

Japan Airlines Co., Ltd. (2022 Transition Bond)

Type of Engagement: Annual Review

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Introduction

In 2022 March, Japan Airlines Co., Ltd. (“JAL”) issued a transition bond aimed at financing projects related to Clean Transportation (JPY 10 billion 5-Year Transition Bond, hereinafter the “2022 Transition Bond”). In January 2023, JAL engaged Sustainalytics to review the projects funded through the 2022 Transition Bond as of November 30, 2022 and assess whether the project met the Use of Proceeds criteria and the Reporting commitments outlined in the Japan Airlines Co., Ltd. Transition Bond Framework (the “Framework”).¹

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from March 2022 to November 2022 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on the impact indicators for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Eligibility Criteria and associated impact indicators for the Use of Proceeds category to which the proceeds were allocated.

Table 1: Use of Proceeds, Eligibility Criteria, and associated impact indicators

Use of Proceeds	Eligibility Criteria	Impact indicators
Clean Transportation	“Targets and Initiatives towards CO ₂ emission reduction by 2030”: Upgrading to fuel-efficient aircrafts such as Airbus A350 and Boeing 787	Annual CO ₂ emissions avoided

Issuing Entity’s Responsibility

JAL is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of JAL’s 2022 Transition Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from JAL employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by JAL with respect to the projects in the eligible category. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by JAL.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

¹ The Japan Airlines Co., Ltd. Transition Bond Framework is available at: https://www.jal.com/en/sustainability/transitionbond/pdf/framework_en.pdf

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Japan Airlines Co., Ltd.'s 2022 Transition Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Japan Airlines Co., Ltd. Transition Bond Framework. JAL has disclosed to Sustainalytics that the proceeds of the 2022 Transition Bond were fully allocated as at November 30, 2022.

Detailed Findings

Table 2: Detailed Findings

Evaluation Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the 2022 Transition Bond from March 2022 to November 2022 to determine if the projects were aligned with the Use of Proceeds Criteria outlined in the Japan Airlines Co., Ltd. Transition Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the 2022 Transition Bond from March 2022 to November 2022 to determine if the impact of the projects was reported in line with the impact indicator outlined in the Japan Airlines Co., Ltd. Transition Bond Framework and above in Table 1.	All projects reviewed reported on impact indicator per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Impact Reporting³ and Allocation of Transition Bond Proceeds

Use of Proceeds Category	Overview of Projects	Impact Indicators: Annual CO ₂ emissions avoided (1,000 ton-CO ₂) ⁴	Net Bond Proceeds Allocation (billion JPY)
Clean Transportation	Upgrading to fuel-efficient aircraft (Airbus A350: 16 aircraft)	94	9.9

Total Net Bond Proceeds Allocated:	9.9
Total Net Bond Proceeds Unallocated:	0
Total Net Proceeds from Transition Bond issuance⁵:	9.9

³ Impact Reporting by JAL is available at: <https://www.jal.com/en/sustainability/transitionbond/>

⁴ The reporting covers the period of 9 months from March 2022 to November 2022. The amount represents 18% reduction of total CO₂ emissions from 16 aircraft, compared with the previous model.

⁵ Transition bond issuance amount of 10 billion JPY less issuance expenses

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