



## SECOND PARTY OPINION

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**ENEOS HOLDINGS, INC.**

**GREEN FINANCE FRAMEWORK**

**Prepared by:** DNV Business Assurance Japan K.K.

**Location:** Kobe, Japan

**Date:** 9<sup>th</sup> February 2023

**Ref. Nr.:** PRJN-469863-2022-AST-JPN-1

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## Revision history

Revision number	Date of issue	Remarks
Rev.0	9 <sup>th</sup> February 2023	Initial

## Disclaimer

Our assessment relies on the premise that the data and information provided by Fundraiser 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 Conduct<sup>1</sup> 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.


<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.DNV.com](http://www.DNV.com))

## Executive Summary

In December 2020, ENEOS Holdings, Inc. (hereinafter, "ENEOS Group") issued a Green Bond to finance renewable energy projects. Following this, the ENEOS Group is planning to issue a Green Bond and execute a Green Loan for renewable energy projects under the development and strengthening of growth businesses, which is part of the ENEOS Group's carbon neutral initiatives. By continuing to promote renewable energy initiatives, the ENEOS Group contributes to the reduction of CO<sub>2</sub> emissions as set out in their long-term vision. (Hereinafter, green bonds and green loans are collectively referred to as "green finance.")

The ENEOS Group has established the "ENEOS Green Finance Framework (hereinafter, "Framework") for the execution of Green Finance. The proceeds from the Green Finance will be allocated to the disbursement related to the development, construction, operation and refurbishment of renewable energy (solar power projects and biomass power projects).

DNV Business Assurance Japan K.K. (hereinafter, "DNV") has reviewed the eligibility of the Framework as an external reviewer. Eligible green projects will be selected and allocated from the nominated projects listed below related to solar power projects and biomass power projects classified as renewable energy that meet the eligibility criteria as indicated below. These projects are closely linked to the ENEOS Group's carbon neutral initiatives and contribute directly and indirectly to the three SDGs (Sustainable Development Goals, United Nations).

Green Project (the eligibility criteria)	Green project Category	Green projects Outline	Contribute to SDGs* <sup>1</sup>
<p><b>Solar power generation project</b></p> <p><b>Biomass power generation project</b></p>	<p>- <b>Renewable energy business</b></p> <p>(Development, construction, operation, refurbishment of solar power generation project and biomass power generation project)</p>	<p>Project to strengthen and expand businesses with a low environmental impact and to strengthen environmentally friendly businesses, which are initiatives that contribute to the formation of a low-carbon society, as part of the "Our Envisioned Goals for 2040" of the ENEOS group.</p>	<p>7. Affordable and clean Energy</p> <p>9. Industry, Innovation and Infrastructure</p> <p>13. Climate Action</p> 

\*1: The relevance of the SDGs is based on the Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals published by ICMA, which sets out the Green Bond Principles. The linkage to the SDGs is complementary to the execution of Green Finance and is not directly related to the purpose of the financing.

DNV provides the assessment of the eligibility of the Framework against the Green Bond Principles (ICMA 2021, hereinafter "GBP"), Green Loan Principles (ICMA 2021, hereinafter "GLP"), Green Bond Guidelines (Ministry of the Environment 2022, hereinafter "GBGLs"), Green Loan Guidelines (Ministry of the Environment 2022, hereinafter "GLGLs"), sector criteria of CBS (CBI, CBS v3.0, hereinafter "CBS") and EU Taxonomy, if applicable. Assessment summary against four core components in the GBP, GBGLs, GLP and GLGLs is provided below.

### **Principle 1: Use of Proceeds**

The Framework developed by the ENEOS Group defines the eligibility criteria for the use of proceeds as a renewable energy project - solar power project and biomass power project. This is in line with the eligible green project categories set out in the GBP and GLP. The proceeds will be allocated to new investments and refinancing of projects related to the development, construction, operation and refurbishment of solar power plants and biomass power plants. Solar power generation and biomass power generation are expected to deliver clear environmental benefits (reduction of CO<sub>2</sub> emissions) and will contribute to achieving carbon neutrality plan formulated by the ENEOS Group in May 2022.

### **Principle 2: Process for Project Evaluation and Selection**

Based on the Group's "Basic Policy on ESG Management", the ENEOS Group has identified priority ESG issues based on various guidelines, evaluation items and evaluation weights of ESG evaluation organizations, etc. Specifically, in terms of the environment, the Group has set CO<sub>2</sub> emission reduction targets with the aim of contributing to a low-carbon society. After confirming compliance with these policies and targets, the application of applicable regulations and guidelines, and results of environmental assessments, the evaluation and selection of green projects (solar power projects and biomass power projects) is carried out through an appropriate internal decision-making process. These processes are in line with the various criteria for green finance. The same process will be used for evaluation and selection when the subject project is to be implemented by a subsidiary within the ENEOS Group.

### **Principle 3: Management of Proceeds**

The ENEOS Group has established internal controls to ensure the appropriateness of its operations in accordance with the basic policy of the internal control system, and has controls in place to track the allocation of the proceeds in accordance with the operational procedures and flowcharts based on this policy. The proceeds of the Green Finance will be allocated to investments and refinancing of selected green projects (solar power projects and biomass power projects). The unallocated proceeds will be managed in cash and cash equivalents until they are allocated to the green projects. These are in line with the various criteria for green finance. If the subject project is carried out by an ENEOS Group subsidiary, the subsidiary will report to the Finance Department on a quarterly basis.

### **Principle 4: Reporting**

The ENEOS Group plans to disclose the allocation status of the proceeds on an annual basis on the ENEOS Group's website during the period from the execution of the Green Finance to the completion of the allocation. In addition, as an environmental improvement effect, the ENEOS Group plans to disclose the installed capacity of the solar power plant and biomass power



plant and the amount of CO<sub>2</sub> reduction as indicators on the ENEOS Group website on an annual basis. These are in line with the various criteria for green finance.

DNV has confirmed that the Framework meets the key requirements of the four core elements set out in the GBP, GLP, etc., and is expected to be properly planned and implemented.

## I. Introduction

### i. About the Fundraiser

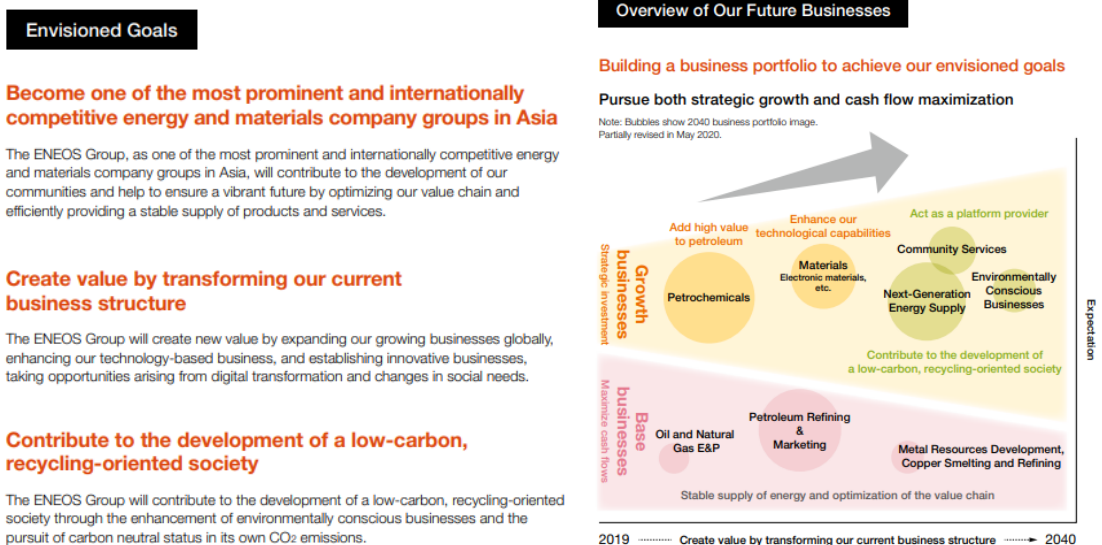
The ENEOS Group (formerly JXTG Group) was formed in April 2017 through the merger of the JX Group and the Tonen General Group. In June 2020, the name of the Group was changed from "JXTG Group" to "ENEOS Group" when "JXTG Holdings" and "JXTG Energy" changed their trade names to "ENEOS Holdings" and "ENEOS" respectively.

The ENEOS Group is one of the largest energy and materials companies in Japan, consisting of three major operating companies: the energy business, the oil and natural gas development business, and the metals business.

### ii. Fundraiser's initiatives for ESG

At the "ENEOS Holdings Management Committee", chaired by the president, the ENEOS Group deliberates on future business plans and other climate change-related issues from a cross-group perspective, and reviews and evaluates the status of activities. In addition, the results of deliberations, summaries and evaluations by the Management Committee are reported to the ENEOS Holdings Board of Directors for monitoring and supervision by the Board of Directors.

Toward the realization of the 2040 Group Long-Term Vision, the ENEOS Group has set forth its vision of "Envisioned Goals" and "Overview of Our Future Businesses", which it aims to achieve by leveraging the Group's strengths developed over the years. In its Long-Term Vision, in terms of the environment, the ENEOS Group has set "Contribute to the development of a low-carbon, recycling-oriented society" as one of its most important tasks and will contribute to the formation of a low-carbon, recycling-oriented society by strengthening and expanding businesses that have a low environmental impact and pursuing carbon neutrality for its emissions by strengthening environmentally friendly businesses.



Source: ENEOS Integrated Report 2022

### iii. Fundraiser's environmental policy

The ENEOS Group aims to achieve carbon neutrality for its own emissions by FY 2040 in its Long-Term Vision, and as a milestone, the ENEOS Group has set a long-term environmental target of reducing CO<sub>2</sub> emissions by 10.17 million tons in FY2030 (compared to FY2009).

However, in the third Medium-Term Management Plan scheduled to be announced in 2023, the ENEOS Group plans to align this target with the carbon neutrality plan announced in May 2022.

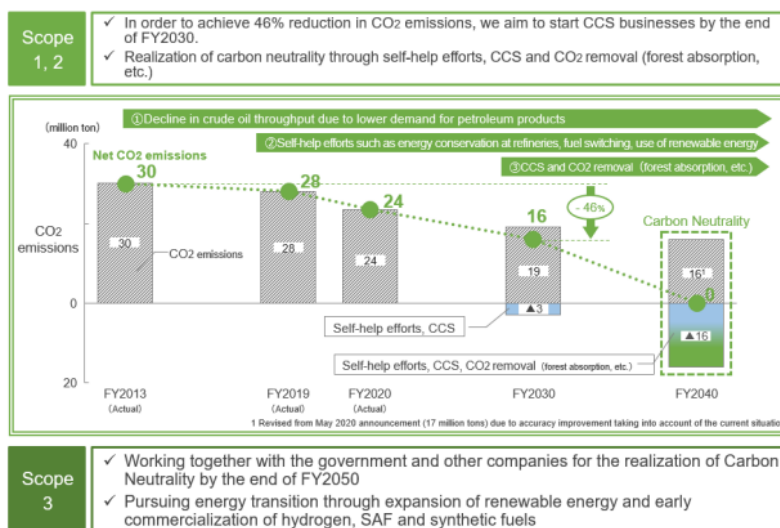
### iv. Fundraiser's approach to carbon neutrality

The ENEOS Group has announced the ENEOS Group's efforts to achieve carbon neutrality.

In its Long-Term Vision, the ENEOS Group will contribute to the formation of a low-carbon, recycling-oriented society by strengthening and expanding businesses that have a low environmental impact and pursuing carbon neutrality for its emissions by strengthening environmentally friendly businesses.

Scenario analysis based on the TCFD recommendations is carried out to identify risks and opportunities, and these are reflected in the transition strategy (building the business portfolio set out in the long-term vision).

In May 2022, the ENEOS Group announced a new carbon neutrality plan, taking into account the CO<sub>2</sub> emission reduction targets set by the Japanese government, international discussions on carbon neutrality, and other changes in domestic and international circumstances. Under the plan, the ENEOS Group aims to reduce its Scope 1 and 2 CO<sub>2</sub> emissions by 46% compared to the fiscal 2013 level by fiscal 2030, and to achieve net zero emissions by fiscal 2040, while maintaining its domestic business base, which is essential for a stable energy supply. In addition, regarding Scope 3, the ENEOS Group aims to achieve carbon neutrality by 2050 by working together with the government and other companies.






Source: ENEOS Green Finance Framework

**v. Fundraiser' initiatives for SDGs**

The ENEOS Group identifies social issues based on a comprehensive review of the SDGs, etc., evaluates its level of importance based on the evaluation weights of ESG evaluation organizations, and identifies priority ESG issues.

**Relationship between the ENEOS Group's top priorities for contributing to a low-carbon society and the SDGs**

ENEOS Group's Initiatives	SDGs*		
Identifying the creation of a decarbonization society as a key ESG issue - CO <sub>2</sub> emission reduction (Self-help reductions)	Goal 7	Affordable and Clean Energy	
	Goal 9	Industry, Innovation and Infrastructure	
	Goal 13	Climate Action	

\*The relevance of the SDGs is based on the Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals published by ICMA, which sets out the GBP. The linkage to the SDGs is complementary to the execution of Green Finance and is not directly related to the purpose of the financing.

**vi. Green Finance Framework**

The ENEOS Group is promoting the introduction of renewable energy as a specific initiative to promote the reduction of CO<sub>2</sub> emissions as a group. The ENEOS Group plans to execute the Green Finance to raise funds for new investment and refinancing of renewable energy projects (solar power projects and biomass power projects) that are expected to improve the environment (reduce CO<sub>2</sub> emissions) by using the newly formulated Green Finance Framework (hereinafter, "Framework"). That is, the proceeds will be allocated to green projects in line with the following eligible green project categories.

- Renewable energy business  
(Solar power generation and biomass power generation: development, construction, operation and refurbishment)

**Fundraiser's Name:** ENEOS Holdings, Inc.

**Framework name:** ENEOS Green Finance Framework (December 2022)

**Review provider's name:** DNV Business Assurance Japan K.K.

**Date of report:** 9<sup>th</sup> February 2023



## II. Scope and Objectives

The ENEOS Group has established the ENEOS Green Finance Framework and has commissioned DNV to conduct assessment of the Framework. The objective of DNV’s assessment is to implement an assessment to confirm that the Green Finance meets the identified criteria of the standards GBP, GLP, GBGLs and GLGLs described below and applicable CBS related technical standards and other relevant criteria or guidelines (refer to the following), and to provide the Fundraiser with independent second-party opinion on the eligibility of the Framework.

DNV, as an independent external reviewer, has identified no real or perceived conflict of interest associated with the delivery of this second-party opinion for the ENEOS Group.

In this report, 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.

### (1) Scope of review

The review assessed the following elements and confirmed their alignment with the gist of GBP and GLP:

- Use of Proceeds
- Management of Proceeds
- Process for Project Evaluation and Selection
- Reporting

### (2) Role(s) of review provider

- Consultancy (incl. 2<sup>nd</sup> opinion)
- Verification
- Other (please specify): Provide reviews as a registered supporter (external review division) for green finance execution
- Certification
- Rating

### (3) Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner	Applied level*1*2
1.	Green Bond Principles	International Capital Markets Association (ICMA), 2021	Apply
2.	Green Bond Guidelines	Ministry of the Environment, 2022	Apply
3.	Green Loan Principles	Loan Market Association (LMA) et.al. 2021	Apply
4.	Green Loan Guidelines	Ministry of the Environment, 2022	Apply
5.	Climate Bonds Standard version 3.0 (Sector criteria)	Climate Bond Initiative, 2019	Refer (Applicable technical standards)
6.	EU Taxonomy	The European Commission (EC), 2022	Refer (Applicable technical standards)



7.	Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals	International Capital Market Association (ICMA), 2020	Refer
8.	Handbook Harmonized Framework for Impact Reporting	International Capital Markets Association (ICMA), 2021	Refer

\* 1: Apply: Eligibility for all four core elements common to each principle and guideline was evaluated.

\* 2: Refer: all or part of the related content was considered based on the green project and execution plan.

### III. Responsibilities of the ENEOS Group and DNV

The ENEOS Group 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 ENEOS Group 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 ENEOS Group. DNV is not responsible for any aspect of the nominated 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 ENEOS Group’s management 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 the Fundraiser, the ENEOS Group, we have adapted our green finance assessment methodologies, which incorporates the requirements of the GBP, GLP, GBGLs and GLGLs to create an ENEOS Group-specific Green Finance Eligibility Assessment Protocol (hereinafter, "Protocol"). (Refer to Schedule-2.) The Protocol is applicable to green finance frameworks based on GBP, GLP, GBGLs and GLGLs.

Our 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 financing and investment for new and existing projects with environmental benefits".

As per our Protocol, the criteria against which the Green Finance Framework has been reviewed are grouped under the four Principles:

- **Principle 1: Use of proceeds:** The Use of Proceeds criteria are guided by the requirement that "a fundraiser of a green finance must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits".
- **Principle 2: Process for Project Evaluation and Selection:** The Project Evaluation and Selection criteria are guided by the requirements that "a fundraiser 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 3: Management of Proceeds:** The Management of Proceeds criteria are guided by the requirements that "a green finance should be tracked within the fundraiser organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made".
- **Principle 4: Reporting:** The Reporting criteria are guided by the recommendation that "at least Sustainability Reporting to the bond 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 comprehensive review of the available information, based on the understanding that this information was provided to us by the Fundraiser 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. Green Finance Pre-issuance Assessment

- Creation of the Fundraiser-specific Protocol, adapted to the purpose of the Green Finance, as described above and in Schedule-2 to this Assessment.
- Assessment of documentary evidence provided by the Fundraiser on the Green Finance and supplemented assessment by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with the Fundraiser, and review of relevant documentation;
- Documentation of findings against each element of the criteria.

## VI. Findings and DNV's opinion

DNV's findings and opinion are as below.

### Principle 1: Use of Proceeds

DNV has confirmed that the net proceeds from the Green Finance, excluding expenses, is planned to be allocated to new investment and refinancing in the development, construction, operation and refurbishment of green projects (solar power projects and biomass power projects which are renewable energy projects exemplified as the eligibility criteria) that identified by the GBP, GLP, GBGLs and GLGLs.

#### Renewable energy business

Green projects (the eligibility criteria): development, construction, operation and refurbishment of solar power generation and biomass power generation businesses

DNV understands that solar power generation and biomass power generation are a widely recognised renewable energy-related businesses and are Green eligible projects. On the other hand, when implementing solar power generation and biomass power generation projects, consideration of greenhouse gas (GHG) emissions due to incidental CO<sub>2</sub> emissions and other factors, as well as the impact on the surrounding environment and society, must be taken into account and addressed.

DNV confirmed how the ENEOS Group complies (or will comply) with related laws and ordinances, local regulations, and confirmed its validity through the assessment. The outline is shown below.

- **Solar Power Generation Business:** Nominated green projects are eligible green projects as onshore solar power business (including related equipment) with reference to the technical standards of the CBS. Eligible projects are those that are connected to the existing grid and are not accompanied by fossil fuel-based back-up power sources. The impacts on the surrounding environment and additional impacts on other stakeholders due to construction have been or will be properly assessed and addressed through measures based on laws, regulations, ordinances, and guidelines.
- **Biomass Power Generation Business:** Nominated Green Projects are biomass power generation projects based on fuels derived from residual wood and waste generated in Japan that meet green eligibility criteria by referring to CBS and EU Taxonomy technical standards with respect to the biomass fuel procurement process, incidental CO<sub>2</sub> emissions (CO<sub>2</sub> emissions derived from transportation process, etc.), equipment size and specifications, etc. The projects are eligible green



projects that contribute to significant GHG emission reductions compared to existing thermal power plants. The impacts on the surrounding environment and additional impacts on other stakeholders due to construction have been properly assessed and addressed through measures based on laws, regulations, ordinances, and guidelines.

Green projects that are evaluated and selected as recipients of Green Finance proceeds are expected to bring about clear environmental benefits as CO<sub>2</sub> emission reduction projects and contribute to the promotion of the ENEOS Group's "formation of a low-carbon society". With this information, it is confirmed that the project meets the classification of eligible green projects as specified in the GBP/GBGLs and GLP/GLGLs.

### Use of proceeds categories as per GBP and GLP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Sustainable management of living natural resources   |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water management  | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes   | <input type="checkbox"/> Green buildings with regional, national or internationally recognized standards and certifications |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |   |
| <input type="checkbox"/> It is undecided at the time of the execution of Green Finance, but is expected to be line with the GBP classification or other eligible areas not listed in the GBP at this time. |   |

**Principle 2: Process for Project Evaluation and Selection**

In the 2040 Group Long-Term Vision, the ENEOS Group has set forth its vision of "Our Envisioned Goas for 2040", and based on the Group's "Basic Policy on ESG Management", the ENEOS Group has identified priority ESG issues based on various guidelines, evaluation items and evaluation weights of ESG evaluation organizations, etc.

Specifically, in terms of the environment, the Group has set CO2 emission reduction targets with the aim of contributing to a low-carbon society.

DNV has confirmed through its review that the nominated green project listed in Schedule-1 are consistent with the ENEOS Group's environmental policy.

The Fundraiser also has an evaluation and selection process for eligible green projects in accordance with these policies and objectives and in accordance with similar internal regulations and equivalent business practices. After confirming compliance with these policies and targets, the application of applicable regulations and guidelines, and results of environmental assessments, the evaluation and selection of green projects (solar power and biomass power projects) is carried out through an appropriate internal decision-making process.

In addition, if the subject project is to be carried out by a subsidiary within the ENEOS Group, the evaluation and selection will be carried out after consultation among the Finance Department and relevant internal departments including subsidiaries of the Fundraiser. DNV has confirmed through the assessment that the nominated green projects fall under the project category (renewable energy) of eligible green projects in the GBP and GLP and the specific examples of how proceeds will be used in the GBGLs and GLGLs. These processes are consistent with the GBP, GLP, GBGLs and GLGLs. The ENEOS Group has also referred to the applicable sector technical standards of the CBS and EU Taxonomy in determining the eligibility of green projects.

**Evaluation and Selection**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Conforms to the fundraiser’s achievement of environmental contribution goals              | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> The project is eligible for use of proceeds by green finance and transparency is ensured. | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> The project is evaluated and selected based on the published standard summary             | <input type="checkbox"/> Other (please specify):  |

**Information on Responsibility and Accountability**

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



### **Principle 3: Management of Proceeds**

DNV has confirmed how the ENEOS Group will track and manage the proceeds during the period from financing to repayment; DNV has confirmed that the ENEOS Group plans to allocate the proceeds to new investments and refinancing of eligible green projects in a timely manner after the financing.

DNV confirmed that the allocation of the proceeds will be managed by the Finance Department on a project-by-project basis in accordance with the ENEOS Group's accounting control procedures. It was also confirmed that the total amount of green eligible projects will be managed using accounting systems and dedicated ledgers so that the total amount will not fall below. The proceeds will be managed in cash or cash equivalents until they are allocated.

If the subject project is carried out by a subsidiary within the ENEOS Group, the Finance Department of the Fundraiser will receive reports from the subsidiary on a quarterly basis.

- The ENEOS Group has established internal controls to ensure the appropriateness of its operations in accordance with the basic policy of the internal control system, and has controls in place to track the allocation of the proceeds in accordance with the operational procedures and flowcharts based on this policy.
- The proceeds from the Green Finance are deposited in the same account as other funds, but are separately managed to ensure that they are allocated to the green projects for which they are intended. Therefore, the ENEOS Group is prepared to confirm at the stage of allocation of proceeds that the amount of the proceeds from the Green Finance will not exceed the actual amount of construction funds to be allocated.
- Documents relating to the management of proceeds will be retained for at least 10 years in accordance with the document management rules laid down by the ENEOS Group.





**Tracking of proceeds:**

- Some or all of the proceeds by green finance that are planned to be allocated are systematically distinguished or tracked by the fundraiser.
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

**Additional disclosure:**

- |  |  |
|--|--|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" 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 checked="" type="checkbox"/> Other ( <i>please specify</i> ): The amount of existing investment and new investment and loan of the business subject to green finance allocation will be disclosed in the annual report. |

**Principle 4: Reporting**

DNV has confirmed that the ENEOS Group would report the specific information on the Green Finance required by the GBP, GLP, GBGLs and GLGLs annually on the ENEOS Group's website.

Annual reports will be provided on a portfolio basis, including the target projects, on the status of the allocation of proceeds and the effects of environmental improvements as described below until the full amount of proceeds has been allocated. The environmental impacts will be disclosed to the extent possible from the interests of confidentiality and nondisclosure.

Until the project is operational, the estimated value of the indicator and the progress of the eligible green project will be disclosed. If there is a significant change in the eligible green projects, the ENEOS Group will disclose it in a timely manner. The main reporting items are expected as follows.

**<Allocation Status>**

- Allocated amount
- Unallocated amount
- Allocated amount as refinancing out of the total amount allocated for each proceeds

**<Environmental Impact>**

- Power generation capacity (MW)
- Annual CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>/y)

\*During the period from the execution of the Green Finance to completion of the allocation of the proceeds, the estimated environmental benefits of eligible green projects and the progress of the projects will be disclosed.



**Use of proceeds reporting:**

- Project-by-project
- On a project portfolio basis
- Linkage to individual finance(s)
- Other *(please specify)*:

**Information reported:**

- Allocated amounts
- GF refinanced share of total investment
- Other *(please specify)*:

**Frequency:**

- Annual
- Semi-annual
- Other *(please specify)*:

**Impact reporting (environmental benefits):**

- Project-by-project
- On a project portfolio basis
- Linkage to individual finance(s)
- Other *(please specify)*:

**Frequency:**

- Annual
- Semi-annual
- Other *(please specify)*:

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
- Energy Savings
- Other ESG indicators *(please specify)*:
  - Installed capacity of solar power projects (MW)
  - Installed capacity of biomass power projects (MW)

**Means of Disclosure**

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other *(please specify)*: ENEOS Group web site
- Reporting reviewed *(if yes, please specify which parts of the reporting are subject to external review)*

## Assessment Conclusion

On the basis of the information provided by the ENEOS Group and the work undertaken, it is DNV's opinion that the ENEOS Group Green Finance meets the criteria established in the Protocol and that it is aligned with the stated definition or purpose of green finance within the GBP, GLP, GBGLs and GLGLs, which is to "enable capital-raising and investment for new and existing projects with environmental benefits".

DNV Business Assurance Japan K.K.

9<sup>th</sup> Feb. 2023



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### 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 Fundraiser and the Second-Party Opinion Providers, DNV: The management of Fundraiser 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 Fundraiser 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 Fundraiser. 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 Fundraiser's management and used as a basis for this assessment were not correct or complete.

## Schedule-1 Nominated Eligible Green Projects

The ENEOS Group Green Finance will be allocated to the green projects that meet the eligibility criteria listed in Schedule-1. Representative examples of green projects are those that were specifically selected for assessment to confirm the validity of the ENEOS Group's project assessment process (internal process) as of the November 2022 assessment, and were found to be eligible as a result of the assessment. The actual projects to which the proceeds will be allocated are not limited to these representative green projects. Projects that have been selected and evaluated as eligible green projects through an internal process predetermined by the Fundraiser in the future can be included in the use of proceeds.

Green Projects (the eligibility criteria)	Green Project Category (Environmental benefit)	Green Project Overview	Examples of Representative Green Projects
Solar Power Generation Business	- Renewable energy business	Development Construction Operation and Refurbishment of Solar Power Plants	<p>Sanda Mega Solar Power Plant</p> <ul style="list-style-type: none"> <li>• Location : Sanda City, Hyogo Prefecture</li> <li>• Module capacity : About 121MW</li> <li>• Planned start of Operation : December 2023</li> </ul> <p>Banshu Mega Solar Power Plant</p> <ul style="list-style-type: none"> <li>• Location : Akou-gun, Hyogo Prefecture</li> <li>• Module capacity : About 77MW</li> <li>• Planned start of Operation : January 2023</li> </ul>
Biomass Power Generation Business	- Renewable energy business	Development Construction Operation and Refurbishment of Biomass Power Plants	<p>JRE Kamisu Biomass Power Plant</p> <ul style="list-style-type: none"> <li>• Location : Kamisu City, Ibaraki Prefecture</li> <li>• Module capacity : 24.4MW</li> <li>• Start of Operation: May 2019</li> </ul>

## Schedule-2 Green Finance Framework Eligibility Assessment Protocol

The following GBP-1 to GBP-4 and GLP-1 to GLP-4 are DNV's Green Finance Framework eligibility assessment protocol created for the ENEOS Group based on the Green Bond Principles 2021 and Green Loan Principles 2021.

In addition, "Issuer" and "Investor" may be read as "Fundraiser" and "Lender", respectively, in the following disclosure requirements, as appropriate.

### GBP-1/GLP-1 Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of funds	<p>The types of green finance are classified into one of the following types defined by GBP/GLP:</p> <ul style="list-style-type: none"> <li>• (Standard) Green Bond/Loan</li> <li>• Green Revenue Bond/Loan</li> <li>• Green Project Bond/Loan</li> <li>• Others</li> </ul>	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> <li>• Interviews with ENEOS Group Stakeholders (hereinafter, "Stakeholders")</li> </ul>	<p>The reviewed evidence confirms that the BOND falls in the category:</p> <ul style="list-style-type: none"> <li>• Green Use of Proceeds Bond/Loan</li> </ul>
1b	Green project classification	<p>The key to a green finance is that the proceeds will be used for a green project, which should be properly stated in the legal documents relating to the security.</p>	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> <li>• Interviews with Stakeholders</li> </ul>	<p>It was confirmed that the whole amount of the proceeds will be allocated to new investments and refinancing related to the development, construction, operation and refurbishment of solar power plants and biomass power plants(green projects).</p>
1c	Environmental benefits	<p>All green projects to which the funds are used should have clear environmental benefits, the effects of which should be assessed by the issuer/borrower and, where possible, quantitatively demonstrated.</p>	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> </ul>	<p>It was confirmed that the nominated eligible green projects have environmental benefits as CO<sub>2</sub> emission reduction and the</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> <li>• Interviews with Stakeholders</li> </ul>	<p>environmental improvement effects are reported on an annual basis.</p> <p>DNV has confirmed that the implementation of the nominated eligible green projects has environmental benefits in terms of CO<sub>2</sub> emissions through the development or new acquisition of solar power plants. With regard to solar power generation, a nominated project to which the proceeds will be allocated, DNV confirmed that the quantitative evaluation of direct environmental benefits during operation will be evaluated on a portfolio basis.</p>
1d	Refinancing rate	If all or part of the proceeds are used or may be used for refinancing, the issuer/borrower will indicate the estimated ratio of the initial investment to the refinancing and, if necessary. Therefore, it is recommended to clarify which investment or project portfolio is subject to refinancing.	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> <li>• Interviews with Stakeholders</li> </ul>	It was confirmed that the ENEOS Group intends to allocate all of the proceeds to new investments in and refinancing of the nominated eligible projects listed in Schedule-1, and that the ENEOS Group will disclose on an annual basis the projects to be refinanced and the refinancing amounts.

### GBP-2/GLP-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Project Selection process	Green finance issuer/borrower should provide an overview of the process of qualifying projects for which green finance funding will be used. This includes (but is not limited to): <ul style="list-style-type: none"> <li>• The process by which the issuer/borrower determines that the project in question is included in the business category of a qualified green project.</li> <li>• Creation of criteria for eligibility of projects for which green finance funding will be used.</li> <li>• Environmental sustainability goals.</li> </ul>	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> <li>• Interviews with Stakeholders</li> </ul>	<p>It was confirmed that the ENEOS Group has a process for determining the eligibility of projects for use of the Green Finance proceeds, which is outlined in the Framework.</p> <p>In addition, DNV confirmed that, if the subject project is to be carried out by a subsidiary within the ENEOS Group, the evaluation and selection will be carried out after consultation among the Finance Department and relevant internal departments including subsidiaries of the Fundraiser.</p>
2b	Issuer's/borrower's environmental, social governance framework	In addition to criteria and certifications, the information published by issuers/borrowers regarding the green bond and loan finance process also considers the quality of performance of the issuer's/borrower's framework and environmental sustainability.	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> <li>• Interviews with Stakeholders</li> </ul>	It was confirmed that the Green Project implemented by the ENEOS Group confirmed and responded to various applicable regulations and guidelines on environmental aspects in order to achieve the responsibilities of the business operators in preserving the environment based on local government regulations and guidelines.

### GBP-3/GLP-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure-1	The net proceeds from of green finance should be managed in sub-accounts, included in sub-portfolio, or otherwise tracked. It should also be certified by the issuer/borrower in a formal	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> </ul>	The ENEOS Group has established a system (internal control system) to ensure the appropriateness of business operations in



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>internal process related to the issuer's/borrower's investment and financing operations for the Green Project.</p>	<p>(2.3 Management of Proceeds of the Framework, Management manual and flowchart for fund management in the Finance Department)</p> <ul style="list-style-type: none"> <li>• Interviews with Stakeholders</li> </ul>	<p>accordance with the "Basic Policy for the Development and Operation of Internal Control Systems", and has controls in place to track where the proceeds are allocated following the accounting system, operating procedures and flowcharts based on this.</p> <p>The proceeds will be deposited in the same account as other funds, but are kept in a separate fund allocation control chart to ensure that they are allocated to the green projects for which they are intended.</p> <p>For this reason, the Finance Department will maintain documents to manage the flow of allocation of proceeds and ensure that the amount of proceeds from the Green Finance does not exceed the amount of construction funds for the project to which the proceeds are actually allocated.</p> <p>DNV has confirmed that the ENEOS Group is able to track the allocation to eligible assets through the above process using the company's internal controls. In cases where the subject project is carried out by a subsidiary within the ENEOS Group, we confirmed that the Finance Department of the Fundraiser receives reports from the subsidiary on a quarterly basis.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3b	Tracking procedure-2	During the green finance redemption/repayment period, the balance of funds raised that is being tracked should be adjusted at regular intervals to match the amount allocated to eligible projects undertaken during that period.	<ul style="list-style-type: none"> <li>Confirmation of the Framework and other documents (2.3 Management of Proceeds of the Framework, Flow of expended funds to be refinanced)</li> <li>Interviews with Stakeholders</li> </ul>	DNV confirms that the ENEOS Group has a system in place to ensure that proceeds are kept separate from other balances on an ongoing basis, with the ENEOS Group's Finance Department maintaining documentation to manage the flow of proceeds allocated and being prepared to confirm at the allocation stage that the amount of proceeds from the Green Finance does not exceed the amount of construction funds for the project to which the proceeds are actually allocated.
3c	Temporary holding	If no investment or payment has been made in a qualified green project, the issuer/borrower should also inform the investor/lender of the possible temporary investment method for the balance of unallocated proceeds.	<ul style="list-style-type: none"> <li>Confirmation of the Framework and other documents (2.3 Management of Proceeds of the Framework, Flow of expended funds to be refinanced)</li> <li>Interviews with Stakeholders</li> </ul>	DNV confirmed that the system is designed to confirm the balance of unallocated funds on a quarterly basis through a confirmation process based on the ENEOS Group's accounting system, forms, and related business flow. DNV confirmed through the Framework and assessment that the balance of unallocated funds will be managed in cash or cash equivalents. DNV confirmed that the balance of unallocated funds will be revealed through reporting on the allocation status.

## GBP-4/GLP-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, the issuer/borrower will consider each project at least once a year for projects to which the Green finance proceeds have been allocated, taking into account the following: A list of each project should be provided.</p> <ul style="list-style-type: none"> <li>-Confidentiality and competitive considerations</li> <li>-Outline of each project, expected sustainable environmental and social effects</li> </ul>	<ul style="list-style-type: none"> <li>• Confirmation of the Framework and other documents</li> <li>• Interviews with Stakeholders</li> </ul>	<p>The ENEOS Group has confirmed that it plans to disclose the allocation status of the proceeds on an annual during the period from the execution of the Green Finance to the completion of the allocation of the proceeds.</p> <p>In terms of environmental benefits, the ENEOS Group plans to disclose the power generation capacity (MW) and annual CO<sub>2</sub> emission reduction (t-CO<sub>2</sub>/y) on an annual basis.</p>