

**ENEOS Holdings, Inc.**

**For Green bond eligibility for pre-issuance**

## **DNV GL Verification Report**



Nov. 2020

DNV GL Business Assurance Japan K. K.

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### Revision history

Issue Date (dd/mm/yyyy)	Remarks
04/06/2020	Draft verification report for internal review
10/11/2020	The first revision (published)



## Executive Summary

ENEOS Holdings, Inc. (hereinafter “Issuer”) plans to issue a green bond to raise funds for a renewable energy project (biomass power station, hereinafter “Muroran Biomass”) of ENEOS Biomass Power Muroran G.K. According to the contract with the Issuer, DNV GL Business Assurance Japan K.K. (hereinafter “DNV GL”) has conducted verification that the Green Bond Framework (hereinafter “Framework”), which is formulated by the Issuer, and the planned green bond meet the Green Bond Principles 2018 (hereinafter “GBP”) and the Green Bond Guidelines 2020 (hereinafter “GBGLs”). As a result, nothing has come to our attention that causes us to believe that the green bond is not, in all material respects, in compliance with the requirements of the GBP and the GBGLs. The following is an overview of the assessment results of four elements indicated in the GBP/GBGLs.

### 1. Use of Proceeds:

The Framework defines eligible criteria of a renewable energy project (biomass power station) for the use of proceeds. This is in line with the eligible Green Project categories described in the GBP. All of the proceeds are planned to be used for refinancing Muroran Biomass, and it is expected to have clear environmental benefits and contribute to formation of Low Carbon Society that is one of the Issuer’s Materialities.

### 2. Process for Project Evaluation and Selection:


The Issuer has set Priority Fields for CSR Activities based on the Group's "Basic Policy for CSR" and the "ENEOS Group Code of Conduct", and have set targets for reducing CO<sub>2</sub> emissions from environmental aspects. Based on these policies and targets, Muroran Biomass is evaluated and selected through an appropriate internal decision-making process by the Issuer. It is confirmed that Muroran Biomass is in line with the category of GBP’s eligible green projects and the GBGLs’ specific example of eligible projects in terms of the use of proceeds.

### 3. Management of Proceeds:

Based on the basic policy of the internal control system, the Issuer maintains internal controls to ensure the appropriateness of its business practice. It has a management system that can track the allocation of the funding in accordance with business procedures and flowcharts based on its internal control. In addition, the Issuer is going to refinance the entire amount of the net proceeds to Muroran Biomass immediately, after issuance of the green bond, and thus no unallocated balance occurs. This is aligned with the GBP and GBGLs.

### 4. Reporting:

The Issuer plans to report on the status of the net proceeds on the website, from the time of issuance of the green bond to the refinance. The Issuer also plans to disclose the relevant KPIs of environmental improvement effects (transmission end output of Muroran Biomass and CO<sub>2</sub>



emission reductions) on the website, from the time of issuance of the green bond to the redemption.

As a supplement, DNV GL is going to revise the verification report for clarification, after the bond issue amount has been decided. Also, the issuer plans to carry out post-issue verification of the bond by DNV GL, in order to ensure that the green bond complies with the key elements of the above principles and guidelines.



## I Introduction

### i. About the Issuer

ENEOS Holdings, Inc. (hereinafter “Issuer”) is the holding company of the ENEOS Group, which has three operating entities, ENEOS, JX Nippon Oil & Gas Exploration Corporation, and JX Nippon Mining & Metals Corporation, and is the leading energy company in Japan.

The Issuer has set the Group's "Basic Policy for CSR". Based on this basic policy and summarizing fourteen items of the Group Code of Conduct, the Issuer has further set eight Priority Fields for CSR activities. Especially in the environmental fields, the Issuer has set "formation of a low-carbon society" as one of the top CSR priorities, and it believes that it should work to reduce CO<sub>2</sub> emissions (CO<sub>2</sub> emission reductions amount through self-help efforts) as a group and has made CO<sub>2</sub> emission reductions throughout the supply chain as KPI. In setting targets, the Issuer has set the followings as its medium-term environmental management plan (FY2020-2022) and environmental targets for FY2030 (as compared with FY2009).

- Medium-term target (FY2022): Emission reductions of 4.28 million tons CO<sub>2</sub>
- FY2030 target: Emission reductions of 10.17 million tons CO<sub>2</sub>

### ii. About Green Bond Framework

The Issuer is promoting the introduction of renewable energy as a specific activity to promote CO<sub>2</sub> emission reductions throughout the group. This time, the Issuer plans to issue a green bond (hereinafter “BOND”) to raise funds for refinancing a renewable energy (biomass power generation) project, which is expected to have an environmental improvement effects (CO<sub>2</sub> emission reductions) by utilizing the newly formulated Green Bond Framework (hereinafter “Framework”). That is, the proceeds will be allocated to green projects in accordance with the following eligible green project categories.

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

## II Scope and Objectives

The Issuer has commissioned DNV GL Business Assurance Japan Co., Ltd. (hereinafter “DNV GL” or “we”) to conduct verification of its BOND eligibility for pre-issuance requirements. The purpose of the pre-issuance verification conducted by DNV GL to verify the BOND and the candidates of the green projects are aligned with the guideline and the following sector eligibility criteria.

### (1) Scope of review

The review evaluated the following items and confirmed their consistency with the four core elements of GBP:

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

### (2) Role of reviewer

- Consultant Review (including Second Opinion)
- Certification
- Verification
- Rating
- Others: Provide reviews for registration of green bond issuance based on GBGLs

### (3) Applicable standards or guidelines

No.	Standards or Guidelines	Issuer	Applicable level
1.	Green Bond Principle 2018 (GBP)	International Capital Market	Applied
2.	Green Bond Guidelines 2020 (GBGLs)	Ministry of the Environment, Government of Japan	Applied
3.	Sector Technical Standards for Climate Bond Standards (CBS), Version 3.0	Climate Bond Initiative	Referred

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

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### III Responsibilities of the Management of the Issuer and DNV GL

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

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


### IV Basis of DNV GL's opinion

To provide as much flexibility as possible for the issuer, DNV GL have applied our green bond assessment methodologies, which incorporates the requirements of the GBP, GBGLs, and Sector Technical Standards for Climate Bond Standards, to create the Issuer-specific Green Bond Eligibility Assessment Protocol (hereinafter "DNV GL's Protocol"). The DNV GL's Protocol has the capacity for potential application of green bonds under the GBP and GBGLs (please see Schedule-2 of this report in details).

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

As per DNV GL's Protocol, the criteria against which the BOND has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** : The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to bond eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** : The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green 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 Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.





## V Work Undertaken

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

### **i. Pre-Issuance verification**

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

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

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

## VI Findings

DNV GL conducted the verification, including i) checking whether the provisions of the applicable standards/guidelines were consistently and appropriately applied and ii) the collection of evidence supporting the verification. DNV GL's verification approach draws on an understanding of the risks associated with conforming to the GBP and GBGLs and the controls in place to mitigate these. DNV GL planned and performed the verification for obtaining evidence and other information and explanations that DNV GL considers necessary to give a conclusion that the BOND meet the requirements of the GBP and GBGLs. The Findings and DNV GL's opinion are as follows:

### Supporting materials

- /1/ ENEOS Holdings Inc. Green Bond Framework
- /2/ Company profile (Muroran Biomass LLC)
- /3/ ENEOS Biomass Power Muroran G.K. website(<https://www.ebpm.co.jp/>)
- /4/ Business plan formulation guidelines (Biomass Power Generation) Published in April 2020 (Agency for Natural Resources and Energy)
- /5/ Renewable energy power generation business plan (for FIT certification)
  - Attachment (location of plant)
  - Written consent of power generation adjustment supply (Documents certifying connection agreement with Hokkaido Electric Power System)
  - Contract/memorandum of contribution in aid of construction (Documents certifying connection agreement with Hokkaido Electric Power System)
  - Instructions for changing the representative name (representative employee name) (Documents regarding changes due to business integration)
  - Certificate of all history matters (copy of a register)
- /6/ Voluntary environmental impact assessment report (Final confirmation version)
- /7/ Biomass fuel sales contract
- /8/ Environmental White Paper of Muroran City (2019)
- /9/ List of Muroran Biomass Power Plant Manual
  - Operation/control policy of Fuel transfer system/ Boiler fuel system(Fuel discharge device)
  - Operation procedure of Off-site equipment/fuel reaction system
  - Operation procedure of boiler/turbine equipment
  - Operation procedure of industrial water/cooling water/drinking water facility
  - Operation procedure of compressed air equipment
  - Operation procedure of wastewater treatment facility
  - Operation procedure of pure equipment

- Operation procedure of fire extinguishing equipment
  - Operation procedure of Substation equipment
  - Operation instruction of compressed air equipment test run
  - Regulations for natural disasters and emergencies(Including disaster/earthquake measures and tsunami countermeasures)
  - Preventive regulations of Muroran Biomass Power Generation (MBPG)
  - Emergency measures
- /10/ Climate change adaptation plan of Hokkaido(March, 2020 in Hokkaido)
- /11/ Pollution Prevention Agreement for Muroran Biomass Power Plant (Muroran city)
- /12/ Internal regulations for authority management (Muroran Biomass LLC)
- /13/ Operational procedure for procurement (Muroran Biomass LLC)
- /14/ Internal rules for cash management and approval (Muroran Biomass LLC)
- /15/ Amended shelf registration statement (draft)
- /16/ Supplementary documents (draft)
- /17/ List of emission factors by electric utility (FY 2019, Ministry of the Environment)
- /18/ Muroran City Building Standards Act Detailed Regulations
- /19/ Maximum recorded rainfall, maximum temperature, environmental temperature by the Meteorological Agency observation data (1994~2014)
- /20/ Muroran City Hazard Map (Muroran City Website)
- /21/ Hokkaido Environmental Database (Homepage of Environmental Policy Division, Hokkaido Environment and Life Department)
- /22/ Muroran District Industrial Water Supply (Homepage of Hokkaido Enterprise Bureau Industrial Waterworks Division)
- /23/ Hokkaido Biodiversity Portal Site (Homepage of Hokkaido Environment and Living Department Environment Bureau Natural Environment Division)

## 1. Use of Proceeds

DNV GL confirmed that the net proceeds are planned to be allocated to the renewable energy business Muroran Biomass Power Plant (hereinafter "Muroran Biomass"). The outline of Muroran Biomass is as follows (Refer to Schedule-1 "Outline of Target Projects" in this report).

The outline of Muroran Biomass

- Company name: ENEOS Biomass Power Muroran G.K.
- Founding date: October 11, 2016
- Location: 1-3-1 Kohokucho, Muroran City, Hokkaido

- Business content: Power generation business using Palm Kernel Shell (PKS)
- Website: <https://www.ebpm.co.jp/index.php>
- Background
  - Established "Muroran Biomass G.K." as a joint venture with JGC Holdings Co., Ltd. in October 2016
  - August 2017, Construction work started
  - November 2019, Trial operation started
  - April 2020, Changed the company name to " ENEOS Biomass Power Muroran G.K."
  - May 24, 2020, Commercial operation started
- The power generation end output (design value) is 74.9 MW.
- Import PKS fuel of Southeast Asia (the feed stock is not within the Use of Proceeds)

Muroran Biomass is nominated as the sole allocation of the BOND issued in accordance with this framework. This candidate project has been certified by the feed-in tariff system ("FIT") for renewable energy in Japan, and environmental impact assessment and fuel sustainability in accordance with FIT business plan formulation guidelines are taken into consideration as a precondition. From various domestic research results, including an estimate that this project is a renewable energy facility with direct emissions of less than 100g CO<sub>2</sub>/kWh, it is expected that this project will bring about a clear environmental improvement effect as a CO<sub>2</sub> emission reduction project and contribute to the promotion of the issuer's "formation of a low carbon society". From the information, it has been confirmed to meet the eligible Green Project categories as specified in GBP/GBGLs.

#### Use of proceeds categorized in GBP

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy  | <input type="checkbox"/> Energy efficiency  |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable pipes related to living natural resources and land use                 |
| <input type="checkbox"/> Conservation of terrestrial and aquatic biodiversity   | <input type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water resource and wastewater management   | <input type="checkbox"/> Adapting to climate change   |
| <input type="checkbox"/> Highly eco-friendly products, eco-friendly products, environmentally friendly production technology and processes                                | <input type="checkbox"/> Green building with locally, nationally or internationally recognized standards and certifications |
| <input type="checkbox"/> Other (specifically stated)  |   |
| <input type="checkbox"/> Undecided at the time of bond issuance, but expected to meet other eligible areas that are not classified by GBP or currently not listed in GBP. |   |



## 2. Process for Project Evaluation and Selection

The issuer set priority fields for CSR activities based on the Group's "Basic Policy for CSR" and "ENEOS Group Code of Conduct", with recognizing that it must be trusted by society as a precondition for achieving sustainable growth as a company.


Especially in terms of the environment, the issuer sets targets for reducing CO<sub>2</sub> emissions. Through a review, DNV GL confirmed that the Green Project Candidates listed in Schedule-1 are aligned with the issuer's environmental policy.

In addition, the issuer has an evaluation and selection process for eligible green projects based on these policies and goals and in accordance with business practices equivalent to similar internal regulations. Muroran Biomass is evaluated and selected through an appropriate internal decision-making process by the affiliated companies of the issuer. It was confirmed through verification activities that Muroran Biomass corresponds to the business category (renewable energy) of eligible green projects in the GBP and the business listed as a specific example of the use of proceeds in the GBGLs. These processes are in accordance with GBP/GBGLs. Issuers also reference the CBS Sector Technical Standards applicable in determining project eligibility.

## 3. Management of Proceeds

DNV GL reviewed the issuer's tracking and management system regarding the allocation of proceeds from the issuance of green bonds. Specifically:

- The issuer has established internal controls to ensure the appropriateness of operations based on the basic policy of the internal control system, and is equipped with management system that can track the allocation destination of procurement funds in accordance with the operational procedures and flowcharts based on the internal controls.
- The net proceeds through the green bonds will be deposited into the same account as other funds, but they will be separately managed by Excel spreadsheet so as to be allocated to the target green project. For this reason, the issuer is ready to confirm that the net proceeds through green bonds will not exceed the amount of construction funds, which is the actual allocation destination, at the stage of allocation of the net proceeds.
- The net proceeds will be refinanced to Muroran Biomass immediately without delay after the start of commercial operation. Therefore, no unallocated balance will occur.
- Funds management materials are retained for at least 10 years in accordance with the document management regulations established by the issuer.



DNV GL has confirmed that the issuer has prepared materials for managing the flow of cash allocation and that it has a system to manage the proceeds raised separately from other balances continuously.

#### **4. Reporting**

DNV GL confirmed that the issuer plans to disclose the allocation status of the proceeds in the annual integrated report from the issuance of the green bond until the full amount is allocated and redeemed. This report includes the allocated amount of the proceeds and the following indicators as environmental improvement effects.

- Transmission end output of electric power generation of Muroran Biomass during the target period (MW)
- CO<sub>2</sub> emission reductions derived from the output of power transmission end (t-CO<sub>2</sub>/y)

These are aligned with the GBP/GBGLs. In addition, the issuer plans to prepare for post issuance verification by DNV GL to ensure that the allocation status of green bonds complies with the key elements of the above-mentioned principles and guidelines.

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## VI DNV GL's opinion

As a result, nothing has come to our attention that causes us to believe that the green bond is not, in all material respects, in compliance with the requirements of the GBP/GBGLs. This report does not provide assurance regarding the financial performance of any Green Bonds, the value of any investment, or the long-term environmental benefits.

DNV GL Business Assurance Japan K.K.

10<sup>th</sup> November 2020



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### About DNV GL

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

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

## Schedule-1. List of green project candidates

No.	Project	Category (Environmental improvement effect)	Sub-category (Asset type)	Funded amount (plan)	Remarks (Overview of green project)
1	Muroran Biomass Power Plant	Renewable energy (Reduction of energy-derived CO2)	Bio energy (Biomass power generation facility)	1.5 billion yen  Redemption period: 3 years	<ul style="list-style-type: none"> <li>■ Biomass power station will be built, operated and maintained by Muroran Biomass G.K., a joint venture with JGC Holdings, Inc. in Muroran City, Hokkaido.</li> <li>■ The facility output is 74.9 MW. Palm kernel shell (PKS) from Southeast Asia is imported through a trading company and is used as fuel.</li> <li>■ The total investment up to March 2020 is about 26 billion yen.</li> <li>■ 100% of the net proceeds will be refinanced to Muroran Biomass immediately without delay. Therefore, no unallocated balance will occur.</li> </ul>



## Schedule-2: Green Bond Eligibility Assessment Protocol

### GBP-1 Use of proceeds

Ref.	Criteria	Requirements/Contents	Work undertaken	DNV GL Findings
1a	Type of bond	The bond must fall in one of the following categories, as defined by the Green Bond Principles: <ul style="list-style-type: none"> <li>Green Use of Proceeds Bond</li> <li>Green Use of Proceeds Revenue Bond</li> <li>Green Project Bond</li> <li>Green Securitized Bond</li> </ul>	<ul style="list-style-type: none"> <li>Green Bond Framework</li> <li>Interviews with stakeholders</li> <li>Document review</li> </ul>	The BOND falls into the category below: <ul style="list-style-type: none"> <li>Green Use of Proceeds Bond</li> </ul>
1b	Project Categories	The cornerstone of a Green Bond is the utilization of the proceeds of the bond which should be appropriately described in the legal documentation for the security.	<ul style="list-style-type: none"> <li>Green Bond Framework</li> <li>Interviews with stakeholders</li> <li>Document review</li> </ul>	It was confirmed that the net proceeds are allocated to refinancing the amount of money invested in the construction of the Muroran Biomass Power Plant.
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	<ul style="list-style-type: none"> <li>Green Bond Framework</li> <li>Interviews with stakeholders</li> <li>Document review</li> </ul>	It was confirmed that the green project is estimated to be a renewable energy facility with direct emissions of less than 100g CO <sub>2</sub> /kWh, and thus will contribute to reduce CO <sub>2</sub> emissions. It was also confirmed that the project has been certified by the feed-in tariff system for renewable energy in Japan, and thus its environmental impact and fuel sustainability are assessed and taken into consideration seriously in accordance with the local regulation on FIT.
1d	Refinancing share	In the event that a proportion of the proceeds may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also	<ul style="list-style-type: none"> <li>Green Bond Framework</li> <li>Interviews with stakeholders</li> <li>Document review</li> </ul>	It was confirmed that the net proceeds will be refinanced in a lump sum without delay, after funding. Therefore, no unallocated balance will occur.

Ref.	Criteria	Requirements/Contents	Work undertaken	DNV GL Findings
		clarify which investments or project portfolios may be refinanced.		

## GBP-2 Process for Project Evaluation and Selection

Ref.	criteria	Requirements/Contents	Work Undertaken	DNV GL Findings
2a	Investment -decision process	The issuer of a Green Bond should outline the decision-making process it follows to determine the eligibility of projects using Green Bond proceeds. This includes, without limitation: <ul style="list-style-type: none"> <li>• A process to determine how the projects fit within the eligible Green Projects categories identified in the Green Bond Principles;</li> <li>• The criteria making the projects eligible for using the Green Bond proceeds; and</li> <li>• The environmental green objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Green Bond Framework</li> <li>• Interviews with stakeholders</li> <li>• Document review</li> </ul>	It was confirmed through document review and interview with the personnel of the Issuer that processes to determine the eligibility of the project that use the proceeds from the BOND have been clearly described in the framework.
2b	Issuer's environmental governance framework	In addition to information disclosed by an issuer on its Green Bond process, criteria and assurances, Green Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<ul style="list-style-type: none"> <li>• Green Bond Framework</li> <li>• Interviews with stakeholders</li> <li>• Document review</li> </ul>	It was confirmed that the green project carried out by the issuer has sufficiently conducted voluntary impact assessments on the environmental aspect in order to achieve the obligations of businesses in environmental conservation based on the regulations of local governments.

## GBP-3 Management of proceeds

Ref.	criteria	Requirements/Contents	Work Undertaken	DNV GL Findings
3a	Tracking procedure-1	The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	<ul style="list-style-type: none"> <li>Green Bond Framework 2.(3) Management of Proceeds</li> <li>Finance IR Department Management Manual for Funds Management and Accounting Department flowchart of purchasing business.</li> <li>Interviews with stakeholders</li> </ul>	<p>The issuer has established internal controls to ensure the appropriateness of operations based on the basic policy of the internal control system, and is equipped with management system that can track the allocation destination of procurement funds in accordance with the operational procedures and flowcharts based on the internal controls.</p> <p>The net proceeds will be deposited into the same account as other funds, but will be separately managed by Excel so as to be allocated to the target green project. For this reason, the Financial and IR Department prepare materials to manage the flow of the allocation of the proceeds and issuer is ready to confirm that the net proceeds through green bonds will not exceed the amount of construction funds, which is the actual allocation destination.</p> <p>DNV GL confirmed that ENEOS can track the allocation of the target assets by the company's internal control through the above process.</p>
3b	Tracking procedure-2	So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<ul style="list-style-type: none"> <li>Finance IR Department Management Manual for Funds Management</li> </ul>	<p>It was confirmed that ENEOS's Finance and IR Department has prepared materials to manage the flow of allocation of the proceeds, and is ready to confirm that the net proceeds through green bonds will not exceed the amount of construction funds, which is the actual allocation destination, at the stage of allocation of the net proceeds and DNV GL confirmed that it had a system to manage the proceeds raised separately from other balances continuously.</p>
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments	<ul style="list-style-type: none"> <li>Green Bond Framework 2.(3) Management of Proceeds</li> <li>Flow of expended proceeds for refinancing</li> </ul>	<p>The proceeds this time will be used as a refinancing for the investment amount so far, and the entire amount will be allocated, so there will be no unallocated balance.</p> <p>DNV GL confirmed the flow of expended proceeds to be refinanced and confirmed that there would be no unallocated balance.</p>

Ref.	criteria	Requirements/Contents	Work Undertaken	DNV GL Findings
		for the balance of unallocated proceeds.	<ul style="list-style-type: none"> <li>Interviews with stakeholders</li> </ul>	

### GBP-4 Reporting

Ref.	Criteria	Requirements/Contents	Work Undertaken	DNV GL Findings
4a	Periodical reporting	<p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond proceeds have been allocated including</p> <ul style="list-style-type: none"> <li>- when possible with regards to confidentiality and/or competitive considerations</li> <li>- a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.</li> </ul>	<ul style="list-style-type: none"> <li>Green Bond Framework</li> <li>Interviews with stakeholders</li> <li>Document review</li> </ul>	It was confirmed that the issuer plans to disclose the allocation status of the proceeds in the annual integrated report from the issuance of the green bond until the full amount is allocated and redeemed.