

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	Central Nippon Expressway Company Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Central Nippon Expressway Co., Ltd. 16th U.S. Dollar-Denominated Corporate Bonds (Green Bond, Climate Resilience)
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	November 26, 2020
Publication date of review publication:	November 26, 2020

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

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

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF Independent External REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

Central Nippon Expressway Co., Ltd. (NEXCO Central) is a special company wholly owned by the government. Its business base covers relatively heavy traffic routes from the Tokyo metropolitan area to Chubu and Kinki areas including the Tomei Expressway, Chuo Expressway and Shin-Tomei Expressway among the national expressway network, etc. formerly held by Japan Highway Public Corporation. NEXCO Central is primarily engaged in construction, operation and maintenance, etc. of expressways, as well as management and operations of rest areas providing services and parking lots. In line with the basic policy of group management, NEXCO Central has been grouping associated companies. They are 27 subsidiaries and 9 related companies as of March 2020.

NEXCO Central Group identifies "control of global warming and consideration for the local environment" as one of the material theme in its CSR activity. Reflecting this CSR materiality in its management plan, NEXCO Central stipulates environmental policy. Measures in accordance with this policy include "control of global warming," "enhancing 3R (Reduce Reuse and Recycling) of resources," and "consideration for the local environment." Management Plan Challenge V (Five) 2016-2020, the current management plan, reflects the materiality of the above CSR activities in business activities and has the following four management policies. Management Policy 1: Continuous Efforts to Improve the Safety of Expressways and Strengthen Their Functions

Management Policy 2: Enhancement of Technology Development to Improve Safety and Comfort

Management Policy 3: Contributing to regional revitalization in view of social and economic changes

Management Policy 4: Strengthening the Management Foundation to Continue Responding to Social Needs

NEXCO Central established the Green Bond Framework (the Framework) to issue the Green Bond as a funding source to address climate change adaptation projects. This report aims to evaluate the 16th U.S. dollar-denominated bond (the bond) scheduled to be issued by NEXCO Central in line with this framework. NEXCO Central plans to this bonds' use of proceeds as new investment to the following projects:

- (1) Expressway Renewal Project (28 bridges)
- (2) Expressway Renewal Project (Five Sections of earth work structures (slope reinforcement))
- (3) Porous Asphalt Pavement on New Expressways (Five Sections)

JCR confirmed that the eligibility criteria established by NEXCO Central adequately examined the risks assumed by the long-term forecasts of global warming by the end of the 21st century based on the assumption of RCP8.5, and that eligible projects has appropriate effects for the assumed risks. In addition, the projects selected according to the applicable eligibility criteria are expected to contribute to the "development of a safe and reliable road network," which is a climate change adaptation measure for transportation infrastructures specified by the Ministry of Land, Infrastructure and Transport for roads. NEXCO Central prepares the project selection process, system of the management of proceeds, and the post-issuance reporting appropriately. JCR evaluates those systems are well designed and keep high transparency.

As a result, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation". Consequently, JCR assigns "Green1" as an overall evaluation results to the bonds.

The bonds are considered to meet the requirements stipulated in ICMA's Green Bond Principles and the Green Bond Guidelines of the Ministry of Environment of Japan.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. The use of proceeds of this bond is a new investment in climate change adaptation projects decided by NEXCO Central as eligible in its Green Bond Framework, and it can be expected to have a high environmental improvement effect.
- ii. The eligible projects are classified into "Climate Change Adaptation Projects" in the Green Project Classification defined in the ICMA's Green Bond Principles.

b. Negative impact on Environment

NEXCO Central found that there is little possibility that each use of proceeds under this framework will have a material negative impacts on the environment, since it is only for the repair work of existing expressways or the work of the pavement surface of the road. Not limited to the above use of proceeds, however, it identifies the following assumed risks and mitigation measures for its business as a whole. JCR confirmed that the appropriate countermeasures are taken by hearing and confirmation of the related materials submitted from NEXCO Central.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify) : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

The use of proceeds is a new investment in green eligible projects as set forth in NEXCO Central's Framework and will not be allocated for any other purpose.
NEXCO Central clearly distinguishes green bond usage from other uses by managing the funded resources with dedicated accounts. After depositing funds in the exclusive account, funds are transferred to the general account after examining the expenditure type amount for each subject project, and the semiannual construction volume of the subject project is extracted from the asset system and efforts are made to grasp the progress status, and a strict tracking management system is established. In addition, the internal control system has been appropriately established because the chief of the Finance Division, who is the chief accountant, is to manage the entry and exit of procured funds, and the audit corporation is scheduled to obtain confirmation at the time of the semiannual settlement of accounts.
Based on the above, JCR evaluates that the NEXCO Central has established a strict funding control system and internal control system.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify) : |

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

- The proceeds are expected to be used in accordance with the large-scale renewal and new construction business plan described on the website after the proceeds have been received.
- If it is necessary to reapply for the redemption of - Green Bonds due to the suspension of a large-scale renewal or new construction project, we plan to disclose the full amount of Green Bond procurement funds on our website on an annual basis until it is appropriated for other large-scale renewal or new construction projects.
- It plans to disclose the amount of funds on our website annually.

b. Impact reporting for environmental benefits

- NEXCO Central plans to disclose the reporting on its website annually.

[Output Indicators]

- Overview of the large-scale renewal and repair projects to be covered
- Extended kilometers for large-scale renewal and repair projects
- Extended kilometers in the Porous Asphalt Pavement business

Outcome Indicators

Project 1: Bridge

The soundness of the bridge is recovered by the floor slab replacement, and the resilience of the bridge will be recovered to the conditions which was effected in the beginning of the construction.

Project 2: Earth work Structures

Improvement of drainage capacity by about two to four times through construction such as replacement of drainage ditches.

Re-installation of ground anchors on cut slopes restores soundness and prolongs product life.

Project 3: Porous Asphalt Pavement

Water penetration amount per hour (8mm/h after construction)

[Impact]

In response to natural disasters (storm and flood disasters) resulting from climate change that adversely affect the transportation infrastructure as envisioned in the MLIT's Climate Change Adaptation Plan, efforts should be made to strengthen the transportation infrastructure and maintain a safe and reliable transportation network.

Use of proceeds reporting:

☐ Project-by-project

☒ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

Information reported:

☒ Allocated amounts

☐ Green Bond 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
- ☐ Decrease in water use ☒ Other ESG indicators *(please specify)*:
- Overview of the large-scale renewal and repair projects to be covered
 - Extended kilometers for large-scale renewal and repair projects
 - Extended kilometers in the Porous Asphalt Pavement business

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
- ☐ Information published in ad hoc documents ☒ Other *(please specify)*:
- Show on the website
- ☐ Reporting reviewed

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.)*

CSR website of NEXCO Central	https://www.c-nexco.co.jp/en/corporate/csr/
JCR's website about green bond evaluation methodology	https://www.jcr.co.jp/en/greenfinance/

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- ☐ Second Party Opinion ☐ Certification
- ☐ Verification ☒ Scoring/Rating
- ☐ Other *(please specify)*:

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: November 26, 2020

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

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.