

Verifier Name: Japan Credit Rating Agency, Ltd.

Limited Assurance Report

Pre-Issuance Verification Report of Long Term Loans borrowed by PET Refine Technology Co., Ltd.

Assurance Conclusion

Based on our limited assurance procedures, as described in this statement as of 31/January/2020, nothing has come to our attention which causes us to believe that Long Term Loans borrowed by PET Refine Technology Co., Ltd. does not meet the requirements of the Climate Bond Standard v2.1.

Scope of Work

PET Refine Technology Co., Ltd. is preparing to borrow the loans and intends to use the proceeds to finance investment in chemical recycling facility of consumed PET bottles (the “Eligible Green Projects”). PET Refine Technology Co., Ltd. commissioned JCR as an independent approved verifier Under the Climate Bonds Standard to conduct the Pre-issuance verification with Limited Assurance of the Green Loans (hereinafter, “Loan”).

JCR engaged in this assurance services from 25 November 2019 to 31 January 2020.

Independence and Quality Control

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

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

Criteria

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

- The Climate Bonds Standard v2.1 (‘CBS’) and the Waste Management Criteria (V1.0) dated December 2019

Responsibilities of PET Refine Technology Co., Ltd.

PET Refine Technology Co., Ltd. is responsible for the collection, preparation and presentation of the subject matter in accordance with the Criteria and for maintaining adequate records and internal controls that are designed to support the Loan.

Responsibilities of JCR

JCR is responsible for reviewing the information and documentation provided and developed by PET Refine Technology Co., Ltd. to assess the Green Loan's alignment with the CBS requirements:

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

JCR is conducting the following procedures for verification;

- Requesting the entity to provide qualified and reliable information for verification to JCR.
- Assessing the alignment of the Loan to Climate Bonds Standard and associated documentation provided by the Entity.
- Interviews of the Entity's relevant staff and managers related to the Eligible Green Expenditures to be financed by this Loan and those who plan the corporate's sustainability strategy.
- Assessment of evidences provided by PET Refine Technology Co., Ltd. against the Climate Bonds Standard 2.1. and the Waste Management Sector Criteria (December 2019)
- Setting up an internal committee to generate this Assurance Report and its conclusions.
- Providing this Limited Assurance Report.

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

Level of Assurance

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

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

Restriction on Distribution and Use of Assurance Report

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

Verifier's Signature

Japan Credit Rating Agency, Ltd.



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[January 31, 2020]

ANNEX 1: Pre-Issuance Checklists

1. Selection of Nominated Projects & Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p>1.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:</p> <p>1.1.1. A statement on the environmental objectives of the bond.</p> <p>1.1.2. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B of the Climate Bonds Standard.</p>	<p>The borrower establishes and documents a decision-making process which it uses to determine the continuing eligibility of the nominated projects and assets in its green finance framework (Annex 2). It includes a statement on the environmental objectives and a process to determine the nominated projects.</p> <p>Evidenced documents: Annex 2; Green Finance Framework (hereinafter, ANNEX 2)</p>	✓
<p>1.2. All Nominated Projects & Assets which are proposed to be associated with the bond shall meet the bond's documented objectives as stated under Clause 1.1 and will conform to the eligibility requirements under Part B of the Climate Bonds Standard.</p>	<p>The nominated project is a new investment to refurbish and resume operation of a plant located in Kawasaki City, Kanagawa Prefecture, which are facilities for chemical recycling of consumed PET bottles.</p> <p>(For more details of the project, please refer to ANNEX 2 and ANNEX 3, Technical Report produced by E&E Solutions (hereinafter, "ANNEX 3")).</p> <p>This nominated project is in line with the environmental objective of PET Refine Technology, that is, to contribute to realize a circular economy.</p> <p>JCR, together with sub-contractor E&E Solutions, an environmental technical expert, implemented technical verification of the project's eligibility as a Climate Bonds through documents provided and onsite examinations. JCR and E&E Solutions found that, with respect to the above procedures, the use of proceeds conform to the</p>	✓

	<p>eligibility requirement of Requirement 9 (Climate Bonds Taxonomy) under Part B of the CBS and the Waste Management Criteria as of December 2019. Among the sectors prescribed in Waste Management Criteria, the project conforms to “Material recycling: post-consumer waste facilities which recycle the secondary raw materials (plastic bottles) cease to be waste and are sold to be used as secondary raw materials.</p> <p>Evidenced documents: ANNEX 2, ANNEX 3</p>	
<p>1.3 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.</p>	<p>The borrower clarified its green eligible project category in its ANNEX 2.</p> <p>It submitted a list including description of the use of proceeds and fund allocation plan to the lender and to JCR.</p> <p>Evidenced documents: ANNEX 2</p>	✓
<p>1.4. Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds or that the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.</p>	<p>Due to the following reasons, the eligible green projects and assets are not nominated to other Certified Climate Bonds (all debt instruments included in the definition in CBS including green loans).</p> <ol style="list-style-type: none"> 1) It is the first green bond issued by PET Refine Technology. 2) All the proceeds are planned to use for new investments. <p>Evidenced documents: Simulation Cash Flow</p>	✓
<p>1.5 The expected Net Proceeds of the bond shall be no greater than the Issuer’s debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects &</p>	<p>JCR affirmed that net proceeds of the loans are no greater than the borrower’s debt obligation to the proposed nominated projects through the investment plan submitted by the borrower.</p>	✓

Assets which are owned by the Issuer.	Evidenced documents: Investment Plan including simulated cash flows	
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2. Internal Processes & Controls		
Climate Bonds Standard Requirement	Findings	Requirement Met
2.1. Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.	<p>The borrower will manage the proceeds by separated sub-account exclusively for this project. It will prepare a management ledger in order to check the allocation status by items monthly.</p> <p>The management process will be the subject of an internal and external audit to be conducted by a professional accountant in order to ensure appropriate internal controls.</p> <p>Evidenced documents: ANNEX 2, Management ledgers</p>	✓
2.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2	<p>The borrower will manage unallocated proceeds in a separated account as cash or cash equivalents in accordance with the requirement stipulated in Requirement 6.2. of CBS.</p> <p>Evidenced documents: ANNEX 2</p>	✓
2.3 Earmarking funds to Nominated Projects & Assets: An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.	<p>Earmarked funds for the eligible green project will be managed and funded in accordance to the fund allocation plan and its process.</p> <p>It is clarified that all the proceeds will be used for new investment.</p> <p>Evidenced documents: Fund raising and allocation plan, ANNEX 2</p>	✓

3. Reporting Prior to Issuance		
Climate Bonds Standard Requirement	Findings	Requirement Met
The Issuer shall disclose in the Bond Disclosure Documentation:		
3.1. The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.	<p>The borrower will disclose to the lender its investment areas into which the green eligible projects fall through the following documents;</p> <p>Evidenced documents: ANNEX 2, ANNEX 3 and Investment Plan with simulation cash flows.</p>	✓
3.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Requirement 2.2.	<p>The borrower will disclose to the lender the intended types of temporary investment instruments as cash and cash equivalent in ANNEX 2.</p> <p>Evidenced documents: ANNEX 2</p>	✓
3.3. The Verifier selected by the Issuer for the pre-issuance and the post-issuance engagements.	<p>The borrower selected JCR (including technical assessment made by E&E Solutions) for the Verifier of pre-issuance and the post-issuance engagements. The borrower will disclose to the lender the verification report and technical assessment report to the lender.</p> <p>Evidenced documents: Annex 2 and ANNEX 3</p>	✓
3.4. Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance Engagements	<p>JCR will undertake periodic assurance engagements within 12 months after the implementation of the loans and annually during the repayment period to reaffirm conformance with the CBS.</p> <p>Evidenced documents: Verification application form (JCR-PRT contract)</p>	✓

4. Climate Mitigation Checklist		
Climate Bonds Standard Requirement	Eligibility Criteria	Met
Recycling and Reuse (Table 6, page 11 of the Waste Management Criteria, December 2019)	The secondary raw materials (such as steel, aluminum, glass, plastics) cease to be waste and are sold to be used as secondary raw materials.	✓

5. Climate Adaptation and Resilience Checklist		
Climate Bonds Standard Requirement	Findings	Requirement Met
Section 1: The issuer identifies the climate related risks and vulnerabilities to the asset/site		
<p>Processes are in place (as part of both the asset design and ongoing management) to assess key risks to the assets from a changing climate.</p> <p>These key risks should include the following, plus any others felt to be of concern for the operation of these assets. The risks should be identified and interpreted in terms of the impact on the asset and the related effects for the business – e.g. impact on operating feasibility and schedules, and potential system outages, impact on maintenance requirements etc.</p> <p>N.B. This list taken from World Banks Climate and Disaster Risk Assessment Tool</p> <ul style="list-style-type: none"> • Temperature changes, and extremes in temperature • Extreme precipitation and flooding • Drought • Sea level rise and storm surge 	<ul style="list-style-type: none"> • The Borrower has established a Crisis Management Manual (contingency plan) which addresses possible damages from typhoon, high tide, extreme water, flood, etc. incorporating climate change risks and stipulates countermeasure policies in the disaster prevention rules. • The Manual is planned to be reviewed annually after the evacuation drills will be conducted. • The plant is located in a special disaster prevention area based on Japan's relevant laws and is identified as special operation office. It locates in the area where the laws designate any facilities located in this area as a special operation office. A special operation office is responsible for preventing the disasters. In order to do so, they prepare disaster preventing equipment/facilities in its plant and it is also required to establish disaster prevention rules. These are the obligations of the designated special operation offices under the law. • The hazard map made by the local government of Kawasaki-City, the plant may be susceptible to flooding in case of high tides. In order to adapt and mitigate this risk, the plant area is 1 meter 	✓

<ul style="list-style-type: none"> ● Strong winds <p>How these affect the asset or site in question will be highly variable and will be for the issuer to identify and relate to their operations. These assessments should use climate information, modelling and scenarios from a peer-reviewed source.</p> <p>This assessment should be done regularly. The frequency of the assessment will depend on the nature of the climate related risks and vulnerabilities, and should be specified by the issuer and reported against in subsequent annual reporting.</p>	<p>higher than the neighboring lands. Risk assessments are made utilizing government published data.</p> <p>From the above, JCR affirms that processes are in place to assess key risks to the assets from a changing climate.</p> <p>Evidenced documents: Relevant laws (Oil complex disaster prevention acts), Crisis Management Manual, Total Risk Management System, facilities disaster mitigation measures</p>	
<p>Section 2: The issuer identifies the impacts in larger context (spatially and temporally) beyond the asset/site (i.e. the impacts of the underlying assets and projects on the broader ecosystem and stakeholders in that ecosystem)</p>		
<p>Processes should be in place (as part of both the asset design and ongoing management) to assess the impact of the waste management asset on the climate resilience of other stakeholders in the social, economic and environmental system in which it operates and how to mitigate or reduce any negative impacts</p> <p>These assessments address:</p> <p>Any ways in which waste management facilities might affect the climate resilience of other users/stakeholders?</p> <p>Any ways in which waste management facilities improve the adaptation capacity of other users/stakeholders?</p> <p>For example, they may include:</p> <p>Impact on water quality and quantity for</p>	<ul style="list-style-type: none"> ● The plant has established disaster prevention rules and its members of staff participate in the region's disaster prevention committee to share the possible adverse impacts from the disasters in larger context. ● The wastewater from the plant is appropriately treated and is released to the outside as clean water. Waste is treated as industrial waste materials and part of it will be sold as recycling materials. ● In the event of fire, necessary evacuation plans are stipulated. The plant has set up self-powered generation facilities in case of blackout. ● The plant is located in industrial area and, therefore, there are no schools, hospitals or housing in its proximity. <p>Based on the above, JCR confirms that:</p> <ul style="list-style-type: none"> ● processes are in place (as part of both the 	<p>✓</p>

<p>other users in the basin</p> <p>Waste and pollution emitted</p> <p>Fire hazards</p>	<p>asset design and ongoing management) to assess the impact of the asset on the climate resilience of other stakeholders in the social, economic and environmental system in which it operates</p> <ul style="list-style-type: none"> • The facility has processes in place that mitigate or reduce any negative impacts on other stakeholders <p>Evidenced documents: Relevant laws (Oil complex disaster prevention acts), Crisis Management Manual, Total Risk Management System, facilities disaster mitigation measures</p>	
<p>Section 3: The issuer has designed and implemented strategies to mitigate and adapt to these climate risks and vulnerabilities</p>		
<p>An adaptation plan has been designed and is being implemented to address the risks identified in the assessments above.</p> <p>The issuer has designed or amended asset maintenance plans to ensure that scheduled maintenance is sufficient to cope with the ongoing impacts of climate change; and a plan has been established to govern how to approach emergency maintenance needs arising from sudden climate change impacts (e.g. extreme storms).</p> <p>The issuer has training, capacity and governance arrangements in place for how the organisation will deal with the impacts of exceptional events (e.g. droughts, floods, severe pollution events, extreme storms, winds etc.).</p> <p>The issuer has monitoring and reporting</p>	<ul style="list-style-type: none"> ● The borrower has established a Crisis Management manual. It stipulates periodical training, emergency process, etc and it will be revised, if necessary, after considering any new risk assessment. ● The plant aligns to disaster prevention plans in the bay area in Kawasaki-City as well as to regional adaptation plans. ● The plant has nominated a disaster prevention administrator and members of staff are periodically trained accordingly. ● In order to prevent heat illness, the facility's management team will educate members of staff to drink water and rest sufficiently. In addition, a safety committee will also conduct training sessions to members of staff. <p>Based on the above, JCR confirms that facility has a policy to mitigate and adapt to the climate risk. Once the plant will re-open, it is planned to operate in compliance with the rules and process described</p>	<p>✓</p>

<p>systems and processes to identify high risk scenarios.</p> <p>The issuer has contingency plans to address disruption to operations or loss of the asset and any resulting environmental or social damage.</p> <p>The issuer has processes for feeding risk assessment back into decision-making.</p> <p>The issuer has a budget allocated to implementing the adaptation plan and has a named member of staff responsible for its implementation.</p> <p>The issuer complies with any existing broader or higher-level adaptation plans, such as NAPAs.</p>	<p>above.</p> <p>Evidenced documents: Relevant laws (Oil complex disaster prevention acts), Crisis Management Manual, Total Risk Management System, facilities disaster mitigation measures.</p>	
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ANNEX 2: Green Finance Framework PRT

ANNEX 3: Technical Due Diligence Report of Chemical Recycling Plants (Technical Evaluation Report on Qualified Green Projects)

ANNEX 4: List of Verification Procedures Performed by the Verification Team to Verify Compliance of the Green Loan with CBS

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