DEVELOPMENT BANK OF JAPAN INC. SUSTAINABILITY BOND

FRAMEWORK OVERVIEW AND SECOND OPINION BY SUSTAINALYTICS

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SUSTAINALYTICS

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1. INTRODUCTION

Development Bank of Japan Inc. ("DBJ") issued a Green Bond in 2014 and a Sustainability Bond in 2015 and 2016[1], and has developed an updated sustainability bond framework under which it is planning to issue a sustainability bond (the "DBJ Sustainability Bond"). DBJ has engaged Sustainalytics, subsequent to the engagement in 2015, to provide a second-party opinion on its framework (the "DBJ Sustainability Bond Framework") and the framework's environmental and, where relevant, social credentials. As part of this engagement, Sustainalytics held conversations with various members of DBJ's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the DBJ Sustainability Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains two sections: Framework Overview – summary of DBJ Sustainability Bond Framework and Sustainalytics' Opinion – an opinion on the framework.

2. OVERVIEW OF ISSUER

DBJ is a 100% government-owned policy-based financial institution headquartered in Tokyo, Japan. The bank provides domestic and global financial services to its clients, operating across Japan, the U.S., Europe and Asia. Throughout its history, DBJ has been devoted to regional development, environmental conservation, basic social infrastructure, and the creation of technology and industry.

Japan Development Bank, the predecessor of DBJ, was established in 1951 to facilitate the reconstruction of Japan after the Second World War, specifically in relation to securing a sustainable energy industry. Soon after, its activities expanded to include infrastructure development, both nationally and internationally. During the 1970s and 1980s, as a result of growing social imbalance and increasing concerns in relation to the stable supply of energy, Japan Development Bank focused its efforts on decrease of the gap in standards of living, pollution control, and regional and urban developments. During the late 80s and 90s Japan Development Bank continued to support improvements to social capital. In 1999, Japan Development Bank and Hokkaido Tohoku Development Finance Public Corporation merged to form DBJ. DBJ has focused on three areas: community development, environmental conservation and sustainable societies, and the creation of new technologies and industries. In 2008, DBJ was established under the Development Bank of Japan Inc. Act.

According to its business model, DBJ "works to resolve the issues its clients face by providing specialised financial services involving integrated investments and loans." It and its affiliates provide and integrate the following services:

- Loans: Provision of medium- and long-term financing, as well as project financing and other forms of structured and/or subordinated financing.
- Investment: Provision of mezzanine and equity financing

[1] DBJ Sustainability Bond, Development Bank of Japan
http://www.dbj.jp/en/ir/credit/sri/index2.html

- Consulting/Advisory services: Arrangement of structured financing, provision of M&A advisory services, applying DBJ's industry research function and expertise in environmental and technology evaluations.
- Asset management services: Provision of investment opportunities and supporting services.

Beginning with the anti-pollution measures implemented in the late 1960's and early 70's, DBJ has provided more than 3 trillion yen in investments and loans for environmental measures. Furthermore, DBJ states that it has advanced its commitment on sustainability by issuing the inaugural green bond as well as the first and second sustainability bond in 2014, 2015 and 2016, respectively.

According to the fourth medium-term management plan for the year ending 31 March 2018 through the year ending 31 March 2020, DBJ also states that it plans to continue to issue a DBJ Sustainability Bond, under the Policy on Sustainability, as it seeks to diversify its investor base, connect dedicated investor demand with the part of its growing sustainable business, and contribute to the sustainable development of Japan and the world.

3. FRAMEWORK OVERVIEW

For the purpose of issuing the DBJ Sustainability Bond, DBJ has developed the following DBJ Sustainability Bond Framework, which addresses the four key pillars of the Green Bond Principles ("GBP") and the Sustainability Bond Guidelines: use of proceeds, project evaluation and selection process, management of proceeds, and reporting.

3.1 Use of Proceeds

The proceeds of the DBJ Sustainability Bond will be allocated towards financing or refinancing projects or businesses that meet the following eligibility criteria.

Eligibility Criteria

The net proceeds, or an amount equal to the net proceeds, of the issuance of the DBJ Sustainability Bonds will be allocated, by way of various financial instruments, exclusively to finance or refinance, in whole or in part, existing and/or future projects or businesses which meet the following Eligibility Criteria (the "DBJ Sustainability Bond Eligibility Criteria" and the financing(s) satisfying the DBJ Sustainability Bond Eligibility Criteria is(are) defined as the "Eligible Financing(s)":

1. **Loans to companies that are rated A, B or C under the DBJ Environmentally Rated Loan Programme ("ERLP")[2].**

2. **Funds to finance or refinance buildings that are rated 3, 4 or 5 stars under the DBJ Green Building Certification Programme ("GBC")[3] .**

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.**

4. **Funds to finance or refinance renewable energy projects:**
    a. Financing or Refinancing construction and/or operation of solar, wind (onshore and offshore), biomass, geothermal, run-of-river hydropower, and tidal and wave power assets

5. **Funds to finance or refinance clean transportation projects or loans to companies exclusively for use for clean transportation projects[4]:**
    a. Installation and/or maintenance of energy-efficient and/or electric trains

[2] http://www.dbj.jp/en/service/finance/enviro/index.html

[3] http://www.dbj.jp/en/service/finance/g_building/index.html

[4] DBJ confirms that in lending to companies, it is able to track use of loans from sustainability bond proceeds to ensure that the loans are directed towards eligible clean transporation projects. DBJ also confirms that the amount of loans from sustainability bond proceeds will be equal to or less than the amount of CAPEX or OPEX spent by companies on eligible clean transportation projects.

b. (Re)construction, extension, maintenance, and/or upgrade of rail lines
c. (Re)construction, maintenance, operation and/or upgrade of railway systems and assets
d. Infrastructure and components which could help increase the transport capacity and improve the efficient movement of people and freight

For methodological details of eligibility criteria, please see Appendices 1, 2 and 3.

Exclusionary Criteria

DBJ has developed a list of exclusionary criteria to be applied to the allocation of the proceeds from the DBJ Sustainability Bond issuance. In this regard, DBJ commits to not knowingly allocating the net proceeds for the financing of assets/projects/businesses included in the exclusionary criteria.

1. 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
2. Extraction, refining, or transportation of coal
3. Ownership or operation of dedicated gambling establishments/activities
4. Biomass plants designed primarily to consume food stocks
5. Large-scale hydropower dams

3.2 Project Evaluation and Selection Process

Application of Eligibility and Exclusionary Criteria in Project Selection

DBJ's Treasury team is responsible for the selection of financial assets that meet the DBJ Sustainability Bond Eligibility Criteria and for the allocation of the DBJ Sustainability Bond proceeds to the selected financial assets. All financings and corresponding approved ratings (only applicable to the ERLP and GBC programmes as well as the GRESB framework) are tracked in an internal management system. This allows DBJ's Treasury team to accurately identify and select the financial assets in accordance with the DBJ Sustainability Bond Eligibility Criteria and allocate the DBJ Sustainability Bond proceeds appropriately. These eligible assets/projects/businesses and the net proceeds, or an amount equal to the net proceeds, allocated to them, are recorded and maintained in the internal management systems, which is used for tracking and reporting purposes and appropriately updated from time to time.

Sustainability Objectives

DBJ has a mission "Applying financial expertise to design the future", and states that it has an aim of conducting business in a manner which resolves the issues of its clients and the larger society and realizes the sustainable development of Japan and the world[5]. In support of its mission, DBJ has developed 'the Long Term Vision 2030'[6] and further sets out the Fourth Medium-Term Management Plan for the three-

[5] Corporate Philosophy, Development Bank of Japan
http://www.dbj.jp/en/co/info/philosophy.html and http://www.dbj.jp/co/info/philosophy.html
[6] Integrated Report 2017 (Japanese), Development Bank of Japan

year period from FY 2017 throughout FY 2019, which aims to provide solutions for the issues of client and society, and makes efforts towards sustainable growth.

In line with its mission, under the Policy on Sustainability, DBJ pursues and implements sustainability management.[7] DBJ defines sustainability management as management directed at creating a sustainable society and realizing economic and social value, while consistently improving the process of value creation through communication with stakeholders. The Sustainability Committee discusses and considers the sustainable management undertaken by DBJ.

With an aim to achieve this sustainability goal, DBJ has aligned with UNEP (United Nations Environment Programme) since signing up to the UNEP Statement by Financial Institutions on the Environment and Sustainable Development in 2001.[8] Following the Policy on Sustainability and Environmental Management[9], DBJ, through its business activities including investment, lending, consulting/advisory and asset management, tackles environmental challenges with the promotion of global warming prevention, a recycling-oriented society and other activities, as well as gives consideration to social challenges such as human rights, which are both associated with its clients, employees, financial markets, and investors.

Process to Mitigate Environmental and Social Risks

DBJ has the following processes that consider management of environmental and social risks in its financing process:

- DBJ periodically monitors if borrowers comply with applicable regulations and laws (including environmental laws), and if they obtain and maintain governmental permits, approvals, licenses and authorizations. If a breach is expected to have a materially adverse effect, and not cured within a grace period, DBJ is entitled to request prepayment subject to contractual arrangements.
- In respect of asset/structured/project finance, in some cases, DBJ engages an independent consultant to undertake due diligence on environmental and social aspects. If this is not the case, DBJ assesses the capability and reliability of the borrower in relation to identifying and managing environmental and social risks.
- The Sustainability Committee, responsible for considering the incorporation of sustainability and ESG insights into the DBJ's usual business activities, discusses and considers the balance between economic and social value (i.e. sustainability management), and maintains communications with stakeholders on this topic.

3.3 Management of Proceeds

The net proceeds, or an amount equal to the net proceeds, from the DBJ Sustainability Bond issuance will be held and tracked in DBJ's treasury until they are allocated to the eligible projects and/or businesses. So long as the DBJ Sustainability Bond is outstanding, DBJ aims to allocate the net proceeds, or an amount equal to the net proceeds, of the DBJ Sustainability Bond towards the eligible projects and/or businesses.

http://www.dbj.jp/pdf/CSR_disclo/2017/01.pdf

[7] Article 2 of the DBJ Policy on Sustainability

8 http://www.dbj.jp/en/co/csr/responsibility/management.html

[9] http://www.dbj.jp/en/co/csr/responsibility/management.html

Unallocated proceeds will be held in cash and/or a money-market portfolio which will be tracked by DBJ Treasury Department. DBJ has internal management systems to track the amount of funds allocated to each of the Eligible Financings.

3.4 Reporting

DBJ will report annually on its website the following information until full allocation of the net proceeds, or an amount equal to the net proceeds, from the DBJ Sustainability Bond issuance:

1. Allocation in aggregate to each eligibility criterion, and number of businesses/assets/projects funded under each eligibility criterion
2. The estimate share of financing or refinancing
3. The amount of unallocated proceeds and the investments in which these proceeds are held

Furthermore, DBJ has committed to reporting on the following additional information and impact metrics, where relevant:

Type of Eligible Financings	Additional Information to be reported
ERLP	▪ Certification vintage ▪ Distribution by sector ▪ Subject to confidentiality and clients' prior consent, select project summaries and key factors evaluated on specific green projects undertaken or implemented by the clients
GBC	▪ Certification vintage ▪ Subject to confidentiality and clients' prior consent, two or three case studies of underlying green buildings funded by the relevant Sustainability Bond
GRESB	▪ Certification vintage ▪ Subject to confidentiality and clients' prior consent, two or three case studies of underlying REITs and real estate properties funded with the relevant Sustainability Bond
Green Projects - Renewable Energy, and Clean Transportation	▪ Distribution by sub-sector and location ▪ Subject to confidentiality and clients' prior consent, high-level description of select projects ▪ Where feasible, quantitative assessment of expected positive environmental impacts on an aggregate basis ▪ KPI: estimated carbon avoidance

4 SUSTAINALYTICS' OPINION

Section 1: Sustainalytics' Opinion on the DBJ Sustainability Bond Framework

Overall, Sustainalytics is of the opinion that the DBJ Sustainability Bond Framework creates meaningful impact, is transparent, and aligns with the Green Bond Principles 2017 and the Sustainability Bond Guidelines 2017. Some considerations in Sustainalytics' assessment are listed below:

- Renewable Energy and Clean Transportation are recognized by the 2017 Green Bond Principles as project categories with clear environmental impact.
- Sustainalytics has reviewed and provided an assessment of the ERLP, GBC, and GRESB programs, and considers these ratings and the associated methodologies as a credible and robust assessment of companies' sustainability performance.
- DBJ's disclosure and processes with respect to management of proceeds and project selection process are in line with market practices.
- Sustainalytics encourages DBJ where possible to report on quantitative KPIs such as estimated amount of CO_2 avoided.

Alignment with Green Bond Principles 2017/Sustainability Bond Guidelines 2017

Sustainalytics recognizes that the DBJ Sustainability Bond is not exclusively project based, i.e. DBJ may also allocate the net proceeds to finance lending and investment activities in companies. Sustainalytics recognizes that (i) the Green Bond Principles and Sustainability Bond Guidelines prefer project based lending, and that (ii) in general, there is lesser transparency associated with reporting on non-project based financing. However, DBJ has confirmed to Sustainalytics a commitment to disclosure and transparency, and has also made a commitment, where and to the extent possible, to track projects (including without limitation capital expenditure, operation, maintenance and R&D) to which the net proceeds, or an amount equal to the net proceeds, of the DBJ Sustainability Bond are (deemed to be) allocated, through their corporate lending and investment activities. Sustainalytics also recognizes that DBJ is subject to confidentiality constraints when reporting on the DBJ Sustainability Bond. Taking into account this constraint, their commitment and the nature of the relevant eligible projects/businesses, Sustainalytics is of the opinion that the DBJ Sustainability Bond is transparent.

Based on Sustainalytics' assessment of the ERLP, GBC, and GRESB programs, Sustainalytics is of the opinion that the DBJ Sustainability Bond creates impact in the context of particularly Japan as well as the world, and contributes to DBJ's sustainability strategy and objective.

While the DBJ Sustainability Bond is not exclusively project based, DBJ may allocate the net proceeds to finance lending and investment activities to companies that meet well established impact criteria. Sustainalytics considers the DBJ Sustainability Bond to be transparent and to create credible impact. In this sense, Sustainalytics is of the opinion that the DBJ Sustainability Bond aligns with the Green Bond Principles 2017, and the Sustainability Bond Guidelines 2017. For details please see Appendix 6.

Sustainalytics' Opinion on the strength of the ERLP, GBC, and GRESB programs

Sustainalytics is of the opinion that the ERLP methodology adequately assesses companies on the key environmental issues and is effective in identifying the environmental leaders. For a detailed assessment of the ERLP see Appendix 4.

Sustainalytics is of the opinion that by selecting buildings with 5, 4 or 3 stars of the GBC programme, DBJ is allocating the net proceeds, or an amount equal to the net proceeds of the DBJ Sustainability Bond to the buildings with top environmental performance in Japan. For a detailed assessment of the GBC see Appendix 5.

Sustainalytics' assessment of GRESB

Sustainalytics reviewed the GRESB Framework in detail and compared it with its own ESG rating methodology to determine if the GRESB adequately evaluates real estate assets on key environmental and sustainability metrics.

Sustainalytics considers the GRESB rating to be robust for the following reasons:

- The methodology that GRESB employs considers issues similar to the Sustainalytics ESG rating framework and green bond issuer assessment. A strong and typical ratings methodology rates companies in the areas of commitment, disclosure, and performance. GRESB's methodology assesses companies in the abovementioned areas, under the broad themes of management and policy, and implementation and measurement.
- GRESB rates REITs, real estate property funds and developers on a score of 0-100. The rated are divided into 4 rating categories, 'Green Starter, 'Green Walk', 'Green Talk', and 'Green Star', where the category of 'Green Star' represents the highest scoring (i.e. with a score of a minimum of 50 under the two themes of Management and Policy, and Implementation and Measurement).
- The 'Green Star' label not only identifies top performers, but also recognizes the rated entities for integration of sustainability issues. Sustainalytics is of the opinion that such recognition encourages further disclosure and improvement around performance of these sustainability issues.
- This is validated by GRESB, which confirms that the average GRESB Score currently stands at 56, as compared to 47 in 2014.[10] GRESB has collected data to demonstrate that companies, real estate funds and REITs reporting to GRESB improve performance over time. For example, GRESB states that entities reporting for 7 years outperform the global average by 12 points.
- While nature of data collection and submission is voluntary , GRESB verifies submitted data;
- GRESB assessment areas include market best practices like LEED certifications;
- The methodology and indicators are aligned with credible third-party norms like Global Reporting Initiative (GRI) and PRI;
- GRESB collects and reports on data on key quantitative performance indicators, like total water saved, and total amount of CO2 emissions mitigated.

[10] https://api.gresb.com/results2015/results

Based on the above, Sustainalytics considers the GRESB rating meaningful and credible and that "Green Star" rating appropriately identifies leaders in green/sustainable building horizon in Japan. By financing only 'Green Star' rated REITs, companies or real estate funds DBJ is aligned with industry best practice.

Section 2: Sustainability Performance of the Issuer

DBJ has set clear sustainability commitments though its policies and management plan. DBJ's Sustainability policy emphasizes on:

- identifying material sustainability issues in the relevant fields based on trends in government policy as well as legislation and norms regarding ESG criteria in Japan and throughout the world[11];
- incorporating the recognition of the necessity for a sustainable society into its investing, lending, asset management and other business activities[12]; and
- encouraging and supporting, by way of financing activities (particularly via certification programs[13]) and academic research, the sustainable management[14] and the improved ESG performance of its clients[15],

Furthermore, DBJ develops the Fourth Medium-term Management Plan for the three-year period from FY 2017 throughout FY 2019, which aims to contribute to the creation of a sustainable society. The plan lays out the initiatives including the DBJ Environmentally Rated Loan and DBJ Green Building Certification programmes, as well as the integrated financial services in infrastructure such as energy, transportation and urban development, to further create both economic and social value.

As reflected above, DBJ has strong sustainability commitments for achieving a sustainable society while outlining a sustainability strategy through its mission, policies, and management plan. Additionally, the Policy on Sustainability and the current management plan clearly demonstrate its commitments on contributing to positive environmental and social impacts into its stakeholders and society through its financial services such as investment, lending and asset management. Sustainalytics is of opinion that the DBJ Sustainability Bond Framework is aligned with the DBJ's mission, the Policy on Sustainability as well as the Fourth Medium-term Management Plan, and DBJ is well positioned to issue a sustainability bond.

Sustainalytics is of the opinion that the DBJ Sustainability Bond Framework is aligned with DBJ' corporate mission and sustainability and management strategies.

[11] Policy on Sustainability, Development Bank of Japan
http://www.dbj.jp/en/co/csr/regular/index.html
[12] Policy on Sustainability, Development Bank of Japan
http://www.dbj.jp/en/co/csr/regular/index.html
[13] Certification Programs, Development Bank of Japan
http://www.dbj.jp/en/service/finance/rating/index.html
[14] DBJ's Environmental Management, Develppment Bank of Japan
http://www.dbj.jp/en/co/csr/responsibility/management.html
[15] Integrated Report 2017 (Japanese), Development Bank of Japan
http://www.dbj.jp/pdf/CSR_disclo/2017/01.pdf

Well positioned to address common environmental and social risks associated with the projects

DBJ's management of environmental and social risks in its financing process is described in this framework. Overall, Sustainalytics does not identify considerable environmental and social risk with respect to lending to sustainably rated companies through the ERLP, GBC, and GRESB programs. Financing construction of clean transportation and renewable energy can be associated with certain environmental and social risks such as loss of biodiversity, pollution, and worker health and safety. Given the use of proceeds, Sustainalytics is of the opinion that DBJ's general process to consider environmental and social factors in its financing process is sufficient.

Section 3: Impact of Use of Proceeds

Importance of green real estate in climate change mitigating in Japan

Japan has developed the Plan of Global Warming Countermeasures that sets the reduction targets of greenhouse gas (GHG) emission for medium and long term, in which the country is committed to reducing 26 % GHG emissions from 2013 level by 2030 in line with the Paris Agreement (as a medium term goal) and further pursing 80% reduction by 2050 (as a long term goal)[16]. As the main policies and measures, the plan addresses the promotion of compliance of energy saving standards for new buildings, energy saving renovation of existing buildings, and Zero Energy Buildings, as well as the intensive management of energy by adopting building energy management system and energy saving diagnostics[17]. These government measures have led to an increases pressure for the buildings to be environmentally sustainable and specially to contribute to the national anti-global warming plan and GHG reduction targets.

Given this context, Sustainalytics is of the opinion that financing sustainable buildings, real estate properties and REITs will create meaningful environmental impact in an important area for Japan, and will contribute to reduction of GHG emission targets in the country.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The DBJ Sustainability Bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
DBJ Environmentally Rated Loan Programme (ERLP)	13. Climate Action	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

[16] Cabinet Decision on the Plan for Global Warming Countermeasures, Ministry of Environment, Japan
https://www.env.go.jp/en/headline/2238.html

[17] Overvoew of the Plan for Global Warming Countermeasures, Ministry of Environment, Japan
https://www.env.go.jp/press/files/en/676.pdf

DBJ Green Building Certification Programme	13. Climate Action	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
Global Real Estate Sustainability Benchmark (GRESB)	13. Climate Action	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning
Clean Transportation	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

Conclusion

While recognizing that the DBJ Sustainability Bond is not exclusively project based, i.e. DBJ may also allocate the proceeds to finance lending and investment activities to companies, Sustainalytics considers the bond to be transparent and to create credible impact. This assessment is based on: (i) DBJ's stated commitment to transparency and disclosure given the nature of the relevant eligible projects/businesses, and its confidentiality constraints (ii) Sustainalytics' assessment of DBJ's processes with respect to management of proceeds and project selection process as aligned with market practices, (iii) Sustainalytics' assessment of the ERLP, GBC and GRESB programmes as a credible and robust assessment of companies' sustainability performance and impact, and (iv) the contribution of the DBJ Sustainability Bond to the organization's sustainability strategy and objective. In this sense, Sustainalytics is of the opinion that the DBJ Sustainability Bond aligns with the Green Bond Principles 2017 and the Sustainability Bond Guidelines 2017.

APPENDICES

Appendix 1A: Methodological details of Environmentally Rated Loan Programme (ERLP)

The ERLP Rating Process follows three key steps.

Step 1: Preliminary Survey

- Clients are asked to fill in a preliminary survey sheet for negative screening.

Step 2: Full Assessment

- After the preliminary survey, DBJ will conduct its full assessment based on the research of public information of the company's environmental efforts (for example a CSR Report).
- DBJ will then interview clients to collect non-public information on their environmental efforts.

Step 3: Rating and Monitoring

- Ratings will be assigned according to the points scored in the assessment.
- Clients enter into a covenant to maintain the level of environmental effort until redemption of the loan. If the covenant is breached, DBJ will review the rating.
- If such breach is not cured within a certain period specified in a loan agreement, resulting in the borrower ceasing to be rated or the applicable rating to meet the Eligibility Criteria, the corresponding loans will be removed from the allocation and replaced with other Eligible Financings (not be limited to the ERLP).

The assessment undertaken by DBJ incorporates the following key areas:

1. General Management
2. Business Activities
3. Environmental Performance

The key areas are broken down into sub-sectors which are weighted for importance. DBJ provides loans to companies rated A, B, C or D and excludes companies rated "None". In addition, for the companies that are rated A or B, DBJ provides a discount on loan interest rates (for companies rated C or D loans are offered at regular rates). An overview of the assessment topics is provided in Appendix 1B.

Rating	Assessment
A	Companies with excellent advanced environmental initiatives
B	Companies with advanced environmental initiatives
C	Companies with sufficient environmental initiatives
D	Companies with sufficient environmental initiatives but additional effort to be required
None	Ineligible

Appendix 1B: ERLP Assessment Topics

Assessment item		
General management	A	Corporate governance
	B	Risk management
	C	Social issues
	D	Identified material issues
	E	Selection of Key performance indicators (KPIs)
	F	Disclosure of information
Business activities	G	Environment-friendly products and services
	H	Environmental considerations in manufacturing process
	I	Environmental considerations in supply chain
	J	R&D system
	K	Total assessment
Environmental performace	L	Measures addressing global warming
	M	Measures for effective use of resources
	N	Measures for water resources
	O	KPIs for stakeholder engagement

Appendix 2: Green Building Certification (GBC) Programme

As part of its financing activities, DBJ offers "Green Building Certification" ("GBC"), in order to support its clients who own or operate real estate properties with high standards of environmental and social features. The certification is available for office buildings, logistics facilities, as well as retail facilities. Since February 2014, following the partnership development, Japan Real Estate Institute and DBJ have jointly undertaken the certification assessment.

In order for buildings to be certified "green", they must undergo an assessment by DBJ. This assessment is intended to ensure that the construction takes into account environmental considerations. Additionally, it ensures that the buildings take other responsible factors into account, including:

- Disaster-prevention and anti-crime measures;
- Tenants' comfort and convenience;
- Harmony with the surrounding environment;
- Collaboration with stakeholders (including tenants and investors); and
- Environmental Investor Relations activities.

Once a property has successfully received the certification, DBJ will support the financial needs for new developments and refurbishments. Further details about the areas of assessment under GBC are provided in Appendix 2A.

As a result of the assessment, properties may receive one of the following certifications:

Rating	Assessment
5 Stars	Properties with **the best class** environmental & social awareness
4 Stars	Properties with **exceptionally high** environmental & social awareness
3 Stars	Properties with **excellent** environmental & social awareness
2 Stars	Properties with **high** environmental & social awareness
1 Star	Properties with **satisfactory** environmental & social awareness

Appendix 2B: GBC Assessment Topics

Assessment structure

- **The three pillars of assessment**

  The features and characteristics of the green building will be classified into three main categories: (1) ecology, (2) risk management & amenities / diversity, and (3) community & partnership. Each main category consists of five subcategories and has a full score of 100 points. The entire assessment consists of about 60 questions.

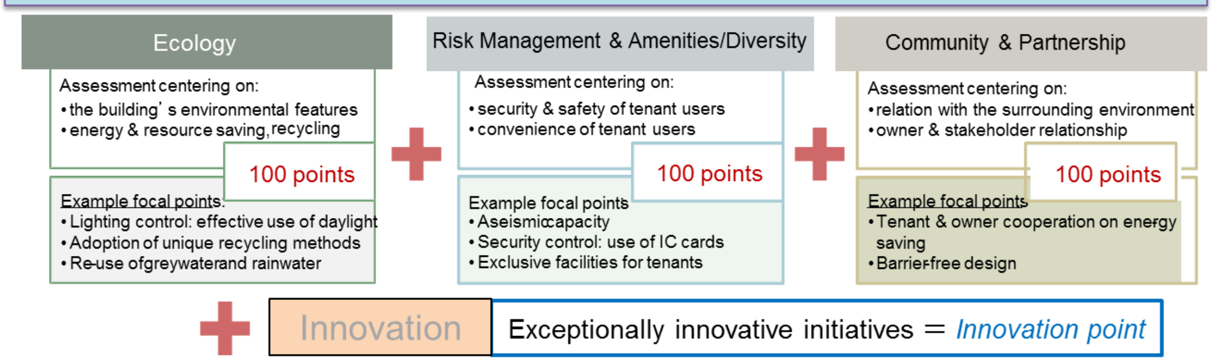
- **Comprehensive assessment**

  Among the conventional assessment points, we have attached particular importance to the owner operation of the property, notably as to the points shown below, which adds to the uniqueness of our certification system.

  - In the risk management part, disaster prevention & anticrime measures
  - In the community & partnership part, local environment-awareness initiatives

- ***Innovation point* system**

  We have adopted an additional point system to reflect exceptionally innovative initiatives in each subcategory. Such initiatives need not fit in the scope of the respective questions.

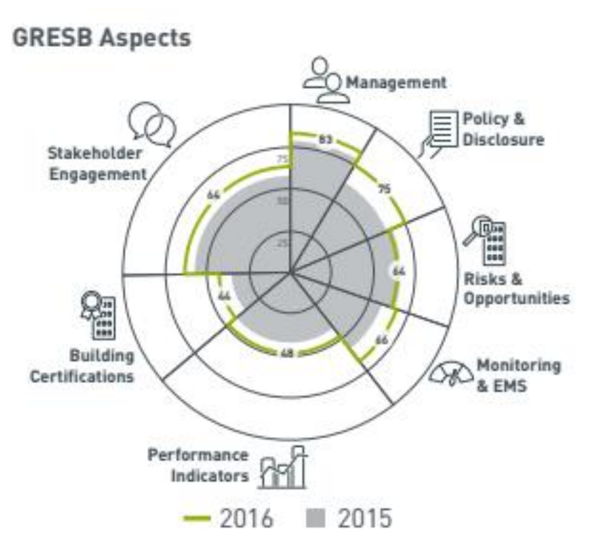


Appendix 3: GRESB ESG rating topics and methodology

Global Real Estate Sustainability Benchmark ("GRESB") is an industry-driven organization that assesses the environmental, social and governance (ESG) performance of real assets and infrastructure globally.

- ESG performance is assessed through a universal GRESB score assigned to all properties, infrastructure, and funds covered by GRESB.
- The GRESB score is based on a voluntary reporting assessment or survey. The content of the assessment is driven by what investors and the industry consider to be material issues in the ESG performance of real assets.
- The overall GRESB Score is assessed on two dimensions: Management & Policy and Implementation & Measurement. The combination of these two dimensions results in a final GRESB score.
- The two dimensions are assessed through seven different aspects (see figure below)[18]
- The GRESB rating has four rating categories/labels: Green Starter, Green Walk, Green Talk, and Green Star. Green Star is the top performing category, and requires a minimum score of 50 for each of the two dimensions listed above.

Figure 1: Seven aspects of GRESB under the two dimensions of Management & Policy and Implementation & Measurement



[18] https://gresb.com/wp-content/uploads/2017/07/2016_Global_Snapshot.pdf

Appendix 4: Sustainalytics' assessment of the ERLP

The DBJ Environmentally Rated Loan Programme ("ERLP"): Sustainalytics reviewed the ERLP in detail and compared it with its own ESG rating methodology to determine if the ERLP adequately evaluates companies on key environmental aspects.

Sustainalytics reviewed the 15 assessment topics (see appendix 1A), all the indicators within the assessment items, evaluation criteria and the scoring to determine if these cover the wide range of topics and assessment areas covered by Sustainalytics' own ratings methodology. Key points from the assessment are below:

- Sustainalytics rates companies on 1) preparedness (commitment), 2) disclosure and 3) performance (qualitative and quantitative) which are typical areas of assessment in most rating methodologies. Although the questions in the ERLP framework are not explicitly grouped under the above mentioned areas, they are adequately captured within each assessment item.
- The Environmental Performance area in the ERLP aims to capture detailed information on quantitative metrics such as energy use, GHG emissions, water, waste, and other resource use. Sustainalytics views this as an area of strength in the ERLP methodology.
- The ERLP has different screening sheets for different types of companies such as manufacturing companies, leasing companies, retail trading companies, transportation companies, logistics companies and so on. This allows DBJ to carry out assessment relevant to a specific company type.
- Rating companies on commitment, disclosure and performance needs to be complemented by assessing companies on major ESG events or controversies. DBJ, aims to capture major ESG risks by asking companies to report such events as part of the rating and conducts its own research to identify companies' involvement in negative events.

Based on this assessment Sustainalytics is confident that the ERLP methodology adequately assesses companies on the key environmental issues and is effective in identifying the environmental leaders. Sustainalytics reviewed several companies that were rated as leaders by DBJ and found that they did not have any major controversies.

The ERLP incentivizes companies to improve their environmental performance by providing discounted interest rates for top-rated companies. In addition, companies with ratings lower than D are not eligible for loans under the ERLP. Furthermore, DBJ updates the assessment criteria annually which could result in higher thresholds, thereby making it difficult for a company to achieve the same rating without making reasonable improvements the next time the companies borrow from DBJ. The fact that quite a few companies that had previously received ratings and loans under the ERLP have returned to apply for loans under ERLP programme, and qualified under a more stringent assessment indicates the programme has contributed to improve environmental performance of the company. In this way, DBJ is encouraging its borrowers to continually improve their environmental performance. In addition, by having a minimum requirement for loan qualification and providing incentives for high performers, DBJ is providing a clear signal to the market that environmental impact is a key consideration for its lending products. Furthermore, the companies that receive high scores benefit from enhanced reputation among their peers.

Appendix 5: Sustainalytics' Assessment of the GBC

DBJ initiated its Green Building Certification (GBC) programme in 2011 and, as of March 2017, has certified 227 office buildings, 77 logistics facilities, 55 commercial facilities and 35 residential facilities. GBC is a certification that is independent from DBJ's loan, therefore, the GBC rating does not affect terms of the loan. However, only those loans that receive 3 stars or above will qualify as the Eligible Financings in the DBJ Sustainability Bond Framework.

In FY 2010, DBJ assessed a sample of Japan's REIT buildings (about 100 buildings) and the assessment resulted in about 50% of the stock akin to 2-star GBC-rated buildings and most of the highly rated buildings (as defined by other 3rd party agencies) were similar to 3-star GBC-rated buildings. This indicates that Japan REIT buildings with 4 or 5 stars under GBC programme have higher environmental performance than most buildings in Japan that receive top ratings from 3rd party agencies.

Therefore, by selecting buildings with 5, 4 or 3 stars, DBJ is allocating the net proceeds, or an amount equal to the net proceeds of the DBJ Sustainability Bond to the buildings with top environmental performance in Japan.

With the GBC, DBJ rates buildings based on improvements in energy efficiency, natural resource use, sourcing of renewable energy and third-party certification (LEED, BREEAM etc.), in addition to such other factors as amenities, risk management, community and partnership. According to DBJ, the interest in its GBC has increased over the years as property owners value the GBC as a way to differentiate their buildings from other buildings. Given this interest, DBJ has expanded the GBC to cover office buildings, retail and logistic facilities. Going forward, DBJ aims to foster a correlation between a building's GBC ratings and its economic value, creating a market in which green buildings are valued appropriately. In addition, the GBC scoring sheet/model is revised annually, and in this way, the asset owners willing to maintain the rating level assigned on their assets are encouraged to increase their environmental efforts and improve environmental performance.

By selecting A, B or C rated companies under ERLP and buildings that are rated 5, 4 or 3 stars under GBC programme, DBJ is using allocating the net proceeds, or an amount equal to the net proceeds of the DBJ Sustainability Bond issuance to fund companies/buildings that provide the highest positive sustainability impact.

Appendix 6: Green Bond/Green Bond Programme External Review Form

Green Bond / Green Bond Programme
External Review Form

Section 1. Basic Information

Issuer name: Development Bank of Japan Inc.

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable*:*

Review provider's name: Sustainalytics

Completion date of this form: August 29th, 2017

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

☒	Use of Proceeds	☒	Process for Project Evaluation and Selection
☒	Management of Proceeds	☒	Reporting

ROLE(S) OF REVIEW PROVIDER

☒	Consultancy (incl. 2nd opinion)	☐	Certification
☐	Verification	☐	Rating
☐	Other *(please specify)*:		

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to DBJ Sustainability Bond Framework and Second Opinion Document above.

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:
Proceeds will be allocated to finance or refinance projects or businesses that meet the following eligibility criteria:

1. Loans to companies that are rated A, B or C under the DBJ Environmentally Rated Loan Programme (ERLP).

2. Funds to finance or refinance buildings that are rated 3, 4 or 5 stars under the DBJ Green Building Certification Programme.

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.

4. Funds to finance or refinance renewable energy projects:
a. Financing or Refinancing construction and/or operation of solar, wind (onshore and offshore), biomass, geothermal, run-of-river hydropower, and tidal and wave power assets

5. Funds to finance or refinance clean transportation projects or loans to companies exclusively for use for clean transportation projects:
a. Installation and/or maintenance of energy-efficient and/or electric trains
b. (Re)construction, extension, maintenance, and/or upgrade of rail lines
c. (Re)construction, maintenance, operation and/or upgrade of railway systems and assets

Please see full framework for all details.

Sustainalytics is of the opinion that clean transportation and renewable energy are recognized as clearly impactful categories by the Green Bond Principles 2017, and that the ERLP, GBC, and GRESB ratings are robust ratings that create credible impact.

Use of proceeds categories as per GBP:

☒	Renewable energy	☐	Energy efficiency
☐	Pollution prevention and control	☐	Sustainable management of living natural resources
☐	Terrestrial and aquatic biodiversity conservation	☒	Clean transportation
☐	Sustainable water management	☐	Climate change adaptation

☐ Eco-efficient products, production technologies and processes

☒ Other *(please specify)*: sustainable buildings and green real estate

☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)***:**
DBJ's Treasury team is responsible for the selection of financial assets that meet the DBJ Sustainability Bond Eligibility Criteria and for the allocation of the DBJ Sustainability Bond proceeds to the selected financial assets. All financings and corresponding approved ratings (only applicable to the ERLP and GBC programmes as well as the GRESB framework) are tracked in an internal management system. This is in line with market practice.

Evaluation and selection

☒ Defined and transparent criteria for projects eligible for Green Bond proceeds

☒ Documented process to determine that projects fit within defined categories

☒ Summary criteria for project evaluation and selection publicly available

☐ Other *(please specify)*:

Information on Responsibilities and Accountability

☒ Evaluation / Selection criteria subject to external advice or verification

☐ In-house assessment

☐ Other *(please specify)*:

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)***:**
The net proceeds, or an amount equal to the net proceeds, from the DBJ Sustainability Bond issuance will be held and tracked in DBJ's treasury until they are allocated to the eligible projects and/or businesses. So long as the Sustainability Bond is outstanding, DBJ aims to allocate the net proceeds, or an amount equal to the net proceeds, of the DBJ Sustainability Bond towards the eligible projects and/or businesses. Unallocated proceeds will be held in cash and/or a money-market portfolio which will be tracked by DBJ Treasury Department. This process is in line with market practice.

Tracking of proceeds:

☒ Green Bond proceeds segregated or tracked by the issuer in a systematic manner

☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds

☐ Other *(please specify)*:

Additional disclosure:

☐ Allocations to future investments only

☒ Allocations to both existing and future investments

☒ Allocation to individual disbursements

☒ Allocation to a portfolio of disbursements

☒ Disclosure of portfolio balance of unallocated proceeds

☐ Other *(please specify)*:

4. REPORTING

Overall comment on section *(if applicable)*:
DBJ will report annually on its website until full allocation of the net proceeds, or an amount equal to the net proceeds of the DBJ Sustainability Bond issuance:

1. Allocation in aggregate to each eligibility criterion, and number of businesses/assets/projects funded under each eligibility criterion
2. The estimate share of financing or re-financing
3. The amount of unallocated proceeds and the investments in which these proceeds are held

DBJ has also committed to reporting on impact metrics, a full list of which can be found in the framework. Overall, the reporting is aligned with market practice and ensures transparency, and Sustainalytics encourages DBJ to report on quantitative KPIs and metrics wherever possible.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other *(please specify):*

Information reported:

☒ Allocated amounts

☐ GB financed share of total investment

☐ Other *(please specify):*

Frequency:

☒ Annual

☐ Semi-annual

☐ Other *(please specify):*

Impact reporting:

☐ Project-by-project
☒ On a project portfolio basis
☐ Linkage to individual bond(s)
☐ Other *(please specify):*

Frequency:

☒ Annual
☐ Semi-annual
☐ Other *(please specify):*

Information reported (expected or ex-post):

☒ GHG Emissions / Savings
☐ Energy Savings
☐ Other ESG indicators *(please specify):*

Means of Disclosure

☐ Information published in financial report
☐ Information published in sustainability report
☐ Information published in ad hoc documents
☒ Other *(please specify):* Website
☐ Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review):*

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

http://www.dbj.jp/en/ **http://www.dbj.jp/en/co/info/outline.html**

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Consultancy (incl. 2nd opinion)
☐ Certification
☐ Verification / Audit
☐ Rating
☐ Other *(please specify):*

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

(i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.

(ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.

(iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.

(iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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SUSTAINALYTICS

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2015 GlobalCapital Bond Awards
SUSTAINALYTICS
Named
Best SRI or Green Bond Research or Rating Firm

Climate Bond Certified

The Green Bond Principles