



SECOND PARTY OPINION

IDEMITSU KOSAN CO.,LTD **TRANSITION BOND** **POST-ISSUANCE PERIODIC REVIEW (#1)**

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: 13 July 2023

Ref. Nr.: PRJN-334509-2022-AST-JPN-02

Revision history

Issue Date	Remarks
18 March 2022	Green/Transition Bond Framework Second Party Opinion
13 July 2023	Transition Bond Post-Issuance Periodic Review (#1) (Idemitsu Kosan's 15th unsecured bond and Idemitsu Kosan's 16th unsecured bond)

Scope and Objectives

Idemitsu Kosan Co., Ltd. (hereinafter, "Idemitsu Kosan" *including Idemitsu Kosan Group) has commissioned DNV to conduct periodic reviews of the Idemitsu Kosan Transition Bonds (Idemitsu Kosan's 15th Series Unsecured Bond and Idemitsu Kosan's 16th Series Unsecured Bond; hereinafter, the "Bonds"). The objective of the periodic review of DNV is to conduct an assessment to confirm that the Idemitsu Kosan Bonds meet the criteria set out below and to provide an independent second party opinion on the eligibility of the Bond: the Climate Transition Finance Handbook 2020 (hereinafter, "CTFH"), the Basic Guidelines on Climate Transition Finance (FSA, METI and MOE 2021, hereafter "CTFBG"), and the Green Bond Principles (Green Bond Principles 2021, hereinafter, "GBP"), the GBP and Green Bond Guidelines (Ministry of Environment 2020, hereinafter, "GBGLs") that meet the four elements of Transition and Specified Use of the Proceeds.

Idemitsu Kosan issued these Bonds on 14 July 2022. The issue amount of the Bond is 20 billion yen (15th: 10 billion yen, 16th: 10 billion yen). The DNV review team conducted the first periodic review for the period July 2022 to May 2023 based on the CTFH and CTFBG, GBP, and GBGLs.

DNV confirms that Idemitsu Kosan's climate transition initiatives were updated in its Medium-term Management Plan (2023-2025) by updating its 2030 target and investment to ensure further transparency and transition of the initiatives.

- Disclosure element – 1 CTF strategy and governance:
 - ✓ Emissions (Scope 1+2) reduction target from own operations in 2030 revised upwards from 4 million tonnes (compared to 2017) to 7.3 million tonnes (46% reduction compared to 2013).
- Disclosure element – 2 Materiality of environmental aspects of the business model:
 - ✓ Released new initiative, "Azure+" scenario for risks and opportunities associated with climate change, similar to the IEA's net-zero scenario (achieving carbon neutrality in 2050).
- Disclosure element – 3 Scientifically based climate transition strategy (including targets and pathways):
 - ✓ Same as disclosure element -1.
(Emissions (Scope 1+2) reduction target from own operations in 2030 revised upwards from 4 million tonnes (compared to 2017) to 7.3 million tonnes (46% reduction compared to 2013)).
- Disclosure element - 4 Disclosure of investment plans:
 - ✓ Disclosure of a total investment of around 1 trillion yen in new business themes that contribute to carbon neutrality for the period 2023-2030.



Reference: Idemitsu Kosan website-- Initiatives to address climate change and become carbon neutral

<https://sustainability.idemitsu.com/en/themes/422>

This report provides a post-issuance periodic review of the requirements for the Transition Bond for the specific use (elements -1 to -4, as described below).

DNV, as an independent external reviewer, has identified no real or perceived conflict of interest associated with the delivery of this second-party opinion for Idemitsu Kosan.

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

Standards/guidelines to be applied

No.	Standards/Guidelines	Scheme Owner	Applied Level
1.	Climate Transition Finance Handbook (CTFH) ^{*1}	International Capital Market Association (ICMA), 2020.	Apply
2.	Basic Guidelines on Climate Transition Finance (CTFBG) ^{*1}	FSA, METI, MOE, 2021.	Apply
3.	Green Bond Principles (GBP) ^{*2}	International Capital Market Association (ICMA), 2021.	Apply
4.	Green Bond Guidelines (GBGLs) ^{*2}	Ministry of the Environment, 2020.	Apply

*1 Climate transition: The concept of climate transition focuses principally on the credibility of an issuer's climate change-related commitments and practices (quoted from CTFH, CTFBG).

*2 It confirms compliance with four core elements (use of proceeds, process for project evaluation and selection, management of proceeds, and reporting) that must be met as a bond/loan that meets the four elements of transition and has a specific use of proceeds (quoted and edited from CTFBG).



Responsibilities of Idemitsu Kosan and DNV

The management of Idemitsu Kosan has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Idemitsu Kosan management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by Idemitsu Kosan. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if any of the information or data provided by Idemitsu Kosan management and used as a basis for this assessment were not correct or complete.



Basis of DNV's Opinion

To provide as much flexibility as possible for Idemitsu Kosan, DNV has adapted our Transition Bond Assessment Methodology, which incorporates the requirements of CTFH and CTFBG, GBP and GBGLs to create Idemitsu Kosan specific Transition Bond Eligibility Assessment Protocol (hereinafter, "DNV's Protocol"). The Protocol is applicable to CTFHs and CTFBGs, as well as specified use of funds type of Transition Bond under GBP and GBGLs.

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

As per our 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 Transition Finance (specified use of funds) must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of the Transition Finance should outline the process it follows when determining eligibility of an investment using Transition Finance 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 Transition Finance should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of Bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work Undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Idemitsu Kosan 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 Assessment of Transition Bond (*Not included in this report)

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

ii. Periodic (annual) Review of Transition Bond *Contents of this report

- Assessment of evidence documents provided by Idemitsu Kosan after issuance of the Bond, and supplemental assessment by desk review from a higher perspective. Consultation with issuer management and review of relevant document controls.
- Interview with key personnel of Idemitsu Kosan, and review of the relevant documentation.
- Field research and inspection (if necessary).
- Review of the nominated projects and assets at the time of the post-issuance verification.
- Document creation of post-issuance assessment result.



Findings and DNV's Opinion

DNV's findings and opinions are listed below:

(1) Use of Proceeds:

DNV has confirmed that, as at the end of March 2023, Idemitsu Kosan had fully allocated the proceeds of 19.9 billion yen out of the funds raised (20 billion yen) to the following projects.

In addition, the following projects are projects that directly or indirectly support projects that result in significant greenhouse gas reductions as exemplified by CTFH/CTFBG, GBP/GBGLs and other representative projects that contribute to the business transformation of issuers to achieve carbon neutrality, and projects that are aligned with the Ministry of Economy, Trade and Industry's Electricity Sector and Chemical Sector Transition Roadmaps and contribute to achieving their targets. These projects have been evaluated by Idemitsu Kosan as meeting the criteria required for transition projects and as having a clear environmental benefits effect on the transition strategy and are expected to contribute to the SDGs.

1. Project Category: Power and Renewable Energy (Geothermal and Solar) - 2.4 billion yen allocated

The project is categorised under Power and Renewable energy in Idemitsu Kosan's Climate Transition Strategy (Transition Plan), Roadmap, and Strategic Investment Plan.

The projects covered by this project category are geothermal power plants and solar power plant developments. Geothermal power generation emits GHGs incidentally due to greenhouse gases contained in the extracted steam from the ground used during power generation, but DNV has confirmed through its assessment of Idemitsu Kosan that the impact of GHGs in this extracted steam is significantly lower than in existing power production processes, including thermal power generation, and that clear environmental benefits can be expected and that the project is progressing well.

Regarding solar power plants, the project confirmed that clear environmental benefits can be expected from the transition from existing power production processes, including thermal power generation, and that the project has commenced operations as planned.

2. Project Category: Low-carbon Solutions for Replacing Coal-fired Power Generation - 5.6 billion allocated

The project is classified as a low-carbon solution to coal-fired power generation in Idemitsu Kosan's Climate Transition Strategy (Transition Plan), Roadmap, and Strategic Investment Plan.

Through an assessment with Idemitsu Kosan, DNV has quantitatively assessed that the project's CO₂ emissions are significantly lower than coal-fired power generation in terms of CO₂ emissions over the life cycle, taking into account the production, processing and transport processes of the biomass fuel, and the shift from coal-fired power generation to biomass co-firing power generation confirmed that a clear environmental improvement effect can be expected from the shift from coal-fired power generation to biomass co-firing power generation.

DNV also confirmed that the project has no impact on the roadmap, although the start of commercial production has been changed from 2022 to July 2023 due to the impact of COVID-19, and that the 2030 supply target has been revised upwards from 2 million to 3 million tonnes/year in line with the increased share of biomass in the power source composition of the Sixth Basic Energy Plan formulated by the Agency for Natural Resources and Energy. DNV confirmed that the target for the amount of biomass supplied in 2030 was revised upwards from 2 million tonnes/year to 3 million tonnes/year.



*IGEP(Black pellets) and IGEP production plant

3. Project Category: Development of Functional Material Products- 11.9 billion yen allocated

Idemitsu Kosan is involved in the development of a variety of functional material products, and one example of this project category, 'Development of all-solid-state lithium-ion rechargeable batteries (hereinafter, "all-solid-state batteries")', involves the development of solid electrolytes, which are key materials for all-solid-state batteries, for which early commercialisation for EVs and other applications is required. DNV confirmed that Idemitsu Kosan is accurately grasping market trends and needs for materials and feeding them back to the supply system by providing samples to automakers and battery manufacturers respectively, in order to promote the development of all-solid-state batteries for market launch and to determine material specifications.

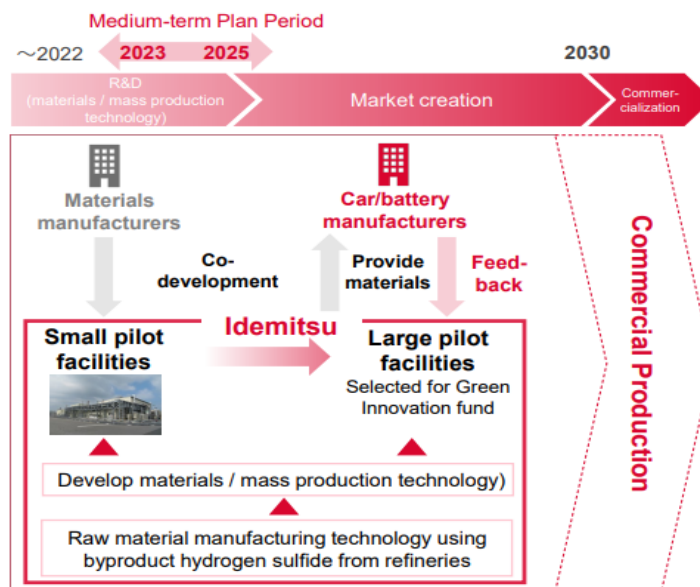
We also confirmed that various research and development initiatives are underway, including the start of joint development with material manufacturers.



* First Plant of Small Pilot Facilities



*All-solid-state batteries



*Summary chart of initiatives (extract from Idemitsu Kosan Medium-term Management Plan document)

(2) Process for Project Evaluation and Selection

In assessing and selecting transition projects, DNV confirmed that, in addition to meeting the Eligibility Criteria, Idemitsu Kosan confirmed that the following Exclusion Criteria set out in the Framework in advance were not violated.

- Unfair transactions that do not comply with the laws and regulations of the country, such as bribery, corruption, blackmail, embezzlement, etc
- Transactions that can cause social problems relate to human rights and the environment

As part of the specific evaluation and selection process, the Finance and Accounting Department selected candidate projects based on the eligibility criteria, and the relevant departments comprehensively analysed and reviewed the financial, technical and operational, market environment and ESG risks, before confirming that the decision was made by the General Manager of the Finance and Accounting Department.

(3) Management Proceeds

DNV confirmed how Idemitsu Kosan will track and manage the proceeds since the Bond issue until March 2023. The allocation of proceeds is shown in Table 1.

DNV confirmed that the proceeds of 19.9 billion yen out of the 20 billion yen raised were deposited into a common account at Idemitsu Kosan, and that the Finance and Accounting Department subsequently managed the allocation for each project using accounting regulations, accounting systems, and the Transition Bond Proceeds Management Chart.

Note that, as mentioned earlier, DNV does not provide treatment here of the financial performance of the Bond, the value of any investment or the long-term environmental effects.

Table 1: Proceeds allocated

Project Category	Allocation (of which refinancing amount)
Power and Renewable Energy (Geothermal and Solar)	2.4 billion. (2.2 billion)
Low-carbon Solutions for Replacing Coal-fired Power Generation	5.6 billion. (5.6 billion)
Development of Functional Material Products	11.9 billion. (9 billion)
Total appropriation	19.9 billion yen. (16.8 billion)

(4) Reporting

DNV confirmed that Idemitsu Kosan will disclose the status of the allocation of proceeds and the effects of environmental benefits on its website. The Framework states that reporting is until the full amount of proceeds has been allocated, and as the full amount was allocated in March 2023, no information is planned to be disclosed beyond next year.

The allocation and management of proceeds and the effects of environmental benefits are as follows.

(1) Allocation and Management of Proceeds

Project Category	Allocation (of which refinancing amount)
Power and Renewable Energy (Geothermal and Solar)	2.4 billion. (2.2 billion)
Low-carbon Solutions for Replacing Coal-fired Power Generation	5.6 billion. (5.6 billion)
Development of Functional Material Products	11.9 billion. (9 billion)
Total appropriation	19.9 billion yen. (16.8 billion)

(2) Environmental Benefits

Environmental benefits (Amount of CO₂ reduction contribution)

Project Category	Installed Capacity (Idemitsu Equity)	Actual Power Generation * ¹ (Idemitsu Equity)	Environmental Benefits * ² (Amount of CO ₂ Reduction Contribution)
Power and Renewable Energy (Geothermal and Solar)	31.9 MW (23.3 MW)	133,795 MWh/year (67,728 MWh/year)	35,589 t-CO ₂

*1 Includes planned values

*2 Calculation method: electricity production (MWh) × CO₂ emission factor (t-CO₂/MWh)

The CO₂ emission factor is the difference between the CO₂ emission factor of the electricity company to which the renewable energy is sold and the CO₂ emission factor for project implementation.

Environmental benefits (Amount of CO₂ reduction contribution)

Project Category	Amount of Idemitsu Green Energy Pellets (Black Pellets) Produced ^{*1}	Environmental Benefits ^{*2} (Amount of CO ₂ Reduction Contribution)
Low-carbon Solutions for Replacing Coal-fired Power Generation	120,000 tons	191,302 t-CO ₂

*1 Planned value

*2 Calculation method: difference between 'black pellet production (tonnes) x CO₂ emission factor of black pellets (t-CO₂ /tonnes)' and 'amount of coal replaced by black pellets (tonnes) x CO₂ emission factor of coal (t-CO₂ /tonnes)'.

Environmental benefits (project description and progress)

Project Category	Project Overview and Progress	
Development of Functional Material Products (e.g., all-solid-state batteries)	Project Overview	Development of mass production technology for sulfide-based solid electrolytes, utilising processes accumulated in existing businesses (lithium sulfide production technology).
	State of Progress	Idemitsu Kosan is promoting the development of all-solid-state batteries and providing feedback to the supply system while providing samples to each of the battery manufacturers/automakers in order to determine the material specifications. Various R&D initiatives are being promoted, including the start of joint development with material manufacturers. The first plant of the small-scale demonstration facility currently in operation at Chiba Complex (operation begun in November 2021) will have its production capacity increased (to be completed by the end of FY2024), and the second plant in the Advanced Technology Research Laboratories is scheduled to start operations (July 2023).

Project category: development of functional material products, only project progress is reported as it is still in the research and development stage, but Idemitsu Kosan has confirmed that it is in the process of developing a method to calculate the contribution to CO₂ reduction in order to quantify the environmental benefits.



Assessment Conclusion

On the basis of the information provided by Idemitsu Kosan and the work undertaken, it is DNV's opinion that the Idemitsu Kosan Transition Bond meets the criteria established in the Protocol and that it is aligned with the staged definition of purpose of Transition Bond within the CTFH and CTFBG, GBP and GBGLs, which are to "enable capital-raising and investment for new and existing projects with environmental benefits" and "provide the investment opportunities necessary for climate transition finance to be implemented transparently and credibly."

DNV Business Assurance Japan K.K.

13 July 2023

Thomas Leonard

Head of Section, Sustainability Services
Supply Chain & Product Assurance
DNV Australia, New Zealand and Southeast Asia

Naoki Maeda

Managing Director
DNV Business Assurance Japan K.K.

Masato Kanedome

Project Leader
DNV Business Assurance Japan K.K.

Akira Tsukasaki

Lead Assessor
DNV Business Assurance Japan K.K.

About DNV

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

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

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV: The management of Issuer has provided the information and Our statement represents an independent opinion and is intended to inform the Issuer management and Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer is incorrect. Thus, the DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete.



Schedule-1 Green Bond Eligibility Assessment Protocol

GBP-1 Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of Bond	<p>Transition Bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • (Standard) Transition Bond • Transition Revenue Bond • Transition Project Bond • Other 	<p>Documents identified</p> <ul style="list-style-type: none"> - Framework <p>Interviews with stakeholders</p>	<p><Results of Pre-Issuance Assessment of Bond></p> <p>DNV confirmed through its assessment work that the Idemitsu Kosan Transition Finance (Bond) falls into the following categories:</p> <p>(Standard) Transition Bond</p>
1b	Transition Project Classification	<p>A crucial aspect of transition finance is that the funds raised are to be used for green projects, and this should be properly stated in the legal documentation for the securities.</p>	<p>Documents identified</p> <ul style="list-style-type: none"> - Framework - Investment plans for the use of proceeds - Information on the progress of projects initiating allocations - Amended Shelf Registration Statement <p>Interviews with stakeholders</p>	<p><Results of Pre-Issuance Assessment of Bond></p> <p>DNV confirmed that the Idemitsu Kosan Transition Bond is intended to fund a wide range of transition projects focused on the Idemitsu Group's environmental goals, as outlined in the Framework.</p> <p><Results of Post-Issuance Assessment of Bond (results of this evaluation)></p> <p>All candidate transition projects were assessed as meeting the transition strategy, confirming that the funds raised through the Transition Bond were allocated to fund several candidate transition projects. The specific projects to which the funds were allocated are as follows:</p> <ul style="list-style-type: none"> - Project category 01) Power and Renewable Energy (Geothermal and Solar) - Project category 02) Low-carbon Solutions for Replacing Coal-fired Power Generation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings															
				<p>- Project category 03) Development of Functional Material Products</p> <p>Through the assessment, DNV concludes that the green/transition candidate project will provide tangible and genuinely environmental benefits.</p> <p>Table - Idemitsu Kosan Major initiatives to achieve carbon neutrality (Transition finance candidate projects and projects for which this funding has been allocated are highlighted in yellow).</p> <table border="1" data-bbox="1323 802 2089 1369"> <thead> <tr> <th colspan="2">Project Category</th> <th>Eligibility Criteria</th> </tr> </thead> <tbody> <tr> <td colspan="3">Green/Transition Projects</td> </tr> <tr> <td>01</td> <td>Power and Renewable Energy</td> <td>Projects related to the development, construction, operation, and other related expenditures for renewable energy (biomass, geothermal, solar, and wind) power generation facilities</td> </tr> <tr> <td>02</td> <td>Distributed Energy</td> <td>Projects related to the development, construction, operation, renovation, and other related expenditures of facilities for distributed energy</td> </tr> <tr> <td>03</td> <td>Development of Functional Materials</td> <td>Projects related to lithium solid electrolyte development, production, R&D, and other related expenditures (electric vehicles (EV))</td> </tr> </tbody> </table>	Project Category		Eligibility Criteria	Green/Transition Projects			01	Power and Renewable Energy	Projects related to the development, construction, operation, and other related expenditures for renewable energy (biomass, geothermal, solar, and wind) power generation facilities	02	Distributed Energy	Projects related to the development, construction, operation, renovation, and other related expenditures of facilities for distributed energy	03	Development of Functional Materials	Projects related to lithium solid electrolyte development, production, R&D, and other related expenditures (electric vehicles (EV))
Project Category		Eligibility Criteria																	
Green/Transition Projects																			
01	Power and Renewable Energy	Projects related to the development, construction, operation, and other related expenditures for renewable energy (biomass, geothermal, solar, and wind) power generation facilities																	
02	Distributed Energy	Projects related to the development, construction, operation, renovation, and other related expenditures of facilities for distributed energy																	
03	Development of Functional Materials	Projects related to lithium solid electrolyte development, production, R&D, and other related expenditures (electric vehicles (EV))																	

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings		
				04	Turning into "Carbon Neutral Transformation centers"	Projects on the construction of a waste plastic recycling chain (manufacturing of chemicals)
				05		Projects related to the development and promotion of circular business
				Transition Projects		
				06	Smart One-Stop Shops	Projects on manufacturing and sales of ultra-compact EVs
				07		Projects related to MaaS services
				08		Projects related to service station logistics bases, unmanned delivery, drone pesticide spraying, day services, etc.
				09	Turning into "Carbon Neutral Transformation centers"	Projects on SAF (Sustainable Aviation Fuel) production and supply
				10		Project on building a CO ₂ -free ammonia supply chain for power generation and industrial sectors
				12	Low-carbon Solutions for Replacing Coal-fired Power Generation	Projects on production, sales, and R&D of black pellets (with an eye on increasing ratio of mixed firing and dedicated firing)
				13	Energy Saving	Projects on Energy Saving Investment in Refineries and Complexes

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1c	Green benefits	All designated Green Project categories should provide clear greenly sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Documents identified <ul style="list-style-type: none"> - Framework - Investment plans and results related to the use of proceeds - Information on the progress of each project Interviews with stakeholders	<p><Results of Post-Issuance Evaluation of Bond></p> <p>Transition projects have environmental benefits, including CO₂ emission reductions through low and decarbonisation, which are classified in the project categories and eligibility criteria indicated in 1b, contributing to Idemitsu Kosan's objectives under the Transition Strategy.</p> <p>The environmental benefits were assessed either quantitatively as CO₂ emission reductions, taking into account the specific characteristics of each project, or as an annual report on the project overview and progress to the extent practicable.</p>
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 clarify which investments or project portfolios may be refinanced.	Documents identified <ul style="list-style-type: none"> - Framework - Investment plans and results related to the use of proceeds - Information related to each project Interviews with stakeholders	<p><Results of Pre-Issuance Assessment of Bond></p> <p>Idemitsu Kosan confirmed that all funds raised would be used for either new investment, refinancing or both for one or more of the potential eligible projects.</p> <p><Results of Post-Issuance Evaluation of Bond></p> <p>Through its annual report, Idemitsu Kosan confirmed that it had identified the approximate amount of the portion of the funds raised that had been used for refinancing.</p>

GBP-2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a.	Investment-decision process	<p>The issuer of a Transition Bond issuers should outline the decision-making process it follows to determine the eligibility of projects using the Transition Bond Proceeds. This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Transition Bond Projects categories; • The criteria making the projects eligible for using the Transition Bond proceeds; and • The environmental sustainability objectives 	<p>Documents identified</p> <ul style="list-style-type: none"> - Framework - Information related to each project <p>Interviews with stakeholders</p>	<p><Results of Pre-Issuance Assessment of Bond></p> <p>DNV confirmed that Idemitsu Kosan has processes and systems in place to determine the eligibility of projects to use transition finance proceeds and that these are clearly outlined in the Framework.</p> <p><Results of Post-Issuance Evaluation of Bond></p> <p>DNV confirmed that Idemitsu Kosan has a process for determining the eligibility of projects to use Transition Bond proceeds, and that it has selected and evaluated transition projects in accordance with that process.</p>
2b	Issuer's environmental, social and governance framework	<p>In addition to information disclosed by an issuer on its Transition Bond process, criteria and assurances, Transition Bond investors may also take into consideration the quality of the issuer's overall framework and performance regarding green sustainability.</p>	<p>Documents identified</p> <ul style="list-style-type: none"> - Framework - Information related to each project <p>Interviews with stakeholders</p>	<p><Results of Pre-Issuance Assessment of Bond></p> <p>When selecting transition projects, Idemitsu Kosan takes into account compliance with environmental laws, regulations, ordinances and rules, as well as clear environmental benefits such as CO₂ reductions during the entire life cycle or in each process. In the operation and implementation of its projects, Idemitsu Kosan works to preserve the surrounding environment in the relevant departments.</p> <p>DNV confirmed that the transition project implemented by Idemitsu Kosan is in line with its management and environmental policies and consistent with the transition strategy, targets and pathways.</p>

GBP-3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure - 1	The net proceeds of Transition Bond 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 Transition Projects.	Documents identified - Framework - Transition Bond Proceeds Control Chart Interviews with stakeholders	<Results of Post-Issuance Evaluation of Bond> DNV has verified that the proceeds relating to the funds to be raised through transition finance are traceable in line with Idemitsu Kosan's accounting systems, etc., and that the systems actually used or planned to be used through the assessment and the documents to be produced exclusively for this purpose have been verified and certified accordingly.
3b	Tracking procedure - 2	So long as the Transition Bond outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Transition investments made until green benefit appearance or completion of proceeds allocation.	Documents identified - Framework - Transition Bond Proceeds Control Chart Interviews with stakeholders	<Results of Post-Issuance Evaluation of Bond> DNV confirmed that Idemitsu Kosan regularly (at least once a year) review the balance of the Transition Financing from the time of its execution to the redemption or repayment of the Transition Financing, including in the accounting system described in 3a and in documents prepared exclusively for the company.
3c	Temporary holdings	Pending such investments or disbursements to eligible Transition Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Documents identified - Transition Bond Proceeds Control Chart Interviews with stakeholders	<Results of Post-Issuance Evaluation of Bond> DNV confirmed that the confirmation process through Idemitsu Kosan's accounting system and documents prepared exclusively for the company is a system that enables the sequential recognition of the balance of unallocated funds. It also confirmed that as of May 2023, the entire amount of funds raised had been fully allocated and therefore no balance of unallocated funds exists.

GBP-4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV 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 Transition Bond proceeds have been allocated including</p> <ul style="list-style-type: none"> - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected greenly sustainable impact. 	<p>Documents identified</p> <ul style="list-style-type: none"> - Framework - Annual report - Idemitsu Website <p>Interviews with stakeholders</p>	<p><Results of Post-Issuance Evaluation of Bond></p> <p>DNV confirms that the issuer has carried out transition finance reporting (annual reporting) until the proceeds have been allocated, disclosing information on the allocation of proceeds, the projects to which the funds have been allocated or the environmental benefits as follows.</p> <p>In addition, even after the allocation plan or allocation has been completed, any changes in the transition strategy or pathway, or any major changes in the allocation plan or project implementation status (e.g.; suspension of a project for which allocation has been initiated, significant deferral on an annual basis, sale or disposal, etc.) will be reported in a timely manner or in reporting, although there were no significant changes at this time.</p> <p>The reporting will be published on the website.</p> <p><Fund allocation status></p> <ul style="list-style-type: none"> ♦ Allocation amount ♦ Estimated amount of the portion of proceeds allocated to refinancing <p><Environmental benefits></p> <ul style="list-style-type: none"> ♦ Power and Renewable Energy (Geothermal and Solar): Installed capacity(Idemitsu Equity), Actual Power Generation, Environmental Benefits(Amount of CO₂ reductions Construction) ♦ Low-carbon Solutions for Replacing Coal-fired Power Generation: Amount of Idemitsu Green Energy Pellets(Black Pellets) Produced, Environmental Benefits(Amount of CO₂ Reduction Contribution)



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none">◆ Developing Functional Material Products: Project Overview and Progress