



## SECOND PARTY OPINION

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# METAWATER CO., LTD. BLUE FINANCE FRAMEWORK

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: 26 October 2023

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### Revision History

Revision Number	Date of Issue or Publication	Main Changes
0	26 October 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 limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Because of the selected nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. DNV expressly disclaims any liability or co-responsibility for any 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 maintains complete impartiality towards stakeholders. DNV maintains complete impartiality towards stakeholders interviewed during the assessment process.

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

## Executive Summary

METAWATER Co., Ltd. (hereinafter, referred to as “METAWATER”) is engaged in the Plant Engineering Business, which includes the design and construction of facilities for water treatment plants and sewage treatment plants in Japan and overseas, and the Service Solutions Business, which is mainly engaged in the provision of various services such as repair work and operation and management of facilities for water treatment plants, sewage treatment plants and waste treatment facilities. Since its establishment as a water and environmental business company, the METAWATER Group's strength lies in its value chain, which comprehensively develops design and construction (EPC) and operation and maintenance (O&M) and contributes to solving various social issues in the water and environmental fields.

METAWATER has developed the Blue Finance Framework (hereinafter, referred to as the “Framework”) to align with its sustainability strategy and to contribute to solving social issues and helping to create a sustainable society.

The Framework is structured as a comprehensive framework that includes the following elements required for Blue Finance execution as well as Green Finance:

- Blue Finance (blue bonds and blue loans)
- Green Finance (green bonds and green loans)

DNV Business Assurance Japan K.K. (hereinafter, referred to as “DNV”), as an external reviewer, evaluated the eligibility of the Framework.

Specifically, DNV applied frameworks (e.g., principles and guidelines) focusing on the following and provided eligibility assessment to the Framework. Depends on the project types, Blue Finance Guidelines (BFG) released from International Finance Corporation (IFC) and/or Bonds to Finance the Sustainable Blue Economy (A Practitioner’s Guide) (SEBG) released by International Capital Market Association (ICMA) will be applied.

- Blue Finance Guidelines (BFG), International Finance Corporation (IFC), 2022.
- Bonds to Finance the Sustainable Blue Economy (A Practitioner’s Guide) (SBEG), International Capital Market Association (ICMA) and others, 2023.
- Green Bond Principles (GBP), International Capital Market Association (ICMA), 2021.
- Green Bond Guidelines (GBGLs), Ministry of the Environment, 2022.
- Green Loan Principles (GLP), Loan Market Association (LMA) et al, 2023.
- Green Loan Guidelines (GLGLs), Ministry of the Environment, 2022.

A summary of the eligibility assessment results for each of the common elements, as presented in the above frameworks, is as follows:


## <BFG/SBEG eligibility assessment results>

### (1) Blue Finance Guideline (BFG)

Table-1 shows METAWATER's Eligibility Criteria and Eligible Projects through its assessment of METAWATER. DNV has confirmed that the Eligible Projects meet the Green Bond Principles and Green Loan Principles' Eligible Project Category 'Sustainable water and wastewater management' and 'Energy efficiency', as well as 6 and 14 of the Sustainable Development Goals (SDGs Sustainable Development Goals), which are necessary requirements for a Blue Project, and that the activities make a substantial contribution.

DNV has confirmed that METAWATER complies with the environmental laws and regulations required by the national and local authorities where the project is located and conducts environmental impact assessments as required when selecting eligible projects. As a result, DNV has confirmed that there are no risks or significant environmental or social risks that could affect the progress of other environmental priorities as a result of the implementation of the eligible project. In the event that significant environmental and social risks arise in the future, METAWATER will respond by applying appropriate safeguards and standards. These are in line with the requirements of the Blue Project.

Table-1 Eligibility Criteria and Eligible Projects

Eligibility Criteria	Eligible Projects (summary)	Relevant SDGs
Sustainable Water Treatment Business	<u>Concession Projects</u> <sup>*1</sup> Investment and financing of water treatment projects <sup>*2</sup> through special purpose companies (SPCs) to the SPCs concerned.	
	<u>Investments and Financing</u> Investments and financing to domestic and foreign companies (excluding SPCs in concession projects) that specialise in water treatment or whose operations are dominated by water treatment business.	

\*1: Concession projects: projects in which the right to use a water treatment project or other project is transferred (ownership is held by a public body such as a national or local government).

\*2: Water treatment projects: all or any of water supply, industrial water supply and sewerage.

Table-2 shows the Blue Finance Areas (classified as A-I in the BFG) into which the Eligible Criteria are classified. DNV has confirmed that METAWATER's Eligible Project falls under 'Area A: Water Supply', 'Area B: Water Sanitation', and 'Area D: Ocean-friendly chemicals and plastic-related sectors'. See Schedule-2 for specific details.

Table-2 Blue Finance Areas

Eligibility Projects	Blue Finance Areas <sup>*1</sup>
Concession Projects	Following areas apply depending on the type of project (water supply, industrial water supply or sewerage) included in the eligible projects.
Investments and Financing	[Water supply]: A. Water Supply. [Industrial water supply]: A. Water Supply. [Sewerage]: B. Water Sanitation, D. Ocean-friendly chemicals and plastic-related sectors

\*1: Areas defined by the BFG eligibility categories A to I are indicated in Blue Finance according to project characteristics.

## (2) Bonds to Finance the Sustainable Blue Economy (A Practitioner's Guide) (SBEG)

DNV has confirmed that METAWATER meets the three pre-issuance requirements (A to C) stipulated by the SBEG as follows. Please refer to Schedule-3 for details.

### A. Creating a Bond Framework to Finance the SBE\* (\*Sustainable Blue Economy)

DNV has confirmed that METAWATER plans to create and publish a Blue Finance Framework that satisfies the Four Principles of GBP.

### B. Define and Confirm Project Categories

DNV has confirmed that among METAWATER's eligible projects, [sewerage projects] falls under 6. Marine Pollution a. Wastewater Management in the SBEG Blue Project category and subcategory. Specifically, please refer to Table-1 of Schedule-3, Indicative Blue Project Categories. DNV has also confirmed that METAWATER has internal processes in place to ensure that eligible projects do not fall within a list of distance from shore or exclusions.

### C. Obtain an External Review

DNV has confirmed METAWATER to appoint DNV as an external reviewer to assess the compliance of the Blue Finance Framework with the GBP's four principles and to disclose the second party opinion to key stakeholders.

## **<GBP/GLP eligibility assessment results>**

### **Principle One: Use of Proceeds.**

DNV has confirmed that METAWATER will use the proceeds raised through blue finance for eligible projects based on the eligibility criteria set out in Table-1. It was confirmed that the proceeds will be used for new investments and refinancing of existing investments etc., and in the case of refinancing, only for expenditure carried out within approximately four years of the financing.

### **Principle Two: Process for Project Evaluation and Selection.**

DNV confirmed that the process for the evaluation and selection of the METAWATER project is that the Corporate Communications Office and Accounting and Financial Planning Office select candidate projects, and after consultation with the relevant internal departments, the Head of Accounting and Financial Planning Office makes the final decision and reports the results to the Board of Directors for approval by the representative director.

### **Principle Three: Management of Proceeds.**

DNV has confirmed that METAWATER's Accounting and Financial Planning Office will allocate and manage the proceeds raised under the Framework to Eligible Projects using an internal management system. An equal amount of the procured proceeds will be used to fund the repayment of loans and other borrowings raised in the Eligible Projects or in the implementation of Eligible Projects. In addition, the proceeds will be managed so that the total amount of eligible projects will not be less than the amount raised by Blue Finance.

### **Principle Four: Reporting.**

DNV confirmed that METAWATER will disclose the funding allocation status report and impact report on an annual basis, e.g., on METAWATER's website. It was also confirmed that the first disclosure is expected to be made within one year of the Blue Finance funding. DNV also confirmed that if there are any major changes to the plan for allocating the proceeds raised, or if there are any changes in circumstances that have a major impact on the plan after the proceeds have been allocated, METAWATER will disclose these in a timely manner.

DNV has confirmed from the Framework and other relevant documents and information provided by METAWATER that the Blue Finance is expected to meet the requirements of the Blue Project as required by the BFG and/or SBEG and also to meet the requirements of the four core elements set out in the GBP, GLP, etc., and to be properly planned and implemented.

## I. Introduction

### i. About the Fundraiser

METAWATER Co., Ltd. was established on 1 April 2008 as a general engineering company in the water and environmental sector through the merger of the water and environmental business subsidiaries of NGK Insulators, Ltd. and Fuji Electric Co., Ltd. Since its establishment, the METAWATER Group has developed its business in the fields of water supply, sewerage and the environment both in Japan and abroad as a corporate group that has a combination of the mechanical technology from NGK Insulators and the electrical technology from Fuji Electric, contributing to the realisation of sustainable water and environmental infrastructure through its corporate mission that “We will continue to contribute to the realization of a sustainable environment and society by solving water and environmental issues” which is based on its corporate philosophy of “Continue, to make it sustainable.” It also actively promotes cooperation and alliances with domestic and foreign companies and focuses on providing a wide range of solutions tailored to customer needs.

Since its establishment as a water and environmental business company in 2008, the METAWATER Group's strength lies in its value chain, which comprehensively develops design and construction (EPC) and operation and maintenance (O&M), and contributes to solving various social issues in the water and environmental sectors. The METAWATER Group contributes to solving various social issues in the water and environmental fields.

- Plant engineering business: design and construction of facilities for water treatment plants and sewage treatment plants in Japan and abroad.
- Service solutions business: repair work and operation and management of facilities for water treatment plants, sewage treatment plants and waste treatment facilities.

## ii. Fundraiser's Initiatives for ESG

METAWATER strives to realise sustainable environment and society through its business, by positioning its group philosophy of "Continue, to make it sustainable" as itself as a basic sustainability policy in order to connecting to raising its corporate value.

### Basic Sustainability Policy


























"The METAWATER Group aims to be a company that meets the expectations of its stakeholders, is trusted by society and continues to contribute to society, in order to support our everyday safe and secure lives, contribute to environmental and social sustainability and achieve sustainable development together with society. Towards this realisation, we will continue with the following initiatives."

- The company will work with customers, communities, and partners to contribute to solving environmental and social issues with the most appropriate technologies and services.
- People are our greatest asset, and we are committed to recognising diversity, building diverse ways of working and creating a safe and secure working environment.
- We aim to achieve the best possible corporate governance and to become a sustainable company together with society in order to increase our corporate value over the medium and long term.

In order to realise its basic policy on sustainability, the METAWATER Group has positioned issues that are closely related to the METAWATER Group's business and important to society and stakeholders as materiality. METAWATER's materiality, policies, targets and related SDGs are listed in Table-3. In addition, METAWATER's business model and its relationship with ESG and SDGs is shown in Figure-1.



Table-3 METAWATER Group Sustainability Promotion Activities  
– initiative targeting important issues (materialities)

Important issues (materialities)	Policy	Targets	SDGs contributed to	ESG
 Water environment	We will contribute to ensuring safe water quality and the recycling and conservation of the water environment by providing the optimal technologies and services in the construction, operation, and maintenance of water supply and sewage works facilities, essential lifelines for people's lives.	<ul style="list-style-type: none"> <li>■ Contribution to sustainable water supply and sewage works facilities</li> <li>■ Contribution to the water environment overseas</li> <li>■ Water source forest conservation</li> </ul>	    	E
 Recycling-oriented society	We will contribute to the creation of a recycling-oriented society by effectively using limited resources, in order to continue protecting the rich natural environment.	<ul style="list-style-type: none"> <li>■ Contribution to sustainable recycling facilities</li> <li>■ Promotion of the reduction and reuse of industrial waste</li> <li>■ Reduction of environmental impact</li> </ul>	  	
 Reduction of greenhouse gas emissions	We will contribute to the reduction of greenhouse gas (GHG) emissions through our business activities in response to issues such as rising sea levels and abnormal weather patterns caused by global warming.	<ul style="list-style-type: none"> <li>■ Reduction of GHG emissions at water supply and sewage works facilities</li> <li>■ Reduction of supply chain emissions (CO<sub>2</sub>)</li> </ul>	  	
 Local communities	In order to achieve a sustainable society, it is important that we cooperate with customers, local communities, and business partners, and we will contribute to local communities through our business activities.	<ul style="list-style-type: none"> <li>■ Revitalization of local communities and economies</li> <li>■ Support measures in the event of disaster</li> <li>■ Social contribution activities</li> </ul>	  	S
 Human resources	We will recognize diversity, create a variety of work styles, and develop an environment where employees can work comfortably. We will also take into consideration health and safety in operations at our offices and work sites to prevent accidents and injuries.	<ul style="list-style-type: none"> <li>■ Creation of a rewarding work environment</li> <li>■ Supporting education for employees</li> <li>■ Improvement of occupational health and safety</li> </ul>	  	
 Governance	We will engage in corporate management with a high level of transparency and reliability and strengthen compliance promotion and internal control functions, as we strive to achieve the best corporate governance to achieve the sustainable enhancement of corporate value.	<ul style="list-style-type: none"> <li>■ Enhancement of corporate governance</li> <li>■ Promotion of compliance</li> </ul>	 	G

- \* The link to the SDGs is complementary when issuing green finance, referring to Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals published by ICMA, which defines the green bond principles. It is complementary when issuing finance and is not directly associated with the financing objective.

Contributing to society and the global environment and to SDGs



Through our business and CSR activities, the METAWATER Group will not only improve corporate value, but also contribute to the sustainable development of local communities and society as well as the preservation of the global environment. Additionally, by taking the business characteristics and social responsibilities of the Group into consideration, we will contribute to the achievement of the following three of the 17 SDGs.

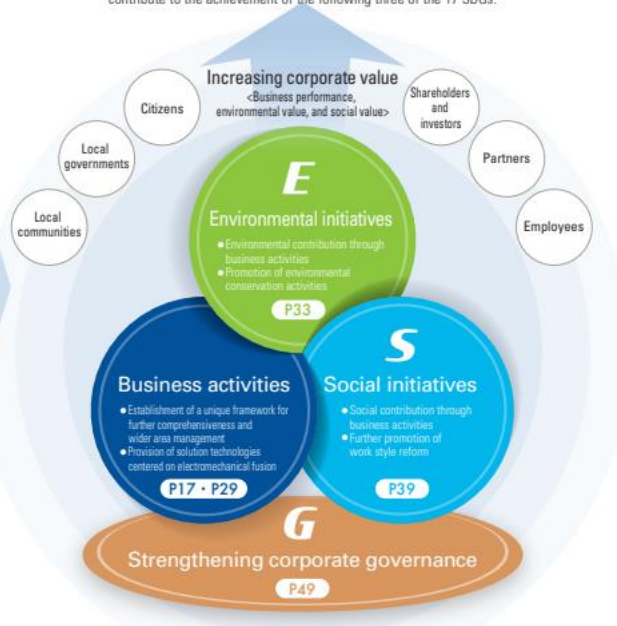


Figure-1: METAWATER's Business Model

Among META WATER's key issues (materiality) that are closely related to the Blue Project are:

**~ Water environment ~**

The company contributes to ensuring safe water quality and the recycling and conservation of the water environment by providing optimal technologies and services in the construction, maintenance and operation of water supply and sewerage facilities, which are essential lifelines for people's lives.

- Contribution to sustainable water and wastewater facilities
- Contributing to the water environment abroad
- Conservation of water source forests

**~ Circular society ~**

To continue to protect our rich natural environment, the company makes effective use of limited resources and contributes to the creation of a recycling-oriented society.

- Contribution to sustainable recycling facilities
- Promoting the reduction and re-use of industrial waste
- Reduction of environmental impact

**~ Reduction of greenhouse gas emissions ~**

Through its business activities, the Company will contribute to reducing greenhouse gas (GHG) emissions in response to issues such as rising sea levels and abnormal weather caused by global warming.

- GHG emission reductions in water and wastewater facilities
- Reduction of supply chain emissions (CO<sub>2</sub>)

### **iii Fundraiser's Environmental Policy**

With the following environmental policy and targets, METAWATER is committed to continuing to reduce its environmental impact by introducing environmentally friendly products to the market and promoting development with particular attention to global warming and other issues.

#### **<Basic Policy>**

METAWATER will continue to contribute to the realisation of a sustainable society through their business and efforts to reduce environmental impact and contribute to local communities to sustain water and environmental infrastructure.

#### **<Target>**

- Reducing the environmental impact of corporate activities
- Active participation in social and community contribution activities
- Activities to prevent environmental accidents and pollution
- Compliance with environmental laws and other requirements
- Continuous provision of products and services that contribute to reducing environmental impact

#### iv Fundraiser's Initiatives for SDGs

Through the assessment, DNV has confirmed that the METAWATER Group is committed to the following SDGs. These initiatives are linked to the implementation of blue projects and blue financing.

The METAWATER Group believes that all 17 goals of the SDGs are important for global sustainability. In particular, in consideration of the business characteristics and social mission of the METAWATER Group, the METAWATER group have started working in the priority areas of realising goals 6: Clean Water and Sanitation, 11: Sustainable Cities and Communities, and 17: Partnerships for the Goals. As a water and environment business company, the METAWATER Group takes particularly seriously the fact that target number 6, 'Clean Water and Sanitation', in which clearly states 'for all'.

Japan's water supply penetration rate is 97.9% (end of 2016) and the sewage treatment population penetration rate is high at 90.9% (end of 2017).

However, 2.1 billion people worldwide (about 3 in 10 of the world's population) do not have access to safe water at home and 4.5 billion people (6 in 10 of the same population) do not have access to a safe, controlled toilet.

In line with improvements in the water environment overseas, Japan's water supply and sewerage systems, which have achieved rapid economic growth, are also facing various problems, such as ageing facilities and equipment.

The METAWATER Group aims to ensure access to safe water and toilets for 'everyone' and to create a comfortable and secure 'liveable community' for all.

This initiative cannot be achieved by METAWATER alone. It can only be achieved through 'partnerships' with partner companies, citizens, local authorities, and local businesses.

The METAWATER Group aims to be a company that continues to develop together with local communities and society towards the sustainability of water and environmental infrastructure, with the achievement of these three goals at its heart.



## v. Fundraiser's Efforts to Reduce Greenhouse Gas Emissions

METAWATER is working to achieve its goals by developing technologies that respond to climate change and environment, based on the trends of the government's and local authorities' (customers). In addition, METAWATER is working to solve problems by contributing the reduction of greenhouse gas emissions and energy conservation from the perspective of the entire plant facility, such as water treatment technology and thermal operation technology.

As efforts toward carbon neutrality, METAWATER has set the goal of reducing GHG emissions (Scope 1 and 2) by 70% in 2030 (compared to 2020) and achieving net zero in 2050. This exceeds the CO<sub>2</sub> reduction rate of 46% (compared to FY 2013). Additionally, as part of their contribution to reducing GHG emissions for their customers (local governments), they aim to reduce GHG emissions by 50% by 2030 through the introduction of products and systems. Please refer to Figure-3 for detailed shift in CO<sub>2</sub> reduction amount and rate.

Items	Scope	Base year	Target year	Target details	2022 results
GHG emissions (Scope 1 & 2)	Domestic group (consolidated*1)	2020 (3,982 t-CO <sub>2</sub> /year)	2030	Reduction by 70%	3,968
			2050	Net zero	t-CO <sub>2</sub> /year
Contribute to reducing the GHG emissions of our customers (local governments)	Thermal manipulation-related products and systems for domestic sewage facilities	2013 (approx. 32 t-CO <sub>2</sub> /year)	2030	Reduced by 50% through product/system introduction	302,575 t-CO <sub>2</sub> /year

\*1 Companies included in FY2022 calculations: METAWATER CO., LTD., METAWATER SERVICE Co., Ltd., Techno Clean Hokuso Co., Water Next Yokohama Co., Ltd., Aqua Service Aichi Co.

Figure-2 Indicators and targets for GHG emissions in the METAWATER group

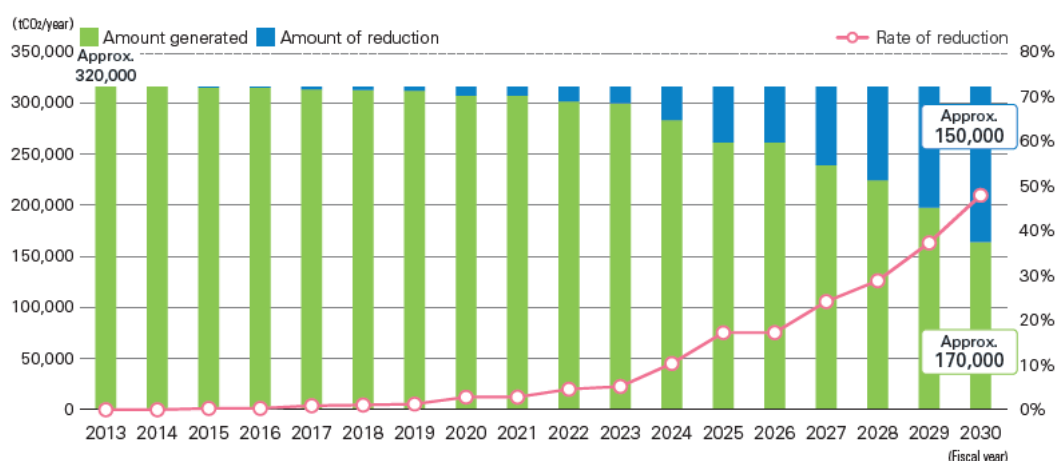


Figure-3 GHG reductions and rates of thermal manipulation-related product and systems at METAWATER's existing facilities

**vi. About the Blue Finance Framework**

After developing the Framework, METAWATER plans to raise proceeds through blue finance based on the Framework. Blue Finance is in line with METAWATER's sustainability strategy and will contribute to solving the relevant SDGs and social issues, thereby contributing to the realisation of a sustainable society.

**Name of Fundraiser:** METAWATER Co., Ltd.

**Framework name:** METAWATER Co., Ltd. Blue Finance Framework

**Name of external review organisation:** DNV Business Assurance Japan K.K.

**Date of report:** 26 October 2023

## II. Scope and Objectives

METAWATER has commissioned DNV to conduct a pre-issuance assessment of the "METAWATER Blue Finance Framework". The objective of the pre-issuance assessment of DNV is to conduct an assessment to confirm that METAWATER's Blue Finance Framework meets the criteria such as BFG, SBEG, GBP, GBGLs, GLP, GLGLs, related technical standards of CBS, which will be described later, and other related standards or guidelines (see the table below), and to provide a second party opinion on the eligibility of this Blue Finance 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 METAWATER.

In this paper, no assurance is provided regarding the financial performance of the financing, the value of any investment, or the long-term environmental benefits of the transaction.

### (1) Scope of review

The review assessed the following items and confirmed their alignment with the main objectives of the four main elements of the GBP/GLP

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

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

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

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

No.	Standards or guidelines	Publisher	Application level <sup>*1</sup> *2
1.	Blue Finance Guidelines (BFG)	International Finance Corporation (IFC), 2022.	Apply
2.	Bonds to Sustainable Blue Economy (A Practitioner's Guide) (SBEG)	International Capital Market Association (ICMA) and others, 2023.	Apply
3.	Green Bond Principles (GBP)	International Capital Market Association (ICMA), 2021.	Apply
4.	Green Bond Guidelines (GBGLs)	Ministry of the Environment, 2022.	Apply
5.	Green Loan Principles (GLP)	Loan Market Association (LMA) and others, 2023.	Apply
6.	Green Loan Guidelines (GLGLs)	Ministry of the Environment, 2022.	Apply
7.	Climate Bond Standard Version 3.0 (Sector Technical Standard).	Climate Bonds Initiative, 2019.	Refer (Applicable technical criteria)



\*<sup>1</sup> Apply: For Blue Finance, assessed eligibility for three elements written in the guideline. For Green Finance, assessed eligibility for all four core elements common to each principle or guideline

\*<sup>2</sup> Refer: Based on the project and implementation plans of this Blue Finance, the relevant contents were partially considered.

\*<sup>3</sup>: BFG and/or SBEG will be applied based on the types of the project.





### **III. Responsibilities of METAWATER and DNV**

METAWATER 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 METAWATER and other interested stakeholders in the 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 METAWATER. DNV is not responsible for any aspect of the projects or 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 METAWATER 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 METAWATER, DNV has adapted blue and green finance assessment methodologies, which incorporate the requirements of BFG, SBEG, GBP, GBGLs, GLP and GLGLs, to create METAWATER specific Blue Finance Eligibility Assessment Protocol (hereinafter "DNV's Protocol"). Please refer to Schedule-2 and Schedule-3. The Protocol is applicable to the Blue Finance under the BFG, SBEG, GBP, GBGLs, GLP and GLGLs.

The assessment under this Protocol allows DNV to provide a second party opinion as an independent external review body.

The DNV Protocol contains a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principles behind Blue and Green Finance that form the basis for the expression of opinion are as follows:

### **Blue Finance**

'This includes financing eligible activities that address sustainable water management or marine protection (SDGs 6 and 14 respectively)'

'This promotes the sustainable use of maritime resources and related sustainable economic activities'

### **Green Finance**

'Enables capital to be raised and invested in new or existing projects that provide environmental benefits'

As per our Protocol, the criteria against the Finance have been reviewed are grouped under the four Principles, respectively, as indicated by BFG, SBEG, GBP, GBGLs, GLP and GLGLs.






#### **(1) Elements of the BFG (Identification of Blue Finance Eligible Activities)**

**Is the project type consistent with the Green Bond Principles' and Green Loan Principles' eligible project categories and does it make a substantial contribution to Sustainable Development Goals 6 or 14 beyond compliance with applicable laws and regulations?**

In order to qualify as a blue project, a project must be consistent with the project categories of Green Bond Principles and Green Loan Principles and contribute to either Sustainable Development Goal 6 or 14 with outputs and outcomes directly related to one or more of the target indicators of Sustainable Development Goals.

**Does the project type introduce risk that may affect progress on other environmental priorities, such as Sustainable Development Goals 2, 7, 12, 13 and 15?**

The project can only be labelled blue if it does not introduce material risk to other themes and priority environmental areas of the Sustainable Development Goals themes, including:

2: Zero Hunger. 7: Affordable and Clean Energy 12: Responsible Consumption and Production 13: Climate Action 15: Life on Land	    
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**Are Environmental, Social, and Governance (ESG) safeguards and standards, such as the IFC Performance Standards, applied in the implementation of the project if there are material environmental and social risks?**

The project must clearly state which internationally accepted sustainability standards it is following. IFC Performance Standards and the World Bank Environmental, Health, and Safety guidelines, or similar, are expected to be followed. In addition, industry specific sustainability standards, as well as certain specific product standards, may also be applied for a blue investment above national requirements.

## (2) SBEG's three pre-issuance requirements

- **Creating a Bond Framework to Finance the SBE:** A bond framework is the basis for sustainable bond issuance. A framework is a publicly available document that outlines how issuers align their "blue bonds" with the four elements set out in the GBP.
- **Define and Confirm Project Categories:** Eligible blue projects can cover investments and other related expenditures, support expenditures, and the financing and refinancing of physical and financial assets, including bank loan portfolios. Issuers can refer to a non-exhaustive list of eligible project categories under the GBP. SBEG provides additional guidance regarding eligible blue project categories.
- **Obtain an External Review:** Issuer is encouraged to appoint an external reviewer to assess whether their Green (Blue) Bond or Green (Blue) Bond Programs or frameworks comply with the GBP's four elements through a pre-issuance external review. There are multiple types of external reviews, but the most common approach is to seek a second party opinion (SPO) on the bond framework and publish it on the issuer's website.

## (3) 4 common elements of GBP, GBGLs, GLP and GLGLs

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that a fundraiser of a green bond must use the funds raised to finance 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 a fundraiser of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond 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 bond 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 annual 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 high-level review of the available information, based on the understanding that this information was provided to us by METAWATER 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. Blue Finance Framework Assessment

- Creation of an METAWATER specific Protocol, adapted to the purpose of the Blue Finance, as described above and in Schedule-2 and 3 to this Assessment.
- Assessment of documentary evidence provided by METAWATER on the Bond and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with METAWATER's management, and review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria.

### ii. Periodic Reviews (*\*not included in this report*)

- Assessment of evidence provided by METAWATER after issuance of the Blue Finance, and supplemental assessment by desk review from higher perspective
- Interviews with METAWATER's managers and review of relevant documentation
- Field research and inspections (if required)
- Review of the nominated projects and assets at the time of a post-issuance verification (updated as set out in Schedule-1)
- Document creation of post-issuance assessment result.

## VI. Findings and DNV's Opinion

DNV's findings and opinions are listed below:

- (1) presents the findings and DNV's opinion on the BFG elements. See Schedule-2 for details.
- (2) presents the findings and DNV's opinion regarding SBEG's three pre-issuance requirements. Please refer to Schedule-3 for details.
- (3) as GBP/GLP-1~4 presents findings and DNV's opinions on four common elements of GBP, GBGLs, GLPs and GLGLs. See Schedule-4 for details.

### (1) Findings and DNV's opinions on BFG elements








**BFG-1: Is the project type consistent with the Green Bond Principles' and Green Loan Principles' eligible project categories and does it make a substantial contribution to Sustainable Development Goals 6 or 14 beyond compliance with applicable laws and regulations?**

In domestic water treatment projects, there is an urgent need to address the financial difficulties of project partners responsible for project operations against a backdrop of a declining population, a shortage of engineers, the ageing of facilities and equipment developed during the period of rapid economic growth, major earthquakes and sudden downpours. One of the expected solutions is public-private partnerships, in which private sector proceeds, technology and know-how are utilised for the development of public infrastructure. Public-private partnership projects have been increasing since the PFI Act came into force in 1999. Furthermore, due to the 2018 amendments to the Water Supply Law, concessions and other private sector outsourcing of business operations are attracting attention, and METAWATER has listed concession projects as an eligibility criterion.

Table-1 lists METAWATER's eligibility criteria and eligible projects.

Through its assessment of METAWATER, DNV has confirmed that the eligible project meets the 'Sustainable water and wastewater management' category and 'Energy efficiency' of eligible projects under the Green Bond Principles and the Green Loan Principles, as well as makes a substantial contribution to Sustainable Development Goals (SDGs) 6 and 14, which is a necessary requirement for a Blue Project.

Table-1 (reiterated) Eligibility Criteria and Eligible Projects



Eligibility Criteria	Eligible Projects (summary)	Relevant SDGs
Sustainable Water Treatment Business	<u>Concession Projects</u> <sup>*1</sup> Investment and financing of water treatment projects <sup>*2</sup> through special purpose companies (SPCs) to the SPCs concerned.	      
	<u>Investments and Financing</u> Investments and financing to domestic and foreign companies (excluding SPCs in concession projects) that specialise in water treatment or whose operations are dominated by water treatment business.	

\*1: Concession projects: projects in which the right to use a water treatment project or other project is transferred (ownership is held by a public body such as a national or local government).

\*2: Water treatment projects: all or any of water supply, industrial water supply and sewerage.

DNV has confirmed that METAWATER's eligible projects make a substantial contribution to SDG 6 and SDG 14. Specifically, the following items (targets) shown in Table-4.

Table-4 Targets of SDG 6 and SDG 14 to which METAWATER's eligible projects will contribute

SDGs		Target
 6. Clean Water and Sanitation	6.1	By 2030, achieve universal and equitable access to safe and affordable drinking water for all
	6.2	By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
	6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
	6.4	By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	6.5	By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
	6.6	By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes
	6.a	By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies
	6.b	Support and strengthen the participation of local communities in improving water and sanitation management
 14. Life Below Water	14.1	By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution
	14.3	Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels



**BFG-2: Does the project type introduce risk that may affect progress on other environmental priorities, such as Sustainable Development Goals 2, 7, 12, 13 and 15?**

DNV has confirmed that METAWATER has complied with the environmental laws and regulations required by the national and local authorities where the project is located in selecting eligible projects, and has conducted environmental impact studies where necessary. At present, no risks have been identified that could affect the progress of other environmental priorities.

**BFG-3: Are Environmental, Social, and Governance (ESG) safeguards and standards, such as the IFC Performance Standards, applied in the implementation of the project if there are material environmental and social risks?**

DNV has confirmed that METAWATER has not identified any significant environmental or social risks at this time. DNV has also confirmed that in the event of significant environmental and social risks developing in the future, METAWATER will respond by applying appropriate safeguards and standards.

DNV checked which areas of blue finance METAWATER's eligible projects fell under.

Table-2 (reiterated) shows the Blue Finance Areas (classified as A to I in the BFG) into which the Eligible Criteria are classified, DNV has confirmed that METAWATER's Eligible Project falls under 'Area A: Water Supply', 'Area B: Water Sanitation', and 'Area D: Ocean-friendly chemicals and plastic-related sectors'. See Schedule-2 for specific details.

Table-2 (reiterated) Blue Finance Area

Eligibility Criteria	Blue Finance Area
Concession projects	Following areas apply depending on the type of project (water supply, industrial water supply or sewerage) included in the eligible projects
Investments and Financing	<p>[Water supply]: A. Water Supply.</p> <p>[Industrial water supply]: A. Water Supply.</p> <p>[Sewerage]: B. Water Sanitation, D. Ocean-friendly chemicals and plastic-related sectors .</p>

\*1: Areas defined by the BFG eligibility categories A to I are indicated in Blue Finance according to project characteristics.

## **(2) Findings and DNV's opinion on SBEG's three pre-issuance requirements**

DNV has confirmed that METAWATER meets the three pre-issuance requirements (A to C) stipulated by the SBEG as follows. Please refer to Schedule-3 for details.

### **A. Creating a Bond Framework to Finance the SBE**

DNV has confirmed that METAWATER plans to create and publish a blue finance framework that satisfies the following four elements of GBP. Findings on the four elements of GBP are described in VI. Findings and DNV's Opinion of this report (3) Findings and DNV's opinions on four common elements of GBP, GBGLs and GLP, GLGLs.

- (i) Use of Proceeds
- (ii) Process for Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting

### **B. Define and Confirm Project Categories**

DNV has confirmed that among METAWATER's eligible projects, [sewerage projects] falls under 6. Marine Pollution a. Wastewater Management in the SBEG Blue Project category and subcategory. Specifically, please refer to Table-1 of Schedule-3, Indicative Blue Project Categories DNV has also confirmed that METAWATER has internal processes in place to ensure that eligible projects do not fall within a list of distance from shore or exclusions.

### **C. Obtaining an external review**

DNV has confirmed METAWATER plans to appoint DNV as an external reviewer to assess the compliance of the Blue Finance Framework with the GBP's four elements and to disclose the second party opinion to key stakeholders. A summary of the external review findings is provided in this report.


Note that SBEG stipulates three items as post-issuance requirements; D. Management of Proceeds, E. Allocation and Impact Reporting, and F. Obtain an External Review, but these are not included in this report.

### (3) Findings and DNV's opinions on four common elements of GBP, GBGLs and GLP, GLGLs

#### GBP/GLP-1: Use of Proceeds

The eligible projects that meet BFG and/or SBEG for which METAWATER will use the proceeds are listed in Table-1 and fall under 'Sustainable water and wastewater management' and 'Energy efficiency' as defined in the Green Bond Principles and the Green Loan Principles. DNV has confirmed that METAWATER will use the proceeds for new investments in eligible projects and for refinancing etc. for existing refinancing of investments and, in the case of refinancing etc., only for expenditure undertaken within approximately four years of the execution of the blue finance after discussing and evaluating the characteristics of the project and the necessity of refinancing through internal process.

Table-1 (reiterated) Eligibility Criteria and Eligible Projects

Eligibility Criteria	Eligible Projects (summary)	Relevant SDGs
Sustainable Water Treatment Business	<u>Concession Projects</u> <sup>*1</sup> Investment and financing of water treatment projects <sup>*2</sup> through special purpose companies (SPCs) to the SPCs concerned.	
	<u>Investments and Financing</u> Investments and financing to domestic and foreign companies (excluding SPCs in concession projects) that specialise in water treatment or whose operations are dominated by water treatment business.	

\*1: Concession projects: projects in which the right to use a water treatment project or other project is transferred (ownership is held by a public body such as a national or local government).

\*2: Water treatment projects: all or any of water supply, industrial water supply and sewerage.

### Use of Proceeds categories under GBP/GLP

- |   |  |
|---|--|
| <input type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Circular economy adapted products, production technologies and processes   | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Other (please specify):  |  |
| <br>  |  |
| <input type="checkbox"/> It is undecided at the time of bond issuance, but is expected to be line with the GBP classification or other eligible areas not listed in the GBP at this time. |  |

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

DNV confirmed that METAWATER has established a process for the evaluation and selection of eligible projects that meet BFG and/or SBEG requirements. Specifically, Corporate Communications Office and Accounting and Financial Planning Office select the candidates, and after the consultation with the relevant internal departments, the Head of Accounting and Financial Planning Office makes the final decision and reports the results to the Board of Directors for approval by the Representative Director.

DNV also confirmed that METAWATER has taken into account potentially negative environmental and social impacts and confirmed mitigative actions shall be applied.

Risks may result in negative impacts	Mitigative Actions
Risk associated with water quality management	<ul style="list-style-type: none"> <li>➤ Compliance with water quality standards and effluent standards</li> <li>➤ Installation of water quality sensors, development of corresponding manuals, and strengthening of water quality management from both software and hardware aspects</li> </ul>
Risks related to water resource conservation	<ul style="list-style-type: none"> <li>➤ Suppression of water source conversion by improving services for users</li> <li>➤ Environmentally friendly material procurement, response to environmentally hazardous substances, compliance with environmental laws and regulations required by national and local governments where waste management projects are located, and implementation of environmental impact surveys as necessary</li> </ul>
Risk of negative environmental impacts other than water	<ul style="list-style-type: none"> <li>➤ Reduce the amount of industrial waste generated by reducing the volume of purified water soil and sewage sludge and making effective use of it</li> <li>➤ Implementation of sufficient explanations to local residents when implementing the project</li> </ul>

#### Risks related to labor safety

- Implementation of consideration for human rights
- Thorough health and safety management and safety education for employees and contractors to prevent occupational accidents

### 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 bond 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 Responsibilities 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):   |   |



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

DNV confirmed how METAWATER will track and manage the proceeds between the execution of the financing and the redemption/repayment. Specifically, DNV confirmed that METAWATER's Accounting and Financial Planning Office will use an internal management system to allocate and manage the proceeds raised under the framework to eligible projects.

In addition, the proceeds will be managed so that the total amount of eligible projects will not be less than the amount raised by Blue Finance. Until the proceeds are allocated to eligible Projects, the unallocated proceeds will be managed in cash and cash equivalents.

DNV further confirmed that if it became clear that unallocated proceeds would arise for reasons other than delays in the timing of allocation to eligible projects, other projects meeting the eligibility criteria that meets BFG and/or SBEG would be selected and proceeds allocated in accordance with the project evaluation and selection process.

#### Tracking of Proceeds:

- ☒ Some or all of the proceeds by green bonds 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*): unallocated proceeds are managed in cash or cash equivalents

#### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocated to new 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 type="checkbox"/> Other (specify):   |

**GBP/GLP-4: Reporting**

DNV has confirmed that METAWATER will disclose its fund allocation status report and impact report on an annual basis on METAWATER's website and elsewhere, and that the first disclosure will be made within one year of the Blue Financing fundraising. DNV also confirmed that METAWATER intends to disclose in a timely manner any major changes to its plans for the application of the proceeds raised, or any changes in circumstances that have a significant impact on its plans after the application of the proceeds raised.

DNV has confirmed that METAWATER intends to disclose the following items relating to the allocation of proceeds from the Blue Finance until the proceeds raised have been fully allocated to eligible projects.

- Amount raised
- Allocation amount
- Balance of unallocated proceeds and method of investment
- Estimated amount or proportion of the portion of proceeds raised used for refinancing etc.



DNV has confirmed that, from the time of funding through blue finance until reimbursement, METAWATER intends to disclose, to the extent practicable, any or all of the following environmental and social benefits of eligible projects.

Eligible projects	Reporting Items
<u>Concession Projects</u> Investment and financing of water treatment projects through special purpose companies (SPCs) to the SPCs concerned.	[General (water supply, industrial water supply, sewerage)] <ul style="list-style-type: none"> <li>- Business overview, Various water treatment capacity</li> <li>- Equipment renewal, operation status</li> <li>- Securing safe and secure water through strict water quality control</li> <li>- Strengthen monitoring and streamline operation management through integrated business management</li> <li>- Efficient and timely renovation and repair of facilities through active introduction of ICT systems</li> <li>- Electricity usage savings</li> <li>- Effective use of unused energy</li> </ul>
<u>Investments and Financing</u> Investments and financing to domestic and foreign companies (excluding SPCs in concession projects) that specialise in water treatment or whose operations are dominated by water treatment business.	<ul style="list-style-type: none"> <li>- Overview of the investee and the purpose of the investment or loan.</li> <li>- Overview of technologies of investee and the status of technology introduction, etc.</li> </ul>

### Use of Proceeds reporting:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Percentage of refinanced share of total investment of Blue Finance |
| <input type="checkbox"/> Other (please specify):      |   |

### Frequency:

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

### Impact Reporting (Environmental Benefits):

- |  |   |
|--|---|
| <input type="checkbox"/> Project-by-project            | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

### Frequency:

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> annual                      | <input type="checkbox"/> semi-annual |
| <input type="checkbox"/> Other ESG indicators (please specify): |                                      |

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

- |   |  |
|---|--|
| <input type="checkbox"/> GHG emissions/reductions                         | <input type="checkbox"/> Energy savings  |
| <input checked="" type="checkbox"/> Other ESG assessment items (specify): | Business overview, Various water treatment capacity, Equipment renewal, Operation status |

### Means of Disclosure

- |  |  |
|--|--|
| <input type="checkbox"/> In financial reports.   | <input type="checkbox"/> In the sustainability report.       |
| <input type="checkbox"/> Included in the extraordinary report.   | <input checked="" type="checkbox"/> Other (specify): website |
| <input type="checkbox"/> In the reviewed report (in this case, specifically mentioning the reportable items that were the subject of the external review): |  |

## Assessment Conclusion

On the basis of the information provided by METAWATER and the work undertaken, it is DNV's opinion that the METAWATER Blue Finance Framework meets the criteria established in the Protocol, and that it is aligned with the following stated definition or purpose of Blue Finance and Green Finance for bonds and loans that specify the use of proceeds within the BFG, SBEG, GBP, GBGLs, GLP and GLGLs.

### Blue Finance

'This includes financing eligible activities that address sustainable water management or marine protection (SDG 6 and 14 respectively)'

'This promotes the sustainable use of maritime resources and related sustainable economic activities'

### Green Finance

'Enables capital to be raised and invested in new or existing projects that provide environmental benefits'

DNV Business Assurance Japan K.K.

26 October 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 We continuously invest in research and collaborative innovation to provide 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 Our statement represents an independent opinion and is intended to inform the Fundraiser management and 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. Thus, DNV shall not be held liable if any of the information or data provided by the Fundraiser is incorrect. Thus, the 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 Blue Finance Nominated Projects

The example representative projects listed in the Project Summary column in the table are several potential blue projects that have already been assessed for eligibility at the time of the blue finance evaluation (as of November 2022). Future blue finance executions under the Framework may include additional projects in addition to the representative uses of proceeds (projects that have already been assessed for eligibility) listed in the table, which will be assessed by the financier in advance for meeting the eligibility criteria and, if necessary, will be assessed by DNV in a timely manner.

Eligibility Criteria	Eligible Projects (summary)	Typical use of proceeds (examples)	Relevant SDGs
Sustainable Water Treatment Business	<p><u>Concession Projects</u><sup>*1</sup></p> <p>Investment in and financing of water treatment projects<sup>*2</sup> through special purpose companies (SPCs) to the SPCs concerned.</p>	<p><b>Miyagi Prefecture Public-Private Partnership Operation Project for the Integration of Water and Waterworks.</b></p> <ul style="list-style-type: none"> <li>- The first project in Japan to integrate the management and operation of water supply, industrial water supply and sewerage on a long-term basis, with integrated management of nine projects in Miyagi Prefecture.</li> <li>- Project by the special purpose company 'Mizumusubi Management Miyabi Corporation'.</li> </ul> <p><b>Ariake and Yatsushiro Industrial Water Supply Operation Project, Kumamoto Prefecture, Japan.</b></p> <ul style="list-style-type: none"> <li>- The first concession in Japan to integrate three projects: water supply, industrial water supply and sewerage.</li> <li>- Total water supply capacity: approx. 60,000 m<sup>3</sup>/day; water supply offices: 38 places; total pipe length: approx. 30 km (including intake, conduit and transmission).</li> </ul>	

	<p><u>Investments and Financing</u></p> <p>Investments and financing to domestic and foreign companies (excluding SPCs in concession projects) that specialise in water treatment or whose operations are dominated by water treatment business.</p>	<p>Investments in and financing to overseas subsidiaries</p> <p><b>USA: Wigen Companies, Inc.</b></p> <ul style="list-style-type: none"> <li>- Development/design/manufacture of water treatment equipment, including membrane treatment and ion exchange.</li> </ul> <p><b>USA : Aqua-Aerobic Systems, Inc.</b></p> <ul style="list-style-type: none"> <li>- Planning, design, construction and maintenance of sewage and wastewater treatment plant facilities.</li> </ul> <p><b>Netherlands: RWB Water, B.V.</b></p> <ul style="list-style-type: none"> <li>- Engineering and services related to water and wastewater treatment, etc.</li> </ul> <p><b>Germany: Fuchs Enprotec GmbH</b></p> <ul style="list-style-type: none"> <li>- Development/design/manufacture of diffusers and agitators for wastewater treatment.</li> </ul> <p><b>Switzerland : Mecana Umwelttechnik GmbH</b></p> <ul style="list-style-type: none"> <li>- Development, design, manufacture and maintenance of water treatment equipment for water supply and sewerage.</li> </ul>	
--	--	--	--

\*1: Concession projects: projects in which the right to use a water treatment project or other project is transferred (ownership is held by a public body such as a national or local government).

\*2: Water treatment projects: all or any of water supply, industrial water supply and sewerage.

## Schedule-2 Blue Finance Guidelines Eligibility Assessment

The checklist below (BFG-1) has been prepared in accordance with the Guidelines for Blue Finance published by the International Finance Corporation (IFC) in January 2022.

In addition to the documents reviewed, the assessment work may include cases where information obtained through consultations with funders' officials is used as evidence.

### BFG-1 Blue Project

No.	Contents	Requirements Check	Work Undertaken	DNV Findings
The Blue Finance Guidance Framework includes references to Sustainable Development Goals 6 and 14, as well as other activities related to Sustainable Development Goals 2, 12, 13 and 15, which address pollution in rivers and coastal areas. This includes activities identified through the application of the following assessment criteria:				
1	<p>Is the project type consistent with the Green Bond Principles' and Green Loan Principles' eligible project categories and does it make a substantial contribution to Sustainable Development Goals 6 or 14 beyond compliance with applicable laws and regulations?</p> <p>Commentary; In order to qualify as a blue project, a project must be consistent with the project categories of Green Bond Principles and Green Loan Principles and contribute to either Sustainable Development Goal 6 or 14 with outputs and outcomes directly related to one or more of the target indicators of Sustainable Development Goals.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	<p>Confirmed documents - Framework</p> <p>Interviews with METAWATER stakeholders</p>	<p>DNV has confirmed that METAWATER's eligible projects fall under 'Sustainable water and wastewater management' and 'Energy efficiency' as defined in the Green Bond Principles and the Green Loan Principles. DNV also confirmed its substantial contribution to SDGs 6 and 14.</p>
2	<p>Does the project type introduce risk that may affect progress on other environmental priorities, such as Sustainable Development Goals 2, 7, 12, 13 and 15?</p> <p>Commentary;</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	<p>Confirmed documents - Framework</p>	<p>DNV confirmed that, in selecting eligible projects, METAWATER complied with the environmental laws and regulations required by the</p>

No.	Contents	Requirements Check	Work Undertaken	DNV Findings
The Blue Finance Guidance Framework includes references to Sustainable Development Goals 6 and 14, as well as other activities related to Sustainable Development Goals 2, 12, 13 and 15, which address pollution in rivers and coastal areas. This includes activities identified through the application of the following assessment criteria:				
	<p>The project can only be labelled blue if it does not introduce material risk to other themes and priority environmental areas of the Sustainable Development Goals themes, including:</p> <p>2: Zero hunger. 7: Affordable and Clean Energy 12: Responsible Consumption and Production 13: Climate Action</p> <p>* <a href="https://www.unepfi.org/publications/turning-the-tide-recommended-exclusions/">https://www.unepfi.org/publications/turning-the-tide-recommended-exclusions/</a> UNEP FI, Recommended Exclusions for Financing a Sustainable Blue Economy.</p>		Interviews with METAWATER stakeholders	<p>national and local authorities where the project is located and conducted environmental impact studies where necessary.</p> <p>No risks have been identified at this time that could affect the progress of other environmental priorities.</p>
3	<p>Are Environmental, Social, and Governance (ESG) safeguards and standards, such as the IFC Performance Standards, applied in the implementation of the project if there are material environmental and social risks?</p> <p>Commentary; The project must clearly state which internationally accepted sustainability standards it is following. IFC Performance Standards and the World Bank Environmental, Health, and Safety guidelines, or similar, are expected to be followed. In addition, industry specific sustainability standards, as well as certain specific product standards, may also be applied for a blue investment above national requirements.</p> <p>*<a href="https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards">https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards</a></p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	<p>Confirmed documents - Framework</p> <p>Interviews with METAWATER stakeholders</p>	<p>DNV confirmed that METAWATER has not identified any significant environmental or social risks at this time.</p> <p>DNV also confirmed that METAWATER will apply appropriate safeguards and standards to address any significant environmental and social risks that may emerge in the future.</p>



## Reference-1 Blue activity mapping

(1) Enter the name of the specific project or eligibility category in the Blue Finance Area and Eligibility Category column to which the blue project applies.

(2) In the cells of the blue finance area, indicate the relevant branch number (e.g. A-1 to A-4) in **black underline**, based on the material in Reference-2.

\*If not individually classified, they are explained individually in the column 'Others' outside the column.

Green Bond Principles and Green Loan Principles Broad Categories of Eligibility					
Blue Finance Area The relevant areas are <b><u>underlined in black.</u></b>	Pollution Prevention and Control	Natural Resource Protection	Biodiversity	Climate Change	
				Mitigation	Adaptation
<b>A. Water Supply</b> ( <b><u>A-1</u></b> , <b><u>A-2</u></b> , A-3, <b><u>A-4</u></b> )	*** Concessions, investment/Financing	**	**	*** Concessions, investment/Financing	**
<b>B. Water Sanitation:</b> ( <b><u>B-1</u></b> , <b><u>B-2</u></b> , <b><u>B-3</u></b> )	*** Concessions, investment/Financing	**	**	*** Concessions, investment/Financing	**
<b>C. Ocean-friendly and water-friendly Products</b> (C-1, C-2, C-3)	***			*	
<b>D. Ocean-friendly Chemicals and Plastic Related Sectors:</b> (D-1, D-2, D-3, D-4, <b><u>D-5</u></b> , D-6)	*** Concessions, Investment/Financing			*	*
<b>E. Sustainable shipping and port logistics sector</b> (E-1, E-2, E-3, E-4, E-5, E-6)	***		**	***	*
<b>F. Fisheries, aquaculture, and seafood value chains</b> (F-1, F-2, F-3, F-4, F-5, F-6, F-7, F-8, F-9, F-10, F-11)	***	**		*	*
<b>G. Marine ecosystem restoration</b> (G-1, G-2, G-3, G-4)	**	***	***	*	*
<b>H. Sustainable tourism services</b> (H-1, H-2)		**	**		
<b>I. Offshore renewable energy production</b> (I-1)		*	**	***	

Other: n/a.

How to read the table

Strong impact	Some impact	Minor impact		*** Primary or direct effects	** Secondary or indirect effects	* Tertiary or derivative effects
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## Reference-2 Blue Project Detailed description

BF Area	Contents	Check	Check details (explanations & relevant documents)
<b>A. Water supply: investment in research, design, development, and implementation of efficient and clean water supply</b>			
<b>A-1</b>	New drinking water treatment, storage, and sustainable supply infrastructure that documents at least 20% water savings (e.g. reducing Non-Revenue Water) per unit of service compared to a documented baseline	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, it was confirmed that there are plans to implement water conservation in the supply infrastructure, in developing countries such as Vietnam.
<b>A-2</b>	Rehabilitation of existing water infrastructure that documents at least 20% water savings per unit of service compared to a documented baseline.	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, it was confirmed that there is a plan to reduce power consumption by optimizing water pumps.
<b>A-3</b>	More sustainable desalination plants that help protect groundwater depletion and wetlands and avoid hypersaline pollution of the environment (e.g., ISO standard 23446).	<input type="checkbox"/>	N/A (not applicable)
<b>A-4</b>	Water efficiency technologies and equipment and water management activities that reduce water footprint. This includes the financing or refinancing of technologies (e.g. drip irrigation, water recycling solutions, etc.) where the manufacturers show the respective substantial water efficiency benefits or a documented reduction in water consumption in land-based aquaculture, agriculture and irrigation, and residential, commercial, and industrial uses.	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, in addition to already achieving high water efficiency, especially in Japan, the utilization of renewable and unused energy and the introduction of ICT will further improve the efficiency of water treatment.

BF Area	Contents	Check	Check details (explanations & relevant documents)
<b>B. Water sanitation: investment in research, design, development, and implementation of water treatment solutions</b>			
<b>B-1.</b>	New or expansion of water treatment infrastructure.	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, it was confirmed that the expansion of water treatment infrastructure is included.
<b>B-2</b>	Rehabilitation or retrofit of existing water treatment infrastructure.	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, it was confirmed that the rehabilitation or improvement of existing water treatment infrastructure is included
<b>B-3</b>	Wastewater treatment plants, including industrial, agri-business, commercial, residential, or city level. This also include biogas and heat exchange systems at wastewater treatment plants to increase their efficiency and effectiveness	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, it was confirmed that the sewage treatment plant is included. Effective utilization of clean water generated soil through ICT.
<b>C. Ocean-friendly and water-friendly products: investments in the value chain, including production, packaging, and distribution of environmentally-friendly products that avoid water or ocean pollution.</b>			
<b>C-1.</b>	Research, design, manufacturing, trade, or retail of household products with a sustainable supply of raw materials that can displace existing harmful products or reduce nitrogen and phosphorus loads of the aquatic environment, including but not limited to: <ul style="list-style-type: none"> <li>• Biodegradable and phosphate-free detergents and shampoos, such as new enzyme-based products.</li> <li>• Biodegradable and phosphate-free shampoo bars, deodorant bars (such as a soap bar), and cosmetics without plastic packaging.</li> <li>• Microbead-free toothpaste in non-plastic container.</li> </ul>	<input type="checkbox"/>	N/A (not applicable)

BF Area	Contents	Check	Check details (explanations & relevant documents)
<b>C-2</b>	Research, design, manufacturing, trade, and retail of essential components of the value chain of alternative low carbon and biodegradable materials (e.g., Lyocell) to fossil-based fibers (e.g., polyester) used in medical, apparel, and other industries.	<input type="checkbox"/>	N/A (not applicable)
<b>C-3</b>	Research, design, manufacturing, trade, or retail of biodegradable plant-based plastics and packaging or compostable plastics and packaging in locations where compostable facilities are readily available.	<input type="checkbox"/>	N/A (not applicable)
<b>D. Ocean-friendly chemicals and plastic-related sectors: investments in the research, design, development, and implementation of measures to manage, reduce, recycle, and treat plastic, pollution, or chemical wastes in coastal and river basin areas.<sup>8</sup></b>			
<b>D-1.</b>	Infrastructure that prevents runoff of agrochemicals, industrial chemicals, and mercury into areas connected to rivers or coastal water basins.	<input type="checkbox"/>	N/A (not applicable)
<b>D-2</b>	Substantial reduction per unit of product or replacement of phosphate-based or nitrogen-based synthetic fertilizers with alternative sustainable and biodegradable fertilizers and supplements in areas connected to rivers or coastal water basins. <sup>9</sup>	<input type="checkbox"/>	N/A (not applicable)
<b>D-3.</b>	Use of recycled or reused plastics for manufacturing in a circular economy approach in areas connected to rivers or coastal water basins.	<input type="checkbox"/>	N/A (not applicable)
<b>D-4</b>	Plastics collection and recycling facilities, substitution of plastics packaging with sustainable and biodegradable materials, and reuse or repurpose of plastics in areas connected to rivers or coastal water basins.	<input type="checkbox"/>	N/A (not applicable)

BF Area	Contents	Check	Check details (explanations & relevant documents)
<b>D-5.</b>	Urban drainage systems that prevent plastics, chemicals, or pollutants runoff in areas connected to rivers or coastal water basins. <sup>10</sup>	<input checked="" type="checkbox"/>	In the concession projects, investments and financing, it was confirmed that an urban drainage system (sewage treatment plant) that prevents the outflow of plastics and chemicals is included.
<b>D-6.</b>	Flood mitigation systems that prevent plastics, chemicals, solid wastes, or pollutants runoff in areas connected to rivers or coastal water basins. <sup>11</sup>	<input type="checkbox"/>	N/A (not applicable)
<b>E. Sustainable shipping and port logistics sectors: investments in the research, design, development, and implementation of water and waste management and reduction measures in shipping vessels, shipping yards and ports.<sup>10</sup></b>			
<b>E-1.</b>	Investments in ballast water treatment and shipping vessels to comply with the International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM Convention) to avoid spread of invasive alien species <sup>12</sup> (e.g., ISO standard 11711).	<input type="checkbox"/>	N/A (not applicable)
<b>E-2</b>	Investments in membrane bioreactor type water treatment equipment and facilities for all blackwater and greywater generated from ports and shipping and cruising vessels.	<input type="checkbox"/>	N/A (not applicable)
<b>E-3</b>	Investments in bilge water treatment in shipping vessels.	<input type="checkbox"/>	N/A (not applicable)
<b>E-4.</b>	Investments in shipping vessels to reduce their contribution to maritime air and noise pollution.	<input type="checkbox"/>	N/A (not applicable)
<b>E-5.</b>	Investments in improvement of oil (fuel) spill prevention, risks safeguard, and recovery facilities.	<input type="checkbox"/>	N/A (not applicable)

BF Area	Contents	Check	Check details (explanations & relevant documents)
E-6.	Solid waste receiver facilities at ports and terminals for the collection of garbage.	<input type="checkbox"/>	N/A (not applicable)
<b>F. Fisheries, aquaculture, and seafood value chain: sustainable production and waste management and reduction measures that meet, keep, or exceed the Marine Stewardship Council certification standards or equivalent.</b>			
F-1	Sustainable land-based aquaculture production of high-value niche products, such as crustaceans, sea urchins, ornamental corals, and fish.	<input type="checkbox"/>	N/A (not applicable)
F-2	Sustainable cultivation of bivalves for algae and nutrient removal in eutrophic coastal waters.	<input type="checkbox"/>	N/A (not applicable)
F-3	Sustainable production of algae and other marine micro- or macro-organisms to produce food, feed, pharmaceuticals, cosmetics, or other bio-based products through bio-technological applications.	<input type="checkbox"/>	N/A (not applicable)
F-4.	Cold chain and storage for small- and medium-sized fishing in areas with sustainable fishing quotas.	<input type="checkbox"/>	N/A (not applicable)
F-5.	Medium- to large-scale processing and product development, with an emphasis on pelagic species, such as fish loins, sashimi-grade fish, and bycatch in jurisdiction with enforced sustainable fishing quotas.	<input type="checkbox"/>	N/A (not applicable)
F-6.	Small- to medium-scale biorefineries for fish processing by products (e.g., oil, collagen, amino acid, mineral production) in jurisdictions with enforced sustainable fishing quotas.	<input type="checkbox"/>	N/A (not applicable)

BF Area	Contents	Check	Check details (explanations & relevant documents)
<b>F-7.</b>	Investments in fisheries to meet, keep, or exceed the Marine Stewardship Council certification standard or equivalent.	<input type="checkbox"/>	N/A (not applicable)
<b>F-8</b>	Investments in aquaculture to meet, keep, or exceed the Aquaculture Stewardship Council certification standard or equivalent.	<input type="checkbox"/>	N/A (not applicable)
<b>F-9.</b>	Production, trade, or retail of seafood products with the blue Marine Stewardship Council label <sup>13</sup> or Aquaculture Stewardship Council label. <sup>14</sup>	<input type="checkbox"/>	N/A (not applicable)
<b>F-10.</b>	Investments for a Fishery Improvement Project <sup>15</sup> registered at the International Seafood Sustainability Foundation. <sup>16</sup>	<input type="checkbox"/>	N/A (not applicable)
<b>F-11.</b>	Traceability systems to ensure sustainability of operations, facilities, and supply chains in the fishing industry. This investment should meet, keep, or exceed the Marine Stewardship Council certification for chain of custody certification for suppliers of seafood products.	<input type="checkbox"/>	N/A (not applicable)
<b>G. Marine ecosystem restoration.</b>			
<b>G-1</b>	Investments in conserving, improving, and restoring marine and coastal ecosystems, including the support of innovative governance structures suitable for private and public investments.	<input type="checkbox"/>	N/A (not applicable)
<b>G-2</b>	Investments in the development of ecosystems' insurance products related to critical aquatic ecosystems such as coral reefs, mangroves, and wetlands.	<input type="checkbox"/>	N/A (not applicable)
<b>G-3</b>	Investments in information systems, technology, and instruments deployed for	<input type="checkbox"/>	N/A (not applicable)

BF Area	Contents	Check	Check details (explanations & relevant documents)
	measuring, tracking, and reporting physical and chemical indicators of the water body to achieve sustainable fishery and aquaculture management, water-related ecosystem restoration, and disaster resilience. This could include systems with drones, autonomous sailing vessels, autonomous underwater vehicles, and ocean buoys, among other technologies.		
<b>G-4</b>	Investments into promising new restoration techniques, such as artificial habitat restoration structures using biodegradable potato starch and coral reef restoration projects.	<input type="checkbox"/>	N/A (not applicable)
<b>H. Sustainable tourism services.</b>			
<b>H-1</b>	Licensed certified <sup>17</sup> sustainable tourism in the vicinity of marine conservation areas, within less than 20 kilometers from the marine-protected areas and internationally recognized areas (e.g., KBAs, IBAs, Ramsar Sites), <sup>18</sup> with inclusive livelihood elements and business opportunities, such as resorts, hotels, boat operators, sailing schools, and diving centers.	<input type="checkbox"/>	N/A (not applicable)
<b>H-2</b>	Nature-based freshwater and marine visitor centers showcasing the environment and disseminating research and knowledge about lakes, wetlands, reefs, and other aquatic ecosystems.	<input type="checkbox"/>	N/A (not applicable)



BF Area	Contents	Check	Check details (explanations & relevant documents)
<b>I. Offshore renewable energy facilities</b>			
<b>I-1</b>	Offshore wind energy facilities, such as wind farms that do not harm marine ecosystems. <sup>19</sup> The offshore wind farm may include additional features, such as fisheries' sanctuaries for juveniles of certain marine species, substantial artificial reef elements, and other additional measures promoting marine biodiversity. 20 Offshore wind farms included in the Blue Finance Guidance document are subject to the condition that additional elements such as no-fishing zones and artificial reefs contributing to natural resource conservation and biodiversity are added through local marine spatial planning to the project design and that comprehensive Environmental Impact Assessment baseline surveys are conducted over a full year in addition to regular environmental monitoring of the area during operations. The use of proceeds cannot be allocated to the offshore oil and gas sector due to the potential contribution to a continuous lock-in to a fossil-based economy and greenhouse gas emissions. The use of proceeds also cannot be allocated towards the marine extraction of seabed minerals sector, as the associated activities could potentially be damaging to ocean and marine life, which needs further assessment.	<input type="checkbox"/>	N/A (not applicable)

8 Coastal areas are areas that border the coastline or areas that have at least 50% of their surface within 10 kilometers from the coastline. River basin areas are the area of land from which all surface run-off flows through a sequence of streams, rivers, and, possibly, lakes into the sea at a single river mouth, estuary, or delta.

9 The runoff of fertilizers into oceans cause eutrophication, which is the enrichment of nutrients in an ecosystem. Excessive amounts of nutrients encourage the growth of algae and other aquatic plants, which in turn leads to many negative effects, such as extensive growth of algae (algae blooms) and oxygen depletion in the sea.

10 Such urban infrastructures could locally be part of wider climate change adaptation measures.

11 Such flood mitigation infrastructures could locally be part of wider climate change adaptation measures.

12 While ballast water is essential for safe and efficient modern shipping operations, it may pose serious ecological, economic, and health problems due to the multitude of marine species carried in ships' ballast water. These include bacteria, microbes, small invertebrates, eggs, cysts, and larvae of various species. The transferred species may survive to establish a reproductive population in the host environment, becoming invasive, competing with native species, and multiplying.

13 The blue Marine Stewardship Council label enables customers to trace products to a sustainable source. Independent surveillance audits and DNA testing prove this. The blue label represents the world's most recognized and market-leading seafood certification program, endorsed by the Global Sustainable Seafood Initiative and the United Nations Food and Agriculture Organization and promoted by the World Wildlife Fund.

14 Similar to the label that the Marine Stewardship Council awards, the Aquaculture Stewardship Council assigns labels for responsibly farmed aquaculture products.

15. A Fishery Improvement Project is a multi-stakeholder effort to address environmental challenges in a fishery. It utilizes the power of the private sector, including retailers, processors, producers, and catchers, to incentivize positive changes toward sustainability in a fishery and seek to make these changes endure through policy change. The project identifies environmental issues that need to be addressed, sets priority actions, and oversees the adopted action plan.

16 The link for the International Seafood Sustainability Foundation is <https://www.iss-foundation.org/fishery-goals-and-resources/fishery-improvement-projects/fishery-improvement-projects/>.

17 E.g. Tourism with an accepted certification, that includes ocean protection and water management within its audit criteria, officially licensed in accordance to law. This includes, but it is not limited to, the Preferred-by-Nature certification and others based on the Global Sustainable Tourism Council (GSTC) Criteria for Hotels and Tour Operators.

18 KBAs: Key Biodiversity Areas. IBAs: Important Bird and Biodiversity Areas. Ramsar Sites: wetland sites designated to be of international importance under the Ramsar Convention, also known as "The Convention on Wetlands," an intergovernmental environmental treaty.

19 Based on their extensive experience assessing environmental risk of offshore wind power projects, some technical experts recommend to locate offshore wind farms at least 20 km from the coastline but this may change depending of the specific marine ecosystem.

20 Suitable sites must be informed by biodiversity sensitivity mapping and Strategic Environmental Assessment. Besides, no offshore wind projects will be sited in Legally Protected Areas or Internationally Recognized Areas.

## Schedule-3 Bonds to Finance the Sustainable Blue Economy, a Practitioner's Guide Eligibility Assessment

The checklist below has been prepared in accordance with Bonds to Finance the Sustainable Blue Economy, a Practitioner's Guide published by International Capital Market Association (ICMA) and others in September 2023.

In addition to the documents reviewed, the assessment work may include cases where information obtained through consultations with issuer's officials is used as evidence.

### Pre-issuance

No.	Requirements	Requirements Check	Work Undertaken	DNV Findings
<b>A</b>	<p><b>Create a Bond Framework to Finance the SBE</b></p> <p>A bond (or sometimes financing) framework is the foundation of sustainable bond issuances. The framework is a publicly available document that outlines how the issuer will ensure that its "blue bond" is aligned with the four core components of the Principles:</p> <ul style="list-style-type: none"> <li>(i) Use of proceeds,</li> <li>(ii) Process for project evaluation and selection,</li> <li>(iii) Management of proceeds, and</li> <li>(iv) Reporting (Allocation and Impact Reporting).</li> </ul> <p>The green (blue) bond framework can also reflect how the bond is intended to contribute to global sustainability targets such as the SDGs. The framework should describe the issuer's overarching sustainability objectives, policies, and strategy. Investors will consider the bond framework when deciding to invest in a bond. The framework is typically developed jointly with the issuer's advisers, including the specialized team of its lead underwriting bank as well as environmental consultants when needed.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	<p>Framework</p> <p>Interviews with METAWATER stakeholders</p>	<p>DNV has confirmed METAWATER creates the Framework that satisfies following four principles of GBP and disclose to the public.</p> <ul style="list-style-type: none"> <li>(i) Use of Proceeds.</li> <li>(ii) Process for Project Evaluation and Selection</li> <li>(iii) Management of Proceeds</li> <li>(iv) Reporting</li> </ul>

No.	Requirements	Requirements Check	Work Undertaken	DNV Findings
	*Sustainable Blue Economy			
<b>B</b>	<p><b>Define and Confirm Project Categories</b></p> <p>Eligible blue projects can cover the financing or refinancing of investments and other related and supporting expenditures, as well as physical and financial assets including bank loan portfolios. Issuers can refer to the non-exhaustive list of eligible project categories under the GBP. This Guidance provides additional guidance on eligible blue project categories in Appendix 1 below.</p> <p><b>Environmental and social risks:</b> The focus of green (including blue) bonds is on the eligible projects rather than on the issuer itself. It should nonetheless be noted that the GBP recommend that issuers clearly communicate to investors their environmental sustainability objectives overall, and how they identify and manage potential environmental and social risks associated with the selected projects. Examples of projects that should be excluded are listed in Appendix 1. Further specific detail on exclusions can be found in the UNEP FI publication "Recommended Exclusions for Financing a Sustainable Blue Economy."</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	Framework	<p>DNV has confirmed that among METAWATER's eligible projects, [sewerage projects] falls under 6. Marine Pollution a. Wastewater Management in the SBEG Blue Project category and subcategory. Specifically, please refer to Table-1 of Schedule-3, Indicative Blue Project Categories. DNV has also confirmed that METAWATER has internal processes in place to ensure that eligible projects do not fall within a list of distance from shore or exclusions.</p>
<b>C</b>	<p><b>Obtain an External Review</b></p> <p>The Principles recommend that issuers appoint (an) external review provider(s) to assess, through a pre-issuance external review, the alignment of their green (blue) bond or green (blue) bond program and/or framework with the four core components of the GBP. While there are multiple types of external reviews, the most common approach is to seek a second party opinion (SPO) on the bond framework and make it publicly available on the issuer's website.</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable	<p>Framework</p> <p>Second Party Opinion</p> <p>Interviews with METAWATER stakeholders</p>	<p>METAWATER has commissioned DNV to conduct a pre-issuance assessment of the "METAWATER Blue Finance Framework," and also confirmed they obtain assessment by DNV if they meet GBP four principles, and</p>

No.	Requirements	Requirements Check	Work Undertaken	DNV Findings
	This is generally done by the issuer contracting an SPO provider. SPOs are important to disclose to both potential investors and other key stakeholders of the company, country, or institution.			disclose second party opinion to stakeholders.

**Table-1 Indicative Blue Project Categories**

Indicative blue project categories and sub-categories (closely related to GBP category)	Climate Change Mitigation	Climate Change Adaptation	Natural Resource Conservation	Biodiversity Conservation	Pollution Prevention and Control
<b>1. Coastal Climate Adaptation and Resilience</b> <b>("Climate Change Adaptation")</b> Projects that support ecological and community resilience and adaptation to climate change including using nature-based solutions [Projects must be within 50 km of the coast or within the marine environment]		◆ ◆ ◆	◆ ◆	◆	
<b>2. Marine Ecosystem Management, Conservation, and Restoration</b> <b>("Terrestrial and Aquatic Biodiversity")</b> Projects that manage, conserve, and restore the health of coastal and marine ecosystems [Projects must be within the marine environment or within 100 km of the coast]	◆	◆	◆ ◆ ◆	◆ ◆ ◆	◆ ◆
<b>3. Sustainable Coastal and Marine Tourism</b> Projects that improve the environmental sustainability of coastal and marine tourism			◆ ◆	◆ ◆	◆ ◆
<b>4. Sustainable Marine Value Chains</b> <b>("Environmentally Sustainable Management of Living Natural Resources and Land Use")</b> Projects that improve the environmental sustainability of marine value chains a. Sustainable marine fisheries Management b. Sustainable aquaculture operations (algae, bivalves, fish, and seagrass).	◆	◆	◆ ◆	◆ ◆	◆ ◆ ◆

Indicative blue project categories and sub-categories (closely related to GBP category)	Climate Change Mitigation	Climate Change Adaptation	Natural Resource Conservation	Biodiversity Conservation	Pollution Prevention and Control
c. Seafood supply chain sustainability					
<b>5. Marine Renewable Energy</b> <b>("Renewable Energy")</b> Projects that increase contribution of marine and offshore renewable energy to energy mix and renewable energy projects that support other SBE sectors while safeguarding the marine environment. These include: <ul style="list-style-type: none"> <li>• Offshore wind (both fixed and floating installations)</li> <li>• Wave</li> <li>• Tidal</li> <li>• Floating solar</li> <li>• Ocean thermal energy conversion</li> </ul>	◆ ◆ ◆		◆	◆ ◆	
<b>6. Marine Pollution</b> <b>("Pollution Prevention and Control" / "Sustainable Water and Wastewater Management" / "Circular Economy Adapted Products, Production Technologies and Processes")</b> Projects that prevent, control, and reduce waste from entering the coastal and marine environments <ul style="list-style-type: none"> <li>a. Wastewater management</li> <li>b. Solid waste management</li> <li>c. Resource efficiency and circular economy (Waste prevention and reduction)</li> <li>d. Non-point source pollution management</li> </ul> [For wastewater management, projects must be within 100 km of the coast. For solid waste management, projects must be within 50 km of the coast or a river that drains to the ocean.]	◆ ◆	◆ ◆	◆ ◆	◆ ◆	◆ ◆ ◆

Indicative blue project categories and sub-categories (closely related to GBP category)	Climate Change Mitigation	Climate Change Adaptation	Natural Resource Conservation	Biodiversity Conservation	Pollution Prevention and Control
For non-point source pollution management, projects must be within 200 km of the coast or within 50 km of rivers (and their tributaries) that flow to the ocean]					
<b>7. Sustainable Ports</b> (“Clean Transportation”) Projects that increase environmental performance and sustainability of port functions and infrastructure	◆ ◆	◆			◆ ◆ ◆
<b>8. Sustainable Marine Transport</b> (“Clean Transportation”) Projects that involve increasing environmental performance and sustainability of maritime transportation	◆ ◆		◆	◆ ◆ ◆	◆ ◆ ◆

Symbols denote the categories' contribution to the objective.

- ◆ ◆ ◆ : Primary
- ◆ ◆ : Secondary
- ◆ : Tertiary



## Post-issuance

No.	Requirements	Check	Work Undertaken	DNV Findings
<b>D</b>	<b>Management of Proceeds</b> An essential feature of the Principles with respect to UOP bonds is the focus on management and allocation of proceeds. It is important to note that market practice has moved increasingly to the simpler tracking of “equivalent amounts” of net proceeds rather than the other methods mentioned in the GBP. It is crucial to underline the recommendation for issuers to use an external auditor, or a third party, to verify the internal tracking method and the allocation of funds derived from the net proceeds.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable		Not applicable as current stage is pre-issuance Framework Assessment.
<b>E</b>	<b>Allocation and Impact Reporting</b> The Principles recommend annual reporting of both allocations to projects and their expected impact. Impact reporting is also essential as investors want to be informed of positive outcomes of their investments. While there is no globally accepted list of impact metrics for SBE projects given that they span from seafood to tourism and to marine protected areas, ICMA’s Harmonised Framework for Impact Reporting nevertheless includes explicit indicators for reporting of the impact of “blue bonds,” under several project categories, including Biodiversity, Climate Change Adaptation, and Living Natural Resources. Appendix 1 of this Guidance provides a list of examples that issuers could use to report on outputs and impacts of “blue bonds.”	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable		Not applicable as current stage is pre-issuance Framework Assessment.
<b>F</b>	<b>Obtain an External Review</b> Post-issuance, it is recommended that an issuer’s management of proceeds be supplemented using an external auditor, or a third party,	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Applicable		Not applicable as current stage is pre-issuance Framework Assessment.



No.	Requirements	Check	Work Undertaken	DNV Findings
	to verify the internal tracking and the allocation of funds from the green (blue) bond proceeds to eligible green (blue) projects.			

## Appendix-1 : EXCLUSIONS

Blue Project Categories	EXCLUSIONS
<b>1. COASTAL CLIMATE ADAPTATION &amp; RESILIENCE</b>	<ul style="list-style-type: none"> <li>• Grey infrastructure in ecologically sensitive areas</li> </ul>
<b>2. MARINE ECOSYSTEM MANAGEMENT, CONSERVATION, AND RESTORATION</b>	
<b>3. SUSTAINABLE COASTAL AND MARINE TOURISM</b>	<ul style="list-style-type: none"> <li>• Destination development with negative environmental, social, and governance impacts within protected areas, critical habitat for endangered, threatened, and protected (ETP) species, or areas providing vital ecosystem services such as coastal flood defense</li> <li>• Involuntary displacement of local communities</li> <li>• Air pollution including GHG emissions</li> <li>• Water pollution</li> </ul>
<b>4. SUSTAINABLE MARINE VALUE CHAINS</b>	<ul style="list-style-type: none"> <li>a. Sustainable Marine Fisheries Management <ul style="list-style-type: none"> <li>• Species on the International Union for Conservation of Nature (IUCN) Red-list for Endangered, Threatened, or Protected Species (ETP)</li> <li>• Lack of compliance with local, national, or international laws and regulations</li> <li>• Destructive and illegal fishing practices</li> <li>• Lack of bycatch avoidance/mitigation measures</li> </ul> </li> <li>b. Sustainable Aquaculture Operations <ul style="list-style-type: none"> <li>• Farm siting illegal or impacting on key ecological areas</li> <li>• Use of harmful chemicals</li> </ul> </li> <li>c. Seafood Supply Chain Sustainability <ul style="list-style-type: none"> <li>• Labor or human rights abuses</li> <li>• Workforce discrimination</li> </ul> </li> </ul>
<b>5. MARINE RENEWABLE ENERGY</b>	<ul style="list-style-type: none"> <li>• Located in areas with high ecological value or that endanger habitats of ETP species</li> <li>• Seabed disturbance and impacts</li> <li>• Significant noise pollution</li> </ul>

Blue Project Categories	EXCLUSIONS
	<ul style="list-style-type: none"> <li>Air Pollution including GHG</li> </ul>
<b>6. MARINE POLLUTION</b>	<ul style="list-style-type: none"> <li>Built-in obsolescence</li> <li>Lack of compliance with policies and regulations</li> </ul>
<b>7. SUSTAINABLE PORTS</b>	<ul style="list-style-type: none"> <li>Ports with air pollution fines</li> <li>Non-compliance with the International Convention for the Prevention of Pollution from Ships (MARPOL), International Maritime Organization (IMO), national regulations, and best practice for solid and chemical waste/runoffs from ports into sea</li> <li>Evidence of oil spills and non-compliance with MARPOL, IMO, national regulations and best practice for oil transfer and management</li> <li>Loss of critical IUCN red-listed habitats and species in the development and implementation of the port</li> <li>Building on greenfield sites</li> </ul>
<b>8. SUSTAINABLE MARINE TRANSPORT</b>	<ul style="list-style-type: none"> <li>Vessels running fully on fossil fuels including LNG</li> <li>Vessels exceeding limit values for SOx, NOx</li> <li>Companies in violation of IMO Ballast Water Treaty or lacking hull treatments against biofouling</li> <li>Companies that are not in compliance with IMO and MARPOL regulations relating to waste disposal at sea, or that are disposing of toxic and quantifiably high levels of any waste into the sea</li> </ul>

## Schedule-4 Green Finance Eligibility Assessment Protocol

GBP/GLP-1 ~ GBP/GLP-4 below are DNV's green finance eligibility assessment protocols, which are based on various criteria of the Green Bond Principles (GBP) and Green Loan Principles (GLP).

Here, the expressions green bond and green loan are to be read as blue finance where appropriate.

### GBP/GLP-1 Use of proceeds

Ref.	Criteria	Requirement	Work Undertaken	DNV Findings
1a	Types of funds	The types of green finance are classified into one of the following types defined by GBP. <ul style="list-style-type: none"> <li>• (Standard) Green Bond and Loan</li> <li>• Green Revenue Bond and Loan</li> <li>• Green Project Bond and Loan</li> <li>• Other</li> </ul>	Confirmed documents: <ul style="list-style-type: none"> <li>- Framework</li> </ul>	DNV confirmed that the green bond and loan falls into the following category:  (Standard) Green Bond and Loan
1b	Green Project Classification	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.	Confirmed documents: <ul style="list-style-type: none"> <li>- Framework</li> <li>- Amendment Shelf Registration Statement</li> </ul>	DNV confirmed that METAWATER aims to allocate proceeds to a wide range of projects listed in the Framework and Schedule-1. The proceeds raised are planned to be used to finance one or more of the potential eligible projects. If a project has been pre-selected before the financing is executed, this will be disclosed in legal documents.
1c	Environmental benefits.	All green projects to which the proceeds are used should have clear environmental benefits, the effects of which should be assessed by the issuer and, where possible, quantitatively demonstrated.	Confirmed documents: <ul style="list-style-type: none"> <li>- Framework</li> </ul>	DNV confirmed that the project has clear environmental benefits which have been evaluated by METAWATER. In water supply, industrial water supply and sewerage, even in Japan, where high water efficiency has already been achieved, in addition to the renewal of facilities and operating conditions that realize

Ref.	Criteria	Requirement	Work Undertaken	DNV Findings
				<p>further efficiency, water treatment capacity can be shown quantitatively.</p> <p>In addition, before the financing is executed, the evaluation method (calculation method) and items for the environmental benefits of the project will be disclosed, and it will be quantitatively evaluated and reported as an index according to the characteristics of the project in the annual report.</p>
1d	Refinancing rate	<p>If all or part of the proceeds are used or may be used for refinancing, the issuer 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.</p>	<p>Confirmed documents:</p> <ul style="list-style-type: none"> <li>- Framework</li> </ul>	<p>DNV has confirmed that METAWATER intends to use the proceeds raised as new investment, refinancing etc. or both for one or more of the potential eligible projects that meet the criteria of BFG and/or SBEG. If it is known in advance whether new investment or refinancing etc. will be made before the financing is executed, this will be disclosed in the legal documents. If not yet determined, the approximate amount or percentage of the proceeds raised that will be used for refinancing etc. will be disclosed through reporting (annual report).</p>

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

Ref.	Criteria	Requirement	Work Undertaken	DNV Findings
2a.	Project selection process	<p>Green finance fundraisers 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):</p> <ul style="list-style-type: none"> <li>The process by which the issuer 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 bond funding will be used</li> <li>Environmental sustainability goals</li> </ul>	<p>Confirmed documents:</p> <ul style="list-style-type: none"> <li>Framework</li> </ul>	<p>DNV confirmed that the following have been established as the process for determining the eligibility of METAWATER's project that meet BFG and/or SBEG by Corporate Communications Office and Accounting and Financial Planning Office selecting the candidates, and after consultation with the relevant internal departments, the Head of Accounting and Financial Planning Office makes the final decision and reports the results to the Board of Directors for approval by the Representative Director.</p>
2b	Fundraiser's Environmental and Social Governance Framework	<p>In addition to criteria and certifications, the information published by fundraiser regarding the green finance process also considers the quality of performance of the fundraiser's framework and environmental sustainability.</p>	<p>Confirmed documents:</p> <ul style="list-style-type: none"> <li>Framework</li> </ul>	<p>DNV confirmed that METAWATER plans to comply with environmental laws and regulations and conduct environmental impact studies as necessary during project selection. It also confirmed that the company plans to implement environmentally friendly procurement of materials, response to environmentally hazardous substances, waste management and consideration for human rights.</p>

## GBP/GLP-3 Management of Proceeds

Ref.	Criteria	Requirement	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 fundraiser in a formal internal process related to the fundraiser's investment and financing operations for the Green Project.	Confirmed documents: - Framework  Interviews with METAWATER stakeholders.	DNV confirmed that METAWATER's Accounting and Financial Planning Office tracks the proceeds raised using an internal control system. DNV also confirmed through the assessment that the systems and documents actually used were verified and evidenced accordingly.
3b	Tracking procedure-2	During the green finance redemption 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.	Confirmed documents: - Framework  Interviews with METAWATER stakeholders.	DNV confirmed that METAWATER will manage the total amount of eligible projects so that it will not be less than the amount raised by Blue Finance.
3c	Temporary holding	If no investment or payment has been made in a qualified green project, the fundraiser should also inform the investor of the possible temporary investment method for the balance of unallocated proceeds.	Confirmed documents: - Framework	DNV confirmed METAWATER will explain to investors, through the Framework and other means, that any unallocated proceeds will be managed in cash and cash equivalents.



## GBP/GLP-4 Reporting

Ref.	Criteria	Requirement	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 fundraiser 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> <p>-Confidentiality and competitive considerations</p> <p>-Outline of each project, expected sustainable environmental and social effects</p>	<p>Confirmed documents:</p> <p>- Framework</p>	<p>DNV confirmed that METAWATER intends to disclose the allocation of proceeds and impact reporting on METAWATER's website at least once a year.</p> <p>&lt;Fund allocation status&gt;</p> <ul style="list-style-type: none"><li>• Amount raised</li><li>• Allocation amount</li><li>• Balance of unallocated proceeds and method of investment</li><li>• Estimated amount or proportion of the portion of proceeds raised used for refinancing etc.</li></ul> <p>&lt;Impact reporting&gt;</p> <table><tr><th>Eligible projects</th><th>Reporting items</th></tr><tr><td><p><u>Concession Projects</u></p><p>Investment and financing of water treatment projects through special purpose companies (SPCs) to the SPCs concerned.</p></td><td><p>[General (water supply, industrial water supply, sewerage)]</p><ul style="list-style-type: none"><li>- Business overview, Various water treatment capacity</li><li>- Equipment renewal, operation status</li><li>- Securing safe and secure water through strict water quality control</li><li>- Strengthen monitoring and streamline operation management through integrated business management</li><li>- Efficient and timely renovation and repair of facilities through active introduction of ICT systems</li><li>- Electricity usage savings</li><li>- Effective use of unused energy</li></ul></td></tr></table>	Eligible projects	Reporting items	<p><u>Concession Projects</u></p> <p>Investment and financing of water treatment projects through special purpose companies (SPCs) to the SPCs concerned.</p>	<p>[General (water supply, industrial water supply, sewerage)]</p> <ul style="list-style-type: none"><li>- Business overview, Various water treatment capacity</li><li>- Equipment renewal, operation status</li><li>- Securing safe and secure water through strict water quality control</li><li>- Strengthen monitoring and streamline operation management through integrated business management</li><li>- Efficient and timely renovation and repair of facilities through active introduction of ICT systems</li><li>- Electricity usage savings</li><li>- Effective use of unused energy</li></ul>
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Ref.	Criteria	Requirement	Work Undertaken	DNV Findings	
				<u>Investments and Financing</u> Investments and financing to domestic and foreign companies (excluding SPCs in concession projects) that specialise in water treatment or whose operations are dominated by water treatment business.	<ul style="list-style-type: none"> <li>- Overview of the investee and the purpose of the investment or loan.</li> <li>- Overview of technologies of investee and the status of technology introduction, etc.</li> </ul>