

Customer Story

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# How an International Airline Took Transition Bonds to New Heights



**JAPAN AIRLINES**





## The Aviation Industry’s First Transition Bond Takes Flight With a Second-Party Opinion

Japan Airlines made sustainability and aircraft emission reduction a cornerstone of its corporate strategy, and in doing so, issued the aviation industry’s first transition bond. The air carrier’s strategy was to use the proceeds generated from the bond to initiate effective mitigation measures. A second-party opinion (SPO) from Morningstar Sustainalytics ensured the bond’s alignment with existing market principles and guidelines, while generating interest from the investment community and adding credibility to the sustainable bond issuance.



Industry  
Aviation



Region  
Japan



Sustainability Product  
Second-Party Opinion  
Transition Bond

*“In recent years, there has been a need not only to issue bonds, but also to issue sustainable development goal bonds with content. Choosing Sustainalytics, a global leader in second-party opinions, for the issuance of our transition bond gave us the confidence and credibility to support our sustainability efforts.”*

Kameyama Kazuya  
Director, Planning Group, ESG Promotion Department, Japan Airlines





## The Opportunity

Japan Airlines re-examined its entire corporate identity, establishing sustainability as a cornerstone for a new company directive, with an emphasis on reducing aircraft emissions.



## The Solution

Japan Airlines issued the aviation industry's first transition bond, engaging Sustainalytics to provide an SPO to ensure the bond's alignment with existing market principles and guidelines.



## The Results

Japan Airlines' transition bond received increased credibility and visibility with a Sustainalytics second-party opinion, and the bond's proceeds could then be used to purchase a more fuel-efficient fleet.

## About JAL

Japan Airlines, also known as JAL Group, is Japan's national carrier, and was the first wholly Japanese-owned commercial airline established after World War II. The airline operates domestic and international flights, flying to 63 countries around the globe, including 368 different airports. It is the second largest airline in Japan, with a fleet of 218 airplanes, employing over 36,000 people. JAL's mission is to connect people, regions, and the world, promising to take on new challenges for the future.



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## The Opportunity

# Working Towards Sustainability in a Carbon-Intensive Industry

Since 2011, Japan Airlines has undergone significant changes to its corporate value system, with a focus on sustainability in a carbon-intensive industry. In 2021, the company released its JAL Vision 2030 report, which laid out the airline's ideal path to the future, with an emphasis on managing its environmental, social, and governance (ESG) issues. With this new company outlook, Japan Airlines began investigating how to meet its sustainability objectives.

The airline soon recognized that reducing aircraft carbon output was one of the most crucial challenges facing the aviation industry today. Considerable public and regulatory pressure, as well as a sense of global responsibility, motivated the airline to take action. JAL Group, along with several other airlines and industry associations, pledged to achieve net-zero emissions by 2050. In order to achieve this target, Japan Airlines would need to upgrade its aircraft to more fuel-efficient models that emit less carbon dioxide, while increasing its use of sustainable aviation fuel (SAF).



*"Sustainalytics is a world-renowned provider of second-party opinions and they supported us through the issuance process. Investors could trust that our transition bond stood up to market principles because it was approved by Sustainalytics."*

Ogawa Noriko  
Vice President, ESG Promotion Department, Japan Airlines



## The Solution

# Demonstrating Its Commitment to Reducing Greenhouse Gas Emissions in the Aviation Industry

Achieving international climate goals will require the commitment of all industries, especially those considered carbon intensive, with high greenhouse gas output. A transition bond is an important instrument that will allow those industries to adapt and finance transition activities and projects. When supported by a clear eligibility framework with a credible transition strategy, transition bonds can help companies like Japan Airlines to realize their long-term sustainability targets.

To fund the modernization of its fleet, Japan Airlines issued the aviation industry's first transition bond. This bond issuance demonstrated to the world that the airline was serious about reducing global greenhouse gas emissions, as well as promoting the production of SAF in Japan. The airline enlisted Sustainalytics to provide an SPO on its transition bond framework, to ensure its transition bond was in line with market expectations and industry best practices. Sustainalytics' team of experts were able to guide JAL Group throughout the SPO process, and upon project delivery, provided a comprehensive briefing on the opinion's evaluation.

### Explaining Transition Bonds

Transition bonds are a type of use-of-proceeds bond aimed at facilitating a transformation in a company's business model or activities to align with the goals of the Paris Agreement. This instrument is intended to help companies in carbon-intensive industries (or hard-to-abate sectors), where low-carbon solutions are generally not yet available, to finance their transition toward long-term carbon neutrality. Transition bonds are supported by clear eligibility criteria and a credible transition strategy, described under the guidance of the International Capital Market Association's Climate Transition Finance Handbook.



## The Results

# An SPO for an Industry-Leading Transition Bond

Sustainalytics' SPO for Japan Airlines' first transition bond received a great deal of attention from potential investors in Japan and abroad. As the external review provider, Sustainalytics lent credibility to the issuance and provided additional assurances to investors. JAL Group can now make full use of the net proceeds of the bond to advance its transition to carbon-neutral operations in its air transport business and redouble its efforts to achieve decarbonization.

*"We felt that the Sustainalytics' opinion preparers were meticulous and understood JAL Group and our business very well. After the publication, we were pleased with the amount of positive feedback we received and knew that Sustainalytics was the right choice."*

Kameyama Kazuya  
Director, Planning Group, ESG Promotion Department, Japan Airlines



# Get in Touch With Sustainalytics Corporate Solutions

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1,600 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

