

Japan Bank for International Cooperation (JBIC)

Green Bond Framework

October 2021

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1. Introduction

1.1 History

Pursuant to the Japan Bank for International Cooperation Act (the “JBIC Act”), Japan Bank for International Cooperation (“JBIC”) was established as a joint-stock corporation wholly owned by the Japanese government on April 1, 2012 (and was formerly known as Export-Import Bank of Japan).

1.2 JBIC Operations¹

The Missions of JBIC

JBIC is a policy-based financial institution wholly owned by the Japanese government, which supplements the financial transactions implemented by private-sector financial institution and has the objective of contributing to the sound development of Japan and the international economy and society, by conducting financial operations in the following four fields:

- Promoting overseas development and securement of resources which are important for Japan
- Maintaining and improving the international competitiveness of Japanese industries
- Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming
- Preventing disruptions to the international financial order or taking appropriate measures with respect to damages caused by such disruption

JBIC Corporate Philosophy and Slogan

JBIC conducts its operations under the purpose stipulated in Article 1 of the JBIC Act with following Corporate Philosophy and Corporate Slogan.

- Corporate Philosophy
Positioned at the crossroads of global business opportunities, JBIC is opening new venues to the future for the Japanese and global economy.
 - Hands-on Policy:
 - Pioneering new value by participating at the forefront of overseas project development, and by engaging proactively in projects from the early stages
 - Customer-1st Approach:
 - Offering customers one-of-a-kind solutions by adopting their perspectives and integrating their views into policy development
 - Forward-looking Action:
 - Contributing to the sustainable development of Japan and the world as a whole by deploying highly professional skills, with a view to realizing a secure and affluent future society
- Corporate Slogan

日本の力を、世界のために。

Supporting Your Global Challenges

Financial Instruments

In order to execute the above missions, JBIC conducts the following principal operations stipulated in the JBIC Act and related regulations.

- 1) *Export Loans*. For the purpose of promoting exports of Japanese plants and for the purpose of securing equally competitive conditions in terms of financing when Japanese exporters

¹ <https://www.jbic.go.jp/ja/about/role-function/images/jbic-brochure-english.pdf>

compete with other developed countries, export finance provides loans and guarantees of funds to importers and financial institutions to support exports of plants and technologies by Japanese companies mostly to developing countries. In particular, export finance supports export of products such as power generation facilities, communication equipment, and marine vessels.

- 2) *Import Loans*. For the purpose of securing a stable supply of resources for Japan, import finance provides loans and guarantees of funds to support imports of oil, liquified natural gas (LNG), iron ore, other rare minerals and other strategically important materials to Japan. Apart from natural resources, the guarantee facility supports imports of goods and services for which there are crucial domestic needs for the sound development of the Japanese economy, such as aircrafts.
- 3) *Overseas Investment Loans*. For the purpose of promoting Japan's overseas business activities, overseas investment finance provides loans and guarantees of long-term business funds to support foreign direct investments undertaken by Japanese companies, overseas Japanese affiliates and foreign governments or financial institutions that have equity participations in or provide loans to such overseas affiliates. The eligible purposes include local manufacturing, resource development and other business ventures.
- 4) *Untied Loans*. Untied loans provide loans and guarantees of funds to support improvements in the overseas business environment or to stabilize their currencies to facilitate Japanese trade, investments and other overseas business activities by foreign governments and foreign government agencies. Untied loans also support projects that have a strong impact on preserving the environment.
- 5) *Bridge Loans*. Bridge loans provide short-term financing for developing country governments facing balance-of-payments difficulties or other emergencies until international agencies can provide economic support funds.
- 6) *Equity Participations*. Equity participations are equity investments in Japanese joint ventures conducting business overseas or overseas companies in which Japanese companies have invested for the purposes of a business tie-up, and equity investments in funds in which Japanese companies or international institutions participate.
- 7) *Research and Studies*. JBIC conducts research and studies to support its operations.

2. JBIC ESG Policy²

2.1 Policies towards the realization of sustainability

The world's economies are facing the shared challenge of dealing with climate change whilst pursuing sustainable growth and development, and all the while seeking to achieve a balance between the economy, society, and the environment. In light of these challenges, JBIC's Fourth Medium-term Business Plan (announced in June 2021), identified the addressing of "global issues toward realizing sustainable development for the global economy and society" as its first key focus area. Accordingly, JBIC is actively working to support this global agenda through the provision of green finance, transition finance and social impact finance. In addition, as an organization, under the Fourth Medium-term Business Plan and the Second Plan for Work Style Reform, JBIC will strive to foster a culture that harnesses the diversity of its employees, support individual career development and knowledge development, and continue to improve the working environment for its employees.

JBIC will continue to review its organizational structure, systems and processes with a view to strengthening its sustainability governance and management systems, so that JBIC can actively support Japanese companies and the global economic community in their efforts to achieve decarbonization and SDG goals, and as appropriate, disclose the results of the provision of such support to its stakeholders.

² Regarding JBIC ESG Policy, Japanese language version shall prevail English translation.

With a view to fulfilling JBIC's role as "a navigator to build a brighter future with Japanese power" (as stated in JBIC's Fourth Medium-term Business Plan), JBIC will, through its risk-assuming function as a policy-based financial institution and long-standing relationships with its stakeholders and overseas networks, proactively contribute to fostering global sustainable development and resolving global challenges, to ensure the realization of sustainable societies.

2.2 Climate Change Policy

Climate change is one of the most urgent challenges facing the world's economies. Following the adoption of the Paris Agreement in December 2015, the global effort to address climate change has accelerated. In October 2020, the Japanese government made a declaration to aim for carbon neutrality by 2050 (i.e. to achieve net zero greenhouse gas emissions). In order to achieve the objectives of the Paris Agreement, global collective action is urgently required through not only efforts led by developed countries, but also through coordinated action taken by developing and emerging countries to ensure the energy transition towards a decarbonized society.

In recognition of the urgency to accelerate global concerted efforts to combat climate change, and in alignment with Japanese government policy, JBIC sets out its plans to address climate change in paragraphs (1) to (4) below, in advance of the United Nations Climate Change Conference (COP26) starting on October 31, 2021. As Japan's policy-based financial institution, JBIC will continue to be proactive in providing financial support for efforts to tackle climate change, based on Japanese government policy.

Contributing to the global implementation of the Paris Agreement

In order to align with the international goals to achieve the objectives of the Paris Agreement, JBIC is committed to pursuing ambitious and accelerated efforts to reduce its operational emissions to net zero by 2030, and to achieve net zero emissions in its finance portfolio by 2050. Moreover, through continued engagement with the relevant national governments and authorities, JBIC will contribute in realizing global carbon neutrality by supporting and accelerating the energy transition towards a decarbonized society of emerging and developing countries.

Strengthening climate change-related finance

Achieving the objectives of the Paris Agreement will require substantial investment. As such, the flow of funds, including through the mobilization of private finance, needs to be redirected and applied to pathways towards decarbonization. JBIC will harness its risk-assuming function as a policy-based financial institution as well as its negotiation leverage, to promote green innovation and accelerate the energy transition of emerging and developing countries through engagement with the relevant national governments and authorities, and through multinational coordination. JBIC will thereby take the lead in global decarbonization through such actions and the provision of finance, in addition to disseminating climate change related information, and issuing green bonds, among other things.

In addition to ending the provision of financing for unabated international thermal coal power generation as agreed at the G7 Summit in June 2021, JBIC will also back efforts leading to the transition to clean energy generation by harnessing new technologies.

Enhanced climate-related financial disclosures pursuant to the TCFD recommendations

In recognition of the importance of reporting on climate-related financial information, JBIC announced in October 2019 of its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) that was established by the Financial Stability Board (FSB). JBIC also engages in the TCFD Consortium, which was set up as a forum for institutions who support the TCFD recommendations to exchanges ideas. JBIC will proceed in disclosing relevant information based on

the TCFD framework.

Environmentally and socially conscious financings and investments

Since the formulation and publication of the JBIC Guidelines for Confirmation of Environmental and Social Considerations in 1999, JBIC has ensured that the financing of its relevant projects have been subject to the environmental and social impact considerations required under such guidelines. JBIC will be at the forefront of such environmental and social considerations by reviewing, as appropriate, the guidelines and taking into consideration, among other things, the international frameworks that are in place with respect to environmental and social considerations, the discussions taking place at the Organization for Economic Co-operation and Development (OECD) regarding the Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence, and a wide public consultation process.

3. Rationale for Issuance

Through the issuance of Green Bonds, JBIC aims to contribute to the realization of a sustainable society and environment through green finance as a responsible issuer. In addition, by issuing Green Bonds, JBIC intends to provide investment opportunity for investors having interests in ESG investments.

4. Alignment with the Green Bond Principles 2021

JBIC has created the following green bond framework (“the Framework”), based on the Green Bond Principles 2021 (“GBP”), established by the International Capital Markets Association (“ICMA”). The GBP is a voluntary guideline that sets out best practices for issuance of Green Bonds, and the Framework is aligned with the four core components of the GBP.

4.1 Use of Proceeds

JBIC will allocate the amount equivalent to the net proceeds of the Green Bonds to finance businesses that meet the following "Eligibility Criteria" (including financing or refinancing in whole or in part for existing or future projects).

JBIC's financing includes not only direct loans to eligible entities, but also two-step loans (TSL) through other financial institutions.

Eligibility Criteria

The amount equal to the net proceeds of Green Bonds will be allocated to projects (“Eligible Projects”) that meet ALL of the following conditions below:

- (i) A project which meets one or more of the GBP Eligible Project Categories below; and
- (ii) A project which has been financed by JBIC within the 36 months prior to the date of relevant Green Bonds issuance, or will be financed within the 36 months on or after the date of relevant Green Bonds issuance.

GBP Eligible Project Category	Eligibility Criteria	Environmental Objective
Renewable Energy	<p>Funds to finance or refinance development, construction, management, operation and/or maintenance of renewable energy projects (including production, power generation, transmission, and parts manufacturing) specified below (limited to projects with less than 100g-CO₂ / kWh, and less than 15% usage of non-renewable energies as backup power):</p> <ul style="list-style-type: none"> • Solar and Solar Thermal • Wind (offshore and onshore) • Geothermal • Hydro (power generation of 25 MW or less) • Biomass (waste-derived or wood / wood pellet-derived products certified by the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification(PEFC)) • Hydrogen (Hydrogen production: limited to green hydrogen, which has zero CO₂ emission during production and combustion. Hydrogen power generation: limited to power plants fueled by 100% green hydrogen) 	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>
Clean Transportation (Trains and Railways)	<p>Funds to finance or refinance clean transportation projects (excluding freight vehicles for transporting fossil fuels) such as :</p> <ul style="list-style-type: none"> • Manufacturing, operation and/or maintenance of electric trains and/or energy efficient trains (CO₂ emissions of less than 50g-CO₂ / p-km for passenger trains and 25g-CO₂ / t-km for freight trains) • Construction, extension, upgrade, maintenance and/or operation of railways and/or railway systems 	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>
Clean Transportation (Zero-emission vehicles (“ZEV”))	<p>Funds to finance or refinance clean transportation projects (Zero-emission vehicles: Battery electric vehicle (“BEV”), Fuel cell vehicle (“FCV”) etc.) such as :</p> <ul style="list-style-type: none"> • Investment in property plant and equipment (PP&E) for manufacturing of BEV and 	<p>Climate change mitigation</p> <p>Pollution prevention and control</p>

	components; development of charging infrastructure <ul style="list-style-type: none"> • Investment in property plant and equipment (PP&E) for manufacturing of FCV and components; development of charging hydrogen infrastructure 	
Green Buildings	Funds to finance or refinance real estate properties which have obtained or is expected to obtain one of the following: <ul style="list-style-type: none"> • Gold or Platinum rating under Leadership in Energy and Environmental Design (“LEED”) • Excellent or Outstanding rating under Building Research Establishment Environmental Assessment Method (“BREEAM”) • A or S rating under Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) 	Climate change mitigation

Exclusionary Criteria

JBIC commits to not knowingly allocating the net proceeds of Green Bonds to finance the assets, projects and sectors included in the following exclusionary criteria:

- Development, refining and transportation of fossil fuels (including coal, oil and gas)
- Fossil fuel power generation
- Nuclear power generation
- Weapons and defense
- Gambling / Casino
- Tobacco

4.2 Project Evaluation and Selection Process

Application of Eligibility Criteria in project selection

In consultation with the Corporate Planning Department, JBIC's Treasury Department will select projects that meet the Eligibility Criteria and allocate the funds raised by the issuance of Green Bonds.

Monitoring of selected projects

All Eligible Projects shall be subject to periodic monitoring during the entire lifecycle of the financing until the financing is redeemed at maturity. Upon the unlikely event where projects are to be cancelled and prepaid, they will be immediately disqualified and deleted from the list of Eligible Projects.

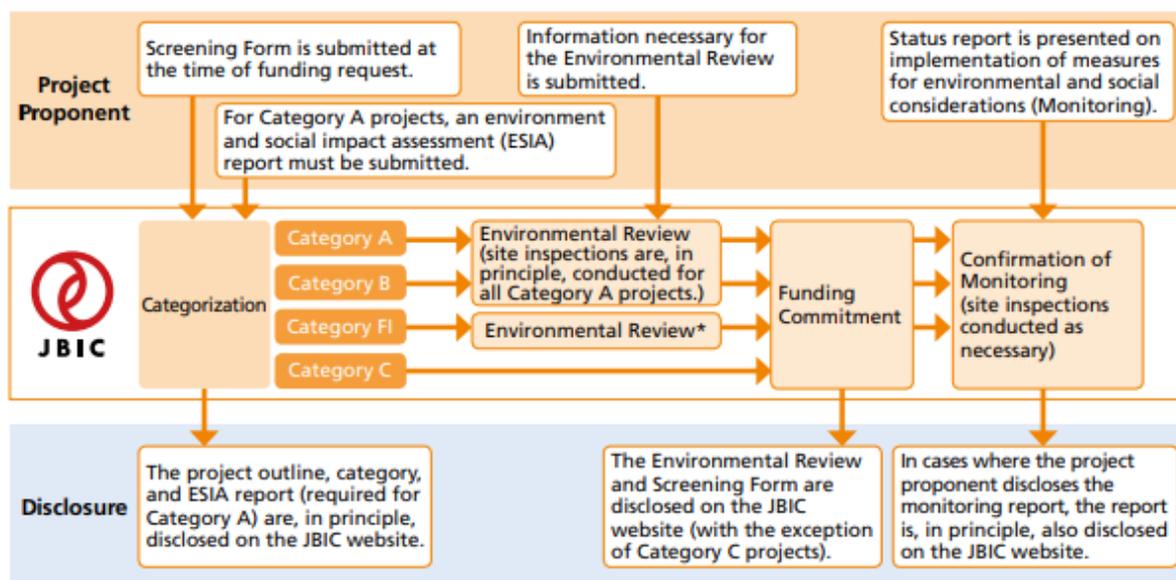
Procedure for Confirmation of Environmental and Social Considerations

In conducting its operations, JBIC confirms whether the borrower has made appropriate consideration for local communities and the natural environment in all the JBIC-financed projects based on the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (“Environmental Guidelines”).

The Environmental Guidelines set out the procedures, criteria, and requirements that JBIC-financed projects must meet in confirming environmental and social considerations. When JBIC judges that the

project proponents have not made appropriate environmental and social considerations, it will encourage them to take remedial measures. If appropriate environmental and social considerations have not been taken, JBIC may decide not to extend funding.

Prospective projects are screened prior to funding and classified into categories according to the degree of potential environmental impact. An Environmental Review is then conducted to verify that the environmental and social impacts have been considered in a proper manner. After funding has been approved, projects are monitored to assess the actual impact.



* For Category FI projects, JBIC confirms through the financial intermediary that the proper environmental and social considerations indicated in the Environment Guidelines have been followed for the project.

Projects are classified into one of the following four categories in relation to the degree of environmental impact, based on the information provided by the project proponent during the screening process.

Category A	Project with the potential for a serious and adverse impact on the environment
Category B	Project with the potential for an adverse impact on the environment, but less than that of Category A projects
Category C	Project with the potential for minimal or no adverse impact on the environment
Category FI	Project for which JBIC provides funding to a financial intermediary, and after acceptance of JBIC funding, the financial intermediary selects and conducts screenings for specific subprojects, in cases where subprojects cannot be determined prior to acceptance of JBIC funding, and where such subprojects are anticipated to have an impact on the environment

4.3 Management of the Proceeds

The funds raised by JBIC from Green Bonds will be allocated to Eligible Projects. JBIC Treasury Department will track and monitor the amount of Green Bonds issued under this Framework to be allocated to the Eligible Projects. In addition, until the full amount of the proceeds are allocated to Eligible Projects, JBIC will manage the unallocated proceeds in cash or cash equivalents.

4.4 Reporting

JBIC will report the allocation and impact of this Green Bonds on an annual basis until the net proceeds are fully allocated to Eligible Projects.

Allocation Report

- (i) The amount of net proceeds allocated / unallocated to Eligible Projects
- (ii) The allocated amount for each Eligible Project
- (iii) The ratio of new / refinanced projects

Impact Report

JBIC will publish impact reporting including the following indicators to the extent practically possible.

GBP Eligible Project Category	Reporting contents
Renewable Energy	<ul style="list-style-type: none">• Estimated power generation capacity (MW)• Estimated reduction in CO₂ emissions (CO₂t)
Clean Transportation (Trains and Railways)	<ul style="list-style-type: none">• Operating distance or Volume of passenger transported (Annual number of passengers transported*operating distance)
Clean Transportation (Zero-emission vehicles "ZEV")	<ul style="list-style-type: none">• Estimated production volume
Green Buildings	<ul style="list-style-type: none">• Number of properties, total amount. Breakdown for each external certification• Positive Environmental impact of major properties

5. External Review

5.1 Second Party Opinion

JBIC has retained Sustainalytics Japan Inc., an independent provider of ESG research and ratings, to provide a Second Party Opinion (SPO). The SPO is available on our website.

Disclaimer

The information and opinions contained in this JBIC Green Bond Framework (the “Framework”) are provided as of the date of this Framework and are subject to change without notice. None of JBIC or any of its affiliates assume any responsibility or obligation to update or revise any statements herein, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current JBIC policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by JBIC and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by JBIC as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of any bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant bond documentation for such bonds regarding the use of proceeds and its purchase of bonds should be based upon such investigation as it deems necessary. JBIC has set out its intended policy and actions in this Framework in respect of the use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with JBIC Green Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such bonds if JBIC fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of JBIC or any affiliate of JBIC. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by JBIC or any affiliate of JBIC. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such bonds. Prospective investors are required to make their own independent investment decisions.