



## SECOND PARTY OPINION

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### Team Sapporo-Hokkaido

### GREEN FINANCE FRAMEWORK

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: 30 September 2025

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### Revision history

| Revision No. | Date of Issue     | Main Changes |
|--------------|-------------------|--------------|
| 0            | 30 September 2025 | Initial      |
|              |                   |              |

### Disclaimer

Our assessment relies on the premise that the data and information provided by Fundraiser to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.DNV.com](http://www.DNV.com))

## Executive Summary

Hokkaido is located in the northernmost part of Japan and has rich nature and distinct four seasons, making it a popular tourist destination both domestically and internationally. It also plays a role as the country's food base for Japan, as the primary industry is thriving and the production volume of agricultural and fishery products is the largest in Japan. In recent years, the effects of climate change have been seen throughout the country, and the average annual temperature in seven locations in Hokkaido (Asahikawa, Abashiri, Sapporo, Obihiro, Nemuro, Kotobuki, and Hakodate) has risen by about 1.63 °C over the past 100 years.

Hokkaido has set out to achieve "Zero Carbon Hokkaido" with virtually zero greenhouse gas emissions by 2050. While setting a medium-term target of 48% emission reduction by FY2030 (compared to FY2013), it is working to contribute to Japan's climate change countermeasures by focusing on the integrated promotion of green and digital transformation and the decarbonization of transportation and logistics using hydrogen etc. In 2020, Sapporo City also announced the "Zero Carbon City Declaration" ahead of the national government, setting higher targets than the national government and aiming for net zero greenhouse gas emissions by 2050. In 2023, it announced the "Hokkaido-Sapporo Declaration" together with Hokkaido to show its stance toward decarbonization even more strongly to Japan and the world.

Hokkaido ranks first in Japan in terms of the potential for the introduction of renewable energy, including solar power, wind power, and small and medium hydropower. It is promoting various initiatives to contribute to decarbonization not only in Hokkaido but also in Japan by maximizing the use of the potential of renewable energy in Hokkaido. For example, with the aim of realizing a "financial hub of Asia and the world" where information and funds related to green transformation are gathered from around the world, it launched "Team Sapporo-Hokkaido (hereinafter, TSH)," a consortium consisting of 21 organizations from industry, government, academia, and finance, including Sapporo City and Hokkaido in June 2023. Under Japan's "Strategy for Promoting Structural Transition based on Decarbonization (hereinafter, the GX Promotion Strategy)," it is promoting various initiatives to attract public and private investment, which is estimated to exceed 150 trillion yen over the next decade, along with global investments in response, to Hokkaido and Sapporo.

As part of this initiative, Sapporo City and Hokkaido -core members of TSH- were the first to establish the "Climate Bonds Standard" in 2013, which is used to ensure the reliability and transparency of green bonds. In December 2024, Sapporo City and Hokkaido issued a joint statement with the Climate Bonds Initiative (hereinafter, CBI), which is a leader in the green finance market in Europe and the world, and took the lead in formulating the "TSH Green Finance Framework (hereinafter, the Framework)" under the support of CBI to attract investment from Japan and abroad by creating an environment in which funders interested in global green investment can dispel their concerns about greenwashing and have sufficient basis for decision-making.

DNV Business Assurance Japan K.K. (hereinafter, DNV), as an external reviewer, provided an eligibility assessment of the Framework by applying and referring to the following principles, guidelines, and technical standards.

- Green Bond Principles (ICMA/2025; hereinafter, GBP)
- Social Bond Principles (ICMA/2025; hereinafter, SBP)
- Sustainability Bond Guidelines (ICMA/2021; hereinafter, SBG)
- Green Bond Guidelines (Ministry of the Environment/2024; hereinafter, GBGL)
- Social Bond Guidelines (Financial Services Agency/2021; hereinafter, SBGL)
- Green Loan Principles (LMA et al./2025; hereinafter, GLP)
- Social Loan Principles (LMA et al./2025; hereinafter, SLP)
- Green Loan Guidelines (Ministry of the Environment/2024; hereinafter, GLGL)
- Climate Transition Finance Handbook (ICMA/2023; hereinafter, CTFH)
- Basic Guidelines on Climate Transition Finance (Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment/2025; hereinafter, CTFBG)
- Climate Bonds Standard (v4.2) Sector Technical Criteria (CBI)
- EU Taxonomy (applicable sections out of "Manufacturing," "Energy," and "Information and Communication") (European Commission)

The following is a summary of the results of the eligibility assessment for the common elements presented in the above framework.

### **Principle-1. Use of Proceeds (Eligible Projects and Evaluation Criteria):**

#### **Eligible projects:**

- Based on the initiatives in Hokkaido and the policy of Japan's GX Promotion Strategy, Sapporo City and Hokkaido, the core members of TSH and the lead entities (hereinafter, Sapporo City and Hokkaido), define GX projects that TSH focuses on as eligible projects. Specifically, (1) Offshore Wind Power, (2) Hydrogen, (3) Data Centers, (4) Storage Batteries, (5) Next-Generation Semiconductors, (6) Synthetic Fuels (e.g., SAF), (7) Submarine DC Transmission, (8) Electricity and Hydrogen Transport Ships, and (9) Renewable Energy as stipulated in the Hokkaido Global Warming Prevention Measures Ordinance.
- Among the eligible projects, Sapporo City and Hokkaido have formulated evaluation criteria in advance for four projects (1) to (4), in which early business expansion is expected.
- As shown below, the evaluation criteria for individual eligible projects refer to international standards and Japan's GX roadmap and sector-specific technology roadmaps. Quantitative and/or specific criteria have been set as "Green premium," "Green," "Transition," and "N/A."
- Sapporo City and Hokkaido plan to formulate criteria for the remaining five eligible projects based on third-party evaluations to be obtained in the future, and gradually expand the number of eligible projects while ensuring transparency and reliability.

#### **Evaluation criteria (Green criteria):**

- With the aim of making it easier to gain understanding from overseas funders and ensuring high reliability and transparency of eligible projects, Sapporo City and Hokkaido have set green criteria based on quantitative and/or specific criteria based

on reference to the Climate Bonds Standard and the EU Taxonomy (hereinafter, "international standards"), which are widely recognized and used in domestic and international green finance markets. The definition of green criteria is shown in Schedule-1 (1), and the green criteria for eligible projects are shown in Schedule-1 (2).

- The green criteria in the Framework are defined around climate change mitigation (decarbonization), and additionally take into account other environmental goals set out in the EU Taxonomy (climate change adaptation, water<sup>\*1</sup>, pollution prevention<sup>\*2</sup>, circular economy<sup>\*3</sup>, biodiversity<sup>\*4</sup>). Specifically, the evaluation will be conducted against the laws and ordinances of Japan in two tiers: "Green premium" and "Green" from the perspective of ensuring that the project implementation does not have a significant adverse impact on the surrounding area (DNSH: Do No Significant Harm).

\*1 Sustainable use and protection of water and marine resources

\*2 Pollution prevention and control

\*3 Transition to a circular economy

\*4 Protection and restoration of biodiversity and ecosystems

- The green criteria for eligible projects are also referred to international standards, and quantitative and/or specific criteria have been set for each of "Green premium" and "Green."

#### **Evaluation criteria (Transition criteria):**

- Sapporo City and Hokkaido have set transition criteria with quantitative and/or qualitative criteria based on Japan's GX roadmap and sector-specific technology roadmaps. The definition of transition criteria is shown in Schedule-1 (1), and the green criteria for eligible projects are shown in Schedule-1 (2).
- The transition criteria in the Framework are linked to the "Climate Transition Bond Framework" of the Government of Japan. Specifically, eligible projects that have specific plans to meet international standards in the future, or are consistent with the GX roadmap and sector-specific technology roadmaps based on Japan's climate transition strategy are defined as "Transition," with quantitative and/or specific criteria have been set.

DNV has confirmed that the green/transition criteria set by Sapporo City and Hokkaido are consistent with international standards and Japan's GX roadmap and sector-specific technology roadmaps.

#### **Evaluation criteria (Regional sustainability criteria):**

- Sapporo City and Hokkaido have established "regional sustainability criteria" that evaluate from the perspective of linking realization of businesses that coexist with the local community to the growth potential and sustainability of eligible projects. The regional sustainability criteria are sustainability criteria that have both green and social nature to solve social issues in Hokkaido. The criteria evaluate the social impact that is "additionally" realized on the premise of meeting the green/transition criteria of eligible projects. Therefore, DNV has confirmed that Sapporo City and

Hokkaido do not assume that they will be evaluated and certified based only on the regional sustainability criteria.

- The criteria consist of seven evaluation criteria: (1) environmental impact assessment, (2) fostering regional understanding, (3) solving local issues and regional development, (4) participation in local activities, (5) number of employments, (6) procurement ratio, and (7) amount of added value), each of which is classified into two categories: "regional economic revitalization" and "regional coexistence."

DNV has confirmed that the above seven evaluation criteria are eligible as sustainability criteria from two perspectives: the relationship with the SDGs and the current social situation etc.

Based on the above, DNV judges that the eligible projects and the evaluation criteria satisfy the element that "the proceeds must be used for eligible projects that provide clear environmental/social benefits" required in Principle-1.

## **Principle-2. Process for Project Evaluation and Selection:**

As described in Principle-1, DNV has confirmed that Sapporo City and Hokkaido have defined GX projects that TSH focuses on as eligible projects based on the initiatives in Hokkaido and Japan's GX Promotion Strategy. DNV has also confirmed that the GX projects, which are expected to have a ripple effect on the local economy such as local industry revitalization and job creation in Hokkaido as well as a great synergy effect on decarbonization in Hokkaido and Japan, has been selected as eligible projects by taking advantage of the geographical characteristics of Hokkaido, linking each other in the roles of "producing," "using," "storing," and "transporting" electricity, and promoting each role.

In addition, DNV has confirmed that Sapporo City and Hokkaido formulated a registration scheme for business operators to register on the GX Information Platform for eligible projects in Hokkaido, and a mechanism has been established in this registration scheme to ensure transparency and reliability of eligible projects and to check their progress as follows.

- Sapporo City and Hokkaido require business operator planning to register on the GX Information Platform (hereinafter, registered plan business operator) to obtain a third-party evaluation by an external reviewer of the conformity between the eligible project and the evaluation criteria.
- When registering on the GX Information Platform, registered plan business operator is required to submit the prescribed documents along with a third-party evaluation report in order to declare to Sapporo City and Hokkaido that the eligible projects comply with the evaluation criteria.
- After registration on the GX Information Platform, registered plan business operator is required to submit a prescribed annual report to Sapporo City and Hokkaido on the progress and environmental benefits of eligible projects.

Based on the above, DNV judges that this registration scheme satisfies the element that "registered plan business operator must outline the process for determining the eligibility of the project and outline whether the project considers the impact on the objectives" required in Principle-2.

### **Principle-3. Management of Proceeds:**

DNV has confirmed what kind of measures Sapporo City and Hokkaido require for business operator planning to register on the GX Information Platform and business operator registered on that platform (hereinafter, the business operator\*) to track and manage the proceeds from fundraising to redemption or repayment. DNV has also confirmed that Sapporo City and Hokkaido plan to require the business operator to manage the proceeds in accordance with GBGL/GLGL as follows.

\* This includes business operators who independently utilize the evaluation criteria listed in Schedule-1 for eligible projects outside of Hokkaido.

#### **Management of proceeds allocation:**

- Sapporo City and Hokkaido require the business operator to track and manage the proceeds that are controlled by the business operator's internal processes and that have been informed to funders in advance to ensure that the proceeds are allocated only to eligible projects.
- As for the allocation status of proceeds, Sapporo City and Hokkaido require the business operator to check regularly at least once a year until the redemption or repayment of proceeds to ensure that the allocation amount of the eligible project is equal to or exceeds the proceeds, or that the total amount of the allocated amount to the eligible project and unallocated proceeds are aligned with the total amount of proceeds.
- DNV recommends that the management of proceeds is supplemented by an external auditor or other third-party organization.

#### **Management of unallocated proceeds:**

- Sapporo City and Hokkaido require the business operator to explain to funders in advance how to manage the unallocated proceeds until the proceeds are allocated to eligible projects, and to strive to allocate the unallocated proceeds to eligible projects as soon as possible.
- The unallocated proceeds are required to be managed by assets with high safety and liquidity, such as cash or cash equivalents and short-term financial assets.

Based on the above, DNV judges that the Framework satisfies the element that "the business operator must track and manage the proceeds (build and manage appropriately segmented portfolio units if necessary) and disclose how the unallocated proceeds will be handled" required in Principle-3.

#### **Principle-4. Reporting:**

DNV has confirmed that Sapporo City and Hokkaido plan to require the business operator to submit reporting in accordance with GBGL/GLGL as follows.

##### **Allocation status reporting:**

- Sapporo City and Hokkaido require the business operator to provide information to funders or disclose the annual report on its website etc., at least until the proceeds are fully allocated. In addition, Sapporo City and Hokkaido require the business operator to submit to Sapporo City and Hokkaido after describing the allocation status of proceeds in accordance with the prescribed annual report.
- During the redemption or repayment period, if there is a significant change in the project to which the proceeds have been allocated, Sapporo City and Hokkaido require to disclose it in a timely manner.

##### **Impact reporting (Environmental benefits and regional sustainability (social benefits)):**

- Sapporo City and Hokkaido require the business operator to provide information to funders and/or its website etc. on the major environmental and social benefits of the eligible project and the progress of the project, at least until the proceeds are fully allocated, taking into account the confidentiality obligation and the scope of practical response. In addition, Sapporo City and Hokkaido require the business operator to submit to Sapporo City and Hokkaido after describing the environmental and social benefits of eligible projects in accordance with the prescribed annual report.
- As for environmental and social benefits, Sapporo City and Hokkaido require to use appropriate indicators based on the evaluation criteria of eligible projects, and quantitative indicators where possible, and describe the calculation methods and prerequisites in the annual report.
- Sapporo City and Hokkaido plan to post the reporting information received from the business operator on the GX Information Platform and widely disclose the information.

Based on the above, DNV judges that the Framework satisfies the element that "the business operator shall issue a report to funders on at least the allocation status of proceeds and quantitative or qualitative performance (environmental/social benefits) of eligible projects" required in Principle-4.

DNV has conducted evaluations based on relevant documents and information provided by Sapporo City and Hokkaido through the Framework established by Sapporo City and Hokkaido and assessments, and has confirmed that the Framework meets the important requirements of the relevant standards and is eligible.



## I. Introduction

### i. Challenges and initiatives for climate change countermeasures of Sapporo City and Hokkaido

Hokkaido is located in the northernmost part of Japan and has rich nature and distinct four seasons, making it a popular tourist destination both domestically and internationally. It also plays a role as the country's food base for Japan, as the primary industry is thriving and the production volume of agricultural and fishery products is the largest in Japan.

In recent years, the effects of climate change have been seen throughout the country, and the average annual temperature in seven locations in Hokkaido (Asahikawa, Abashiri, Sapporo, Obihiro, Nemuro, Kotobuki, and Hakodate) has risen by about 1.63 °C over the past 100 years. As a result, changes in the ecosystem such as different distribution and migration areas of yellowtail and the expansion of the distribution of Yezo deer have been observed, and the quality of some crops such as wheat is predicted to deteriorate in the future, which is thought to have a major impact on lives and industries.

In addition, Hokkaido occupies about 22% of the country's land area and has regional characteristics of cold snowy weather and wide-area dispersion. Therefore, fossil fuels such as kerosene for heating equipment and gasoline for automobiles are used a lot, and greenhouse gas emissions per capita are about 1.3 times the national average (FY2018). In this background, there is an increasing demand for raising awareness of the decarbonized society.

Hokkaido has set out to achieve "Zero Carbon Hokkaido" with virtually zero greenhouse gas emissions by 2050. While setting a medium-term target of 48% emission reduction by FY2030 (compared to FY2013), it is working to contribute to Japan's climate change countermeasures by focusing on the integrated promotion of green and digital transformation and the decarbonization of transportation and logistics using hydrogen etc. In 2020, Sapporo City also announced the "Zero Carbon City Declaration" ahead of the national government, setting higher targets than the national government and aiming for net zero greenhouse gas emissions by 2050. In 2023, it announced the "Hokkaido-Sapporo Declaration" together with Hokkaido to show its stance toward decarbonization even more strongly to Japan and the world.

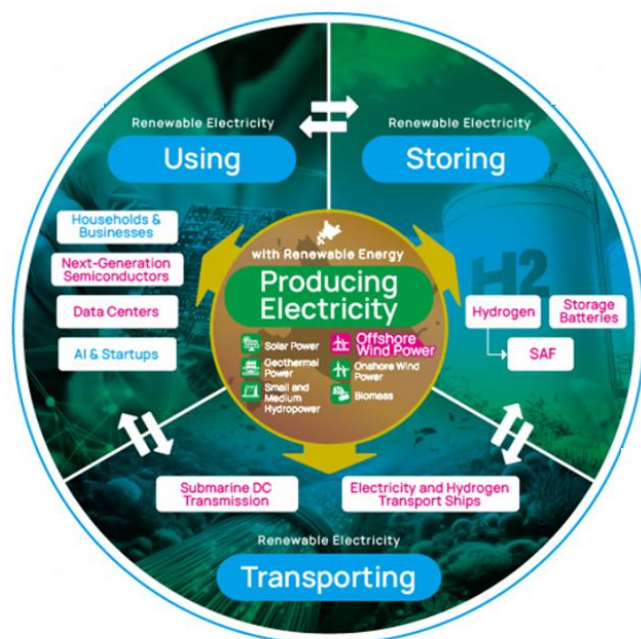
Hokkaido ranks first in Japan in terms of the potential for the introduction of renewable energy, including solar power, wind power, and small and medium hydropower. It is promoting various initiatives to contribute to decarbonization not only in Hokkaido but also in Japan by maximizing the use of the potential of renewable energy in Hokkaido.

## **ii. GX (Green Transformation) initiatives of Sapporo City and Hokkaido**

With the aim of maximizing the use of the region's unparalleled renewable energy potential and realizing a "financial hub of Asia and the world" where information and funds related to GX are gathered from around the world, the "Team Sapporo-Hokkaido (hereinafter, TSH)," a consortium consisting of 21 organizations from industry, government, academia, and finance, including Sapporo City and Hokkaido, was launched in June 2023. Under Japan's "Strategy for Promoting Structural Transition based on Decarbonization (hereinafter, the GX Promotion Strategy)," it is promoting various initiatives to attract public and private investment, which is estimated to exceed 150 trillion yen over the next decade, along with global investments in response, to Hokkaido and Sapporo.

As part of this initiative, Sapporo City, along with Hokkaido, was designated as a target area for the "Financial and Asset Management Special Zone" in June 2024. In order to attract financial institutions and asset management companies, Sapporo City and Hokkaido are improving the environment by establishing the "Sapporo Transnational Expansion and Partnership (STEP)," which provides one-stop support from business to daily life in English, while the Sapporo Securities Exchange has opened a new financial market. In addition, Sapporo City and Hokkaido were the first to establish the "Climate Bonds Standard" in 2013, which is used to ensure the reliability and transparency of green bonds. In December 2024, Sapporo City and Hokkaido issued a joint statement with the Climate Bonds Initiative (hereinafter, CBI), which is a leader in the green finance market in Europe and the world. This joint statement declares that it is necessary to accelerate regional revitalization by improving the environment for "Financial and Asset Management Special Zone."

Among the 14 priority areas where Japan is expected to grow toward carbon neutrality by 2050, TSH has positioned eight projects: Offshore Wind Power, Hydrogen, Data Centers, Storage Batteries, Next-Generation Semiconductors, Synthetic Fuels (e.g., SAF), Submarine DC Transmission, and Electricity and Hydrogen Transport Ships as the core of promoting GX, where great synergy effect is expected by maximizing the use of the region's unparalleled renewable energy potential and linking each other in the roles of "producing," "using," "storing," and "transporting" electricity. In addition, the above eight projects and other projects related to renewable energy as stipulated in the Hokkaido Global Warming Prevention Measures Ordinance, are subject to the special taxation system newly introduced by Hokkaido and Sapporo City. In addition, TSH has set the evaluation criteria for the GX projects centered on the above eight projects, and is working to dispel concerns about greenwashing and develop a system to attract investment from Japan and abroad under the support of CBI.



| Sapporo City and Hokkaido Core projects for GX promotion |                                                                                             | Remarks                                  |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------|
| 01                                                       | Offshore Wind Power                                                                         | Preliminary evaluated 4 projects         |
| 02                                                       | Hydrogen                                                                                    |                                          |
| 03                                                       | Data Centers                                                                                |                                          |
| 04                                                       | Storage Batteries                                                                           |                                          |
| 05                                                       | Synthetic Fuels (e.g., SAF)                                                                 | Additional evaluation planned 5 projects |
| 06                                                       | Next-Generation Semiconductors                                                              |                                          |
| 07                                                       | Submarine DC Transmission                                                                   |                                          |
| 08                                                       | Electric and Hydrogen Transport Ships                                                       |                                          |
| 09                                                       | Renewable Energy as stipulated in the Hokkaido Global Warming Prevention Measures Ordinance |                                          |

Figure-1 GX Projects Driving Hokkaido Forward (<https://tsh-gx.jp/en/projects/>)

### iii. About TSH Green Finance Framework

Sapporo City and Hokkaido have formulated the "TSH Green Finance Framework" (hereinafter, the Framework) to create an environment in which funders interested in global green investment are provided with sufficient basis for decision-making. Figure-2 shows the conceptual flow diagram of the Framework, and Figure-3 shows the overall structure and positioning of the Framework. The Framework consists of a master framework that sets out the four elements required by an internationally established framework, and a sub-framework that sets out green criteria etc. for eligible projects and regional sustainability criteria with social nature.

Sapporo City and Hokkaido assume that the Framework will enjoy the benefits of each stakeholder according to their respective objectives. Specifically, the benefits are as follows.

- Business operators can improve their credibility and attractiveness as investment destinations by obtaining certification from external reviewer that the target project meets green criteria and regional sustainability criteria. The fundraising methods (e.g., loans, bonds, equity) are different depending on the scale and phase of the project, however, providing a financial toolset through the Framework can be expected to provide a smooth supply of funds.
- Funders can clarify investment decisions as it is clear at a glance which projects are highly decarbonized and contribute to the local community.
- External reviewers can judge the appropriateness of the evaluation criteria at their own discretion by setting clear numerical standards for evaluation criteria.

The frameworks specifically referred to by the Framework is described in Section II (3) below.

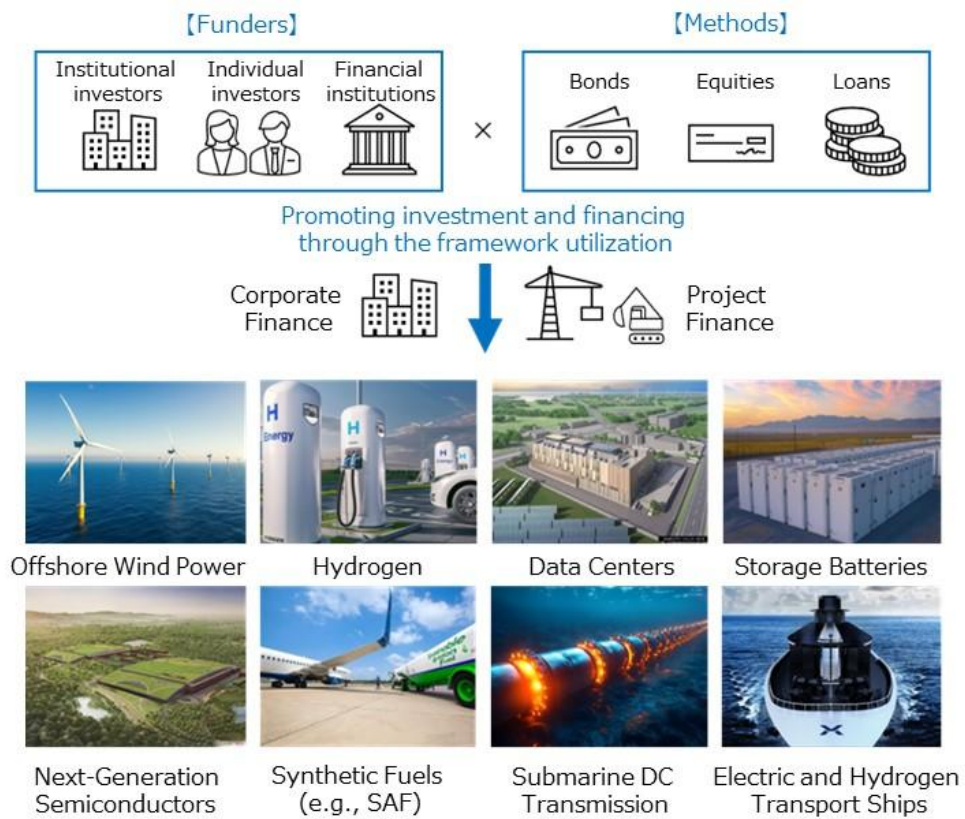


Figure-2 Conceptual flow diagram of the Framework

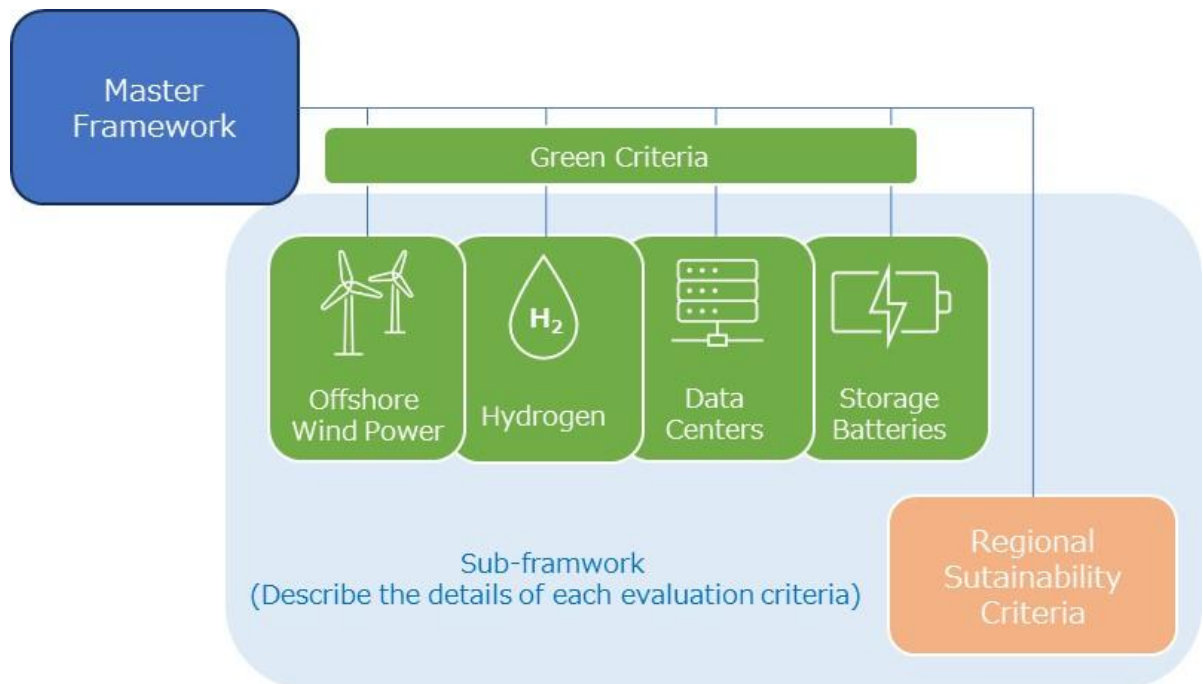


Figure-3 Overall structure and positioning of the Framework



**Name of Issuer:** Team Sapporo-Hokkaido

**Name of Framework:** Team Sapporo-Hokkaido Green Finance Framework

**Name of external reviewer:** DNV Business Assurance Japan K.K.

**Date of report preparation:** 30 September 2025



## II. Scope and Objectives

Sapporo City and Hokkaido have commissioned DNV to conduct an eligibility assessment of the "TSH Green Finance Framework." The objective of the eligibility assessment of DNV is to conduct an assessment to confirm that Sapporo City and Hokkaido meet the criteria such as GBP, SBP, and GBGL, which will be described later, and to provide a second party opinion on their eligibility.

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 Sapporo City and Hokkaido.

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

### (1) Scope of review

The review assessed the following elements and confirmed their alignment with four core elements in GBP.

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

### (2) Role(s) of review provider

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

### (3) Standards/guidelines to be applied

| No. | Standards/Guidelines                                                              | Scheme owner                                                                                          | Applied level* <sup>1</sup> * <sup>2</sup> |
|-----|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 1.  | Green Bond Principles (GBP)                                                       | International Capital Market Association (ICMA), 2025                                                 | Apply                                      |
| 2.  | Social Bond Principles (SBP)                                                      | International Capital Market Association (ICMA), 2025                                                 | Apply                                      |
| 3.  | Sustainability Bond Guidelines (SBG)                                              | International Capital Market Association (ICMA), 2021                                                 | Apply                                      |
| 4.  | Green Bond Guidelines (GBGL)* <sup>3</sup>                                        | Ministry of the Environment, 2024                                                                     | Apply                                      |
| 5.  | Social Bond Guidelines (SBGL)                                                     | Financial Services Agency, 2021                                                                       | Apply                                      |
| 6.  | Green Loan Principles (GLP)                                                       | Loan Market Association (LMA) et al., 2025                                                            | Apply                                      |
| 7.  | Social Loan Principles (SLP)                                                      | Loan Market Association (LMA) et al., 2025                                                            | Apply                                      |
| 8.  | Green Loan Guidelines (GLGL)* <sup>4</sup>                                        | Ministry of the Environment, 2024                                                                     | Apply                                      |
| 9.  | Climate Transition Finance Handbook (CTFH)                                        | International Capital Market Association (ICMA), 2023                                                 | Refer                                      |
| 10. | Basic Guidelines on Climate Transition Finance (CTFBG)                            | Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment, 2025 | Refer                                      |
| 11. | Climate Bonds Standard v4.2 (Sector Technical Criteria)                           | Climate Bonds Initiative, 2024                                                                        | Refer (applicable technical criteria)      |
| 12. | EU Taxonomy (Energy) (Manufacturing) (Information and Communication)              | European Commission                                                                                   | Refer (applicable technical criteria)      |
| 13. | Green and Social Bonds: A High-Level Mapping to the Sustainable Development Goals | International Capital Market Association (ICMA), 2022                                                 | Refer                                      |
| 14. | Handbook - Harmonised Framework for Impact Reporting                              | International Capital Market Association (ICMA), 2020                                                 | Refer                                      |

\*1 Apply: Eligibility for all four core elements to each principle or guideline was assessed.

\*2 Refer: Based on the green project and implementation plans, relevant contents were partially considered.

\*3 Officially referred to as the "Green Bond and Sustainability-Linked Bond Guidelines." This time, it is written as "Green Bond Guidelines" according to the applied part.

\*4 Officially referred to as the "Green Loan and Sustainability-Linked Loan Guidelines". This time, it is written as "Green Loan Guidelines" according to the applied part.

\* Since equity is different from bonds and loans, eligibility has been evaluated by referring to the four common elements of the above frameworks.





### **III. Responsibilities of Sapporo City/Hokkaido and DNV**

Sapporo City and Hokkaido 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 Sapporo City and Hokkaido and other interested stakeholders in the finance 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 Sapporo City and Hokkaido. DNV is not responsible for any aspect of the assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Sapporo City and Hokkaido and used as a basis for this assessment were not correct or complete.

## IV. Basis of DNV's Opinion

To provide as much flexibility as possible for Sapporo City and Hokkaido, DNV has adapted our green finance assessment methodology, which incorporates the requirements of GBP, SBP, GBGL, SBGL, SBG, GLP, SLP, GLGL, etc. to create Sapporo City and Hokkaido specific Green Finance Eligibility Assessment Protocol (hereinafter, DNV's Protocol). Please refer to Schedule-2. The Protocol is applicable to green finance under GBP, SBP, GBGL, SBGL, SBG, GLP, SLP, GLGL, etc. In addition to the above protocol, DNV applied or referred to the relevant CBI technical criteria and EU Taxonomy criteria to conduct an assessment of the Framework.

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 green finance should "enable capital-raising and investment for new and existing projects with environmental benefits" and "provide investment opportunities necessary for implementation of climate transition finance with transparency and reliability."

As per our Protocol, the criteria against which the finance has been reviewed are grouped under the four Principles:

- **Principle 1: Use of Proceeds:** The Use of Proceeds criteria are guided by the requirement that the business operator of green finance must use the proceeds to eligible projects. The eligible projects should produce clear environmental and social benefits.
- **Principle 2: Process for Project Evaluation and Selection:** The Process for Project Evaluation and Selection criteria are guided by the requirements that the business operator of green finance should outline the process it follows when determining eligibility of an investment using green finance proceeds and outline any impact objectives it will consider.
- **Principle 3: Management of Proceeds:** The Management of Proceeds criteria are guided by the requirements that green finance should be tracked by the business operator, that separate portfolios should be created when necessary and that a declaration of how unallocated proceeds will be handled should be made.
- **Principle 4: Reporting:** The Reporting criteria are guided by the recommendation that at least annual reporting to the funders of finance should be made of the use of finance proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

## V. 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 Sapporo City and Hokkaido 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-implementation assessment of green finance (Green Finance Framework)

- Creation of a Sapporo City and Hokkaido specific Protocol, adapted to the purpose of the green finance, as described above and in Schedule-3 to this Assessment.
- Assessment of documentary evidence provided by Sapporo City and Hokkaido on the finance and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with Sapporo City and Hokkaido, and review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria.

### ii. Post-implementation assessment of green finance (*\*not included in this report*)

- Assessment of evidential documents provided by Sapporo City and Hokkaido after issuance of the green finance, and supplemental assessment by desk review from a higher perspective.
- Interview with the management of Sapporo City and Hokkaido, and review of the relevant documentation.
- Field research and inspection (if necessary).
- Review of the eligible projects and assets at the time of the post-issuance verification.
- Document creation of post-issuance assessment result.

## VI. Findings and DNV's Opinion

DNV's findings and opinions are as follows:

### Principle 1: Use of Proceeds (Eligible Projects and Evaluation Criteria)

#### Eligible projects:

DNV has confirmed that the eligible projects defined by Sapporo City and Hokkaido are based on the policies of Japan's GX Promotion Strategy, take advantage of Hokkaido's geographical characteristics, and contribute to decarbonization not only within Hokkaido but also in Japan. Specifically, DNV has confirmed following:

- Based on the initiatives in Hokkaido and the policy of Japan's GX Promotion Strategy, Sapporo City and Hokkaido define GX projects that TSH focuses on as eligible projects. Specifically, (1) Offshore Wind Power, (2) Hydrogen, (3) Data Centers, (4) Storage Batteries, (5) Next-Generation Semiconductors, (6) Synthetic Fuels (e.g., SAF), (7) Submarine DC Transmission, (8) Electricity and Hydrogen Transport Ships, and (9) Renewable Energy as stipulated in the Hokkaido Global Warming Prevention Measures Ordinance.
- Among the eligible projects, Sapporo City and Hokkaido have formulated evaluation criteria in advance for four projects (1) to (4), in which early business expansion is expected. As shown below, the evaluation criteria for individual eligible projects refer to international standards and Japan's GX roadmap and sector-specific technology roadmaps. Quantitative and/or specific criteria have been set as "Green premium," "Green," "Transition," and "N/A."
- Sapporo City and Hokkaido plan to formulate criteria for the remaining five eligible projects based on third-party evaluations to be obtained in the future, and gradually expand the number of eligible projects while ensuring transparency and reliability.

#### Evaluation criteria (green criteria):

With the aim of making it easier to gain understanding from overseas funders and ensuring high reliability and transparency of eligible projects, Sapporo City and Hokkaido have set green criteria based on quantitative and/or specific criteria based on reference to the Climate Bonds Standard and the EU Taxonomy (hereinafter, "international standards"), which are widely recognized and used in domestic and international green finance markets. The definition of green criteria is shown in Schedule-1 (1), and the green criteria for eligible projects are shown in Schedule-1 (2).

- The green criteria in the Framework are defined around climate change mitigation (decarbonization), and additionally take into account other environmental goals set out in the EU Taxonomy (climate change adaptation, water<sup>\*1</sup>, pollution prevention<sup>\*2</sup>, circular economy<sup>\*3</sup>, biodiversity<sup>\*4</sup>). Specifically, the evaluation will be conducted against the laws and ordinances of Japan in two tiers: "Green premium" and "Green" from the perspective of ensuring that the

project implementation does not have a significant adverse impact on the surrounding area (DNSH: Do No Significant Harm).

- \*1 Sustainable use and protection of water and marine resources
- \*2 Pollution prevention and control
- \*3 Transition to a circular economy
- \*4 Protection and restoration of biodiversity and ecosystems

- The green criteria for eligible projects are also referred to international standards, and quantitative and/or specific criteria have been set for each of "Green premium" and "Green."
- DNV has also confirmed that the GBP classification of eligible projects that meet the green criteria is linked to the eligible criteria described in the "Government of Japan Climate Transition Bond Framework," as shown in Table-1.

Based on the above, DNV has confirmed that the green criteria set by Sapporo City and Hokkaido are consistent with international standards.

Table-1 Eligible projects and GBP classification of the Framework

| # | Eligible project    | GBP classification                                                                                                                                                                                                                                                                                                                                                                                                                                       | Content                                                                                                                                                                                                                          |
|---|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Offshore Wind Power | Renewable energy<br>                                                                                                                                                                            | The introduction target in Hokkaido is 15 GW, which is about 1.5 times the annual electricity demand in the region. There is a wide range of parts such as windmills and foundations, expecting many businesses to enter.        |
| 2 | Hydrogen            | Environmentally Friendly Products, Environmentally Friendly Production Technologies and Processes<br>        | Hydrogen does not emit CO <sub>2</sub> when using and is highly energy-efficient. It is expected that the local production and consumption of hydrogen energy will contribute to the creation of disaster-resilient communities. |
| 3 | Data Centers        | Energy efficiency<br>     | Taking advantage of the cool climate, the number of locations in Hokkaido is increasing. The national government has positioned it as a core base for digital infrastructure that complements the Tokyo and Osaka areas.         |
| 4 | Storage Batteries   |                                                                                                                                                                                                                                                                                                                                                                                                                                                          | It will play a role in regulating supply and demand in order to stabilize and maximize the use of renewable energy-                                                                                                              |

| # | Eligible project | GBP classification | Content                                                                                               |
|---|------------------|--------------------|-------------------------------------------------------------------------------------------------------|
|   |                  |                    | derived electricity. It is also expected to contribute to strengthening the resilience of the region. |

### Evaluation criteria (transition criteria):

Sapporo City and Hokkaido have set transition criteria with quantitative and/or qualitative criteria based on Japan's GX roadmap and sector-specific technology roadmaps. The definition of transition criteria is shown in Schedule-1 (1), and the green criteria for eligible projects are shown in Schedule-1 (2).

- The transition criteria in the Framework are linked to the "Climate Transition Bond Framework" of the Government of Japan.
- Specifically, eligible projects that have specific plans to meet international standards in the future, or are consistent with the GX roadmap and sector-specific technology roadmaps based on Japan's climate transition strategy are defined as "Transition," with quantitative and/or specific criteria have been set.

DNV has confirmed that the transition criteria set by Sapporo City and Hokkaido are aligned with the GX roadmap and sector-specific technology roadmaps, based on Japan's Climate Transition Strategy.

### Regional sustainability criteria:

Sapporo City and Hokkaido have established "regional sustainability criteria" that evaluate from the perspective of linking realization of businesses that coexist with the local community to the growth potential and sustainability of eligible projects. The regional sustainability criteria are shown in Schedule-1 (3).

- The regional sustainability criteria are sustainability criteria that have both green and social nature to solve social issues in Hokkaido. The criteria evaluate the social impact that is "additionally" realized on the premise of meeting the green/transition criteria of eligible projects. Therefore, DNV has confirmed that Sapporo City and Hokkaido do not assume that they will be evaluated and certified based only on the regional sustainability criteria.
- These criteria consist of seven evaluation criteria, as indicated in Schedule-1 (3), and are divided into two categories: regional economic revitalization and regional coexistence, as shown in Table 2.

Table-2 Regional sustainability criteria and classification

| Classification                   | Evaluation criteria                                                                                                                                               |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regional coexistence             | ① Environmental impact assessment<br>② Fostering regional understanding<br>③ Solving local issues and regional development<br>④ Participation in local activities |
| Regional economic revitalization | ⑤ Number of employments<br>⑥ Procurement ratio<br>⑦ Amount of added value                                                                                         |

- For the above seven evaluation criteria, DNV judged the eligibility of social nature based on the grounds described in paragraphs a and b below.

a. Relationship with the SDGs

The evaluation criteria must be considered an essential foundation for the realization of a society in which no one is left behind, which is the basic principle of the SDGs, and must be closely related to the following of the government's eight priority issues:

- People: Infectious disease control and building the foundation for the future
  - (1) Realization of social and gender equality in which **all people** can play an active role
  - (2) Achieving health and longevity
- Prosperity: A virtuous cycle of growth and distribution
  - (3) Creation of growth markets, **regional revitalization**, and scientific and technological innovation
- Planet: Contribution to the Earth's future
  - (4) Development of a sustainable and resilient national land and high-quality infrastructure
  - (5) **Energy-saving and renewable energy, disaster prevention and climate change countermeasures**, and sound material-cycle society
  - (6) **Conservation of the environment such as biodiversity, forests, and oceans**

Note: This is an excerpt from the Government of Japan's "SDGs Action Plan 2022." The underlined bold letters show the areas related to regional sustainability criteria set by Sapporo City and Hokkaido and expected to contribute in particular.

b. Current social situation etc.

In recent years, in the expansion of the introduction of renewable energy in Japan, consensus building and consideration with local communities in terms of landscape and environmental impact have led to regional troubles and difficulties in business continuity in some cases, and Hokkaido is no exception. From the perspective of

realizing the long-term and stable environmental benefits of eligible projects in the Framework, DNV judges that regional coexistence is an important regional issue.

DNV has confirmed that the regional sustainability criteria set by Sapporo City and Hokkaido will contribute to solving social issues faced by Japan and Hokkaido, and to realizing long-term and stable environmental benefits through eligible projects.

Based on the above, DNV judges that the eligible projects and the evaluation criteria satisfy the element that "the proceeds must be used for eligible projects that provide clear environmental/social benefits" required in Principle-1.

### Use of proceeds categories as per GBP/GLP

- |                                                                                                                                                                                    |                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy                                                                                                                               | <input checked="" type="checkbox"/> Energy efficiency (energy saving)                                                       |
| <input type="checkbox"/> Pollution prevention and control                                                                                                                          | <input type="checkbox"/> Sustainable management of living natural resources and land use                                    |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation                                                                                                         | <input type="checkbox"/> Clean transportation                                                                               |
| <input type="checkbox"/> Sustainable water management                                                                                                                              | <input type="checkbox"/> Climate change adaptation                                                                          |
| <input checked="" type="checkbox"/> Eco-efficient products, production technologies and processes                                                                                  | <input type="checkbox"/> Green buildings with regional, national or internationally recognized standards and certifications |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                                                                                                                          |                                                                                                                             |
| <input type="checkbox"/> Undecided at the time of bond issuance, but is expected to be line with the GBP classification or other eligible areas not listed in the GBP at this time |                                                                                                                             |

### Use of proceeds categories as per SBP

- |                                                                                                                 |                                                                                           |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Affordable basic infrastructure                                                        | <input type="checkbox"/> Access to essential services                                     |
| <input type="checkbox"/> Affordable housing                                                                     | <input checked="" type="checkbox"/> Job creation (financing and microfinancing for SMEs)  |
| <input type="checkbox"/> Food security and sustainable food systems                                             | <input checked="" type="checkbox"/> Socio-economic advancement and empowerment            |
| <input type="checkbox"/> Considered to fit the SBP classification or are not listed in the SBP but are eligible | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Regional coexistence |



## Principle 2: Process for Project Evaluation and Selection

As described in Principle-1, DNV has confirmed that Sapporo City and Hokkaido have defined GX projects that TSH focuses on as eligible projects based on the initiatives in Hokkaido and Japan's GX Promotion Strategy. DNV has also confirmed that the GX projects, which are expected to have a ripple effect on the local economy such as local industry revitalization and job creation in Hokkaido as well as a great synergy effect on decarbonization in Hokkaido and Japan, has been selected as eligible projects by taking advantage of the geographical characteristics of Hokkaido, linking each other in the roles of "producing," "using," "storing," and "transporting" electricity, and promoting each role.

In addition, DNV has confirmed that Sapporo City and Hokkaido formulated a registration scheme for business operators to register on the GX Information Platform for eligible projects in Hokkaido. The registration scheme formulated by Sapporo City and Hokkaido is shown in Schedule-2.

DNV has confirmed that the registration scheme plans to be operated as follows:

- Sapporo City and Hokkaido require business operator planning to register on the GX Information Platform (hereinafter, registered plan business operator) to obtain a third-party evaluation by an external reviewer to ensure that the target project complies with the criteria set forth in Schedule-1.
- In the evaluation of conformity with the evaluation criteria, Sapporo City and Hokkaido require to obtain a third-party evaluation by an external reviewer with appropriate competence. Specifically, in the case of "Green premium" and "Green," it is necessary to confirm consistency with international standards, so a third-party evaluation by an external reviewer registered by ICMA or CBI, and in the case of "Transition," an organization registered as an issuance supporter (external review department) of the Ministry of the Environment in addition to the above, or an organization that agrees with the Financial Services Agency's Code of Conduct is also effective.
- Sapporo City and Hokkaido require registered plan business operator to submit information on the eligible project, as well as the "Registration Request Form" and "Check Sheet for the Use of the Framework" stating the consent to submit an annual report after registration, and a copy of the third-party evaluation document at the time of application for registration on the GX Information Platform, and to submit the annual report etc. with the reporting content shown in Table-3 after registration on the GX Information Platform.
- Sapporo City and Hokkaido will widely disclose the reporting information received from registered plan business operator on the GX Information Platform.

Based on the above, DNV has confirmed through the Framework that Sapporo City and Hokkaido require registered plan business operator to obtain an evaluation of the conformity of eligible projects by an external reviewer. In addition, transparency and reliability of eligible projects and disclosure of impact reporting are established as a system by requiring to submit the prescribed documents along with a third-party evaluation document when registering on the GX Information Platform to indicate

compliance with the evaluation criteria of eligible projects, and to submit a report on the progress and environmental benefits of eligible projects in an annual report after registration.

Based on the above, DNV judges that this registration scheme satisfies the element that "registered plan business operator must outline the process for determining the eligibility of the project and outline whether the project considers the impact on the objectives" required in Principle-2.

### Evaluation and selection

- |                                                                                                                         |                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Conforms to the issuer's achievement of environmental and social contribution goals | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Eligible for use of proceeds by green finance and transparency is ensured           | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Evaluated and selected based on the published standard summary                      | <input type="checkbox"/> Other ( <i>please specify</i> ):                                                                     |

### Information on responsibilities and accountability

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

### Principle 3: Management of Proceeds

DNV has confirmed what kind of measures Sapporo City and Hokkaido require for business operator planning to register on the GX Information Platform and business operator registered on that platform (hereinafter, the business operator) to track and manage the proceeds from fundraising to redemption or repayment. DNV has also confirmed that Sapporo City and Hokkaido plan to require the business operator to manage the proceeds in accordance with GBGL/GLGL as follows.

#### **Management of proceeds allocation:**

- Sapporo City and Hokkaido require the business operator to track and manage the proceeds that are controlled by the business operator's internal processes and that have been informed to funders in advance to ensure that the proceeds are allocated only to eligible projects.
- As for the allocation status of proceeds, Sapporo City and Hokkaido require the business operator to check regularly at least once a year until the redemption or repayment of proceeds to ensure that the allocation amount of the eligible project is equal to or exceeds the proceeds, or that the total amount of the allocated amount to the eligible project and unallocated proceeds are aligned with the total amount of proceeds.
- DNV recommends that the management of proceeds is supplemented by an external auditor or other third-party organization.

#### **Management of unallocated proceeds:**

- Sapporo City and Hokkaido require the business operator to explain to funders in advance how to manage the unallocated proceeds until the proceeds are allocated to eligible projects, and to strive to allocate the unallocated proceeds to eligible projects as soon as possible.
- The unallocated proceeds are required to be managed by assets with high safety and liquidity, such as cash or cash equivalents and short-term financial assets.

Based on the above, DNV judges that the Framework satisfies the element that "the business operator must track and manage the proceeds (build and manage appropriately segmented portfolio units if necessary) and disclose how the unallocated proceeds will be handled" required in Principle-3.

#### **Tracking of proceeds:**

- ☒ Some or all of the proceeds from green finance that are planned to be allocated are systematically distinguished or tracked by the business operator.
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (*please specify*):

**Additional disclosure:**

- |                                                                                  |                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Allocations to new investments only                     | <input checked="" type="checkbox"/> Allocations to both existing and future investments                                                                                                                 |
| <input checked="" type="checkbox"/> Allocation to individual disbursements       | <input type="checkbox"/> Allocation to a portfolio of disbursements                                                                                                                                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): The amount of existing investments and new investments and loans in the allocated projects will be disclosed in the annual report. |

#### Principle 4: Reporting

DNV has confirmed that Sapporo City and Hokkaido plan to require the business operator to submit reporting in accordance with GBGL/GLGL as follows.

##### **Allocation status reporting:**

- Sapporo City and Hokkaido require the business operator to provide information to funders or disclose the annual report on its website etc., at least until the proceeds are fully allocated. In addition, Sapporo City and Hokkaido require the business operator to submit to Sapporo City and Hokkaido after describing the allocation status of proceeds in accordance with the annual report as shown in Table-3.
- During the redemption or repayment period, if there is a significant change in the project to which the proceeds have been allocated, Sapporo City and Hokkaido require to disclose it in a timely manner.

##### **Impact reporting (Environmental benefits and regional sustainability (social benefits)):**

- Sapporo City and Hokkaido require the business operator to provide information to funders and/or its website etc. on the major environmental and social benefits of the eligible project and the progress of the project, at least until the proceeds are fully allocated, taking into account the confidentiality obligation and the scope of practical response. In addition, Sapporo City and Hokkaido require the business operator to submit to Sapporo City and Hokkaido after describing the environmental and social benefits of eligible projects in accordance with the annual report as shown in Table-3.
- As for environmental and social benefits, Sapporo City and Hokkaido require to use appropriate indicators based on the evaluation criteria of eligible projects, and quantitative indicators where possible, and describe the calculation methods and prerequisites in the annual report as shown in Table-3.
- Sapporo City and Hokkaido plan to post the reporting information received from the business operator on the GX Information Platform and widely disclose the information.

Based on the above, DNV judges that the Framework satisfies the element that "the business operator shall issue a report to funders on at least the allocation status of proceeds and quantitative or qualitative performance (environmental/social benefits) of eligible projects" required in Principle-4.

Table-3 Annual report (image)

| Annual Report (Image)     |                                        |                                                                                                                             |
|---------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Name of business operator |                                        |                                                                                                                             |
| Eligible Projects         | Classification                         | Hydrogen, offshore wind power, storage batteries, data centers, etc.                                                        |
|                           | Project Name                           |                                                                                                                             |
|                           | Basic Information                      | Location, scale, specifications, date of operation started, etc.                                                            |
|                           | Reporting Period                       |                                                                                                                             |
|                           | Green Evaluation Label                 | Either of Green Premium, Green, or Transition                                                                               |
| Allocation Status         | Funding Date                           |                                                                                                                             |
|                           | Funding Amount                         |                                                                                                                             |
|                           | Allocation Category                    | New investments (including expenditures from cash reserves within the past three years), refinancing, etc.                  |
|                           | Allocation Status                      | Fully allocated, during allocation, etc.                                                                                    |
| Environmental Benefits    | Item                                   | GHG/CO <sub>2</sub> reduction, other (equipment, number of products, production volume), etc.                               |
|                           | Quantity (Units)                       | t-CO <sub>2</sub> /year, other (cases/amount), etc                                                                          |
|                           | Attribution                            | Business operator, user, etc.                                                                                               |
|                           | Actual/Plans                           |                                                                                                                             |
|                           | Calculation Method                     |                                                                                                                             |
|                           | Reference Information                  | Materials of the Ministry of the Environment, the Ministry of Economy, Trade and Industry, business operator, project, etc. |
| Regional Sustainability   | Target Individuals/Region              |                                                                                                                             |
|                           | Item                                   | New employment, establishment of new office, economic effect, etc.                                                          |
|                           | Actual/Planned                         | <input type="checkbox"/> Results, <input type="checkbox"/> Plans                                                            |
|                           | Plan Progress Status                   | Person, case, thousand yen, etc.                                                                                            |
|                           | Quantitative Data                      | Person, case, thousand yen, etc.                                                                                            |
|                           | Calculation Method                     | Listed by item (e.g., data comparable to the previous year)                                                                 |
|                           | Other Reference Materials etc. Remarks | Materials of Hokkaido, Sapporo City, OO town, etc.                                                                          |

### Use of proceeds reporting:

- |                                                        |                                                           |
|--------------------------------------------------------|-----------------------------------------------------------|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis     |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ): |

#### Information reported:

- |                                                                                                                                                                                               |                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocated amounts                                                                                                                                         | <input type="checkbox"/> GB refinanced share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): The amount of unallocated proceeds and the refinanced amount out of the total allocated amount for each of the proceeds. |                                                                  |

#### Frequency:

- |                                                           |                                      |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

### Impact reporting (Environmental/social benefits):

- |                                                        |                                                           |
|--------------------------------------------------------|-----------------------------------------------------------|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis     |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ): |

#### Frequency:

- |                                                           |                                      |
|-----------------------------------------------------------|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

#### Information reported (expected or ex-post):

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <input checked="" type="checkbox"/> GHG Emissions/savings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <input type="checkbox"/> Energy savings |
| <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ):<br>(Environmental benefits)<br>According to the progress of eligible projects and other characteristics of each eligible project<br>(Regional sustainability)<br>Number of employees, procurement ratio from companies in Hokkaido, amount of value added, initiatives and cooperation to solve local issues and promote the region of the municipality where the eligible project base is located, participation in local activities of the municipality where the eligible project base is located, implementation status of environmental impact assessment, and initiatives to foster understanding among local residents in the implementation of eligible projects |                                         |

### Means of disclosure

- |                                                                                                                                   |                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Information published in financial report                                                                | <input type="checkbox"/> Information published in sustainability report                                                              |
| <input type="checkbox"/> Information published in ad hoc documents                                                                | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): The business operator's website and the GX Information Platform |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |                                                                                                                                      |

## Assessment Conclusion

On the basis of the information provided by Sapporo City and Hokkaido and the work undertaken, it is DNV's opinion that Sapporo City and Hokkaido meet the criteria established in the Protocol and that they are aligned with the following stated definition or purpose of GBP/GBGL, GLP/GLGL, SBG, SBP/SBGL, SLP, and CTFH/CTFBG.

"enable capital-raising and investment for new and existing projects with environmental benefits"

"provide investment opportunities necessary for implementation of climate transition finance with transparency and reliability"

DNV Business Assurance Japan K.K.

30 September 2025



**Masato Kanedome**

Technical reviewer

DNV Business Assurance Japan K.K.



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#### 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' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

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

#### Disclaimer

Responsibilities of the Management of the Fundraiser and the Second-Party Opinion Providers, DNV : The management of Fundraiser 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 the Fundraiser 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 Fundraiser. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Fundraiser's management and used as a basis for this assessment were not correct or complete

## Schedule-1 Green Finance Evaluation Criteria

The green and regional sustainability criteria listed in (2) and (3) are the evaluation criteria for eligible projects as of September 2025. As for (2), it is planned to add five eligible projects in the future after obtaining third-party evaluations.

DNV has confirmed that these evaluation criteria meet the criteria required by the relevant frameworks and are eligible.

These criteria also assume that the business operator will only use these criteria on its own (e.g., projects implemented outside Hokkaido, corporate finance).

In such cases, the registration process shown in Schedule-2 will not apply.

### (1) Green Evaluation Criteria

| Evaluation Label         | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Key Reference Standard                                      |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Green Premium            | Demonstrates notable improvement effects in climate change mitigation (Applicable international climate change mitigation Green Standard (hereinafter referred to as International Green Standards <sup>*1</sup> ) or Meets applicable international green standards, and green standards for five environmental goals other than climate change mitigation (water, pollution prevention, circular economy, climate change adaptation, biodiversity)<br>Meet at least one of the above | Climate Bond Standards (CBS)<br>EU Taxonomy                 |
| Green                    | Meets applicable international green standards.                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                             |
| Transition <sup>*2</sup> | There is a specific plan <sup>*3</sup> to meet international green standards in the future and uses the best available technology at this point in time (Consistent with Japan's GX Roadmap and sector specific technology roadmap)                                                                                                                                                                                                                                                    | GX Promotion Strategy<br>Sector-specific technology Roadmap |
| Not Applicable           | If none of the above green standards are met, or if the standards are met but DNSH is not met                                                                                                                                                                                                                                                                                                                                                                                          |                                                             |

<sup>\*1</sup> International Green Standards: At the start of operation, the Climate Bonds Standard (CBS) and EU Taxonomy will be adopted as reference standards for the following four areas, which are expected to expand rapidly.

- Climate Bonds Standard (CBS): Offshore Wind, Hydrogen, Battery Storage
- EU Taxonomy: Offshore Wind Power, Hydrogen, Data Centers, Battery Storage

For areas to be established in the future, applicable international green standards (Climate Bonds Standard (CBS), EU Taxonomy, etc.) will be adopted at the time of establishment. When referring to each standard, elements required by each standard (e.g., calculation methods, DNSH, etc.) will be applied with reference to equivalent or similar domestic laws, ordinances, regulations, or guidelines, where applicable.

<sup>\*2</sup> Transition assumes that the GX promotion strategy and sector-specific technology roadmaps are not aligned with international green standards and may not exist in some sectors.

<sup>\*3</sup> Business plans that are consistent with the transition strategy (equivalent to the GX roadmap in Japan) and classification (such as the ASEAN taxonomy) of the country or region where the project is implemented, as well as the technology and implementation timeline.

## (2) Green Evaluation Criteria for Eligible Projects

These evaluation criteria are for eligible projects as of September 2025. Five eligible projects will be added after obtaining third-party evaluations.

| Evaluation Label | Offshore Wind Power                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                      | Hydrogen                                                                                                                         | Data Center |                                                                                      | Storage Batteries                                                                                         |                                                                                                                                                                                                           |                                                                                           |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
|                  | [Power Generation Business]                                                                                                                                                                                                                             | [Related Businesses (Research and Development, Manufacturing, Systems, O&M, etc.)]                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                  |             |                                                                                      | [Utilization]                                                                                             | [Manufacturing]                                                                                                                                                                                           |                                                                                           |
| Green Premium    | Meet the Offshore Wind Technology Standards + Green standards for five environmental goals other than climate change mitigation (water, pollution prevention, circular economy, climate change adaptation, biodiversity) meet at least one of the above | R&D* related to offshore wind power generation, and/or Supplying the essential hardware (including auxiliary facilities and equipment) and software systems required for offshore wind power including its manufacturing + Green standards for five environmental goals other than climate change mitigation (water, pollution prevention, circular economy, climate change adaptation, biodiversity) meet at least one of the above | 0kg-CO <sub>2</sub> /kg-H <sub>2</sub><br>(Life cycle CO <sub>2</sub> emissions)                                                 | A or B      |                                                                                      | A+B or A+C                                                                                                |                                                                                                                                                                                                           | Regarding Raw Materials and Recycling Environmentally conscious/advanced technology, etc. |
|                  |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                  | A           | PUE<1.3                                                                              | A                                                                                                         | Charging source (electricity) is <100g-CO <sub>2</sub> /kWh                                                                                                                                               |                                                                                           |
|                  |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                  | B           | PUE<1.4 + Electricity usage for DC is renewable energy or <100g-CO <sub>2</sub> /kWh | B                                                                                                         | Charging source (electricity) is derived from renewable energy                                                                                                                                            |                                                                                           |
|                  |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                  |             |                                                                                      | C                                                                                                         | Green standards for five environmental goals other than climate change mitigation (water, pollution prevention, circular economy, climate change adaptation, biodiversity) Meet at least one of the above |                                                                                           |
| Green            | Meet the Offshore Wind Technology Standards                                                                                                                                                                                                             | R&D* related to offshore wind power generation, and/or Supplying the essential hardware (including auxiliary facilities and equipment) and software systems required for offshore wind power including its manufacturing                                                                                                                                                                                                             | <3.0kg-CO <sub>2</sub> /kg-H <sub>2</sub><br>(Life cycle CO <sub>2</sub> emissions)<br>*Criteria until 2030                      | A or B      |                                                                                      | Charging source (electricity) is <100g-CO <sub>2</sub> /kWh                                               | Manufacturing method other than Green Premium Manufacturing method                                                                                                                                        |                                                                                           |
|                  |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                  | A           | PUE<1.4                                                                              |                                                                                                           |                                                                                                                                                                                                           |                                                                                           |
|                  |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                  | B           | BAT, and a building evaluated as a green building                                    |                                                                                                           |                                                                                                                                                                                                           |                                                                                           |
| Transition       | None                                                                                                                                                                                                                                                    | None                                                                                                                                                                                                                                                                                                                                                                                                                                 | <3.4kg-CO <sub>2</sub> /kg-H <sub>2</sub><br>(well-to-gate CO <sub>2</sub> emissions)<br>※Value based on Hydrogen Basic Strategy | None        |                                                                                      | The type of charging source (electricity) does not matter, but plans to function as a balancing resource. | None                                                                                                                                                                                                      |                                                                                           |
| Not applicable   | Projects that do not meet any of the above Green/Transition criteria. Or projects that meet the criteria but do not meet DNSH                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                  |             |                                                                                      |                                                                                                           |                                                                                                                                                                                                           |                                                                                           |

\* R&D is required to be at TRL6 or higher. Early stage R&D may be considered eligible if aiming to TRL6.



DNV

### (3) Regional Sustainability Criteria

| Evaluation Label                                                       | Item                                   |                                                                                                                                                                                                                                                                                                                                                                                                             |                                        |
|------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| Number of items met<br>Number of items<br>will be assigned<br>S7 to S3 | Required                               | <u>① Environmental Impact Assessment</u><br>Proper implementation of procedures based on the Environmental Impact Assessment Law and Hokkaido Environmental Impact Assessment Ordinance, and, where necessary, measures exceeding legal and ordinance requirements to give full consideration to the environment and landscapes valued by the community                                                     | Regional<br>Coexistence                |
|                                                                        |                                        | <u>② Fostering local understanding</u><br>Communicate with the community and regarding the implementation of eligible projects by appropriately conducting explanatory meetings based on various relevant laws and regulations and, if necessary, implementing measures that exceed the requirements of the laws and regulations                                                                            |                                        |
|                                                                        | Must meet at<br>least one<br>criterion | <u>③ Solving local issues and promoting regional development</u><br>Initiatives to regional challenges and promote regional development in municipalities hosting eligible project facilities (e.g., human resource development through GX-related education/vocational training, disaster prevention/mitigation such as power supply during disasters, collaborative agreements for community development) |                                        |
|                                                                        |                                        | <u>④ Participation in Community Activities</u><br>Initiatives to preserve and pass on the culture, traditions, appeal, value, and irreplaceable natural environment of the municipalities where Qualified Project facilities are located to future generations (e.g., participation in traditional events, promoting the appeal of local products, landscape conservation)                                  |                                        |
|                                                                        |                                        | <u>⑤ Number of Employees</u><br>3 new regular employees (including those transferred from outside Hokkaido) at offices/business establishments set up within the municipality implementing the Qualified Project (at least 1 for power generation projects).                                                                                                                                                | Regional<br>Economic<br>Revitalization |
|                                                                        |                                        | <u>⑥ Procurement Ratio</u><br>Procurement ratio from Hokkaido-based companies during the project period or more (design, construction, material purchases)                                                                                                                                                                                                                                                  |                                        |
|                                                                        |                                        | <u>⑦ Value-Added Creation Amount</u><br>The value-added creation amount during the business plan period of a qualified project must exceed ¥46.11 million (assumed over 5 years; prorated according to the period)                                                                                                                                                                                          |                                        |

## Schedule-2 Green Finance Registration Scheme

Figure-4 and Table-4 show the GX Information Platform registration scheme and process flow of the TSH Green Finance Framework. DNV has confirmed that the process meets the criteria required by the relevant frameworks and is eligible.

Table-4 Registration process flow

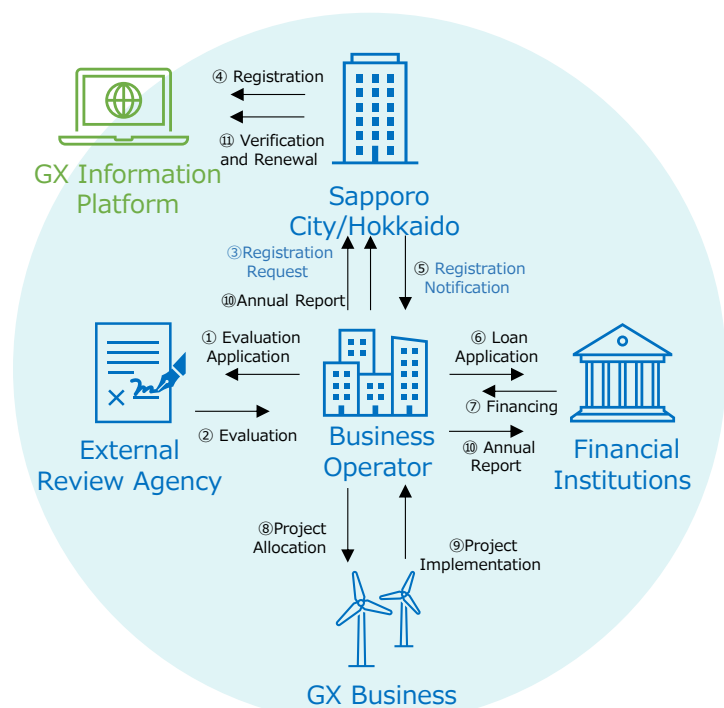


Figure-4 Registration scheme diagram

|                                 | GX Information Platform Form                                                          | Sapporo City Hokkaido | Business Operator                                                                     | Financial Institution                                                                 | External Review Agency                                                              |
|---------------------------------|---------------------------------------------------------------------------------------|-----------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| ① Evaluation Application        |                                                                                       |                       |    |                                                                                       |                                                                                     |
| ② Evaluation                    |                                                                                       |                       |                                                                                       |                                                                                       |  |
| ③ Registration Request          |                                                                                       |                       |    |                                                                                       |                                                                                     |
| ④ Registration                  |    |                       |                                                                                       |                                                                                       |                                                                                     |
| ⑤ Registration Notification     |                                                                                       |                       |                                                                                       |                                                                                       |                                                                                     |
| ⑥ Loan Application              |                                                                                       |                       |    |                                                                                       |                                                                                     |
| ⑦ Loan                          |                                                                                       |                       |                                                                                       |    |                                                                                     |
| ⑧ Funds Allocation for Business |                                                                                       |                       |  |                                                                                       |                                                                                     |
| ⑨ Project Implementation        |                                                                                       |                       |                                                                                       |                                                                                       |                                                                                     |
| ⑩ Annual Report                 |                                                                                       |                       |                                                                                       |  |                                                                                     |
| ⑪ Verification and Renewal      |  |                       |                                                                                       |                                                                                       |                                                                                     |

## Schedule-3 Green Finance Framework Eligibility Assessment Protocol

The checklist below (Principle-1 to Principle-4) is a DNV assessment protocol created for the eligibility assessment of the Framework based on the requirements of GBP, GLP, SBG, SBP, and SLP. The "Confirmed documents" in the Work Undertaken include internal documents of Sapporo City and Hokkaido and are provided by Sapporo City and Hokkaido as evidence of eligibility judgment for DNV.

The framework described in the table will be disclosed separately as an investor explanatory material.

### Principle-1 Use of Proceeds

| Ref. | Criteria                              | Requirements                                                                                                                                                                                                                                                             | Work Undertaken                                                                                                                    | DNV Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1a   | Types of green finance                | <p>The types of green finance are classified into one of the following types defined by GBP and SBP.</p> <ul style="list-style-type: none"> <li>• (Standard) Green Finance</li> <li>• Green Revenue Finance</li> <li>• Green Project Finance</li> <li>• Other</li> </ul> | <p>Confirmed documents</p> <ul style="list-style-type: none"> <li>- Framework</li> </ul> <p>Consultation with TSH stakeholders</p> | <p>DNV has confirmed through interviews etc. that the green finance falls into the following categories.</p> <p>Based on the framework formulated by Sapporo City and Hokkaido, financing executed by businesses operator and other entities is generally "(standard) green finance," but other types may be issued. DNV has confirmed that the type is clearly specified in the materials related to green finance.</p>                                                                                                                                                                                                                                                                                                                                                             |
| 1b   | Sustainability project classification | <p>The key to a green finance is that the proceeds will be used for a sustainability project, which should be properly stated in the legal documents relating to the security.</p>                                                                                       | <p>Confirmed documents</p> <ul style="list-style-type: none"> <li>- Framework</li> </ul> <p>Consultation with TSH stakeholders</p> | <p>DNV has confirmed that the eligible projects and regional sustainability criteria of Sapporo City and Hokkaido set out in the Framework are classified into the following typical green and social eligibility categories, which are classified in GBP and SBP.</p> <p>&lt;Green projects&gt;</p> <ul style="list-style-type: none"> <li>- Renewable energy (Offshore Wind Power)</li> <li>- Environmentally Friendly Products, Environmentally Friendly Production Technologies and Processes (Hydrogen)</li> <li>- Energy efficiency (Data Centers, Storage Batteries)</li> </ul> <p>&lt;Social projects&gt;</p> <ul style="list-style-type: none"> <li>- Socio-economic advancement and empowerment</li> <li>- Job Creation</li> <li>- Other (regional coexistence)</li> </ul> |

| Ref. | Criteria                          | Requirements                                                                                                                                                                                                                                                                                  | Work Undertaken                                                              | DNV Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1c   | Environmental and social benefits | All eligible projects to which the proceeds are used should have clear environmental, social, or both benefits, the effects of which should be assessed by the business operator and, where possible, quantitatively demonstrated.                                                            | Confirmed documents<br>- Framework<br><br>Consultation with TSH stakeholders | DNV has confirmed through interviews etc. the following about the eligible projects and the evaluation criteria set out in the Framework:<br>DNV has confirmed that the eligible projects and the green criteria contribute to climate change mitigation (CO <sub>2</sub> emission reduction) associated with the project.<br>As for regional sustainability criteria, DNV evaluated that they have benefits in improving social issues as follows.<br>Regional economic revitalization is one of the government's eight priority issues in the "SDGs Action Plan 2022," and the standards related to regional economic revitalization have benefits for improving social issues set by the government.<br>As for regional coexistence, in recent years, in the expansion of the introduction of renewable energy in Japan, consensus building and consideration with local communities in terms of landscape and environmental impact have led to regional troubles and difficulties in business continuity in some cases, and Hokkaido is no exception. From the perspective of realizing the long-term and stable environmental benefits of eligible projects in the Framework, regional coexistence is an important regional issue and the standards related to regional coexistence have benefits for improving social issues. |
| 1d   | Refinancing rate                  | If all or part of the proceeds are used or may be used for refinancing, the business operator will indicate the estimated ratio of the initial investment to the refinancing and, if necessary, it is recommended to clarify which investment or project portfolio is subject to refinancing. | Confirmed documents<br>- Framework<br><br>Consultation with TSH stakeholders | DNV has confirmed that if the proceeds from the Framework are used for refinancing, Sapporo City and Hokkaido plan to require the business operator to include the amount allocated to each project unit and the amount allocated for refinancing in the disclosure information on proceeds allocation to be disclosed on the website, as well as the annual report submitted to Sapporo City and Hokkaido.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

## Principle-2 Process for Project Evaluation and Selection

| Ref. | Criteria                                                          | Requirements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Work Undertaken                                                                      | DNV Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2a   | Project selection process                                         | <p>The business operator of green finance should provide an overview of the process of judging eligibility of projects for which green finance proceeds will be used. This includes (but not limited to):</p> <ul style="list-style-type: none"> <li>• The process by which the business operator determines that the target project complies with the evaluation criteria.</li> <li>• Creation of criteria for eligibility of projects for which green finance proceeds will be used</li> <li>• Environmental and social sustainability goals</li> </ul> | <p>Confirmed documents<br/>- Framework</p> <p>Consultation with TSH stakeholders</p> | <p>DNV has confirmed through interviews etc. that Sapporo City and Hokkaido have documented registration schemes to determine whether eligible projects of business operators using the Framework meet the evaluation criteria, and outline them in the Framework.</p>                                                                                                                                                                                                                                                                                                                                  |
| 2b   | Business operator's environmental and social governance framework | <p>In addition to criteria and certifications, the information published by the business operator regarding the green finance process also considers the quality of performance of the business operator's framework and environmental sustainability.</p>                                                                                                                                                                                                                                                                                                | <p>Confirmed documents<br/>- Framework</p> <p>Consultation with TSH stakeholders</p> | <p>DNV has confirmed through interviews etc. that the requirements shown on the left were met. Specifically, they are as follows:</p> <ul style="list-style-type: none"> <li>• The evaluation criteria formulated by Sapporo City and Hokkaido require that there is no significant adverse impact from project implementation (DNSH: Do No Significant Harm), and projects that do not meet DNSH are not eligible.</li> <li>• The conformity of the project to the evaluation criteria will be carried out by a third-party evaluation by an external reviewer with appropriate competence.</li> </ul> |



### Principle-3 Management of Proceeds

| Ref. | Criteria             | Requirements                                                                                                                                                                                                                                                                                                                        | Work Undertaken                                                              | DNV Findings                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3a   | Tracking procedure-1 | The net proceeds from green finance should be managed in sub-accounts, included in sub-portfolio, or otherwise tracked by an appropriate method. It should also be certified by the business operator in a formal internal process related to the business operator's investment and financing operations for the eligible project. | Confirmed documents<br>- Framework<br><br>Consultation with TSH stakeholders | DNV has confirmed that Sapporo City and Hokkaido require the business operator to track and manage the proceeds in a method that is controlled by the business operator's internal processes and is explained to the funders in advance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3b   | Tracking procedure-2 | During the green finance redemption period, the balance of proceeds that is being tracked should be adjusted at regular intervals to match the amount allocated to eligible projects undertaken during that period.                                                                                                                 | Confirmed documents<br>- Framework<br><br>Consultation with TSH stakeholders | DNV has confirmed through interviews etc. that Sapporo City and Hokkaido require the business operator to track and manage the proceeds that are controlled by the business operator's internal processes and that have been informed to funders in advance to ensure that the proceeds are allocated only to eligible projects. Specifically, as for the allocation status of proceeds, Sapporo City and Hokkaido require the business operator to check regularly at least once a year until the redemption or repayment of proceeds to ensure that the allocation amount of the eligible project is equal to or exceeds the proceeds, or that the total amount of the allocated amount to the eligible project and unallocated proceeds are aligned with the total amount of proceeds. Sapporo City and Hokkaido also require that the management of proceeds is supplemented by an external auditor or other third-party organization. |
| 3c   | Temporary holding    | If no investment or payment has been made in an eligible project, the business operator should also inform the investor of the possible temporary investment method for the balance of unallocated proceeds.                                                                                                                        | Confirmed documents<br>- Framework<br><br>Consultation with TSH stakeholders | DNV has confirmed through interviews etc. that Sapporo City and Hokkaido require the business operator to explain to funders in advance how to manage the unallocated proceeds until the proceeds are allocated to eligible projects, and to strive to allocate the unallocated proceeds to eligible projects as soon as possible.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Ref. | Criteria | Requirements | Work Undertaken | DNV Findings                                                                                                                                                                                                                       |
|------|----------|--------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|      |          |              |                 | DNV has also confirmed that Sapporo City and Hokkaido require the business operator to manage the unallocated proceeds by assets with high safety and liquidity, such as cash or cash equivalents and short-term financial assets. |

## Principle-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, the business operator should provide a list of each project including the following at least once a year for projects to which the green finance proceeds have been allocated:</p> <ul style="list-style-type: none"> <li>- Confidentiality and competitive considerations</li> <li>- Overview, expected sustainable environmental and social benefits of each project</li> </ul> | <p>Confirmed documents</p> <ul style="list-style-type: none"> <li>- Framework</li> </ul> <p>Consultation with TSH stakeholders</p> | <p>DNV has confirmed through interviews etc. that Sapporo City and Hokkaido require the business operator to conduct annual reporting on green finance at least until the proceeds is fully allocated, and disclose information on the allocation status of proceeds, the projects to which the proceeds have been allocated or environmental benefits, and compliance with regional sustainability criteria.</p> <p>Specifically, in accordance with the "Annual Report," Sapporo City and Hokkaido require the business operator to inform the funders or disclose on the business operator's website with information on eligible projects, allocation status of proceeds, environmental benefits, and compliance with regional sustainability criteria within the scope of confidentiality and to the extent reasonably practicable. Sapporo City and Hokkaido plan also to require the business operator to submit information to Sapporo City and Hokkaido in the "Annual Report."</p> |