

GREEN BOND / GREEN BOND PROGRAMME INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name:	RENOVA, Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	RENOVA, Inc. 1st Unsecured Bonds, 2nd Unsecured Bonds
Independent External Review provider's name:	Japan Credit Rating Agency, Ltd.
Completion date of this form:	August 28, 2020
Publication date of review publication:	August 28, 2020

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

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

ROLE(S) OF Independent External REVIEW PROVIDER

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

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

RENOVA, Inc. (the “Company”) is an independent power producer and developer of renewable energy. The Company was established in 2000 as Recycle One, Inc. (renamed in 2013 as RENOVA, Inc.) and initially engaged in surveys and consulting in the environment and energy fields. The Company subsequently entered the plastic recycling business, developed into the renewable energy business in 2012, and is now focusing on the business as a special renewable energy company. The Company went public in 2017 and listed on the First Section of the Tokyo Stock Exchange in 2018. Its business model is development and possessing renewable energy power generation businesses, such as large-scale solar power and large-scale biomass, and obtaining income from selling electricity by utilizing FIT (Feed-in Tariff system). It is distinguished by its integrated business model, from the development of projects to the promotion of development, financing, and operational management after commencement of operations. On a consolidated basis, the Company is an aggregate of SPCs established for each power plant, and plays a holding company’s role.

The Company develops, constructs, and operates renewable energy generation facilities under the corporate slogan "Creating our future with renewable energy." In addition, it has a mission of "To create green and sustainable energy systems for a better world" and a vision of "To become Asia’s renewable energy leader." It has steadily built up a track record of achieving its SDGs commitment of 10 million tons of CO2 savings by 2030.

The subject of this evaluation is corporate bonds (the “Bonds”) issued by the Company. The proceeds of the Bonds will be used to finance each SPC for the development and construction of three wind power projects on the land or sea under development by the Company. The ratio of new investment and refinancing is planned to be about 1:1. CO2 annual savings from the assets subject to use of proceeds are expected to be about several hundred thousand t-CO2, and the Company has identified the expected negative environmental impacts of the three wind power generation projects subject to the use of proceeds and has implemented measures to avoid or mitigate them by conducting environmental impact assessments. Therefore, the Company assumed that a high environmental improvement effect can be expected.

The selection of the three wind power generation projects which is subject to use of proceeds was carried out in accordance with the process stipulated in its green bond framework (the “Framework”), which was selected by the Company’s Finance and Planning Division and decided by the CFO. The selection of eligible businesses is evaluated and selected in accordance with the process stipulated in the Framework, and the Finance and Planning Division of the Company selected and determined by the Board of Directors. A system for tracking and managing the funds procured by the Bonds and for internal control has also been sufficiently established. Allocation of proceeds and the content of environmental improvement status are also appropriate.

Accordingly, JCR evaluated that the Bonds would be transparent to investors as well as to a system for management and operation of procurement of funds.

As a result, based on JCR Green Finance Evaluation Methodology, JCR assigns "g1" for the "Greenness Evaluation (Use of proceeds)" and "m1" for the "Management, Operation and Transparency Evaluation." Consequently, JCR assigns "Green 1" for the overall "JCR Green Bond Evaluation."

The Bonds are considered to meet the standards for the items required by the Green Bond Principles and the Green Bond Guideline of the Ministry of the Environment of Japan.

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

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. 100% of the proceeds are used to develop and construct wind power generation projects, which can be expected to reduce CO₂.
- ii. The use of proceeds falls under “Renewable Energy” defined in the Green Bond Principles and “Renewable Energy Projects” defined in the Green Bond Guidelines 2020 Edition.

b. Negative impact on Environment

The Company’s development, construction and operation of renewable energy power generation businesses, including businesses targeted for use of proceeds, are to comply thoroughly with environment-related laws and regulations, as well as related laws and regulations, and to comply with the Compliance Charter, which stipulates items to be observed in order to conduct faithful activities in accordance with social ethics. In particular, in the implementation of wind power generation projects, obtaining consensus on local residents' projects is an essential element for success. Regarding the projects subject to use of proceeds, surveys were conducted on the surrounding environment, vegetation, birds, landscape, noise, etc., and countermeasure were made to requests submitted by the governor and the minister. Consultations with local governments on the environment to be considered and the scope of residents in the vicinity, and detailed explanatory meetings were held on the outline of the project and its impact on the environment and landscape, and consensus building with the surrounding residents is being carefully promoted.

Specifically, concerning the Akita Yurihonjo Offshore Wind Project, residents raised concerns about the effects on landscape, fisheries, noise, migratory birds, etc. the Company carried out on-site surveys in environmental impact assessments and dozens of explanatory meetings for residents based on these surveys are being held to promote the understanding of residents. Reihoku Wind Project promotes understanding of the project by communicating closely with local stakeholders from the initial stage of the project development. Quang Tri Onshore Wind Power Project, the Company is working with one of the leading power plant construction companies in Vietnam to reduce risks, and the Company has obtained an environmental impact assessment in Vietnam. JCR evaluates that the benefits for these risks are appropriate.

Use of proceeds categories as per GBP:

☒ Renewable energy

☐ Energy efficiency

☐ Pollution prevention and control

☐ Environmentally sustainable management of living natural resources and land use

☐ Terrestrial and aquatic biodiversity conservation

☐ Clean transportation

☐ Sustainable water and wastewater management

☐ Climate change adaptation

- | | |
|--|---|
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify) : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Company has established clear environmental objectives, project selection criteria, and processes for the use of proceeds.
Such matters are disclosed in the JCR's evaluation report.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify) : |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable) :

The use of proceeds of the Bonds will be used for the investment and financing to the SPCs for the development and construction of the three wind power projects described in Evaluation Phase 1 of this Evaluation Report, and will not be used for other purposes. The ratio of newly investment to refinancing is planned to be about 1:1.

The Company plans to prepare a spreadsheet for green bond procurement, and the Finance and Planning Division will manage the status of procurement every six months until full allocation. At the time of deposits and withdrawals, the Finance and Planning Division confirms the receipt and disbursement of proceeds, and after recording them on the spreadsheet, the CFO of the Executive Officer approves them. The Accounting Development Department checks the deposits and withdrawals on a quarterly basis and checks the consistency with the books in the accounting system. After the payment is made, reports will be made to the Management Committee and the Board of Directors on a quarterly basis.

The allocation of proceeds of the Bonds will be regularly checked by the Finance and Planning Division, and will be checked by an audit corporation in the process of accounting audits. Therefore, internal control and external audits are considered to work properly.

The proceeds will be used for fund the aforementioned investment in three wind power projects within three years of procurement. From procurement to allocation, unallocated funds are managed in cash or cash equivalents. JCR confirms that if an unallocated funds are generated before redemption of the Bonds, such as when the subject of use of the proceeds is removed from the scope of use of the proceeds, the Company will promptly select a renewable energy power generation business as a substitute and allocate the funds to the investment of the business or its refinancing.

power generation business as a substitute and allocate the funds to the investment of the business or its remaining. Based on the above, JCR evaluates that the Company's fund management is appropriate and that disclosure to investors is appropriate.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☒ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☒ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

a. Reporting on proceeds allocation

The proceeds of the Bonds will be used to fund the three wind power projects described in Evaluation Phase 1. From procurement to allocation of the proceeds last within three years. Unallocated funds will be managed by cash and cash equivalents. Until the funding is fully allocated to the three businesses, the status of funding and the progress of the business are planned to be disclosed to investors on an annual basis and in a timely manner when there are significant changes to the status of funding and the progress of the business. In principle, businesses that can be covered by green bonds are held and operated in-house. In the event that the subject asset is no longer subject to the use of proceeds due to loss or impairment, the event will be disclosed on the Company's website and re-allocated to eligible projects as alternatives.

b. Impact reporting for environmental benefits

The Company plans to update annually on its website the annual GHG reductions and annual power generation, as defined in the Framework as an indicator of the impact of the assets covered by the Bonds. Upon issuance of the Bonds, estimates of annual power generation and GHG reductions will be disclosed to the extent practicable. The Company will undergo a third-party review by JCR of the accuracy of the reporting status until the redemption of the Bonds.

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

Use of proceeds reporting:

- ☒ Project-by-project
- ☐ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts
- ☐ Green Bond financed share of total investment

☐ Other (please specify):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Impact reporting:

☒ Project-by-project

☐ On a project portfolio basis

☐ Linkage to individual bond(s)

☐ Other (please specify):

frequency:

☒ Annual

☐ Semi-annual

☐ Other (please specify):

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☐ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (please specify):

Power Output,

Means of Disclosure

☐ Information published in financial report

☐ Information published in sustainability report

☐ Information published in ad hoc documents

☒ Other (please specify):
Show on the website

☐ Reporting reviewed

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Action for SDGs by RENOVA

<https://www.renovainc.com/en/corporate/sdgs/>

JCR's website about green bond evaluation
methodology

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Second Party Opinion

☐ Verification

☐ Other (*please specify*):

☐ Certification

☒ Scoring/Rating

Review provider(s): Japan Credit Rating Agency, Ltd.

Date of publication: August 28, 2020

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds. 1.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.