

# Japan Airlines Co., Ltd. (2023 Transition Bond)

**Type of Engagement:** Annual Review

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## Introduction

In June 2023, Japan Airlines Co., Ltd. (“JAL”) issued a transition bond aimed at financing projects related to Clean Transportation (JPY 20 billion 10-Year Transition Bond, hereinafter the “2023 Transition Bond”). In 2024, JAL engaged Sustainalytics to review the projects funded through the 2023 Transition Bond (the “Nominated Projects”) and assess whether the project met the Use of Proceeds criteria and the Reporting commitments outlined in the Japan Airlines Co., Ltd. Transition Bond Framework (the “Framework”).<sup>1</sup> Sustainalytics provided a Second-Party Opinion on the Framework in January 2022.<sup>2</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

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

**Table 1: Use of Proceeds Categories, Eligibility Criteria and associated impact indicators**

Use of Proceeds Category	Classification	Eligibility Criteria	Impact indicators
Clean Transportation	Transition	Targets and Initiatives towards CO <sub>2</sub> emission reduction by 2030: <sup>3</sup> Upgrading to fuel-efficient aircrafts such as Airbus A350 and Boeing 787	Annual CO <sub>2</sub> emissions avoided

## Issuing Entity's Responsibility

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

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the 2023 Transition Bond. The work undertaken as part of this engagement included collection of documentation from JAL and review of said documentation to assess conformance with the Framework.

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

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

<sup>1</sup> JAL, “Transition Bond Framework”, (2021), at: [https://www.jal.com/en/sustainability/transitionbond/pdf/framework\\_en.pdf](https://www.jal.com/en/sustainability/transitionbond/pdf/framework_en.pdf)

<sup>2</sup> Sustainalytics, “Second-Party Opinion, JAL”, (2022), at: [https://www.sustainalytics.com/docs/default-source/backend/japan-airlines-co-ltd-transition-bond-second-party-opinion\\_revised-in-july-2023.pdf?sfvrsn=4a13e44e\\_1](https://www.sustainalytics.com/docs/default-source/backend/japan-airlines-co-ltd-transition-bond-second-party-opinion_revised-in-july-2023.pdf?sfvrsn=4a13e44e_1)

<sup>3</sup> Sustainalytics notes that JAL has committed to transition 10% of its total fuels to Sustainable Aviation Fuel (SAF) by the end of fiscal year 2030. Additionally, JAL actively promotes various operational methods aimed at enhancing fuel efficiency and decreasing CO<sub>2</sub> emissions across its aircraft fleet.

## Conclusion

Based on the limited assurance procedures conducted,<sup>4</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. JAL has disclosed to Sustainalytics that the proceeds from the 2023 Transition Bond were fully allocated as of December 2023.

## Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

<sup>4</sup> Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Appendix

In June 2023, JAL issued the 2023 Transition Bond and raised JPY 19.8 billion.<sup>5</sup> The proceeds from the issuance were fully allocated to following Nominated Projects.

**Table 3: Allocation and Reported Impact<sup>6</sup> from the 2023 Transition Bond**

Use of Proceeds Category	Overview of Projects	Estimated Environmental Impact <sup>7</sup>	Net Bond Proceeds Allocated (JPY billions)
Clean Transportation	Upgrading to fuel-efficient aircraft: (Airbus A350: 16 aircraft)	Annual CO <sub>2</sub> emissions reduced: 72,000 tonnes of CO <sub>2</sub>	19.8
<b>Total Net Proceeds Allocated (JPY billions)</b>			<b>19.8</b>

<sup>5</sup> Transition bond issuance amount of 20 billion JPY less issuance expenses.

<sup>6</sup> Impact Reporting by JAL is available at: [https://www.jal.com/en/sustainability/esg-finance/transitionbond/index\\_2nd.html](https://www.jal.com/en/sustainability/esg-finance/transitionbond/index_2nd.html)

<sup>7</sup> The impact reporting period encompasses the span of six months, from June 2023 to December 2023. The amount represents 16% reduction of total CO<sub>2</sub> emissions from 16 aircraft, compared with the previous model.

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