



## **Kyushu Railway Company Green Bond Framework**

### **December 2021**

#### **1. Introduction**

Kyushu Railway Company ('we', 'JR Kyushu' or the 'Company') has developed this Green Bond Framework in alignment with the Green Bond Principles 2018, as published by the International Capital Market Association ('ICMA'), and the Green Bond Guidelines 2020, as published by the Ministry of Environment, and have been verified by Sustainalytics. We will issue each Green Bonds in accordance with this Green Bond Framework.

##### **1.1 Overview of JR Kyushu**

JR Kyushu was established following the breakup and privatization of Japanese National Railways in 1987. JR Kyushu Group's first and central business is our railway network in Kyushu. Over the years, our business has expanded into areas such as condominiums, construction, shipping, hotels, and station buildings. These areas complement our railway business, allowing us to achieve a synergy between our various areas of business. We are dedicated to contributing to the sustainable development of Kyushu through city-building and community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services.

##### **1.2 What we aim to be**

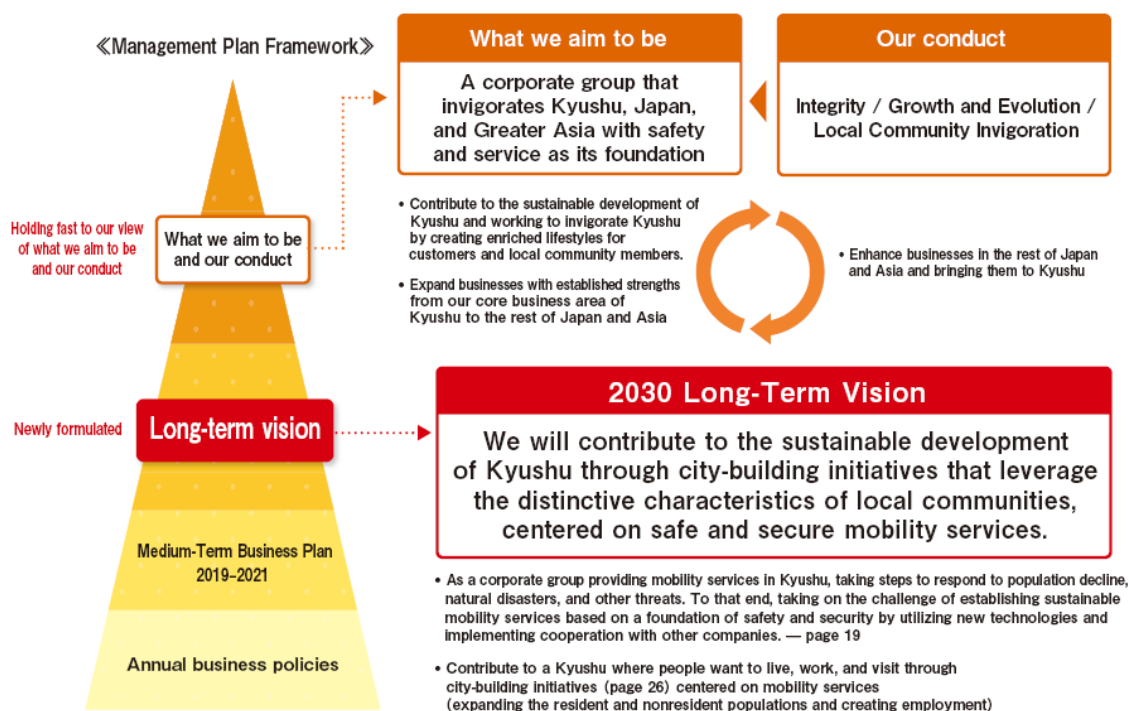
We have established three pillars that form our code of conduct—Integrity, Growth and Evolution, and Local Community Invigoration—have always been kept in mind and used as a touchstone by every employee of the JR Kyushu Group. With a focus on these three pillars and a view to the future, we strive to achieve our vision of what the JR Kyushu Group aims to be: A corporate group that invigorates Kyushu, Japan, and Greater Asia with safety and service as its foundation.

### 1.3 Long-Term Vision for 2030

JR Kyushu Group sets the Long-Term Vision for 2030; to contribute to the sustainable development of Kyushu through city-building/community development initiatives that leverage the distinctive characteristics of local communities, centering on safe and reliable mobility services. This was unveiled in order to realize what JR Kyushu Group aims to be, in our management environment where we see changes such as declining population, more frequent and severe natural disasters and technical innovation.

Under the Long-Term Vision for 2030, so as to be a socially important role as a group that is responsible for Kyushu's mobility serves, our group will challenge to establish sustainable mobility services by refining our railway business with the strength of regular and mass transportation, introducing innovative technology and collaborating with other companies to boost customers' convenience. Moreover, we will make a contribution to the sustainable development of Kyushu, our main business area, through city-building/ community development initiatives that leverage the distinctive characteristics of local communities as we experienced in our businesses until today.

#### ‘Long-Term Vision for 2030’



#### **1.4 Our Materiality**

The Group defines materiality as “Points that the JR Kyushu Group focuses on at all times” and discusses from the viewpoint of “importance to society” and “importance to JR Kyushu Group.” The Group has, as one of the matters of materiality, “Addressing environmental issues (climate change and resource conservation)” and is engaged in a variety of programs. For example, the railway service, which is the Company’s core business, is a mode of transportation that is very efficient in energy use without much burden on the environment. In order to further strengthen these advantages, we will strive to further enhance energy efficiency by introducing train cars with improved energy use, and will reduce the CO<sub>2</sub> emission that is one of the causes of the global warming.

#### **1.5 Significance of Green Bond Issuance**

Through issuance of Green Bonds, we will promote our ESG initiatives to realize what JR Kyushu Group aims to be, towards all the stakeholders including our customers, local community, investors and employees.

## 2. Green Bond Framework

This Green Bond Framework is in alignment with the Green Bond Principles 2018 and the Green Bond Guidelines 2020, published by ICMA and the Ministry of Environment of Japan respectively, and follows the four core pillars as described below. In accordance with this Green Bond Framework, we will issue each Green Bond.

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

### 2.1 Use of Proceeds

An amount equal to the total proceeds of the green bonds that the Company issues will be allocated to finance new investments or refinance existing investments in eligible projects. For existing investments, the use of proceeds is restricted to refinance investments whose expenditures were made, or whose environmental performance was affirmed, within two years prior to issuance of the green bond.

### Eligibility Criteria

The table below outlines the eligibility criteria for these eligible green projects.

GBP Category	Eligible project/criteria		Example of eligible project
Clean Transportation	Train Cars	■ Investments in relation to manufacturing, remodeling or replacement of train cars powered by electricity	➤ 821 series AC suburban-type rolling stock ➤ Renovation of 811 series train cars ➤ New model development of Shinkansen train cars
		■ Investments in relation to manufacturing, remodeling or replacement of hybrid train cars	➤ YC1 series diesel-electric rolling stock equipped with storage battery
	Railway-related Facilities	■ Investments in relation to repair and replacement of railway-related facilities as measures to cope with intensifying natural disasters (torrential rainfalls, typhoons, among others), due to climate	➤ Disaster preparedness railway work for Kyushu Shinkansen ➤ Replacement of aged railway traffic control system ➤ Installation of platform doors (for stations between Shimoyamato and Chikuzen Maebara)

		<p>changes, that strike Kyushu area.</p> <ul style="list-style-type: none"><li>■ Investments in relation to maintenance, repair and replacement of railway-related facilities</li></ul>	<ul style="list-style-type: none"><li>➤ Installation and enhancement of ATS-DK ground facilities (automatic train stop device)</li><li>➤ Replacement of wooden sleepers with TPC sleepers</li></ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"><li>■ Investments in relation to construction of buildings near stations and the facilities of the Company to be obtained the green building certifications (LEED -BD+C (Building Design and Construction) or LEED-O+M (Building Operations and Maintenance): Gold or Premium; CASBEE for Buildings (New Construction, Existing Buildings, and Renovation) or CASBEE for Real Estate: A or S Rank; BELS: 4 or 5 Stars; and Green Building Certification: 4 or 5 Stars)</li></ul>	<ul style="list-style-type: none"><li>➤ Renovation of employee training center</li></ul>	

## 2.2 Process for Project Evaluation and Selection

The Finance Department of the Company (the 'Finance Department') will identify the candidate projects to which the proceeds of this Green Bond will be allocated based on the eligibility criteria defined in 1. Use of Proceeds. The General Manager of the Finance and Accounting Department of the Company will give final approval to the identified candidate projects based on the alignment with the basic philosophy and basic policy of the Group's environmental conservation activities. The decision is reported to the ESG Strategy Committee, which is chaired by the President and Representative Director of the Company and composed of general managers of the business divisions.

We will confirm that the following measures are taken for all the eligible projects in order to reduce environmental and social risks.

- Compliance with environmental laws and regulations required by the national government or the local government where the project is to be implemented, and implementation of environmental impact studies as necessary.

- Providing adequate explanations to local residents when conducting business.
- Ensuring the safety of transportation based on our safety management system.
- Procurement of materials, prevention of environmental pollution, and consideration of the working environment and human rights in accordance with the Group's basic philosophy and policies for global environmental conservation activities, basic procurement policies, and other policies.

### **2.3 Management of Proceeds**

The Finance Department will allocate to eligible projects and manage proceeds of the green bonds. The Finance Department will track and manage the proceeds on a quarterly basis using the internal accounting system until maturity, to ensure the amount equal to the proceeds of the green bonds is allocated to one or more of the eligible projects. The internal accounting system will keep track of and manage allocation for each of the eligible projects. Until the proceeds of the green bonds are allocated in full to eligible projects or in case there are not sufficient eligible projects to allocate the proceeds to, the unallocated proceeds will be held in cash or cash equivalent, and we intend to complete the allocation within 2 years after issuance of the green bonds.

### **2.4 Reporting**

We will report on the status of allocation to eligible projects and effects on the environment annually on the Company's website. The initial report will be published within one year after issuance of the green bonds.

#### **2.4.1 Allocation Reporting**

Until the proceeds from the green bonds are allocated in full, we will annually disclose the following indicators in relation to the status of allocation of the proceeds to eligible projects to the extent practicably feasible.

- Overview of eligible projects
- Allocated amounts to eligible projects on a project-by-project basis and unallocated amount
- Expected timing of allocation in case there remain unallocated proceeds
- The ratio of finance for new investments and refinance

Once the proceeds are allocated in full and in the event of any major changes in allocation, reporting will be disclosed on a timely basis.

## 2.4.2 Impact Reporting

As long as there are green bonds outstanding, we will annually disclose the following matters in relation to the impact of the eligible projects on the environment to the extent practicably feasible. Information will also be disclosed in the event of significant changes in a timely manner.

Eligible Business		Item of impact reporting
<b>Clean Transportation</b>		
Train Cars	<ul style="list-style-type: none"> <li>Investments in relation to manufacturing, remodeling or renewal of train cars powered by electricity</li> </ul>	<ul style="list-style-type: none"> <li>Overview of eligible projects</li> <li>Number of train cars newly introduced in a year</li> <li>Reduction in CO<sub>2</sub> emission through introduction of new-model train cars</li> </ul>
	<ul style="list-style-type: none"> <li>Investments in relation to manufacturing, remodeling or renewal of hybrid train cars</li> </ul>	<ul style="list-style-type: none"> <li>Overview of eligible projects</li> <li>Number of train cars newly introduced in a year</li> <li>Reduction in CO<sub>2</sub> emission through introduction of new-model train cars</li> </ul>
Railway-related Facilities	<ul style="list-style-type: none"> <li>Investments in relation to repair and renewal of railway-related facilities as measures to cope with intensifying natural disasters (torrential rainfalls, typhoons, among others), due to climate changes, that strike Kyushu area.</li> <li>Investments in relation to maintenance, repair and renewal of railway-related facilities</li> </ul>	<ul style="list-style-type: none"> <li>Overview of eligible projects</li> <li>Situation of damages due to natural disaster</li> <li>Progress of implementation of disaster prevention work</li> <li>Details of work in relation to maintenance, repair and renewal of railway-related facilities</li> <li>Progress of installation of platform doors (Number of stations with platform door installation completed/Total number of stations)</li> <li>Progress of other railway-related infrastructure that has been maintained, repaired, or upgraded, if any.</li> </ul>
<b>Green Buildings</b>		
<ul style="list-style-type: none"> <li>Investments in relation to construction of buildings near stations and the facilities of the Company to be certified as green building</li> </ul>		<ul style="list-style-type: none"> <li>Overview of eligible projects</li> <li>Status of acquisition of certification (expected timing of acquisition/level of acquired certification)</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Reduction in annual CO<sub>2</sub> emission and energy consumption through green building</li> <li>➤ Progress of revitalization of regions, mainly in Kyushu, through new buildings and urban development</li> </ul>
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## 2.5 Second-Party Opinion

We have engaged Sustainalytics to provide an external review, in the form of a Second-Party Opinion on the reliability of this Green Bond Framework, impact of eligible projects and alignment of the Green Bond Principles 2018 and Green Bond Guidelines 2020 by the Ministry of Environment of Japan.

The Second-Party Opinion by Sustainalytics is publicly available on our website.

([https://www.jrkyushu.co.jp/company/ir\\_eng/library/greenbond/](https://www.jrkyushu.co.jp/company/ir_eng/library/greenbond/))