

Toda Corporation (2017 Green Bond)

Type of Engagement: Annual Review

Date: 28 March 2024

Engagement Team:

Akshay Chandrapure, akshay.chandrapure@morningstar.com

Nachiket Goli, nachiket.goli@morningstar.com

Introduction

In December 2017, Toda Corporation (“Toda”) issued a green bond (the “2017 Green Bond”) to finance the expenditure related to construction of floating offshore wind turbine facilities. In 2024, Toda engaged Sustainalytics to review the projects financed with proceeds from the 2017 Green Bond (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Toda Corporation Green Bond Framework (the “Framework”). Sustainalytics provided a Second-Party Opinion on the Framework in October 2017.¹ This is Sustainalytics’ sixth annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in December 2022², December 2021³, November 2020⁴, November 2019 and November 2018.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	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.	<ol style="list-style-type: none"> i. Number of constructed wind turbines and power output capacity of wind turbines ii. Where data is available, the amount of carbon offset from the eligible projects

Issuer’s Responsibility

Toda is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

¹ Sustainalytics, “Second-Party Opinion, Toda”, (2017), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation_green-bond-framework-and-opinion_final.pdf

² Sustainalytics, “Annual Review”, (2022), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-2017-and-green-bond-2018-annual-review-\(2022\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-2017-and-green-bond-2018-annual-review-(2022).pdf)

³ Sustainalytics, “Annual Review”, (2021), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bonds-2017-and-2018-annual-review-\(2021\).pdf](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bonds-2017-and-2018-annual-review-(2021).pdf)

⁴ Sustainalytics, “Annual Review”, (2020), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review.pdf>

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2017 Green Bond. The work undertaken as part of this engagement included collection of documentation from Toda and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Toda. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Toda.

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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Toda has disclosed to Sustainalytics that the proceeds from the 2017 Green Bond were fully allocated as June 2023.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	Exception – No impact was reported from the Nominated Projects financed as the projects are still under construction and will commence operations in 2026.

⁵ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

In December 2017, Toda issued the 2017 Green Bond and raised JPY 10 billion, the proceeds were fully used to finance the following projects.

Table 3: Allocation and Reported Impact⁶ for the 2017 Green Bond.

Use of Proceeds Category	Project Overview	Amount Allocated (JPY million)
Renewable Energy	Expenditures related to the construction of floating offshore wind power generation facilities at Goto City Offshore Wind Turbine Project, consisting of wind turbines, floating bodies, grid connection and other expenditures relevant to the project.	10,000
Total Amount Allocated (JPY million)		10,000

⁶Toda has communicated to Sustainalytics that as of 21 March 2024, the windmills are still under construction with a planned start of operation in 2026. There are no indicators to measure the project's effectiveness yet. Until last year the issuer had planned to start operation in 2024, but due to problems encountered during construction, it was decided to delay the start of operation by two years.

Disclaimer

Copyright ©2024 Sustainalytics. All rights reserved.

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or content providers, and may be made available to third parties only in the form and format disclosed by Sustainalytics. They are not directed to, or intended for distribution to or use by India-based clients or users and their distribution to Indian resident individuals or entities is not permitted.

They are provided for informational purposes only and (1) shall not be considered as being a statement, representation, warranty or argument either in favor or against the truthfulness, reliability or completeness of any facts or statements that the issuer has made available to Sustainalytics for the purpose of this deliverable, in light of the circumstances under which such facts or statements have been presented; (2) do not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (3) do not constitute investment advice, financial advice, or a prospectus, nor represent an “expert opinion” or “negative assurance letter” as these terms are commonly understood or defined by any applicable legislation; (4) are not part of any offering and do not constitute an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (5) do not represent an assessment of the issuer’s economic performance, financial obligations nor of its creditworthiness; (6) are not a substitute for professional advice; (7) past performance is no guarantee of future results; (8) have not been submitted to, nor received approval from, any relevant regulatory body; (9) have not and cannot be incorporated into any offering disclosure, unless otherwise agreed in writing.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-datedness or fitness for a particular purpose. Sustainalytics has not independently verified any such information or data. The deliverables are provided “as is” and reflect Sustainalytics’ opinion at the date of their elaboration and publication. Sustainalytics does not undertake any obligation to update or revise any of the statements in the deliverable to reflect events, circumstances, changes in expectations which may occur after the date of the opinion or any statements included in the opinion. Neither Sustainalytics/Morningstar nor their content providers accept any liability from the use of the information, data or opinions contained herein or for actions of third parties in respect to this information, in any manner whatsoever, except where explicitly required by law. Sustainalytics does not assume any responsibility shall the bond default. Any reference to content providers’ names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our content providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

Sustainalytics may receive compensation for its ratings, opinions and other deliverables, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics believes it has put in place appropriate measures designed to safeguard the objectivity and independence of its opinions. For more information, visit Governance Documents or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring compliance with its commitments, for their implementation and monitoring.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

