



Green Finance Framework Eligibility For Pre-issuance DNV Verification Report Revision 2.1

Tohoku Electric Power Co., Inc.

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: August 30th, 2021

Ref. Nr.: PRJN-270798-2021-AST-JPN



Contents

Executive Summary	4
I . Introduction	6
II . Scope and Objectives	7
III . Responsibilities of the Management of the Issuer and DNV	8
IV . Basis of DNV's opinion	9
V . Work Undertaken	10
VI . Findings and DNV's opinion	11
Schedule-1. List of green project candidates	16
Schedule-2. Green Finance Eligibility Assessment Protocol	17
Schedule-3 CBS v3.0 requirement/criteria	21

Revision history

Revision number	Issue Date (dd/mm/yyyy)	Remarks
0.1	20/12/2019	Draft verification report for internal review
1.0	23/12/2019	The first revision (published)
2.0	30/7/2020	<ul style="list-style-type: none"> • Sector criteria: Add Solar Energy for verification • Schedule1: update the nominated green project list • Schedule3: update verification standard (CBSv2.1 -> CBSv3.0) • Schedule4: update GBGLs check list (GBGLs 2017 -> GBGLs 2020)
2.1	30/8/2021	<ul style="list-style-type: none"> • Additional verification as “Green Finance Eligibility for Pre-issuance” (including both bonds and loans) to add green loan funding in addition to green bond • Add the project category to be verified (hydroelectric power generation business) * However, since it is difficult to apply Climate Bond Standard, DNV has confirmed that they meet the eligibility requirements stipulated by Green Bond, etc. • Schedule1: update the nominated green project list • Revise according to Green Bond Principles (2018 version →2021 version) • Other formal changes (changes due to DNV company name change, etc.)

Disclaimer

Our assessment relies on the premise that the data and information provided by Issuer to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.DNV.com)

Executive Summary

Tohoku Electric Power Co., Inc. (hereinafter "Tohoku Electric Power") plans to issue a green finance to raise funds for projects related to the development, construction, operation and renovation of renewable energy. Based on the contract with Tohoku Electric Power, DNV Business Assurance Japan Co., Ltd. (hereinafter "DNV") has conducted verification that the Green Finance Framework (hereinafter "Framework" *revised framework based on the preceding its green bond framework), which is formulated by Tohoku Electric Power, and the planned green finance based on the Framework to meet the Climate Bonds Standard V3.0 (hereinafter "CBS") defined by Climate Bonds Initiative, Green Bond Principles 2021 (hereinafter "GBP"), Green Loan Principles 2021 (hereinafter "BLP"), Green Bond Guidelines 2020 (hereinafter "GBGLs") and Green Loan Guidelines 2020 (hereinafter "GLGLs"). As a result, based on the limited assurance procedures conducted by DNV, nothing has come to our attention that causes us to believe that the green finance is not, in all material respects, in compliance with the requirements of the applicable CBS, GBP, GBGLs, GLP and GLGLs (hereinafter "various standards"). The following is a summary of the assessment results for the four elements indicated above.

1. Use of Proceeds :

Framework defines eligible criteria for the use of proceeds as "renewable energy project". This is in line with the eligible Green Project categories described in the criteria of the widely recognized green finance. Specifically, the proceeds are planned to be used for financing (new investment) and refinancing for wind, geothermal, solar PV, hydropower generation projects. These projects are expected to have clear environmental benefits and contribute to "The Commitment to a Low Carbon Society", which is an initiative by electric utilities in the local market, Tohoku Electric Power Group Environmental Policy, Initiatives for Renewable Energy Power Generation and acceleration of Carbon neutral challenge 2050 (formulated in March 2021), as well as the UN "Sustainable Development Goals".

2. Process for Project Evaluation and Selection :

Tohoku Electric Power has formulated the "Tohoku Electric Power Group Environmental policies" and has set goals for environmental sustainability. In addition, the evaluation and selection of green projects are approved by an appropriate internal decision process. Specifically, the department in charge of the renewable energy selects project candidates based on environmental goals and eligible criteria, and the final approval is given by the board of directors. In addition, the accounting department will confirm the suitability of the eligible project. These processes are consistent with the criteria of the widely recognized green finance.

3. Management of Proceeds :

The net proceeds are managed by the accounting department with the internal accounting system that can track them at any time. A unique asset management code is assigned to the proceeds, and the proceeds are managed so that they do not exceed the total amount of new investment and refinancing of the selected project. Unallocated proceeds will be managed as cash or cash equivalents in accordance with the issuer's internal rules until they are fully



allocated to the nominated project. These are aligned with the criteria of the widely recognized green finance.

4. Reporting :

Tohoku Electric Power plans to report on the allocation status of the proceeds in its annual integrated report or issuer's website, until the net proceeds are fully allocated. This includes the balance of the unallocated amount, the allocated amount, and the approximate amount (or percentage of the portion) that have been used for refinancing. In addition, as an environmental impact, Tohoku Electric Power plans to disclose indicators related to annual CO₂ emission reductions and installed capacity by renewable energy type. Tohoku Electric Power also plans to disclose its Framework in its website. These are aligned with the various standards of green finance.

In addition, Tohoku Electric Power plans to engage DNV for post-issuance verification (in case that the finance is CBI certified green finance) required in Programmatic certification by CBI and periodic reviews, if necessary, to ensure that the green finance comply with the key elements of the above-mentioned criteria.

This is an additional information, DNV plans to clarify in the post-issuance verification report or periodical review the information which has not been determined at the pre-issuance stage.

I . Introduction

i . About the Tohoku Electric Power

Tohoku Electric Power Co., Inc. (hereinafter "Tohoku Electric Power" or "Issuer") is one of Japan's major power companies, which are engaged in power generation, transmission/distribution and retail sales in the local market in Japan. Established in 1951, the Issuer is based in mainly six prefectures within Tohoku region (Aomori, Iwate, Akita, Miyagi, Yamagata, Fukushima) and Niigata prefecture.

Based on the Group Environmental Policy, Tohoku Electric Power develops renewable energy power generation facilities with a total output of 2.0 million kW, mainly in the Tohoku region and Niigata prefecture.

Tohoku Electric Power has issued two green bonds, "Tohoku Electric Power Green Bond" (517th Corporate Bond) and "2nd Tohoku Electric Power Green Bond" (524th Corporate Bond), which obtained CBI certification in February and September 2020.

In addition to the preceding green bonds, Tohoku Electric Power plans to issue green finance for the purpose of raising various financing instruments for funds including green loans for businesses related to the development, construction, and operation of various renewable energies.

ii . Green Finance Framework

Tohoku Electric Power has revised the "Tohoku Electric Power Green Finance Framework" (hereinafter, "Framework") based on its green bond framework for green bond above, as a part of activities in line with the "Tohoku Electric Power Group Environmental Policy". Using this framework, Tohoku Electric Power plans to issue green finance to raise funds to realize projects that are expected to have environmental benefits. The funds raised will be allocated to green projects in accordance with the following eligible Green Project categories. Framework will be disclosed in Tohoku Electric Power's web site.

- **Renewable energy (including power generation, transmission, equipment and products)**

II. Scope and Objectives

In July 2021, Tohoku Electric Power commissioned DNV Business Assurance Japan Co., Ltd. (hereinafter “DNV” or “we”) to conduct verification for its green finance eligibility for pre-issuance requirements against GLP and GLGLs, in addition to CBS, GBP and GBGLs which have been verified.

As an independent verification body, that is, a CBI accredited verification body based on CBS, and an external reviewer required by criteria of green finance, DNV’s purpose of the pre-issuance verification is to verify that the Tohoku Electric Power’s green finance and green finance project candidates meet the criteria of green finance and applicable sector eligible criteria (hydroelectric power is added here). DNV implements the verification taking into account that CBS is fully in line with criteria of green finance.

DNV has confirmed the following as applicable CBS-related technical criteria:

- Wind Sector Eligibility Criteria of the Climate Bonds Standard (Version 1.1)
- The Marine Renewable Energy Sector Eligibility Criteria of the Climate Bonds Standard (October 2017)
- Geothermal Energy and the Climate Bond Standard (Version 1.0)
- Climate Bonds Standard & Certification Scheme Sector Criteria for Solar (version 2.1)
- The Hydropower Criteria for the Climate Bonds Standard & Certification Scheme

Notes that the sector eligible criteria for hydropower was released in March 2021, but in the verification of pre-issuance of green finance for hydroelectric power generation projects envisioned by Tohoku Electric Power, we refers its criteria but conduct verification focusing on “clear environmental impacts and avoidance of negative impacts” shown in green finance because it is difficult/suitable to apply strictly due to the characteristics of the nominated hydropower projects.

DNV applies criteria of widely recognized green finance in addition to pre-issuance verification aimed at compliance with CBS and related sector eligible criteria.

DNV holds no other engagements with the Tohoku Electric Power, including its direct shareholders, for which we foresee conflict of interest to carry out the Scope of Work as defined in the agreement agreed with the Tohoku Electric Power. In this paper, no assurance is provided regarding the financial performance of the Green Finance, the value of any investments in the Green Finance, or the long-term environmental benefits of the transaction.



III. Responsibilities of the Management of the Issuer and DNV

The management of the Issuer has provided the information and data used by DNV during the delivery of this review. DNV's statement represents an independent opinion and is intended to inform the Management of the Issuer and other interested stakeholders in the Green Finance as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Tohoku Electric Power.

DNV is not responsible for any aspect of the candidate projects and assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Tohoku Electric Power and used as a basis for this assessment were not correct or complete.

IV. Basis of DNV's opinion

To provide as much flexibility as possible for Tohoku Electric Power, DNV has applied our green finance assessment methodologies, which incorporates the requirements of the criteria of green finance to create the Tohoku Electric Power-specific Green Finance Eligibility Assessment Protocol (hereinafter "DNV's Protocol").

The DNV's Protocol has the capacity for potential application of green finance under the criteria of green finance (please see Schedule-2 of this report in details).

DNV's Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle and guidelines behind the criteria are that a green finance should "enable capital-raising and investment for new and existing projects with environmental benefits".

As per DNV's Protocol, the criteria against which the Green Finance has been reviewed are grouped under the four Principles.

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green finance must use the proceeds to eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green finance should outline the process it follows when determining eligibility of an investment using green finance proceeds, and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green finance should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the finance investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

V. Work Undertaken

Our work constituted a high level of review of the available information, based on the understanding that this information was provided to us by Tohoku Electric Power in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

i. Pre-Issuance verification

- Creation of the Tohoku Electric Power-specific DNV's Protocol;
- Assessment of evidential documents provided by Tohoku Electric Power before issuance of the Finance, and supplemental assessment with desk review from a higher perspective;
- Interview with key personnel of the Tohoku Electric Power, and review of the relevant documentation; and
- Reporting of findings against each element of the eligibility criteria

ii. Post-issuance verification (*it is not included in this report)

- Assessment of evidential documents provided by Tohoku Electric Power after issuance of the Green Finance, and supplemental assessment by desk review from a higher perspective;
- Interview with key personnel of Tohoku Electric Power, and review of the relevant documentation;
- Field survey and inspection, if necessary;
- Review of the candidate projects and assets at the time of the post-issuance verification, including updating the list of them in Schedule-1; and
- Reporting of findings against each element of the eligibility criteria at the post-issuance verification

VI. Findings and DNV's opinion

DNV conducted the verification in accordance with ISAE3000 (Assurance engagements other than audits or review of historical financial information). The verification included: i) checking whether the provisions of the CBS were consistently and appropriately applied and ii) the collection of evidence supporting the verification.

DNV's verification approach draws on an understanding of the risks associated with conforming to the CBS and the controls in place to mitigate these. DNV planned and performed the verification by obtaining evidence and other information and explanations that DNV considers necessary to give limited assurance that the green finance meet the requirements of the GLP and GLGLs. In addition, since the conformity to GLGLs and GBGLs of the green finance can be related to the conformity to CBS, the verification results are summarized in one form as described below. The Findings and DNV's opinion are as follows:

1. Use of Proceeds

DNV confirmed that the net proceeds are planned to be allocated to projects related to the development, construction, operation and renovation of "renewable energy" of hydro power generation.

We also confirmed that the current green project candidates include onshore and offshore wind power generation, geothermal power generation, solar PV power generation and hydro power generation as both finance and refinance.

The current green project candidates are listed in Schedule-1 " Project outline and Remarks " of this report.

- For onshore and offshore wind power generation projects, wind condition surveys and environmental impact assessment processes are underway in accordance with the domestic system, and the progress is disclosed as appropriate by business operator and local governments.
- The geothermal power generation project (overseas) is a CDM registered project, and continuous monitoring based on the safeguard policy is carried out when the financing by Asian Development Bank, and it has been confirmed that there have been no serious concerns to date.
- It has been confirmed that the solar power generation project is not a combination of an auxiliary power source that uses fossil fuels or a power generation facility that uses fossil fuels, but a solar power generation project that meets CBS technical criteria.

- It has been confirmed that the environmental impact of the hydropower plant was clear, and that negative impacts on the use of the water system and other environmental and social impacts were identified and dealt with / avoided.

Therefore, these projects are in line with CBS's relevant Sector Eligible Criteria;

- Wind Sector Eligibility Criteria of the Climate Bonds Standard (Version 1.1)
- The Marine Renewable Energy Sector Eligibility Criteria of the Climate Bonds Standard (October 2017)
- Geothermal Energy and the Climate Bond Standard (Version 1.0)
- Climate Bonds Standard & Certification Scheme Sector Criteria for Solar (version 2.1)
- The Hydropower Criteria for the Climate Bonds Standard & Certification Scheme

Notes that the sector eligible criteria for hydropower was released in March 2021, but in the verification of pre-issuance of green finance for hydroelectric power generation projects envisioned by Tohoku Electric Power, we refers its criteria but conduct verification focusing on "clear environmental impacts and avoidance of negative impacts" shown in green finance because it is difficult/suitable to apply strictly due to the characteristics of the nominated hydropower projects.

All net proceeds are used for financing (new investment) or refinancing in green projects. These projects are expected to have clear environmental benefits and contribute to "The Commitment to a Low Carbon Society", which is an initiative by electric utilities in the local market, Tohoku Electric Power Group Environmental Policy, Initiatives for Renewable Energy Power Generation and acceleration of Carbon neutral challenge 2050 (formulated in March 2021), as well as the UN "Sustainable Development Goals".

Based on this information, it was confirmed that the use of proceeds conforms to the eligible green project classification specified in various standards of green finance.

2. Process for Project Evaluation and Selection

Tohoku Electric Power is working on the Tohoku Electric Power Group Environmental Policy, Initiatives for Renewable Energy Power Generation and acceleration of Carbon neutral challenge 2050 (formulated in March 2021), and has set environmental sustainability goals. DNV confirmed through the review that the green project candidates listed in Schedule-1 are in line with the Tohoku Electric Power Group's environmental policy.

In addition, Tohoku Electric Power has defined the whole processes for project evaluation and selection for eligible green projects, in accordance with its business practices using conventional internal controls in the company. Specifically, the division/department responsible for projects related to renewable energy evaluates and selects green project candidates based on the eligibility criteria, and the accounting and finance department reviews their conformity. DNV confirmed through verification activities that the evaluation and selection of green projects are finalized by the Board of Directors through an appropriate internal determination process. Tohoku Electric Power takes requirements of the criteria of

green finance widely recognized into consideration seriously when evaluating and selecting projects. Therefore, it was confirmed that these processes are aligned with the requirements.

3. Management of Proceeds

According to the estimated commencement of commercial operation on individual project indicated in the list of investment targets, it is expected that allocation of the net proceeds takes more than 24 months after issuance. Therefore, DNV has reviewed how Tohoku Electric Power can track and manage allocation of the net proceeds until they are fully allocated. The details are as followings:

- Management of the net proceeds through the Green Finance is performed in the account "Deposit". Unallocated proceeds are managed as cash or cash equivalents until they are fully allocated to the nominated projects and assets, including a period exceeding 24 months.
- When issuing Green Finance, the net proceeds are given a unique code of cash management and managed by the accounting and finance department with the internal accounting system.
- At the stage of allocation, the accounting department confirms whether each notice of investment selected by relevant department matches the eligible project, and the actual expenditure is tracked and managed on the accounting system. The amount of unallocated proceeds is confirmed through itemized statement of asset/liability account at least annually, and managed that the total amount of new investment/refinance of the nominated projects and assets is to be no less than the total amount of the Green Finance until the allocation is completed.
- Prevent the outflow of funds to non-conforming projects in accordance with the fund management flow stipulated in the issuer's settlement handling standards.
- The financial records related to cash management are retained for at least ten years in accordance with the document retention period specified in the Issuer's accounting procedures.

As a result, we confirmed that Tohoku Electric Power's method to manage the total amount of net proceeds is appropriate and it is aligned with the requirements the criteria of green financ.

4. Reporting

DNV confirmed that Tohoku Electric Power plans to report the allocation status in the annual integrated report or website until the full amount of the proceeds has been allocated, and plans to report the allocation schedule at that time if the allocation period exceeds 24 months after the bond issued.

The scope of reporting will include:

- The balance of the amount of unallocated proceeds (Green loan ; Share of the loan amount)
- The allocated amount of the proceeds (Green loan ; Share of the loan amount)
- The approximate amount (or share) of proceeds that have been used for refinancing

Tohoku Electric Power also plans to disclose indicators, with respect to environmental benefits, as below:

- Total amount of annual CO₂ emission reductions by sub-category of renewable energies (t-CO₂/y)
- The total plant capacity by sub-category of renewable energies (MW)

These are aligned with the requirements of various standards of green finance.

In addition, Tohoku Electric plans to engage DNV for post-issuance verification (if CBI certified) or periodic reviews, if necessary, to ensure that allocation status of the green finance comply with the key elements of the above-mentioned various standards of green finance.

As a result, based on the limited assurance procedures conducted by DNV, nothing has come to our attention that causes us to believe that the green finance is not, in all material respects, in compliance with the requirements of criteria of green finance widely recognized.

In this paper, no assurance is provided regarding the financial performance of the green finance, the value of any investments in the green finance, or the long-term environmental benefits of the transaction.

DNV Business Assurance Japan K.K.

30th August 2021



Mark Robinson

Manager, Sustainability Services
DNV Business Assurance, Australia



Naoki Maeda

Managing Director
DNV Business Assurance Japan K.K.



Masato Kanedome

Project Leader
DNV Business Assurance Japan K.K.



Shigeru Muta

Assessor
DNV Business Assurance Japan K.K.

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV: The management of Issuer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete

Schedule-1. List of green project candidates

(The projects in the table are representative projects before the execution of green finance)
 The representative project examples (capacity and commercial operation) listed in the Project outline and Remarks in the table are green project candidates which the eligibility has been verified at the time of green finance verification (as of July 2021). In the future, CBI program certification or green finance implementation based on this framework may include additional projects in addition to the projects already verified in the table, in which case the issuer will evaluate in advance that the projects meet the CBS and the eligibility criteria listed in the table, and if necessary, DNV will verify in a timely manner.

No.	Category	Sub category	Project outline and Remarks
1	Renewable energy	Geothermal energy	Project candidate : Capacity : approx. 100MW Commercial operation : FY2020~ Criteria : CDM registration project (ref.6834)
2		Offshore wind energy	Project candidate : Capacity : 155MW~1,000MW/site Commercial operation : FY2023~ Criteria : The environmental impact assessment process is proceeding in accordance with Japan's environmental impact assessment system.
3		Onshore wind energy	Project candidate : Capacity : 14MW~174MW/site Commercial operation : FY2020~ Criteria : The environmental impact assessment process is proceeding in accordance with Japan's environmental impact assessment system.
4		Solar	Project candidate : Capacity : 51.6MW/site Commercial operation : FY2021~ Criteria : The environmental impact assessment process is proceeding in accordance with Japan's environmental impact assessment system as necessary
5		Hydropower	Project candidate : Capacity : 15MW/site Capacity : FY 2022 ~ Criteria : The environmental impact assessment process is proceeding in accordance with Japan's environmental impact assessment system or the environmental impact assessment by Tohoku Electric Power is proceeding as necessary.

Schedule-2. Green Finance Eligibility Assessment Protocol

Following GF-1 ~ GF-4 are DNV’s green bond eligibility assessment protocol based on various standards of Green Finance (GF)

GF-1 Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of bond	<p>The bond must fall in one of the following categories, as defined by the Green Finance Principles:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Finance • Green Use of Proceeds Revenue Finance • Green Project Finance • Others 	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	<p>The BOND falls into the category below:</p> <ul style="list-style-type: none"> • Green Use of Proceeds Finance
1b	Green Project Categories	<p>The cornerstone of a green finance is the utilization of the proceeds of the finance which should be appropriately described in the legal documentation for the BOND.</p>	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	<p>It was confirmed that it will be stated in the legal documents and contracts necessary for the execution of green finance that the all the net proceeds are allocated to financing (new investment) or refinancing for projects related to development, construction, operation and renovation of renewable energy.</p>
1c	Green benefits	<p>All designated Green Project categories should provide clear greenly sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.</p>	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	<p>It was confirmed that the green project will contribute to reduce CO₂ emissions, and the environmental impacts are planned to be reported annually.</p>
1d	Refinancing share	<p>In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate,</p>	<ul style="list-style-type: none"> • Interviews with stakeholders 	<p>It was confirmed that the approximate amount (or percentage of the portion) of the proceeds</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		also clarify which investments or project portfolios may be refinanced.	<ul style="list-style-type: none"> Confirmed document (* Refer to the attached reference material list) 	for refinancing are disclosed through a reporting of allocation status.

GF-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The issuer of a Green Finance should outline the decision-making process it follows to determine the eligibility of projects using Green Finance proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green Projects categories; The criteria making the projects eligible for using the Green Finance proceeds; and The environmental sustainability objectives 	<ul style="list-style-type: none"> Interviews with stakeholders Confirmed document (* Refer to the attached reference material list) 	It was confirmed through document review and interview with the personnel of the Issuer that processes to determine the eligibility of the project that use the proceeds from the Green Finance have been clearly described in the framework.
2b	Issuer's environmental, social and governance framework	<p>The issuer of a Green Finance should outline the decision-making process it follows to determine the eligibility of projects using Green Finance proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green Projects categories; The criteria making the projects eligible for using the Green Finance proceeds; and The environmental sustainability objectives 	<ul style="list-style-type: none"> Interviews with stakeholders Confirmed document (* Refer to the attached reference material list) 	It was confirmed that the green project implemented by the issuer is fully environmentally friendly based on the legal system of each country and is in the process which is published sequentially in stage.

GF-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure-1	The net proceeds of Green Finance should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer’s lending and investment operations for Green Projects.	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	It was confirmed that the net proceeds can be tracked by the Issuer's accounting system and ensured by confirmation processes in the Issuer’s internal accounting standard/procedures.
3b	Tracking procedure-2	So long as the Green Finance outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments made until green benefit appearance or completion of proceeds allocation.	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	It was confirmed that the Issuer plans to review the balance of the proceeds regularly (at least annually) during the period from issuance of Green Finance to redemption.
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	It was confirmed that the balance of the unallocated amount is recognized sequentially through the Issuer's accounting system and confirmation processes based on internal accounting standards/procedures. In addition, it was confirmed that the balance of unallocated proceeds is disclosed through periodical reporting on the allocation of proceeds.

GF-4 Reporting



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Finance proceeds have been allocated including</p> <ul style="list-style-type: none"> - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected greenly sustainable impact. 	<ul style="list-style-type: none"> • Interviews with stakeholders • Confirmed document (* Refer to the attached reference material list) 	<p>It was confirmed that the issuer reports on the Green Finance annually and disclose the status of the allocated projects as needed until the allocation of proceeds is completed.</p>

Schedule-3 CBS v3.0 requirement/criteria

Summary criteria for assertions of compliance with the CBS v3.0

When obtaining CBI certification, the criteria against which the relevant projects and assets have been reviewed prior to their inclusion of eligible projects and assets for the Bond or Loan are grouped under the requirements as detailed within the CBS v3.0 and associated Sector Technical Criteria. The main requirements of CBS3.0 version and technical criteria are roughly classified into Part A to Part C in the table below. Since then, the description is based on green bonds, but it may be replaced as a green loan facility (example: "issuer" → "Tohoku Electric Power" "borrower", example: "investor"→" lender "" Financial institution ", example: " Bond "→" Loan ")

Part A: Pre-Issuance Requirements

Scope	Requirements
1. Use of Proceeds	Net proceeds of the bond must be allocated to nominated projects and assets.
2. Process for Evaluation and Selection of Projects & Assets	A decision-making process shall be maintained to determine the continuing eligibility of the nominated projects and assets.
3. Management of Proceeds	The net proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified in an appropriate manner, and documented.
4. Reporting Prior to Issuance	There are specific requirements in respect of reporting on use of proceeds and list of nominated projects and assets, finance/refinance plan, management process of unallocated proceeds, selected criteria, information related to Update report (annual report), and Framework which shall be disclosed.

Part B: Post-Issuance Requirements *this section is not included in this report (pre-issuance verification).

Scope	Requirements
5. Use of Proceeds	Net proceeds of the bond must be allocated to nominated projects and assets. Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds and Loans. The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects & Assets.
6. Process for Evaluation and Selection of Projects & Assets	A decision-making process shall be maintained to determine the continuing eligibility of the nominated projects and assets.

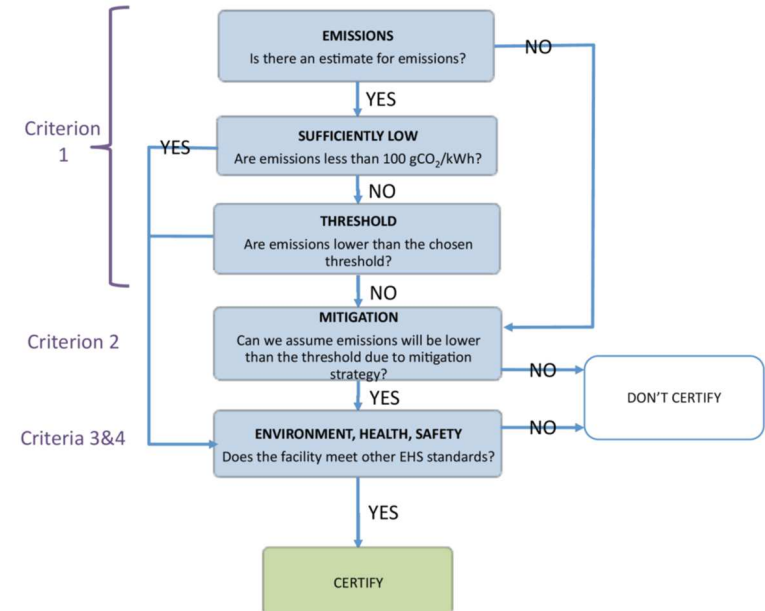
7. Management of Proceeds	The net proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified in an appropriate manner, and documented.
8. Reporting (post-issuance)	The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding. The Update report shall include amounts allocated, impact reporting of environmental aspects, information of the projects and assets. This information shall be provided to the verifier and to the CBS board to support the assessment of conformance with the CBS.

Part C: Eligibility of Projects & Assets

Scope	Requirements / Criteria
9. Climate Bonds Taxonomy	Nominated projects and assets shall fall into one or more of the investment areas listed as included in the Climate Bonds Taxonomy
10. Sector Eligibility Criteria	Nominated Projects & Assets shall meet the specific eligibility requirements provided in the relevant Sector Eligibility Criteria documents. Followings are outline of the sector criteria against the verification
	(1) Onshore wind power <u>Criteria : Projects and Assets meet the criteria below</u> • Onshore wind Assets that operate or are under construction to operate
	(2) Offshore wind power <u>Criteria : Projects and Assets meet the criteria below</u> • offshore wind Assets that operate or are under construction to operate • Disclosure Component, • Mitigation Component • Adaptation and Resilience performance

(3) Geothermal Energy
Criteria : Projects and Assets meet the decision tree structure of the criteria in Figure 1.
 (The incidental CO₂ emissions from the extracted steam are below 100 g-CO₂e / kWh, below the individually set standard values, below national thresholds set case by case, mitigation measures are in place, or CDM registration projects. Appropriate planning or implementation of measures for environmental impact and health and safety peculiar to geothermal power generation)

Figure 1: Decision tree structure of the criteria



(4) Solar Energy
Criterion 1 : Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities:
Criterion 2 : Non-solar fuel use (Eligible Project & Assets that have activities in solar electricity generation facilities or solar thermal facilities shall have a minimum of 85% of electricity generated from solar energy resources)

(5) Hydropower Energy

Criteria : Assets whose eligibility is confirmed according to the evaluation flow chart shown in the figure on the right.

(The output and reservoir / dam area should exceed 5W/m² or 10m², or the GHG emission factor should be less than 50g-CO₂e/kWh / kWh or 100g- CO₂e / kWh. In the case of pumping equipment, the prescribed operating conditions must be met. Eligibility has been confirmed by receiving an assessment from IHA based on the procedures established for consideration for the environment and society.)

Notes that the sector eligible criteria for hydropower was released in March 2021, but in the verification of pre-issuance of green finance for hydroelectric power generation projects envisioned by Tohoku Electric Power, we refers its criteria but conduct verification focusing on “clear environmental impacts and avoidance of negative impacts” shown in green finance because it is difficult/suitable to apply strictly due to the characteristics of the nominated hydropower projects.

