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

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

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

## Post-Issuance Verification Report of 5th Unsecured Straight Bonds issued by Penta-Ocean Construction Co., Ltd.

### ASSURANCE CONCLUSION

Based on our limited assurance procedures, as described in this statement as at 5/11/2021, nothing has come to our attention which causes us to believe that 5th Unsecured Straight Bonds issued by Penta-Ocean Construction Co., Ltd. does not meet the project identification, project minimum criteria, management of proceeds, and reporting requirements of the Climate Bond Standard v3.0.

### SCOPE OF WORK

Penta-Ocean Construction Co., Ltd. (Penta-Ocean) issued its Bond and use the proceeds to finance SEP (Self-Elevating Platform) multi-purpose vessels (the “Eligible Green Projects”).

Penta-Ocean commissioned JCR as an independent approved verifier of the Climate Bond Initiative to conduct the Post-issuance verification with limited assurance of the 5th Unsecured Straight Bonds (hereinafter, “Bond”).

JCR engaged in this assurance services from October 6, 2021 to November 5, 2021.

### INDEPENDENCE AND QUALITY CONTROL

JCR stipulates Code of Conducts in order to maintain its independence and to control its qualification of this Verification report.

### CRITERIA

The criteria for our procedures (‘the criteria’) were:

- The Climate Bond Standard v3.0 (‘CBS’) including the Marine Renewable Energy Criteria

### RESPONSIBILITIES of Penta-Ocean

Penta-Ocean 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 Bond.

## RESPONSIBILITIES of JCR

JCR is responsible for reviewing the information and documentation provided and developed by Penta-Ocean to assess the Green Bond's alignment with the CBI requirements:

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

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 Bond 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 Bond and those who plan the corporate's sustainability strategy.
- Assessment of evidences provided by Penta-Ocean against the Climate Bonds Standard 3.0.
- Internal committee to determine the assurance report and conclusions.
- Provision of the Limited Assurance Report.

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).

## Basic Information

Legal name of the Issuer	PENTA-OCEAN CONSTRUCTION CO., LTD.
Unique name of the bond	The 5th Unsecured Straight Bonds (Green Bond)
Identifier of the bond	ISIN:JP330900ALA3
Verifier company name	Japan Credit Rating Agency, Ltd.
Period covered by the Verifier's Report	From October 6, 2021 to November 5, 2021

## 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 is allocated multi times 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.

They have been affected on delay of material transport and personnel shortage in construction caused by COVID-19, there will be no change for completion date of SEP multi-purpose vessel, September 2022. The proceeds of the bonds will be allocated full by September 2022. Of JPY 10 billion proceeds of the bonds, JPY 6.675 billion is allocated as of this evaluation.

Allocation status of the proceeds (from October, 2020 to September 2021)

(Unit; JPY million)

Date	Items	Procured Amount	Allocation Amount	Unallocated Outstanding
October 15, 2020	Issuance of 5th Bonds	10,000		10,000
October 15, 2020	Allocated to Refinancing of SEP multi-purpose vessel		4,470	5,530
November 10, 2020	Paying for Construction cost of SEP multi-purpose vessel		25	5,505
November 30, 2020	Paying for Construction cost of SEP multi-purpose vessel		2,180	3,325

(Source; supplement material from Penta-Ocean)

**b Process for Evaluation and Selection of Projects & Assets**

JCR confirmed that the process for evaluation and selection of projects and assets was appropriate in pre-issuance verification in 2020.

JCR also confirmed Penta-Ocean about it for composing post-verification report and there is no change in process for evaluation and selection of projects and assets from pre-issuance verification report.

**c Management of Proceeds**

JCR confirmed that the management of proceeds of the bonds was appropriate in pre-issuance verification in 2020.

JCR confirmed that the proceeds of the bonds is appropriated to SEP multi-purpose vessels which is nominated project from evidence submitted to JCR from Penta-Ocean. Thus, the management of proceeds is appropriate and transparent.

**d Reporting****1) Reporting on the Proceeds Allocation**

The proceeds of the bonds is allocated to the cost of construction of SEP multi-purpose vessels as we stated in “Use of Proceeds” section. Penta-Ocean plans to disclose these to investors in their websites.

JCR confirmed that Penta-Ocean plans to disclose allocation status to investors and the contents is appropriate.

**2) Impact Reporting**

Penta-Ocean plans to disclose the following items as the reporting of the environmental improvement effect.

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

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 5<sup>th</sup> Bond of Penta-Ocean Construction is not in conformance with the Climate Bonds Standard’s Post-Issuance Requirements.

## RESTRICTION ON DISTRIBUTION AND USE OF ASSURANCE REPORT

The 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 disseminated by Penta-Ocean, CBI and JCR. CBI and JCR agree to publish the report with the consent of Penta Ocean.

### **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



[Name of Supervisor]



[Name of Analyst in charge]

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December 3, 2021

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■Disclaimers

The information contained in this document has been obtained by JCR from the Issuer and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable.

## ANNEX 1: Report of Factual Findings

### ANNEX 2: Detailed Factual Findings (if requested)

- (1) A complete detailed list of Nominated Projects & Asset reviewed in the Verification Engagement
- (2) A list of testing procedures carried out by the Verification Team to confirm the bond's conformance with each Climate Bonds Standard Requirement.

## ANNEX 1

# Report of Post-Issuance Factual Findings For 5th Unsecured Straight Bonds issued by Penta-Ocean Construction Co., Ltd.

### Verifier's Name:

Japan Credit Rating Agency, Ltd.

### Entity/Entities to who the Report of Factual Findings is addressed.

Penta-Ocean Construction Co., Ltd.

### Scope of work completed including any professional standards complied with and the time period which the verification engagement covers.

Penta-Ocean Construction Co., Ltd. (Penta-Ocean) issued its Bond and used the proceeds to finance or refinance the self-elevating platform (SEP) multi-purpose vessel dedicated to construction of offshore wind power construction. (The "Eligible Green Projects").

Penta-Ocean Construction Co., Ltd.(Penta-Ocean) commissioned JCR as an independent approved verifier of the Climate Bond Initiative to conduct the Post-issuance verification with limited assurance of the 5th unsecured straight bonds (hereinafter, "Bond").

JCR engaged in this assurance services from October 6, 2021 to November 5, 2021.

### INDEPENDENCE AND QUALITY CONTROL

JCR stipulates several rules in order to maintain its independence and to control its qualification of this Verification report.

DETAILS OF WORK as per the terms of the engagement contract, including the use of the Readiness Assessment Protocol

5. Use of Proceeds		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p><b>5.1.</b> The Net Proceeds of the Bond shall be allocated to the Nominated Projects &amp; Assets.</p>	<p>Proceeds of the bonds is allocating construction of SEP (Self-Elevating Platform) multi-purpose vessels which will be used for foundation and installation work of offshore wind power generation facilities as planned.</p> <p>Allocation will end in September 2022.</p>	✓
<p><b>5.2.</b> All nominated Projects &amp; Assets shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard.</p>	<p>The issuer stipulate the green bonds framework and documented items mentioned.</p>	✓
<p><b>5.3.</b> The Issuer shall allocate the Net Proceeds to Nominated Projects &amp; Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects &amp; Assets. Net proceeds may be reallocated to other Nominated Projects &amp; Assets at any time while the Bond remains outstanding.</p>	<p>The issuer will allocate the proceeds of the Bonds by September 2022, within the 24 months after issuance of the bonds.</p> <p>JPY 6.675 billion is allocated to the nominated projects of JPY 10 billion issued.</p> <p>The issuer disclose the status of allocation in their website and is also disclosed in JCR's evaluation report.</p>	✓
<p><b>5.4.</b> Nominated Projects &amp; 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</p>	<p>Nominated project and assets is not financed by any CBI Certified, Green and other labelled financial instruments.</p>	✓

<p>social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p>		
<p><b>5.4.1.</b> distinct portions of the Nominated Projects &amp; Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments or;</p>		
<p><b>5.4.2.</b> the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>		
<p><b>5.5.</b> Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects &amp; Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects &amp; Assets.</p>	<p>The new Investment is JPY 5.53 billion and Refinancing is JPY 4.47 billion. The issuer determines one year as a look-back period for refinancing.  Evidenced documents: ANNEX 2</p>	<p>✓</p>
<p><b>5.6</b> The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1.</p>	<p>This is disclosed in the Green Bond Framework and confirmed by JCR.  Evidenced documents: ANNEX 2</p>	<p>✓</p>
<p><b>5.7.</b> The Net Proceeds of the Bond shall be no greater than the Issuer's total investment exposure or debt obligation to the Nominated Projects &amp; Assets, or the relevant proportion of the total Market Value of the Nominated Projects &amp; Assets which are owned or</p>	<p>SEP Multipurpose vessel costs about JPY 18.5 billion. Penta-Ocean's contribution is JPY 12 billion.  The net Proceed of the bonds (JPY 10 billion) is lower both amount.</p>	<p>✓</p>

financed by the Issuer.		
<b>5.8.</b> Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond’s objective as set out in Clause 6.1.1.	There is no additional, substitute or replenish the nominated asset.	
<b>5.8.1</b> .Where additional Nominated Projects & Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier’s Report covering at least the conformance of the additional Nominated Projects & Assets with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.		✓

6. Process for Evaluation and Selection of Projects & Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
<b>6.1.</b> The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:	The issuer stipulate the green bonds framework and documented items mentioned.  Evidenced documents: ANNEX 2	
<b>6.1.1.</b> A statement on the climate-related objectives of the Bond;		✓
<b>6.1.2.</b> How the climate-related objectives of the Bond are		

<p>positioned within. the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p>		
<p><b>6.1.3.</b> The Issuer's rationale for issuing the Bond;</p>		
<p><b>6.1.4.</b> A process to determine whether the Nominated Projects &amp; Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard;</p>		
<p><b>6.1.5.</b> Other information provided by the Issuer as described in Clause 2.2</p>		

7. Management of Proceeds		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p><b>7.1.</b> The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.</p>	<p>The issuer prepares books dedicated to the net proceeds of the bonds and manage it in the appropriate manner.</p> <p>Evidenced documents: ANNEX 2</p>	<p>✓</p>
<p><b>7.2.</b> The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects &amp; Assets as described in Clause 3.1.3</p>	<p>Penta Ocean appropriately structured the process of allocation of nominated project and asset, and operate properly.</p> <p>Evidenced documents: ANNEX 2</p>	<p>✓</p>
<p><b>7.3.</b> While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects &amp; Assets. Pending such allocations to Nominated Projects &amp; Assets, the balance of unallocated Net Proceeds shall be:</p>	<p>Unallocated proceeds of the bonds is managed in cash and cash equivalents.</p> <p>Evidenced documents: ANNEX 2</p>	<p>✓</p>
<p><b>7.3.1.</b> Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p>		
<p><b>7.3.2.</b> Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy;</p>		

or		
7.3.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.		

8. Reporting		
Climate Bonds Standard Requirement	Findings	Requirement Met
8.1. The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding.	The issuer prepare the reporting annually. Evidenced documents: ANNEX 2	✓
8.1.2. The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.		
8.1.3. The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments		

#### OTHER MATTERS TO BE REPORTED

None

#### ENTITY'S/ENTITIES' RESPONSIBILITIES

Penta-Ocean 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 Bond.

## VERIFIER'S RESPONSIBILITIES

JCR is responsible for reviewing the information and documentation provided and developed by Penta-Ocean to assess the Green Bond's alignment with the CBI requirements:

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

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 Bond 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 Bond and those who plan the corporate's sustainability strategy.
- Assessment of evidences provided by [the entity name] against the Climate Bonds Standard 2.1.
- Internal committee to determine the assurance report and conclusions.
- Provision of the Limited Assurance Report.

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).

## RESTRICTION ON DISTRIBUTION AND USE OF THE REPORT OF FACTUAL FINDINGS

The report of factual findings 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, CBI and JCR. CBI and JCR agree to publish the report with the consent of Penta-Ocean

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