

Toda Corporation Green Bonds in 2017 and 2018

Type of Engagement: Annual Review

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Introduction

Toda Corporation issued green bonds in December 2017 and December 2018 respectively, to finance the construction of floating offshore wind turbine facilities located off the coast of Sakiyama, Goto City, Nagasaki Prefecture in Japan (the “Green Bonds”). In November 2019, Toda Corporation engaged Sustainalytics to review the expenditures funded through the issued green bonds and provide an assessment as to whether the expenditures met the Use of Proceeds criteria and the Reporting commitments outlined in the Toda Corporation Green Bond Framework 2017¹ and Toda Corporation Green Bond Framework 2018² (the “Green Bond Frameworks”). This is Sustainalytics’ second annual review of Toda Corporation’s 2017 Green Bond following a previous review in 2018 and is Sustainalytics’ first annual review of 2018 Green Bond.

Evaluation Criteria

Sustainalytics evaluated the project (Construction of floating offshore wind turbine facilities located off the coast of Sakiyama, Goto City, Nagasaki Prefecture) funded in 2018 and 2019 based on whether it:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Frameworks; and
2. Reported on the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Frameworks.

The Toda Corporation Green Bond Framework was developed in 2017 for the first green bond issuance and updated for the second green bond issuance in 2018. Through the frameworks, Toda Corporation is committed to the following Use of Proceeds, Eligibility Criteria, and associated KPIs. (Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.)

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators
Renewable Energy (Offshore Wind Power)	<ul style="list-style-type: none"> • Expenditures related to the construction of floating offshore wind power generation facilities, at Goto City Offshore Wind Turbine Project (off the coast of Sakiyama, Goto City, Nagasaki Prefecture in Japan). Those relevant expenditures consist of wind turbines, floating bodies and grid connection. 	<ul style="list-style-type: none"> • Number of constructed wind turbines and power output capacity of wind turbines • The amount of carbon offset from the eligible projects, where data is available

¹ Green Bond 2017 was issued under the Toda Corporation Green Bond Framework 2017 available at: https://www.sustainalytics.com/wp-content/uploads/2017/10/Toda-Corporation_Green-Bond-Framework-and-Opinion_final.pdf

² Green Bond 2018 was issued under the Toda Corporation Green Bond Framework 2018 available at: https://www.sustainalytics.com/wp-content/uploads/2018/11/Toda-Corporation_Green-Bond-Framework-Overview_SPO_Final.pdf

Issuing Entity's Responsibility

Toda Corporation is responsible for providing accurate information and documentation relating to the details of the expenditures that have been funded, including description of expenditures, estimated and realized costs of expenditures, and impact by the expenditures.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Toda Corporation's Green Bonds Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Toda Corporation's employees and review of documentation to confirm the conformance with the Green Bond Frameworks.

Sustainalytics has relied on the information and the facts presented by Toda Corporation with respect to the nominated expenditures. 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 Toda Corporation.

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.

Conclusion

Toda Corporation began the procurement of equipment for the offshore wind power facilities in March 2018. Given that the facilities are still under construction, Toda Corporation has not been able to measure the KPIs of the projects and there is no impact which can be disclosed at the time of this review. Furthermore, under a non-disclosure agreement, Toda Corporation has shared with us the breakdown of 2017 and 2018 green bonds proceeds allocated to date. Having reviewed the proceeds, Sustainalytics has confirmed that the allocated proceeds were spent on the wind power facilities, including wind turbines, floating bodies, grid connection and others relevant to the project.

Overall, based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed expenditures, funded through proceeds of Toda Corporation's Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Frameworks.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs 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.

Detailed Finding

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the expenditures funded by the Green Bonds in 2018 and 2019 to determine if expenditures aligned with the Use of Proceeds Criteria outlined in the Green Bond Frameworks and above in Table 1.	All expenditures allocated through the green bonds issued in 2017 and 2018 reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the expenditures funded by the Green Bonds in 2018 and 2019 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Frameworks and above in Table 1.	No KPIs reported since the Goto City Offshore Wind Turbine Project funded through the green bonds issued in 2017 and 2018 is under construction.	Exception (The Goto City Offshore Wind Turbine Project still under construction so no KPIs could be reported at this time)

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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