
- Tobacco
- Chemicals of concern
- Genetic engineering
- Nuclear power
- Unconventional oil and gas

ESG Controversies

Number of controversies	2
Frequency	Isolated
Severity	Significant
Responsiveness	Reactive

Coherence

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Bonds Framework are coherent with JASSO's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

V.E considers that JASSO's Social Bond Framework is aligned with the four core components of the SBP 2021.

Use of Proceeds - aligned with SBP and best practices identified by VE

- Eligible Loans are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of Eligible Projects.
- The Social Objectives are clearly defined, these are relevant for the Eligible Loans and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for the Eligible Loans in the reporting.
- The issuer has communicated that there will be no refinancing.

Evaluation and Selection - aligned with SBP

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible projects). The roles and responsibilities are clear and include relevant internal and external expertise. The Process will be publicly disclosed in SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all the of the Eligible Loans.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed (in the herewith SPO). The Process is considered robust: it combines monitoring, identification and corrective measures for all the Eligible Loans (see detailed analysis on pages 15 - 17).

Management of Proceeds - aligned with SBP

- The Process for the Management and Allocation of Proceeds is clearly defined, and will be publicly available in the Issuer's website.
- The proceeds will be fully allocated on the day of issuance.
- Net proceeds of the Bond will be credited and kept in a segregated account and managed separately from funds for other scholarship.
- The Issuer confirmed that there will be no unallocated proceeds as 100% of the proceeds will be allocated two days after the issuance of the Bond.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement. However, the Issuer does not have a specific timeline for reallocation.



Monitoring & Reporting - aligned with SBP

- The Issuer has committed to report on the Use of Proceeds annually and until Bond maturity through the Issuer's website. It will be publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected social benefits of the projects. The Issuer has also committed to report on material developments related to the projects.
- The reporting methodology and assumptions used to report on social benefits of the Eligible projects will be publicly disclosed.
- Tracking and allocation of funds to Eligible projects as well as indicators used to report on social benefits of the eligible projects will be verified only internally by the Issuer.

Contact

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SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Social Bonds¹ (the “Bonds”) to be issued by Japan Student Services Organization (“JASSO” or the “Issuer”) in February 2022, called No. 66 JASSO Bond. This SPO will assess the compliance with the Social Bond Framework (the “Framework”) created to govern their issuance(s).

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Social Bond Principles (“SBP”) - edited in June 2021.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s social commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the SBP 2021.
- Issuer²: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from ESG rating based on V.E’s exclusive analysis, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from October 28th to December 3rd, 2021. We consider that we were provided access to all documents we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ 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 V.E.

² The Issuer is not part of our ESG performance rating universe.

³ The 17 controversial activities screened 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.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with JASSO’s strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer’s sustainability commitments.

According to SDGs Action Plan 2021, SDG 4 “Quality Education” is one of the area Japanese government raised as task to tackle in SDGs⁴. Japanese Government also included in their national growth plan “Promoting Dynamic Engagement of All Citizens Plan” to enhance their scholarship program to provide further aid to low income families to ensure children can proceed with their education.⁵

In line with the government’s plan, the Ministry of Education is enhancing the aid for student with economic difficulties and introduced a new relief system for higher education, by exempting or reducing the tuition fees and entrance fees, and significantly expanding the number of scholarship grant available⁶. Furthermore, the breakthrough of Covid-19 pandemic further increased the number of students in financial difficulties and the Ministry of Education opened the application for Emergency Student Support Handout in 2020⁷.

According to the data from JASSO, there are 3,500,000 students enrolled in Japan’s higher education institutions, 34.3% (1,200,000 students) of which have received JASSO’s scholarship as of November 2021⁸. 1 in 2.9 students are utilizing JASSO’s scholarship loan programs⁸.

Therefore, equal access to higher education is a key element of the Sustainable Development Goals (SDGs) in Japan, and despite the current efforts underway by JASSO, ensuring a sound scholarship policy to provide equal access to education aligns with Japanese government’s national plan and remains as relevant topic in Japan.

JASSO comprehensively administers scholarship programmes, support programmes for international students, and student support programmes.

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 of 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 2020⁸.

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 . Moreover, the interest rates of the loans are set lower than private education loans.

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.

⁴ https://www.mofa.go.jp/mofaj/gaiko/oda/sdgs/pdf/SDGs_Action_Plan_2021.pdf

⁵ https://www.kantei.go.jp/jp/singi/ichiokusoukatsuyaku/follow_up/dai4/siryou2.pdf

“Promoting Dynamic Engagement of All Citizens Plan” is a national growth plan under aging society which was set by Prime Minister Abe administration in 2016.

⁶ https://www.mext.go.jp/a_menu/koutou/shougakukin/main.htm

⁷ https://www.mext.go.jp/a_menu/koutou/hutankeigen/mext_00686.html

⁸ <https://www.jasso.go.jp/en/about/ir/siryu.html>

FRAMEWORK

JASSO has described the main characteristics of the Bond within a formalized Social Bond Framework that covers the 4 core components of the SBP 2021 (the last updated version was provided to V.E on July 2020). The Issuer has committed to make this document publicly accessible on JASSO's website, in line with good market practices.

Alignment with the Social Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance, in full, projects falling under the Social Project Category ("Eligible Loans"), as indicated in Table 1.

- Eligible Loans are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, the target populations and the location of Eligible Projects.
- The Social Objectives are clearly defined, these are relevant for the Eligible Loans and set in coherence with sustainability objectives defined in international standards.
- The Expected Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for the Eligible Loans in the reporting.
- The issuer has communicated that there will be no refinancing.

BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories
- ⇒ Relevant social benefits are identified and measurable for all project categories
- ⇒ The expected benefits have been estimated ex ante with clear baselines for the eligible category
- ⇒ The Issuer has committed to not have refinancing.

Table 1. V.E' analysis of Eligible Loans, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: Financing of the "Category 2 Scholarship Loans"
- Location of Eligible Projects/Assets: Japan

ELIGIBLE LOANS	DESCRIPTION	TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Category 2 Scholarship Loans	<p>Interest-bearing scholarship loans that have to be repaid</p> <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) 	<p>Below category of conditions detailed under⁹ must be fulfilled in order to be eligible for category 2 loans:</p> <ul style="list-style-type: none"> - Personality - Academic standard - Household circumstance <p>The selection is based on a comprehensive assessment of above elements.</p>	<p><u>Equal access to education</u></p> <p>Provide scholarship loans to all applicants who meet the criteria</p> <p>Percentage of recipients of the scholarship among the applicant who meet the criteria: 100%</p>	<p>The Eligible Loans are clearly defined. The Issuer has communicated the nature of the expenditures and the eligibility criteria of Eligible Loans and will communicate their location for each transaction.</p> <p>The target population is clearly identified.</p> <p>The Social Objective is clearly defined and relevant for all of the Eligible Loans; it is set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Social Benefits are clear; they are considered relevant, measurable, and will be quantified for all of the Eligible Loans in the reporting.</p>

⁹ https://www.jasso.go.jp/shogakukin/about/taiyo/taiyo_2shu/index.html

SDG Contribution

The Eligible Loans are likely to contribute to 1 of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG 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

Evaluation and Selection of Eligible Loans



- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible projects). The roles and responsibilities are clear and include relevant internal and external expertise. The Process will be publicly disclosed in SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all the of the Eligible Loans.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed (in the herewith SPO). The Process is considered robust: it combines monitoring, identification and corrective measures for all the Eligible Loans (see detailed analysis on pages 15 - 17).

Process for Loans Evaluation and Selection

- For the purpose of the bonds, JASSO conducts the evaluation and selection of Eligible Loans based on relevant expertise :
 - Principals of educational institutions
 - The division within JASSO responsible for application of scholarship
 - The division within JASSO responsible for scholarship planning
 - The division with in JASSO responsible for checking the continuous eligibility of the scholarship students
 - The executive officer of JASSO
- Each expertise is responsible for:
 - Selection of scholarship students based on recommendation by the principals of educational institutions of Ministerial Ordinance to JASSO
 - Reporting the result of the selection to the division within JASSO responsible for scholarship planning
 - Approval of the loan
 - Making 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.
 - Monitoring the Eligible Projects portfolio is done by the division within JASSO in charge of checking the continuous eligibility of the scholarship students until the end of scholarship period.

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

- In terms of monitoring of the process, a relevant verification system is in place to avoid mis-selection that do not meet the criteria.
- In case controversies occur, the relevant division depending on the nature of controversies will be in charge of dealing and in case of litigation, they will consult with the lawyer if needed. The Issuer will also take actions by clarifying and explaining their position and cooperating with relevant governmental authorities if needed for further correspondence.
- In terms of traceability of 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

An area for improvement would be to specify the actions taken in case of non-compliance with the eligibility criteria.

Eligibility Criteria

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

- The selection criteria is based on the definitions in the Eligible Categories defined Table 1 in the Use of Proceeds section.
- The exclusion criteria are defined in the Framework as per below:
Project aiming at financing any activity within high extra financial risks sectors (tobacco, coal or non-conventional fossil fuels, night clubs, adult entertainment, gambling).
 - Activities with economic actors which regularly breach international Human and Labour Rights conventions or Environment agreements and has established for this purpose an exclusion list.

BEST PRACTICES

⇒ Eligibility and exclusion criteria for project selection are clearly defined and detailed for all of the eligible categories

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined, and will be publicly available in the Issuer’s website.
- The proceeds will be fully allocated on the day of issuance.
- Net proceeds of the Bond will be credited and kept in a segregated account and managed separately from funds for other scholarship.
- The Issuer confirmed that there will be no unallocated proceeds as 100% of the proceeds will be allocated two days after the issuance of the Bond.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement. However, the Issuer does not have a specific timeline for reallocation.

Management 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.
- The net proceeds of the Bond will be managed entirely by the JASSO’s Finance Department.
- Regarding the content of the remittance destination and the remittance amount, JASSO has established a system to track remittance through the prescribed procedure within the organisation.
- 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.
- JASSO provides scholarship as part of Japanese national education policy and scholarship are necessary for students to pursue their education. Therefore, unless there is amendment or abolition in JASSO’s main business, it is highly unlikely that the divestment or postponement occur. However, in case postponement occurs, due to the national disaster for example, JASSO will continue managing the proceeds in accordance with the procedures described above and the proceeds will be allocated to the Eligible Loans as soon as possible.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually and until Bond maturity through the Issuer’s website. It will be publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected social benefits of the projects. The Issuer has also committed to report on material developments related to the projects.
- The reporting methodology and assumptions used to report on social benefits of the Eligible projects will be publicly disclosed.
- Tracking and allocation of funds to Eligible projects as well as indicators used to report on social benefits of the eligible projects will be verified only internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive:

REPORTING INDICATORS ¹⁰
⇒ 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 by the Issuer to report on the social benefits are relevant and exhaustive.

ELIGIBLE LOANS	SOCIAL BENEFITS INDICATORS
Category 2 Scholarship Loans	<ul style="list-style-type: none"> - 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 %).

¹⁰ The Issuer has declared that there will be no re-financing and that co-financing is non-applicable.

BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until bond maturity.
- ⇒ The issuer report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the project. The Issuer has also committed to report on material development related to the projects.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Loans.
- ⇒ The reporting methodology and assumptions used to report on social benefits of the Eligible Loans will be disclosed publicly.

Contribution to sustainability

Expected Impacts

The potential positive impact of the Eligible Loans on social objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Category 2 Scholarship Loans	ROBUST	<p>According to the School Basic Survey conducted by Japanese Ministry of Education, Culture, Sports, Science and Technology (or “MEXT”), the enrolment rate to the higher education in Japan reached 83.5% in 2020¹¹. Despite this high entrance rate, the higher education is not provided for free in Japan including public institutions with few exception (for example, the average annual tuition fees for public universities in Japan is JPY 540,000 and the average annual tuition fee for private universities is JPY 910,000¹²). Therefore, United Nation’s Sustainable Development Goals (“SDGs”) Goal 4. Quality Education is a relevant topic in Japan.</p> <p>JASSO provides support for students who have difficulties to study due to the 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. JASSO offers two types of Scholarship Loans program: The Category 1 Scholarship Loans is interest free but only for students who meet the required grade and income standard (i.e., who are in extreme difficulties) whereas the Category 2 Scholarship loans are interest-bearing loans and has a more relaxed eligibility criteria than Category 1 Scholarship loans. Therefore, the Category 2 Scholarship loan broadens the accessibility to the scholarship than the Category 1 Scholarship.</p> <p>Moreover, the Category 2 Scholarship loans can contribute to the long-term improvement in the education level in Japan by providing the opportunity to access, continue, and complete the higher educations. However, compared to the Category 1 Scholarship, the empowerment of individuals is challenging because of its interest-bearing nature of the loan, which can become a burden for the borrowers who might face the financial difficulties in future, once entering repayment period.</p> <p>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.</p> <p>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.</p>
OVERALL ASSESSMENT		ROBUST

¹¹ https://www.mext.go.jp/content/20200825-mxt_chousa01-1419591_8.pdf

¹² https://www.mext.go.jp/a_menu/koutou/shinkou/07021403/1412031_00002.htm

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Loans are considered robust.

Environmental Risks

Environmental management system and environmental impact assessment

JASSO has established its own environmental policy¹³, in which the Issuer has set the immediate goal of reducing the amount of greenhouse gas emissions from its administrative and business activities year over year. The policy also specifies specific items to be addressed to reduce greenhouse gas emissions, such as the introduction of low-emission vehicles and energy-saving equipment. In addition, the Risk Management Policy specifies that Risk Management Committee will overseas risks relating to natural disasters that will potentially interrupt their operations¹⁴.

Social Risks

Fundamental human and labour rights

As part of its efforts to respect human rights and prevent harassment, JASSO has established internal regulations regarding the prevention of sexual harassment and other human rights violations¹⁵. In this regulation, the responsibilities of each stakeholder are defined respectively, and stated that each person concerned will make efforts to prevent and eliminate human rights violations. Furthermore, JASSO establishes the Human Rights Violation Prevention Committee, which plans various measures on anti-human right violations, such as planning internal awareness-raising activities, internal training programs to prevent and eliminate human rights violations, and investigating human rights violations when they occur.

JASSO also formulated guidelines on the prevention of discrimination based on physical limitations, which is based on Japanese law on the "promotion of elimination of discrimination on the basis of disability". In addition, each office has set a counselor who responds to complaints from staff. Finally, with regard to respect for workers' rights, JASSO implemented measures based on Japanese Labor Union Law and Japanese Labor Standards Law, and concerning the illegal labor, JASSO complies with laws established based on international standards that Japan has ratified.

Health and safety of workers

JASSO holds health committee meetings once a month at each office and the committee can discuss with company doctors on the working environment. All employees also go through stress and health checks once a year, and the interviews with company doctors and public health nurses are also conducted.

In terms of the quality of the working environment, JASSO has established measures for staff and part-time staff. Furthermore, the company has established internal regulations on childcare leave for employees and on the Implementation of Detailed Rules on Parental Leave for Staff and Detailed Rules for Implementing Staff Employment to promote the development of a workplace environment where women can play an active role. The salary level is in accordance with the salary of civil servants as stipulated by Japanese law^{16,17}.

¹³ https://www.jasso.go.jp/about/disclosure/sonota/_icsFiles/afieldfile/2021/11/05/2021ondanka.pdf

¹⁴ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/09/14/kitei_27_16.pdf

¹⁵ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/04/16/kitei_17_18.pdf

¹⁶ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/09/14/kitei_16_02.pdf

¹⁷ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/04/16/kitei_16_04.pdf

Social Impact Assessment

JASSO does not conduct social impact assessment as a whole but the scholarship contributes to equal opportunities in education as stipulated in the Constitution of Japan and the Basic Act on Education, and therefore expected to have positive impact on the society.

In addition, the operations of the Japan Student Services Organization (JASSO) are carried out in accordance with the laws and regulations enacted by the parliament and the government, and the laws and regulations are appropriately amended based on the status of the operations, the opinions of the public, and social needs.

Responsible communication with customers

JASSO provides information about their scholarship system on its website, including the interest-bearing nature of the scholarship as well as need for the repayment. The brochure explaining the nature of the scholarship and associated risks are uploaded on their website and made at public's disposal. Furthermore, such brochures are provided to scholarship students via education institution¹⁸¹⁹²⁰.

JASSO also holds information sessions for students who are the recipients of scholarships or who are considering applying for scholarships in the future to explain the risks associated with the scholarship and its repayment. In addition, scholarship advisors are dispatched to high schools and other institutions throughout Japan to provide guidance on scholarships, so that students will not have to give up on entering higher education institutions for financial reasons²¹²². The Scholarship Counseling Center provides consultation services at any time and conducts satisfaction surveys on a regular basis.

Responsible management and after sales relations

JASSO established The Scholarship Counsellor Center on their website, where the scholarship students can access to consult about their scholarship. Furthermore, scholarship students can also ask their questions in chat box as well as provide their opinion by filling in opinion form²³. The provided opinion is shared with all division involved in scholarship and ensured to be replied by the appropriate division.

In case the scholarship student faces financial difficulty during the restitution after his/her graduation (end of loan period), the student can request for 1. reduction in monthly repayment amount to 1/2 or 1/3 for maximum period of 15 years or 2. delay the restitution for maximum period of 10 years²⁴. In the event that a lawsuit arises with regards to the repayment, JASSO consults with their legal counsel and responds appropriately to the complaint.

¹⁸ <https://www.jasso.go.jp/shogakukin/moshikomi/yoyaku/tebiki/index.html>

¹⁹ <https://www.jasso.go.jp/shogakukin/moshikomi/zaigaku/tebiki/index.html>

²⁰ <https://www.jasso.go.jp/shogakukin/henkan/houhou/flow/tebiki.html>

²¹ <https://www.jasso.go.jp/shogakukin/adviser/index.html>

²² <https://www.shogakukinsupport.jp>

²³ <https://www.jasso.go.jp/shogakukin/oyakudachi/toiwase/index.html>

²⁴ https://www.jasso.go.jp/shogakukin/henkan_konnan/index.html

Business ethics

Being a governmental agency, JASSO's business and activities are all regulated under Japanese related laws and regulations, such as Act on General Rules for Independent Administrative Institutions, Act on Japan Student Service Organization, Order for Enforcement of the Independent Administrative Institution Japan Student Services Organization Act, and Ministerial Ordinance of the Independent Administrative Institution Japan Student Services Organization²⁵. However, the code of conduct is not part of such related laws and regulations and not set by JASSO separately.

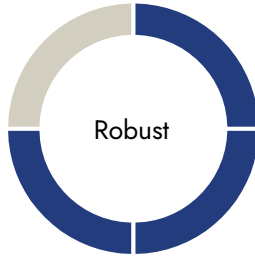
Under the Public Reporting Management Policy²⁶, JASSO established the whistle-blowing system as well as a responsible team to follow up and manage the issue at hand.

The Issuer receives regular audits from internal audit group and external audit firms, and a counsellor is assigned to each office to receive any complaints from the staffs and anonymous complaints are also accepted. In addition, training for the counsellors and compliance training for staffs is conducted regularly.

²⁵ <https://www.jasso.go.jp/about/disclosure/soshiki.html>

²⁶ https://www.jasso.go.jp/about/disclosure/kitei/_icsFiles/afieldfile/2021/04/16/kitei_18_05.pdf

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 ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

JASSO's performance is considered robust in the Environmental pillar, robust in the Social pillar and robust in the Governance pillar, line with the sector average.

DOMAIN	COMMENTS	OPINION
Environment	<p><u>JASSO's capacity to integrate its most material environmental factors in its strategy is considered robust.</u></p> <p>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.</p> <p>For example, when purchasing goods, JASSO strives to procure environmental-friendly goods through taking into account the third parties' environmental labels such as Eco Mark and Ecoleaf. When selecting service providers and public construction contractors, depending on the scale, JASSO considers those who carry out environmental management through ISO 14001 or an environmental activity evaluation programme, or those who make environmental reports as priorities.</p> <p>Moreover, JASSO strives to choose low GHG emission fuels such as biomass fuel, city gas and LPG for its existing combustion equipment if they can use such low GHG emission fuels. When renovating the existing combustion equipment, JASSO strives to enable them to use low GHG emission fuels. For existing buildings, JASSO conducts energy usage checks, and strives to reduce its energy consumption through different measures such as introducing</p>	Advanced
		Robust
		Limited

	<p>Cool Biz, using LED lighting equipment and rising awareness of the personnel. When constructing buildings, JASSO strives to take into account energy saving measures.</p> <p>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.</p>	Weak
Social	<p><u>JASSO's capacity to integrate its most material social factors in its strategy is considered robust.</u></p> <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>	Advanced
	<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>	Robust
	<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 increased 1.9% from 23.9% in 2019 to 25.8% in 2020, demonstrating a positive trend.</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> <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>	Weak

Governance	<p><u>JASSO's performance in the Governance pillar is robust.</u></p> <p>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.</p> <p>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 advises the President on important issues such as planning of projects related to the Mid-Term Plan.</p>	Advanced
	<p>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.</p>	Robust
	<p>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 Council regarding matters requiring urgent attention, an internal policy has been revised to enable the Chairman to hold Risk Management Committee.</p>	Limited
	<p>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.</p>	Weak

Management of ESG Controversies

As of today, the review conducted by V.E revealed two ESG controversy against JASSO over the last four years.

As of October 2021, JASSO faces two stakeholder related ESG controversy, linked to one of the six domains we analyse:

- Business Behaviour in the criteria of "Customer relations".
- Business Behaviour in the criteria of "Information to customers".

Frequency: The controversy faced is considered “isolated”²⁷; in line with the sector.

Severity: The severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered “significant”²⁸; less severe than the sector.

Responsiveness: JASSO is considered overall “reactive”²⁹; in line with the sector.

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 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.

The controversial activities research provides screening of 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.

²⁷ VE scale of assessment: Isolated / Occasional / Frequent / Persistent.

²⁸ VE scale of assessment: Minor / Significant / High / Critical.

²⁹ VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

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 organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. 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 Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Social Bond Principles, and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

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

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;³⁰
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.

The Issuer's ESG performance has been assessed by V.E 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.

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable³¹ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

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

³⁰ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

³¹ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

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 that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the 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 screen the company's involvement 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.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.



STATEMENT ON V.E' S INDEPENDENCE AND CONFLICT-OF-INTEREST POLICY

Transparency on the relation between V.E and the Issuer: V.E has carried out 13 audit mission or consultancy activity for Japan Student Services Organization. No established relation (financial or commercial) exists between V.E and Japan Student Services Organization. Independence, transparency, quality and integrity requirements are all formalised within our Moody's Code of Conduct.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, 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/Loan, 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. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond (s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

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