

# Toda Corporation (Green Bond 2017 and 2018)

**Type of Engagement:** Annual Review

**Date:** December 1, 2021

**Engagement Team:**

Kosuke Kanematsu, kosuke.kanematsu@sustainalytics.com, (+81) 3 4571 2343

Marie Toyama, marie.toyama@sustainalytics.com, (+81) 3 4571 2343

## Introduction

Toda Corporation issued green bonds in December 2017 (JPY 10 billion 5-Year Green Bond) and December 2018 (JPY 5 billion 5-Year Green Bond) respectively (the “Green Bonds”), to finance the construction of floating offshore wind turbine facilities located off the coast of Sakiyama, Goto City, Nagasaki Prefecture in Japan. In November 2020, Toda Corporation engaged Sustainalytics to review the expenditures funded through the issued Green Bonds as of September 30, 2021 and assess whether the expenditures met the Use of Proceeds criteria and the reporting commitments outlined in the Toda Corporation Green Bond Framework 2017<sup>1</sup> and Toda Corporation Green Bond Framework 2018<sup>2</sup> (the “Frameworks”). This is Sustainalytics’ fourth annual review of Toda Corporation’s 2017 Green Bond<sup>3</sup>, and is Sustainalytics’ third annual review of 2018 Green Bond.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the expenditures funded with proceeds from December 2017 to September 2021 based on whether it:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Frameworks; and
2. Reported on the Key Performance Indicators (KPIs) for the Use of Proceeds criteria outlined in the 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
<b>Renewable Energy</b> (Offshore Wind Power)	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Number of constructed wind turbines and power output capacity of</li> </ul>

<sup>1</sup> Overview of Toda Corporation Green Bond Framework 2017 is available within Sustainalytics’ Second Party Opinion:

[https://www.sustainalytics.com/wp-content/uploads/2017/10/Toda-Corporation\\_Green-Bond-Framework-and-Opinion\\_final.pdf](https://www.sustainalytics.com/wp-content/uploads/2017/10/Toda-Corporation_Green-Bond-Framework-and-Opinion_final.pdf)

<sup>2</sup> Overview of Toda Corporation Green Bond Framework 2018 is available within Sustainalytics’ Second Party Opinion:

[https://www.sustainalytics.com/wp-content/uploads/2018/11/Toda-Corporation\\_Green-Bond-Framework-Overview\\_SPO\\_Final.pdf](https://www.sustainalytics.com/wp-content/uploads/2018/11/Toda-Corporation_Green-Bond-Framework-Overview_SPO_Final.pdf)

<sup>3</sup> Previous annual reviews of the Green Bond issued in December 2017 by Sustainalytics are available at:

Annual Review (November 2018) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review-.pdf?sfvrsn=3eb392f3\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review-.pdf?sfvrsn=3eb392f3_1)

Annual Review (November 2019) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review-13122019-english.pdf?sfvrsn=2f3f6fd4\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review-13122019-english.pdf?sfvrsn=2f3f6fd4_3)

Annual Review (November 2020) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review.pdf?sfvrsn=79b0148f\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review.pdf?sfvrsn=79b0148f_3)

<sup>4</sup> Previous annual reviews of the Green Bond issued in December 2018 by Sustainalytics are available at:

Annual Review (November 2019) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review-13122019-english.pdf?sfvrsn=2f3f6fd4\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review-13122019-english.pdf?sfvrsn=2f3f6fd4_3)

Annual Review (November 2020) [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review.pdf?sfvrsn=79b0148f\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/toda-corporation-green-bond-annual-review.pdf?sfvrsn=79b0148f_3)

	<p>expenditures consist of wind turbines, floating bodies and grid connection.</p>	<p>wind turbines</p> <ul style="list-style-type: none"> <li>• The amount of carbon offset from the eligible projects, where data is available</li> </ul>
--	--	--

## 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, amounts allocated, 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 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

Given that the floating offshore wind turbine facilities at Goto City Offshore Wind Turbine Project are currently under construction, Toda Corporation has not been able to measure the impact metrics of the projects and there is no impact that can be disclosed at the time of this review. Furthermore, under a non-disclosure agreement, Toda Corporation has shared with us the breakdown of Green Bonds proceeds allocated as of September 30, 2021. Having reviewed the use of proceeds, Sustainalytics has confirmed that the allocated proceeds were spent on expenditures related to the construction of wind power facilities, including wind turbines, floating bodies, grid connection and other expenditures relevant to the project.

Overall, based on the limited assurance procedures conducted,<sup>5</sup> 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 Frameworks.

---

<sup>5</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the expenditures that have been funded, including description of expenditures, and impact of expenditures, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the expenditures funded by the Green Bonds from December 2017 to September 2021 to determine if expenditures aligned with the Use of Proceeds Criteria outlined in the Frameworks and above in Table 1.	All expenditures reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the expenditures funded by the Green Bonds from December 2017 to September 2021 to determine if the impact of expenditures was reported in line with the impact metrics outlined in the Frameworks and above in Table 1.	No impact metrics reported since the Goto City Offshore Wind Turbine Project funded through the Green Bonds is under construction. The project is scheduled to be completed in December, 2023.	Exception (No impact metrics can be reported since the Goto City Offshore Wind Turbine Project was under construction as of September 30, 2021)

## Appendix

### Appendix 1: Allocation of Green Bond Proceeds

#### 1. Green Bond issued in December 2017 (JPY 10 billion 5-Year Green Bond)

Use of Proceeds Category	Overview of Expenditures	Net Bond Proceeds Allocation (million JPY)
<b>Renewable Energy</b>	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	4,035
	<b>Allocated Proceeds:</b>	4,035
	<b>Unallocated Proceeds:</b>	5,965
	<b>Net Proceeds from Green Bond Issuance:</b>	10,000

#### 2. Green Bond issued in December 2018 (JPY 5 billion 5-Year Green Bond)

Use of Proceeds Category	Overview of Expenditures	Net Bond Proceeds Allocation (million JPY)
<b>Renewable Energy</b>	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	36
	<b>Allocated Proceeds:</b>	36
	<b>Unallocated Proceeds:</b>	4,964
	<b>Net Proceeds from Green Bond Issuance:</b>	5,000

## Disclaimer

**Copyright ©2021 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## 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. The firm 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. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

