SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability Bond Framework

Development Bank of Japan Inc.

12 April 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	▪ Green, Social and Sustainability Bond
Relevant standards	▪ Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1) ▪ Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023) ▪ Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)
Scope of verification	▪ Development Bank of Japan Inc. Sustainability Bond Framework (as of April 12, 2024)

Lifecycle	▪ Pre-issuance verification
Validity	▪ Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Development Bank of Japan Inc. ("the Issuer", "the Bank", or "DBJ") commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green, Social and Sustainability Bond by assessing three core elements to determine the sustainability quality of the instruments:

1. DBJ's Sustainability Bond Framework (as of April 12, 2024) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of Green, Social and Sustainability Bond with DBJ's Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

DEVELOPMENT BANK OF JAPAN INC. OVERVIEW

Development Bank of Japan, Inc. offers financing, investing, and advisory services. It provides loans, equity investments, debt guarantees, and bonds. The company was founded in 1951 and is headquartered in Tokyo, Japan.

ESG risks associated with the Issuer's Industry

Development Bank of Japan Inc. is classified in the Development Banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies[1] in this industry are: Sustainability Standards for financial products and services, Goal-oriented promotion of sustainability issues, Climate change and related risks, Labor standards and working conditions.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

[1] Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[2]
Part I: **Alignment with GBP/SBP/SBG**	The Issuer has defined a formal concept for its Sustainability Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA'S Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. ** Certain criteria of Green Buildings[3] is assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, it is recognized that this category might be considered as eligible green or social categories by investors.* ** The project categories identified by DBJ are aligned with the Principles, except for Categories Energy Efficiency - DBJ Environmentally Rated Loan Program/Socioeconomic advancement and empowerment - DBJ BCM Rated Loan Program/Socioeconomic advancement and empowerment - DBJ Employee's Health Management Rated Loan Program, which are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. Part II of this report).*	**Aligned with exceptions***
Part II: **Sustainability quality of the Eligibility Criteria**	The Sustainability Bond will (re)finance eligible asset categories which include: Green categories: Green Buildings, Renewable Energy, Clean Transportation; Social categories: Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, Affordable Basic Infrastructure – Power Cable	**Moderate**

[2] The evaluation is based on the Development Bank of Japan's Sustainability Bond Framework (March 2024 version), on the analysed Asset Pool/Eligibility Criteria as received on April 12, 2024.
[3] Funds to finance or refinance companies, buildings, real estate properties or REITs that have a 'Green Star' rating under the Global Real Estate Sustainability Benchmark ("GRESB") evaluation framework.

and Grid Upgrade, Affordable housing, Access to essential services – healthcare.

Product-related use of proceeds categories [4] individually contribute to one or more of the following SDGs:

Process-related use of proceeds categories [5] individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's/Borrower's sector on one or more of the following SDGs

For certain criteria of Green Buildings[6] there is no evidence of an environmental/social contribution or of an improvement on the issuer/borrower and/or end users' potential negative externalities.

For Categories Energy Efficiency - DBJ Environmentally Rated Loan Program/Socioeconomic advancement and empowerment - DBJ BCM Rated Loan Program/Socioeconomic advancement and empowerment - DBJ Employee's Health Management Rated Loan Program, are assessed as providing no clear environmental and social benefits according to our methodology.

[4] Green Buildings, Renewable Energy, Clean Transportation, Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, Affordable basic infrastructure – Power cable and grid upgrade (Energy efficiency - Efficient power grid), Affordable housing, Access to essential services – healthcare

[5] Green Buildings

[6] Funds to finance or refinance companies, buildings, real estate properties or REITs that have a 'Green Star' rating under the Global Real Estate Sustainability Benchmark ("GRESB") evaluation framework

	The environmental and social risks associated with those use of proceeds categories are partially managed.	
Part III: **Consistency of Green, Social and Sustainability Bond with Development Bank of Japan Inc.'s Sustainability Strategy**	The key sustainability objectives and the rationale for issuing Green, Social and Sustainability Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer. At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.	**Consistent with Issuer's sustainability strategy**

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES, AND SUSTAINABILITY BOND GUIDELINES

This section evaluates the alignment of the DBJ's Sustainability Bond Framework (as of March 21, 2024) with the ICMA'S Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

ICMA'S GBP, SBP AND SBG	ALIGNMENT	OPINION
1. Use of Proceeds	✓ * with exceptions	The Use of Proceeds description provided by DBJ's Sustainability Bond Framework is **aligned * with exceptions** with the ICMA's GBP, SBP, and SBG. The Issuer's green and social categories align with the project categories as proposed by the ICMA's GBP, SBP, and SBG. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental and social benefits are described. The Issuer defines a look-back period of three years and exclusion criteria for harmful projects categories, in line with best market practice. ** Certain criteria of Green Buildings[7] is assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, it is recognized that this category might be considered as eligible green or social categories by investors.* ** The project categories identified by DBJ are aligned with the Principles, except for Categories Energy Efficiency - DBJ Environmentally Rated Loan*

[7] Funds to finance or refinance companies, buildings, real estate properties or REITs that have a 'Green Star' rating under the Global Real Estate Sustainability Benchmark ("GRESB") evaluation framework.

		Program/Socioeconomic advancement and empowerment - DBJ BCM Rated Loan Program/Socioeconomic advancement and empowerment - DBJ Employee's Health Management Rated Loan Program, which are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. Part II of this report).
2. Process for Project Evaluation and Selection	✓	The Process for Project Evaluation and Selection description provided by DBJ's Sustainability Bond Framework is **aligned** with the ICMA's GBP, SBP, and SBG. The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer and clearly show the intended benefit to the relevant population.
3. Management of Proceeds	✓	The Management of Proceeds provided by DBJ's Sustainability Bond Framework is **aligned** with the ICMA's GBP, SBP, and SBG. The net proceeds collected are equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.
4. Reporting	✓	The allocation and impact reporting provided by DBJ's Sustainability Bond Framework is **aligned** with the ICMA's GBP, SBP, and SBG. The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. DBJ explains that the level of expected reporting will be at a portfolio level and the type of information that will be reported. Moreover, the Issuer

		commits to report annually, until the proceeds have been fully allocated. The Issuer is transparent on the information reported in the impact reporting, in line with best market practice.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY BOND TO THE UN SDGs[8]

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):

Obstruction	No Net Impact	Contribution

[8] The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

Each of the Green, Social and Sustainability Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

Green Eligible Categories:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Commercial Green Buildings *Funds to finance or refinance buildings which meet one of the following:* ▪ *DBJ Green Building Certification Program : 5,4 or 3 stars* ▪ *LEED (Leadership in Energy and Environmental Design): Platinum, Gold or Silver* ▪ *BREEAM (Building Research Establishment Environmental Assessment Method): Outstanding, Excellent or Very good* ▪ *CASBEE (Comprehensive Assessment System for Built Environment Efficiency): S, A or B+ Rank* ▪ *BELS (Building-Housing Energy-efficiency Labelling System): 5, 4 or 3 stars* ▪ *ZEB, Nearly ZEB, ZEB Ready and ZEB Oriented / ZEH, Nearly ZEH, ZEH Ready and ZEH Oriented (all of which represents the same or higher level of performance compared to BELS 5 Star)*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
Green Buildings ▪ *Funds to finance or refinance companies, buildings, real estate properties or REITs that have a 'Green Star' rating under the Global Real Estate Sustainability Benchmark ("GRESB") evaluation framework.*	**No Net Impact**	-

Green Buildings *Funds to finance or refinance buildings with high environmental scores, which meet one of the following;* ▪ *For commercial real estates, buildings which meet the CBI criteria set for relevant cities (Tokyo's criteria would be used for Japan)*	**Contribution**	13 CLIMATE ACTION
Green Buildings *Funds to finance or refinance buildings with high environmental scores, which meet one of the following;* ▪ *For data centers, buildings with PUE (Power Usage Effectiveness) below 1.5*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable Energy *Funds to finance or refinance renewable energy projects below the threshold of 100g of CO_2 per kWh:* *Construction, acquisition, maintenance, and/or operation of solar, wind (onshore and offshore), geothermal, run-of-river hydropower[9] and tidal and wave power assets.*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable Energy *Funds to finance or refinance renewable energy projects below the threshold of 100g of CO_2 per kWh:* *Construction, acquisition, maintenance, and/or operation of biomass power assets involving wood pellets certified with FSC, PEF or Sustainable Biomass Program (SBP).*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Renewable Energy *Funds to finance or refinance renewable energy projects below the threshold of 100g of CO_2 per kWh:*	**Contribution**	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

[9] DBJ has an exclusionary criteria which excludes large-scale (over 25MW capacity) hydropower dams.

Construction, acquisition, maintenance, and/or operation of biomass power assets involving palm kernel shell (PKS).		
Clean Transportation *Funds to finance or refinance clean transportation projects or loans to companies exclusively for use for clean transportation projects:* ▪ *Installation and/or maintenance of energy-efficient and/or electric trains* ▪ *(Re)construction, extension, maintenance, and/or upgrade of rail lines* ▪ *(Re)construction, maintenance, operation and/or upgrade of railway systems and assets* ▪ *Infrastructure and components which could help increase the transport capacity and improve the efficient movement*[10]	**Contribution**	
Energy Efficiency - DBJ Environmentally Rated Loan Program *Loans to companies that are rated A, B or C under the DBJ Environmentally Rated Loan Program*[11]	**No Net Impact**	-

Social Eligible Categories:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS

[10] DBJ confirms that project categories under Clean transportation only include railway and railway vehicles. The loan and investment for the construction of new railway vehicles to improve user convenience are eligible.

[11] The DBJ's rated loan programs (https://www.dbj-sustainability-rating.jp/en/enviro/) are structured around score indicators, and the DBJ does not require borrowers to commit to any Use of Proceeds (UoP) eligibility criteria. Consequently, the proceeds may be allocated to general corporate purposes. With that, ISS-Corporate rates such loan programs as having No Net Impact and not aligning with ICMA principles, given the lack of visibility into the financed assets or projects.

Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises *Funds to finance or refinance businesses negatively impacted by the economic slowdown from socioeconomic crisis and natural disasters through DBJ's respective socioeconomic crisis financing programs, such as the Regional Emergency Response Program*[12]	**Contribution**	1 NO POVERTY
Affordable basic infrastructure – Power cable and grid upgrade (Energy efficiency - Efficient power grid)[13] *Funds to finance or refinance electric power cable and grid extensions and upgrades mainly for disaster preparation or reconstruction (the extensions and upgrades may also be included where it contributes to higher efficiency of the grid, and to facilitate the connection of renewable energy sources to the general network)*	**Contribution**	10 REDUCED INEQUALITIES
Socioeconomic advancement and empowerment - DBJ BCM Rated Loan Program *Loans to companies rated A, B or C under the DBJ BCM Rated Loan Program*[14]	**No Net Impact**	-
Affordable housing *Funds to finance or refinance housing business serving vulnerable populations, such as affordable housing*[15]	**Contribution**	1 NO POVERTY; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES

[12] DBJ confirms that they make loans only to corporations and not to individuals. The target population of this finance program is domestic companies and/or Japanese people damaged by the crisis. https://www.dbj.jp/en/service/program/emergency/

[13] The entire country of Japan is at risk of various disasters, such as earthquakes and tsunamis. The proceeds will be solely allocated to enhancing disaster resilience for the transmission of electricity.

[14] The DBJ's rated loan programs (https://www.dbj-sustainability-rating.jp/en/bcm/) are structured around score indicators, and the DBJ does not require borrowers to commit to any Use of Proceeds (UoP) eligibility criteria. Consequently, the proceeds may be allocated to general corporate purposes. With that, ISS-Corporate rates such loan programs as having No Net Impact and not aligning with ICMA principles, given the lack of visibility into the financed assets or projects.

[15] Affordable housing includes light-cost home for the aged (a facility that aims to provide meals and other necessary daily conveniences at no charge or at a low cost; Article 20-6 of the Elderly Welfare Law).

Access to essential services - healthcare *Funds to finance or refinance loans to domestic healthcare companies, which meet one of the following criteria;* *Financing, acquisition, maintenance and operation of public hospitals and hospitals run by a social medical care corporation or a social welfare corporation and nursing homes*	**Contribution**	
Access to essential services - healthcare *Funds to finance or refinance loans to domestic healthcare companies, which meet one of the following criteria;* *Financing of medical care facilities, medical equipment and product manufacturers that contribute to treating and preventing the spread of infectious diseases and financing of pharmaceutical companies contributing to testing and R&D toward alleviating symptoms and preventing the spread of infectious diseases*	**Contribution**	
Socioeconomic advancement and empowerment - DBJ Employee's Health Management Rated Loan Program *Loans to companies rated A, B or C under the DBJ Employee's Health Management Rated Loan Program*[16]	**No Net Impact**	-

2. <u>**Improvements of operational performance (processes)**</u>

The below assessment aims at qualifying the direction of change (or "operational impact improvement") resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer's clients.

[16] The DBJ's rated loan programs (https://www.dbj-sustainability-rating.jp/en/health/) are structured around score indicators, and the DBJ does not require borrowers to commit to any Use of Proceeds (UoP) eligibility criteria. Consequently, the proceeds may be allocated to general corporate purposes. With that, ISS-Corporate rates such loan programs as having No Net Impact and not aligning with ICMA principles, given the lack of visibility into the financed assets or projects.

DBJ finances operations/processes in third-party sectors which are not listed in the Issuer's Framework. As such, ISS ESG is not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT[17]	SUSTAINABLE DEVELOPMENT GOALS
Green Building[18] *Funds to finance or refinance buildings with high environmental scores, which meet e following:* ▪ *Based on Tokyo Metropolis Building Environment plan system, both Perimeter Annual Load ("PAL") reduction rate and Energy Reduction Ratio ("ERR") are in the top two levels for retrofitting existing buildings to be more energy efficient*	✓	

[17] Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.
[18] The green building projects financed under this framework could improve the energy efficiency of existing buildings.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. DBJ confirms that vast majority of the assets are and will be located in Japan.

ASSESSMENT AGAINST KPIs
ESG guidelines into financing process
Development Bank of Japan Inc. has an overarching Policy on Sustainability,[19] which states the Bank's objectives in sustainability. Under the Policy, DBJ has developed the Environmental and Social Management Policy for Financing and Investment. The Environmental and Social Management Policy for Financing and Investment[20] outlines the exclusion criteria of the bank when financing projects, as well as policies for specific sectors. The policy also outlines that the bank will conduct additional due diligence for investments and loans regardless of sector for businesses that negatively impact the local communities of indigenous peoples and businesses that expropriate land and force the relocation of residents. ESG due diligence process for transactions are conducted on a case-by-case basis. Borrowers of DBJ are required to submit necessary information which depends on the nature of the project and, if necessary, a due diligence report prepared by a qualified third party upon the application of loan. In addition to the due diligence report, projects located in Japan that meets the definition outline in the Environmental Impact Assessment Law[21] are required to conduct Environmental Impact Assessment. Further, DBJ confirms that local municipalities in Japan have their own additional regulations for Environmental Impact Assessment, which the borrower is required to follow. DBJ then reviews the report and conducts interviews with the borrower. In case there are potential red flags pointed out by the due diligence report, DBJ requires the borrower to explain the associated risks and mitigation plans. DBJ also checks for compliances with relevant host country laws, regulation and permits relevant to environmental and social issues in the due diligence process. Further, compliance to the relevant laws and regulations are incorporated into the covenants. While there is no systematic definition of the project size, DBJ confirms that it will take into consideration the size of the project and the potential risks involved in the project to decide whether to engage with an external advisor/consultant in the due diligence process. DBJ confirms that in many cases of relatively large-sized project/asset finance, DBJ will engage with and external advisor/consultant in the due diligence process.

[19] Development Bank of Japan, Policy on Sustainability, https://www.dbj.jp/en/sustainability/management/regular.html
[20] Development Bank of Japan, Our Environmental and Social Management Policy for Financing and Investment Activity, https://www.dbj.jp/en/sustainability/effort/resolution/investment.html
[21] Environmental Impact Assessment Division Environmental Policy Bureau Ministry of the Environment Government of Japan, Environmental Impact Assessment in Japan, https://www.env.go.jp/en/policy/assess/pamph.pdf

In addition to the Environmental and Social Management Policy for Financing and Investment, DBJ has adopted the Equator Principles.[22] DBJ will conduct environmental and social risks evaluation for transactions that meets the criteria as outlined in the Principles.[23] To facilitate the process, DBJ set up the Environmental & Social Assessment Office. Based on the information provided by the borrower, the business units, Structured Finance Department and the Environmental & Social Assessment Office will conduct an assessment and categorize the environmental and social risks in line with the Equator Principles categorization (A, B, C). DBJ confirms that in addition to the forementioned internal departments, for projects that fall under Equator Principles, third party professionals are involved in the due diligence process.

Specifically for projects that falls under Categories A and B of Equator Principles, DBJ requires the borrower to make covenants in the financing documentation to ensure compliance of Principle 2 to 10 of Equator Principles. For category A and, as appropriate, B projects, DBJ also confirms that it requires the borrower to provide reports prepared by external experts or by the borrower's inhouse staff.

DBJ confirms that for all assets financed under the Framework, it will not participate in the project in case the project involves significant adverse environmental and social risks. In case the project presents a manageable potential negative environmental and social impact, DBJ may incorporate necessary covenants in the transaction, such as obtaining/maintaining permits, or providing periodic environmental or social reports. DBJ explains that the requirements of disclosure of the report is different for each case, as borrowers are required to report on the risks that has been identified in the due diligence report. DBJ confirms that it rarely conducts audits and relies on monitoring report provided by qualified third party, but explains that there are cases where external advisors/ consultants are involved in the monitoring phases. In case noncompliance are found, DBJ has the right to call an event of default or require the borrower to take necessary actions. DBJ confirms that majority of the asset financed under this framework do not fall under the criteria set in the Equator Principles.

Labour, Health and Safety	
✓	Majority of assets are located in Japan where high labor, health and safety standards ensured by national legislation, as per ISS-Corporate methodology. In addition, DBJ is a member of the Equator Principles which apply respective labor, health and safety standards for in-scope projects. DBJ confirms that vast majority of the eligible assets are located in Equator Principles Designated Countries where high health, safety and labor standards are ensured by the relevant national legislation.

[22] Development Bank of Japan, DBJ and the Equator Principles, https://www.dbj.jp/en/sustainability/collaboration/initiative/equator_principles.html
[23] Equator Principles, July 2020, Equator Principles 4

It should be noted, while it only represents a minority of the eligible assets under this Framework, that DBJ is also involved in transactions across the globe where national legislations do not necessarily ensure high health, safety and labor standards.

Biodiversity	
○	DBJ does not have measures in place ensuring that assets financed under this framework feature the respect of biodiversity as an integral part of the planning process. There is limited information regarding DBJ's Environmental standards for projects out of the scope of Equator Principles. DBJ confirms that majority of the asset financed under this framework do not meet the financing criteria set in the Equator Principles. It is unclear whether DBJ has policies to ensure the protection of critically endangered, endangered, and vulnerable species, and setting aside of biodiversity areas aside from the exclusion criteria that is publicly disclosed on its website. However, it should be noted that DBJ has set exclusion criteria for all its financing activities to protect biodiversity.[24] DBJ confirms that it does not invest or extend loans to business or projects that have a negative impact on wetlands designated under the Ramsar Convention, businesses that have a negative impact on World Heritage Sites designated by UNESCO and businesses that infringe on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention). Additionally, DBJ is a member of the Equator Principles which apply respective Environmental standards for in-scope projects. DBJ confirms that vast majority of the eligible assets are located in Equator Principles Designated Countries, as such high standards with regard to environmental impacts are considered to be ensured by Designated Countries' national legislation should the project fall within the scope of Equator Principles.

Community Dialogue	
○	DBJ does not have measures in place ensuring that assets financed under this framework feature community dialogue as an integral part of the planning process. There is limited information regarding DBJ's Social standards for projects out of the scope of Equator Principles. It is unclear whether DBJ has policies to provide the sound information of communities, Community advisory panels and committees, surveys and dialogue platforms, and grievance mechanisms and compensation schemes.

[24] Development Bank of Japan, Our Environmental and Social Management Policy for Financing and Investment Activity, https://www.dbj.jp/en/sustainability/effort/resolution/investment.html

It should be positively noted that DBJ has publicly stated in its website that it will not finance projects or businesses that negatively impact the local communities of indigenous peoples or expropriate land and force the relocation of residents.[25]

Further, DBJ is a member of the Equator Principles which apply respective social standards for in-scope projects. DBJ confirms that vast majority of the eligible assets are located in Equator Principles Designated Countries, as such high standards with regard to environmental impacts and impacts on the communities are considered to be ensured by national legislation should the project falls within the scope of Equator Principles.

However, DBJ confirms that majority of the asset financed under this framework do not fall under the criteria set in the Equator Principles.

Inclusion

○ DBJ does not have policies in place to ensure universal access to the service, especially to vulnerable or disadvantaged populations. There is limited information on whether DBJ has measures in place to ensure that some vulnerable or disadvantaged populations are excluded due to the costs, geography of the assets financed under this Framework.

Exclusion criteria

DBJ's due diligence assessment includes a negative screening of exclusion criteria. The Bank excludes the following:

- Businesses dedicated to the manufacture or retail sale and distribution of weapons and small arms; or businesses dedicated to the production of products and services supporting the manufacture or retail sale of weapons and small arms.
- Extraction, refining, or transportation of coal.
- Ownership or operation of dedicated gambling establishments/activities.
- Biomass plants designed primarily to consume food stocks.
- Large-scale (over 25MW capacity) hydropower dams.

DBJ will not invest in or extend loans to business or businesspeople that may pose a significant risk or have a negative impact on the environment or society through their operations.

- Businesses that have a negative impact on wetlands designated under the Ramsar Convention.

[25] Development Bank of Japan, Our Environmental and Social Management Policy for Financing and Investment Activity, https://www.dbj.jp/en/sustainability/effort/resolution/investment.html

- Businesses that have a negative impact on World Heritage Sites designated by UNESCO.
- Businesses that infringe on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention).
- Businesses that engage in child labor or forced labor.

PART III: CONSISTENCY OF SUSTAINABILITY BOND WITH DEVELOPMENT BANK OF JAPAN INC'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	In May 2017, DBJ established the Policy on Sustainability,[26] recognizing climate change, natural capital and biodiversity, circular economy, and human rights as DBJ's priority issues for achieving a sustainable society. DBJ's business activities are premised on respect for human rights, along with the global issues of climate change and natural capital and biodiversity. DBJ also acknowledges the importance of addressing the circular economy, where economic activities are connected to natural capital. DBJ intends to contribute to the realization of a sustainable society through solving regional and customer challenges in collaboration with its stakeholders.
ESG goals/targets	DBJ has set targets for achieving net zero in-house emissions (Scopes 1&2 emissions) by fiscal year 2030. DBJ intends to pursue net zero emissions by 2050, not only for Scope 1 (direct emissions) and Scope 2 (indirect emissions) but also for Scope 3 (only including Scope 3 Category 15: emissions from investments and loans). The Issuer reports annually on the progress towards the target for GHG Emissions in Scopes 1&2 emissions, as well as for Scope 3 Category 15 emissions for the electric power sector, following the methodology of the Global GHG Accounting and Reporting Standard for the Financial Industry, which was developed by the Partnership for Carbon Accounting Financials (PCAF).
Action plan	The Issuer has formulated various measures that address its key management issues deemed to be material by the Issuer, which coincides with the Issuer's ESG-related goals. Specific measures include making investments and loans that contribute to transitions

[26] Development Bank of Japan Inc., 1 June 2017, Policy on Sustainability, https://www.dbj.jp/en/sustainability/management/regular.html

	while maintaining stable supply in the energy sector, launching initiatives focused on natural capital, biodiversity, and circular economy, investing in startups in the climate and deep technology sectors, deploying safety net functions, etc. The DBJ Group is advancing green, transition, and innovation initiatives through its GRIT Strategy, and intends to make investments and loans totaling ¥5.5 trillion over the five years of the strategy from 2021FY.[27]
Climate Transition Strategy	DBJ provides financial support for initiatives that lead to reductions in GHG emissions based on the medium- to long-term transition plans of customers in high-emitting industries. DBJ aims to achieve net zero GHG emissions by 2050 by promoting transitions to decarbonization, including within regions. In an environment where uncertainties such as rising fuel prices and geopolitical risks are increasing, DBJ confirms to provide financial support to high-emitting industries for investments in both decarbonization and a sustainable society. DBJ views it as an essential step in the transition to a decarbonized society, even though it may increase the GHG emissions allocated to DBJ. DBJ therefore intends to proactively support investments that facilitate transitions by customers, keeping in mind DBJ's interim reduction target. In order to address decarbonization across industries and regions, DBJ intends to solve problems through financing and strengthen their support in terms of proposals to stakeholders in industries and regions, as well as offering knowledge. Moreover, DBJ intends to actively support its customers in terms of providing capital to startups working on innovations, such as climate tech and new technologies like nuclear fusion.
Top four areas of breaches of international norms and ESG controversies in the industry[28]	Failure to mitigate climate change impacts, Failure to respect indigenous rights, Sexual harassment in the workplace, Failure to respect the right to an adequate standard of living.

[27] For more details, please visit the Issuer's Integrated Report 2023 at https://www.dbj.jp/en/pdf/CSR_disclo/2023/DBJIntegratedReport2023.pdf.
[28] Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Development Banks industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer reports on its ESG performance and initiatives on an annual basis. The report is prepared by referencing the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), Guidance for Integrated Corporate Disclosure and Company–Investor Dialogue for Collaborative Value Creation; recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), and standards from the Sustainability Accounting Standards Board (SASB).
Industry associations, Collective commitments	The Issuer/Borrower is a signatory of the UN Principles of Responsible Investment and Poseidon Principles, a participant of the United Nations Global Compact, and a member of the Japan Business Initiative for Biodiversity and Human Capital Management Consortium.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	The Issuer has issued sustainability bonds every year since 2015. The Issuer's most recent issuance of a sustainability bond was in 2023, with an issue amount of EUR 500 million. For more information regarding the Issuer's past issuances, please visit https://www.dbj.jp/en/ir/credit/sri/.

Rationale for issuance

Through the issuance of Sustainability Bonds, DBJ aims to contribute to the realization of a sustainable society and environment as a responsible issuer. DBJ Sustainability Bond Framework aims to help DBJ promote its GRIT strategy and to achieve the goal of net zero emissions of greenhouse gases by 2050.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds, Social Bonds and Sustainability Bonds are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Development Bank of Japan Inc. commissioned ISS-Corporate to compile a Green, Social and Sustainability Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability Bond Framework aligns with the ICMA'S Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines and to assess the sustainability credentials of its Green, Social and Sustainability Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- ICMA's Green Bond Principles
- ICMA's Social Bond Principles
- ICMA's Sustainability Bond Guidelines

ISSUER'S RESPONSIBILITY

Development Bank of Japan Inc.'s responsibility was to provide information and documentation on:

- Framework
- Eligibility Criteria
- Documentation of ESG risks management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green, Social and Sustainability Bond to be issued by Development Bank of Japan Inc. has been conducted based on a proprietary methodology and in line with the ICMA'S Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

The engagement with Development Bank of Japan Inc. took place from January to April 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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