
JCR provided pre-issuance verification report to Penta-Ocean Construction Co., Ltd.

JCR conducted pre-issuance verification of Penta-Ocean's 5th unsecured straight bond as an approved verifier of Climate Bonds Initiative.

*Please see the pre-issuance verification report of Penta-Ocean's 5th unsecured straight bond as per the attached.

Verifier Name: Japan Credit Rating Agency, Ltd.

Limited Assurance Report

Pre-Issuance Verification Report of Bonds to be issued by PENTA-OCEAN CONSTRUCTION CO., LTD.

Basic Information

Legal name of the Issuer	PENTA-OCEAN CONSTRUCTION CO., LTD.
Unique name of the bond	The 5 th Bonds (Green Bond)
Identifier of the bond	N.A.
Verifier company name	Japan Credit Rating Agency, Ltd.
Period covered by the Verifier's Report	From 13 July 2020 to 14 August 2020

Summary of findings

- i. A summary of how the Issuer and the proposed bond has conformed with each of the four components of the Requirements of the Climate Bond Standard:

a Use of Proceeds

Eligibility Criteria	Assets	Eligible assets
Marine Renewable Energy (Offshore wind)	Offshore wind facility that is under construction to operate:	Assets dedicated* to installing and operating offshore wind energy infrastructure, namely, Wind Turbine Installation Vessels (WTIVs) and Jack-up rigs.

The proceeds of the Bonds will be allocated for fund the cost of SEP (Self-Elevating Platform) multi-purpose vessels which will be exclusively used for foundation and installation work of offshore wind power generation facilities. JCR confirmed that the SEP vessel will be used exclusively for the construction of offshore wind power generation facilities and that in the construction of SEP vessels. The use of fossil fuels for the operation of facilities accompanying SEP vessels will be limited for the construction of wind power generation facilities, and that the use of the latest facilities will be installed to minimize the use of fossil fuels. As a consequence, it is unlikely that it will have a significant negative environmental impact that exceeds the benefits of environmental improvements. JCR evaluates that it is a green project that can significantly contribute to reducing CO2 emissions by constructing wind power generation facilities by SEP vessels.

b Process for Evaluation and Selection of Projects & Assets

Penta-Ocean Construction defines its eligible criteria as follows and assesses the alignment when selecting a project;

- 1) CBI Climate Bonds Standard v.3.0., Marine Renewable Energy Sector Criteria
- 2) ICMA Green Bond Principles
- 3) MOE Green Bond Guidelines
- 4) Others
 - ✓ The ship shall be used only for the construction of wind power generation facilities.
 - ✓ The ship shall be the towed type.
 - ✓ Identify the effects of environmental improvement and the negative impact on the environment in the operation of SEP vessels (what measures are planned to be taken if negative impacts are expected)

In the Company, the Offshore Wind Farm Businesses Division Group, Civil Engineering Divisions Group and Corporate Administration Divisions Group review, evaluate and select whether the construction of SEP vessels for offshore wind foundation and installation works meet the eligible criteria established by the Board of Directors. The selected project is also finally approved by the Board of Directors.

JCR has confirmed that the investment in constructing SEP vessels, which are subject to the use of proceeds of the Bonds, is determined in accordance with the above selection criteria and process.

These goals, selection criteria, and processes are described in this evaluation report, and will be disclosed on the shelf registration statement and other documents. Accordingly, JCR evaluates that transparency to investors is ensured.

c Management of Proceeds

The proceeds of the bonds will be used for the construction of SEP vessels and will not be used for other purposes.

The account is managed by the Finance Division after the bond issue is deposited into the account. The Finance Division will prepare a dedicated bookkeeping for managing the proceeds, and will manage the receipts and disbursements on the books. Deposits and withdrawals are approved by the Finance Manager each time they are allocated, and appropriate decisions are planned by the person in charge. Unallocated funds are managed in cash and cash equivalents.

With regard to tracking management, the status of appropriation and unappropriated funds will be managed on a quarterly basis.

Regarding the management of proceeds, internal control is carried out, and the documentation related to internal control is filed and managed. Documents related to this control will be subject to internal audits. In addition, external audits will be conducted to determine whether or not the management of unappropriated funds balances is appropriate.

JCR confirmed that, in the event of the loss of the subject asset before the redemption of the Bonds, during the construction period, it will be covered by the performance guarantee received from the shipbuilding company, and after the construction, it will be covered by the insurance and the construction will be carried out again.

d Reporting

1) Reporting on the Proceeds Allocation

The proceeds of the Bonds will be used for the construction of SEP vessels. Approximately two years are planned until the full allocation, and as mentioned above, JCR confirmed that the unappropriated funds are managed in cash and cash equivalents.

The company will disclose the status of allocation of the bonds for SEP vessels to the public via their website and also disclose to JCR an evidence that the SEP vessels will be used exclusively for the construction of offshore wind power facilities.

If it is necessary to reallocate the proceeds in case of loss before the redemption of the Bonds, the entire amount of the Green Bond procurement funds will be disclosed on the Company's website annually until it is allocated to projects that meet the eligible criteria.

2) Impact Reporting

The Company plans to disclose the following three items as the reporting of the environmental improvement effect.

1. Completion of a SEP multi-purpose craft ship
2. Performances for the number of installed offshore wind farms by SEP vessels

The Company will be reviewed by JCR for the period until the bond is redeemed, focusing on the status of funding appropriations and the status of reporting, such as the content of disclosures as environmental improvement effects.

JCR evaluates that the above reporting is planned to be disclosed appropriately to investors in terms of both the appropriation of funds and the effects of environmental improvement.

- ii. Assurance Conclusion including a Basis for Qualification section or a Basis for Adverse Conclusion section as appropriate if a Qualification Limited Assurance Conclusion or Adverse Conclusion is to be provided.

Assurance Conclusion

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects the 5th Bond of Penta-Ocean Construction is not in conformance with the Climate Bonds Standard's Pre-Issuance Requirements.

Engagement summary

i. Scope of Work

PENTA-OCEAN is preparing to issue the bonds and intends to use the proceeds to finance the construction of Wind Turbine Installation Vessels and jack-up rigs (the “Eligible Green Project”).

PENTA-OCEAN commissioned JCR as an independent approved verifier Under the Climate Bonds Standard to conduct the Pre-issuance verification with Limited Assurance of the Green Bonds (hereinafter, “Bond”).

JCR engaged in this assurance services from 13 July 2020 to 14 August 2020.

ii. Independence and Quality Control

JCR stipulates the rules in order to maintain its independence and to control its quality of this verification in its Code of Conduct, which is disseminated in its website.

<https://www.jcr.co.jp/en/criterion/>

iii. Details of work performed to assess conformance with the Climate Bonds Standard as per the terms of the engagement contract, with references to detailed findings in an Annex to the this Report.

JCR is conducting the following procedures for verification;

- Requesting the entity to provide qualified and reliable information for verification to JCR.
- Assessing the alignment of the Bonds to Climate Bonds Standard and associated documentation provided by the Entity.
- Interviews of the Entity’s relevant staff and managers related to the Eligible Green Expenditures to be financed by this Loan and those who plan the corporate’s sustainability strategy.
- Assessment of evidences provided by PENTA-OCEAN against the Climate Bonds Standard 3.0. and the Marine Renewable Energy Sector Criteria (July 2020)
- Setting up an internal committee to generate this Assurance Report and its conclusions.
- Providing this Limited Assurance Report.

iv. Responsibilities of PENTA-OCEAN CONSTRUCTION CO., LTD.

PENTA-OCEAN CONSTRUCTION is responsible for the collection, preparation and presentation of the subject matter in accordance with the Criteria and for maintaining adequate records and internal controls that are designed to support the Loan.

v. Responsibilities of JCR

JCR is responsible for reviewing the information and documentation provided and developed by PENTA-OCEAN CONSTRUCTION to assess the Green Loan’s alignment with the CBS requirements:

- Conformance with the selection of nominated projects & assets requirements
- Conformance with the internal processes & controls requirements
- Conformance with the reporting requirements

Criteria

The Criteria for the procedures ('the Criteria') were:

- The Climate Bonds Standard v3.0 ('CBS')
- Marine Renewable Energy Sector Criteria dated July 2020

Restriction on Distribution and Use of Assurance Report

This verification report for Climate Bonds Certification including all documentation provided alongside is intended for the use of PENTA-OCEAN and the Climate Bonds Standard Board. The present document may be disseminated by PENTA-OCEAN CONSTRUCTION, CBI and JCR. CBI and JCR agree to publish the report with the consent of PENTA-OCEAN.

The Limited Assurance Procedures are in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

Level of Assurance

A limited assurance engagement consists of making enquiries and applying analytical, appropriate testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a negative form of conclusion and, as such, do not provide all the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error.

While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Verifier's Signature

Japan Credit Rating Agency, Ltd.



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[14 August 2020]

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ANNEX 1: Pre-Issuance Checklists

1. Selection of Nominated Projects & Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept UpToDate during the term of the Bond.	The issuer documents Green Bond Framework, which includes the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. Evidenced documents: ANNEX 2: Green Bond Framework	✓
1.2. The expected Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.	JCR confirmed that the Expected Net Proceeds of the Bonds is JPY 10 billion, which is lower than the total investment cost of the Nominated Asset, namely, SEP Multipurpose vessel, which costs about JPY 18.5 billion. Penta-Ocean's contribution is JPY 12 billion. Evidenced documents: Documents submitted by PENTA-OCEAN Construction.	✓
1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that: 1.3.1 Distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bond, green loans or other labelled instruments or; 1.3.2 The existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan	This is the first issuance of Green Bond and/or Climate Bonds for PENTA-OCEAN Construction. Therefore, the nominated asset is not nominated to other certified climate bonds, certified climate loans, certified climate debt instruments, green bonds, green loans, or other labelled instruments. A part of the proceeds will be allocated to refinance the nominated asset and it is documented in its Green Bond Framework. Evidenced documents: ANNEX 2	✓

or Certified Climate Debt Instrument.		
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2. Process for Evaluation and Selection of Projects and Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p>2.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p> <p>2.1.1. A statement on the climate-related objectives of the Bond.</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.</p> <p>2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.</p> <p>2.1.3 Issuer's rationale for issuing the Bond.</p> <p>2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.</p>	<p>The issuer establish, document and maintain its Green Bond Framework, which includes all the required statements stipulated in the Climate Bonds Standard Requirement in 2.1.</p> <p>Evidenced documents: ANNEX 2</p>	✓
2.2 Issuer should include under Clause 2.1 further aspects of the decision-making process, including:		
2.2.1 Related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets.	<ul style="list-style-type: none"> • The Vessel is exclusively used for construction of offshore wind power generation facilities. • The Vessel is a towed vessel. • The issuer identifies any possible negative impacts on environment and take mitigation measures in the operation of the Vessel. <p>Evidenced documents: ANNEX 2</p>	
2.2.2 Green standards or certifications	The issuer refers the following green bond principles	

referenced in the selection of Nominated Projects & Assets.	<p>and standards;</p> <ol style="list-style-type: none"> 1. CBI Climate Bond Standard v.3.0, Marine Renewable Energy Sector Criteria 2. ICMA Green Bond Principles 2018 3. MOE Green Bond Guidelines 2020 <p>Evidenced documents: ANNEX 2</p>	
2.2.3 The issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.	<p>The issuer assesses that the proposed asset to be associated with the Bond meets the documented objectives as stated under Clause 2.1.1 and are likely to conform the relevant eligibility requirements under Part C of the Climate Bonds Standard.</p> <p>Evidenced documents: ANNEX 2, Interview with the Issuer</p>	

3. Management of Proceeds		
Climate Bonds Standard Requirement	Findings	Requirement Met
3.1. The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:	<p>The issuer documented the management of the Net Proceeds in its Green Bond Framework and the relevant documents are disclosed to JCR, the verifier of this bond.</p> <p>Evidenced documents: ANNEX 2, Documents submitted by Penta-Ocean Construction</p>	✓
3.1.1 The Net Proceeds of the Bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.	<p>The issuer prepares the booking ledger exclusively for managing and tracking the Net Proceeds of the Bond.</p> <p>Evidenced documents: ANNEX 2, Documents submitted by Penta-Ocean Construction</p>	✓
3.1.2. The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.	<p>The issuer will keep unallocated net proceeds in cash or the cash equivalent.</p> <p>Evidenced documents: ANNEX 2</p>	✓
3.1.3. The earmarking process can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.	<p>The earmarking process is appropriately managed.</p> <p>The percentage of new investment and refinancing is clearly disclosed in its Green Bond Framework.</p> <p>Evidenced documents: ANNEX 2</p>	✓

4. Reporting Prior to Issuance		
Climate Bonds Standard Requirement	Findings	Requirement Met
4.1. The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The Green Bond Framework shall include, without limitation:	The issuer prepares and will disclose its Green Bond Framework. Evidenced documents: ANNEX 2	✓
4.1.1. Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.	The issuer confirmed that the Bond issued under its Green Bond Framework is aligned with the following criteria. 1. Climate Bonds Standard v.3.0. 2. CBI Marine Renewable Energy Sector Criteria 3. ICMA Green Bond Principles (2018) 4. MOE Green Bond Guideline (2020) Evidenced documents: ANNEX 2	✓
4.1.2. A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.	Use of proceeds (SEP (Self-Elevating Platform) multi-purpose vessels which will be used for foundation and installation work of offshore wind power generation facilities) is documented in its Green Bond Framework. Evidenced documents: ANNEX 2	✓
4.1.3. A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2.	The decision-making process is documented in its Green Bond Framework as follows; the Offshore Wind Farm Businesses Division Group, Civil Engineering Divisions Group and Corporate Administration Divisions Group review, evaluate and select whether the construction of SEP vessels for offshore wind foundation and installation works meet the eligible criteria established by the Board of Directors. The selected project is finally approved by the Board of Directors. Evidenced documents: ANNEX 2	✓
4.1.4. on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of	Two experts of E&E Solutions joined this verification work to assess the technical aspects of the use of proceeds of this bond and held an interview with JCR's team. JCR and E&E Solutions confirmed that the use of proceeds meets the requirement of a Marine Renewable	✓

Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.	Energy Sector Project in Article 9, Part C of the Climate Bonds Standard. For Sector Criteria prescribed in Article 10, it is aligned to the eligibility criteria of Assets dedicated* to installing and operating offshore wind energy infrastructure, namely, Wind Turbine Installation Vessels (WTIVs) and Jack-up rigs. Evidenced documents: ANNEX 2	
4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1.	Unallocated proceeds shall be managed in cash or the cash equivalent. The issuer prepares a ledger exclusively for this bond and manage them in this ledger. Evidenced documents: ANNEX 2	✓
4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.	The issuer will disclose its impact reporting on its website annually. In addition, it will take an external review of JCR regarding the allocation status and the impact reporting updates. Evidenced documents: ANNEX 2	✓
4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, provided in Clause 9.1, and the Issuer shall provide an explanation of why details on Nominated Projects & Assets is limited.	The following is disclosed in its Green Bond Framework: The eligible project of this bond is Wind Turbine Installation Vessels (WTIVs) and Jack-up rigs, which are defined in Marine Renewable Energy Sector Criteria. The details of the projects are described in JCR's evaluation report (ANNEX4). Evidenced documents: ANNEX 2, 4	✓
4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.	The proportion of Net Proceeds are used for refinancing is disclosed in its Green Bond Framework and ANNEX 4. The new Investment is 5.53billion JPY and Refinancing is 4.47 billion JPY. The issuer determines one year as a look-back period for refinancing. Evidenced documents: ANNEX 2	✓
4.2 The Issuer shall include in the Disclosure Documentation:		

4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.	This is disclosed in the Green Bond Framework. Evidenced documents: ANNEX 2	✓
4.2.2 The intended types of temporary investment instruments for the management of unallocated Net Proceeds in accordance with Clause 7.3.	This is disclosed in the Green Bond Framework. Evidenced documents: ANNEX 2	✓
4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements.	JCR, the Verifier and Penta-Ocean Construction, the Issuer conclude a contract using JCR's contract template, namely Evaluation Application. Evidenced documents: Evaluation Application from PENTA-OCEAN to JCR.	✓
4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.	JCR conducts post-verification and annual review. PENTA-OCEAN will disclose the allocation status and the impact reporting annually on its website. These are written in ANNEX 2. Evidenced documents: ANNEX 2	✓
4.2.5 The CBI Disclaimer provided in the Certification Agreement.	CBI Disclaimer provided in the Certification Agreement are included. Evidenced documents: Certification Agreement	✓

Other Items to check for the alignment to Marine Renewable Energy Sector Criteria

5.Disclosure items		
item	Disclosed details	
Project location and size	Item	Details
	Title	multipurpose self-elevating platform (SEP) equipped with a lifting capacity crane
	Investment Amount	JPY 18.5 billion (of JPY 12 billion for Penta-Ocean's contribution)
	Time of Completion	September 2022 (Commencing the Operation: March 2023) (planned)
	Engineering and Construction	Basic Engineering: GustoMSC (Netherlands) Construction: PaxOcean Engineering (Singapore) Main Crane: Huisman (Netherlands)

	Scheduled Operating Duration	twelve years
	Planned Location of Operation	Japan
	Distinctive Features	<p>By jacking up the hull above seawater, the vessel ensures safe, efficient and highly precise crane operation even in the sea areas with severe meteorological and hydrographic conditions. Operational in deep waters (up to 50m).</p> <p>The fully revolving crane with a 1,600t lifting capacity enables installation of 10-12MW wind turbines and various foundations including monopiles, jackets, etc.</p> <p>Thanks to the large deck space and sufficient jack-up capacity, the SEP can carry multiple 10-12 MW class wind turbines for efficient installation works.</p> <p>The equipped Dynamic Positioning System (DPS) keeps the hull position with high precision, and reduces positioning time required during jacking up of SEP.</p>
Description of marine and coastal ecosystem in proximity to planned installations, noting for example whether located in marine protected areas or vulnerable marine ecosystems;	More than 10MW offshore wind energy facilities needs environmental assessment under the law in Japan. During the process of the assessment, possible environmental impacts are calculated and take necessary measures to conserve environments against the negative impacts arisen by the project. The operator of the offshore wind power energy facilities is responsible for conduct environmental assessment and take necessary measures, as well as coordinating the stakeholders in Japan under the relevant laws.	
Projected lifespan of the asset/project;	12 years	
Key stakeholders involved, including other users of the area and surrounding area (sea, land or air depending on what is applicable) of the facility(ies);	N.A. (As this is not the construction of offshore wind power facilities)	

Description of project activities including details on installation, operation and decommissioning activities	<p>Time of Completion: September 2022 (commencing the operation; March 2023)</p> <p>Engineering and Construction: Basic Engineering: GustoMSC (Netherlands) Construction: PaxOcean Engineering (Singapore) Main Crane: Huisman (Netherlands)</p> <p>Details of Decommissioning SEP vessel is not determined currently because Penta-Ocean does not decide the disposal of Ship after twelve years.</p>
Expected/current facility capacity and generation during and after the life of the bond	<p>N.A.</p> <p>(As this is not the construction of offshore wind power facilities)</p>
Details of where the energy generated is being fed into, and estimated impact on grid mix	<p>N.A.</p> <p>(As this is not the construction of offshore wind power facilities)</p>
Projected avoided GHG emissions compared to fossil fuel counterfactual (in kgCO ₂ e) using recognised conversion factors	<p>N.A.</p> <p>(As this is not the construction of offshore wind power facilities)</p>
The planning standards, environmental regulations and other regulations that the project has been required to comply with.	<p>SEP vessels will undergo regular inspections in accordance with the Ship Safety Act of Japan.</p>

6. Climate Adaptation and Resilience Checklist		
Item	Proof given	Overall Assessment
Section 1: The issuer understands the climate related risks and vulnerabilities to the asset/site		
<p>Processes are in place (as part of both the asset design and ongoing management) to assess key risks to the assets from a changing climate and its impact on marine conditions</p> <p>These key risks should include the following, plus any others felt to be of concern for the operation of these assets. The risks should be identified and interpreted in terms of the impact on the asset and the related effects for the business - e.g. impact on operating feasibility and schedules and potential system outages, impact on maintenance requirements etc.</p> <p>For all facilities</p> <ul style="list-style-type: none"> • Sea level rise and storm surge • Extreme precipitation and flooding 	<p>Key risks to SEP vessels due to climate change include "extreme precipitation and flooding" and "changes in wind and storm patterns and intensity."</p> <p>The occurrence and approach of typhoons and cyclones may cause the weather and sea conditions to exceed the working limits and cause damage to the SEP vessel. When typhoons and cyclones are expected to occur or approach, the in-house SEP Ship Safety Review Committee shall make decisions such as evacuation based on information from the Japan Meteorological Agency and overseas meteorological organizations and the results of meteorological and oceanographic observations. Other long-term risks do not affect SEP vessels that can move into the sea.</p>	✓

<ul style="list-style-type: none"> • Increase in geophysical hazards such as earthquakes, tsunamis, volcanic eruptions and landslides • Changes in wind and storm patterns and intensity • Changes in ocean temperature, currents and salinity levels <p>The issuer understands what level of climate change would mean the asset/site is no longer viable, and understands under which climate change scenarios this would happen.</p> <p>These processes and assessments use climate information, modelling and scenarios based on peer reviewed methodologies and literature and considering the variability in modelled scenarios.</p> <p>If a project does not have any climate related risks or vulnerabilities evidence must be given to how this was determined.</p>	<p>Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo</p>	
<p>Section 2: The issuer understands the improvements and impacts in the larger context (spatially and temporally) beyond the asset/site. (i.e. the impacts of their own assets and activities on the broader ecosystem and stakeholders in that ecosystem)</p>		
<p>Processes are in place (as part of both the asset design, ongoing operation and decommissioning) to assess the improvements and impacts the asset has on the resilience of other stakeholders in the system in which it operates. These assessments address:</p> <ul style="list-style-type: none"> • Any ways in which renewable energy facilities might affect, both positively and negatively, the climate resilience of other marine users or relevant/local stakeholders/communities • Any ways in which renewable energy facilities improve the adaptation capacity of other marine users or relevant/local stakeholders/communities; <p>e.g. Any potential impacts on other marine stakeholders of a highly dense concentration of renewable energy facilities or associated transmission lines?</p> <p>e.g. Any potential impacts that renewable energy facilities may have on coastal resilience by taking strength out of the wind,</p>	<p>More than 10MW offshore wind energy facilities needs environmental assessment under the law in Japan. During the process of the assessment, possible environmental impacts are calculated and take necessary measures to conserve environments against the negative impacts arisen by the project. The operator of the offshore wind power energy facilities is responsible for conduct environmental assessment and take necessary measures, as well as coordinating the stakeholders in Japan under the relevant laws.</p> <p>Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo</p>	<p>✓</p>

<p>waves, tidal flows, tidal range or by altering sedimentation processes?</p> <p>If a project does not have any impacts beyond the asset/site evidence must be given to show how this was determined</p>		
<p>Section 3: The issuer has designed and implemented strategies to mitigate and adapt to these climate risks and vulnerabilities</p>		
<p>An adaptation plan has been designed and is being implemented to address the risks identified in assessments outlined above.</p> <p>Sponsored by: 10</p> <p>MARINE RENEWABLE ENERGY CRITERIA OF THE CLIMATE BONDS STANDARD</p> <p>All risks identified are being addressed in the design and management of the asset.</p> <p>The issuer has designed or amended asset maintenance plans to ensure that scheduled maintenance is sufficient to cope with the ongoing impacts of climate change and a plan has been established to govern how they approach emergency maintenance needs arising from sudden climate change impacts (e.g. extreme storms).</p> <p>The issuer has remotely controlled or automated shutdown procedures, training, capacity and governance arrangements in place to manage the impacts of exceptional events (such as extreme storms, winds etc.)</p> <p>The issuer has monitoring and reporting systems and processes to identify high risk scenarios.</p> <p>The issuer has contingency plans to address disruptions to operations or loss of the asset and any resulting environmental or social damage.</p> <p>The issuer has processes for feeding risk assessments back into decision making The issuer has a budget allocated to implementing the adaptation plan and has a named member of staff responsible for its implementation.</p> <p>The issuer complies with any existing broader or higher-level adaption plans, such as</p>	<p>In advance, technically confirm what weather and sea conditions can be used safely for all works on an SEP vessel, and establish criteria for cancellation operations in each operation. Discontinue work if weather conditions exceed the criteria.</p> <ul style="list-style-type: none"> • When typhoons and cyclones are expected to occur or approach, the in-house SEP Ship Safety Review Committee shall make decisions such as evacuation based on information from the Japan Meteorological Agency and overseas meteorological organizations and the results of meteorological and oceanographic observations. • In terms of training for workers, training for new visitors, fire prevention drills, total personnel retirement drills, safety education based on Survival Training, safety education based on Helicopter departure drills, safety conferences, daily KY (<i>Kiken Yochi</i> "Risk Prevention") activities, etc. are carried out. • The issuer determines the safety management system for each site. • Continuous health and safety management is implemented in the Occupational Health and Safety Management System of the People's Ocean. • Safety management of SEP vessels is performed by the Safety, Quality & Environment Department of the Head Office and branch offices, the Civil Engineering Department of the branch offices, site offices, and the Ship Machinery Department of the Head Office. <p>Thus issuers are taking steps to adapt to climate risks.</p> <p>Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the</p>	<p>✓</p>

NAPAs.	questionnaire, Interview memo	
3.2 Inspections are carried out regularly and there is a maintenance regime in place for future inspections with evidence that this is adhered to.	SEP vessels will undergo regular inspections in accordance with the Ship Safety Act of Japan. Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo	✓
Section 4: Issuer is pursuing strategies that promote resilience and adaptation across the area in which it operates and beyond		
4.1. Issuer is involved in stakeholder engagement and collaboration (e.g. policy development, consultation, collaboration and active engagement with other marine users) e.g. Engaging in hazard response planning for the area, or recovery planning and operations after severe events e.g. Pursuing potential climate resilience benefits for the local area that could be delivered by the marine renewable energy facility, such as a tidal lagoon providing additional storm surge protection for local towns. e.g. Alterations made to day-to-day operating procedures in response to stakeholder engagement.	In Japan, coordination with stakeholders is undertaken by offshore wind operators and is not undertaken by operators of SEP vessels, which undertake part of the construction.	Not Applicable for this use of proceeds
Section 5: Issuer is delivering positive impacts (or no harm) in terms of key sustainability indicators		
5.1 The asset or project does not put in jeopardy endangered or at-risk species or habitats or unduly impact ecosystem services. Where there are possible negative impacts to habitats, species, biodiversity, or ecosystem services, mitigation measures are implemented to offset the negative impacts. E.g. Noise and vibration generated by marine renewable energy arrays may disrupt animals, such as marine mammals, fish, birds, turtles, and invertebrates that rely on sound for navigation and other essential functions. The potential for collision-related injury or mortality of marine animals is a key parameter for impact assessment, particularly for tidal energy projects. Alteration of water circulation, sediment transport, and other physical flows by marine	Domestically, offshore wind power generation projects with a capacity of 10MW or more will be subject to the Environmental Impact Assessment Act and will undergo environmental assessment procedures. The process involves a projected assessment of environmental impacts, and the environmental protection measures for the environmental impacts of the business operations are determined. It should be noted that the impact of construction work on SEP ships on marine ecosystems is expected to be small, since the normal construction work on SEP ships is not selected as an item for environmental impact assessment. Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo	✓

<p>renewable energy devices as well as introduction of new electromagnetic fields (e.g. via suspended or seafloor cables) may negatively impact habitat quality. This might be especially relevant for tidal barrage, but should be considered for all marine renewable arrays.</p> <p>N.B. In many jurisdictions this will be well covered by existing regulatory or licensing requirements, and those can be referenced here if they provide sufficient evidence to cover this requirement.</p>		
<p>5.2 Waste is responsibly dealt with, including appropriate disposal of construction waste and oilbased lubricants, including recycling options where possible. Also, reuse or recycling where possible of equipment after decommissioning.</p> <p>N.B. In many jurisdictions this will be well covered by existing regulatory or licensing requirements, and those can be referenced here if they provide sufficient evidence to cover this requirement.</p>	<p>On-board operations generate waste, such as waste oil and daily garbage from workers. These are planned to be disposed of as industrial waste after being unloaded. In this way, the waste generated by the operation of SEP vessels is expected to be properly disposed of.</p> <p>Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo</p>	✓
<p>5.3 The issuer has recognised and listed the potential risks for accidental site contamination either from leakage of hydraulic fluid (or any other potential pollutant) or from wreckage/debris on the sea bed. Demonstrable steps have been taken to minimise these risks and plans have been made for clean-up should a site contamination event occur</p>	<p>Since fuel oil A is used as fuel for diesel generators and hydraulic oil is used for hydraulic equipment, there is a possibility of causing marine pollution by leakage of oil. As a countermeasure, the circumference of the fuel oil tank is made to be a double hull, and vertical steel plate wall (coaming) of about 75mm in height is provided in the whole circumference of the upper deck and about 300mm in height is provided in the vicinity of the fueling pipe connection. In addition, a deck drain tank is provided inside the ship, and piping is provided so that if fuel or equipment oil spreads on the deck, it can be guided to that tank. In this way, appropriate measures will be taken to prevent oil and other leaks to the ocean.</p> <p>Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo</p>	✓

<p>5.4 Decommissioning of the plant is planned in a way that considers the environmental impacts N.B. In many jurisdictions this will be well covered by existing regulatory or licensing requirements, and those can be referenced here if they provide sufficient evidence to cover this requirement.</p>	<p>This item is not covered because the use of funds for the Green Bond is an SEP vessel and not a plant.</p> <p>The plan to decommission the plant is prepared by the offshore wind farm and not within the scope of Penta-Ocean's remit.</p> <p>Penta-Ocean currently does not have any plans for the decommissioning of the SEP vessel after the 12 year period.</p>	<p>Not applicable for this use of proceeds</p>
<p>5.5 Issuer has plans and processes in place to effectively manage and minimise conflict with other users of the marine and coastal space.</p> <p>N.B. In some jurisdictions this will be well covered by existing regulatory or licensing requirements, national or regional marine plans and/ or marine spatial plans, and the application of or conformity with these regulations or plans can be referenced here if they provide sufficient evidence to cover this requirement.</p>	<p>When the SEP Vessel is engaged in construction, it shall submit an application for work permit to the Japan Coast Guard. Coordination with other ocean and coastal users will be undertaken by offshore wind operators in Japan.</p> <p>Evidenced documents: Documents submitted by Penta-Ocean Construction, Responses to the questionnaire, Interview memo</p>	<p>✓</p>

ANNEX 2: Green Bond Framework (including a Completed detailed list of Nominated Projects & Assets reviewed in the Verification Engagement)

ANNEX 3: List of Verification Procedures Performed by the Verification Team to Verify Compliance of the Green Loan with CBS

ANNEX 4: JCR Green Bond Evaluation Report

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