

Second-Party Opinion

Asahi Kasei Corp.

Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Asahi Kasei Corp.'s (Asahi Kasei and the Company) Green Bond Framework (the Framework) is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP). This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds Renewable energy, is aligned with those recognized by the GBP. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goal (SDG) 7.



PROJECT EVALUATION / SELECTION Asahi Kasei's Sustainability Strategy Planning Dept. and Energy Division identify candidate projects for the allocation of proceeds based on the eligibility criteria. The projects are re-evaluated and selected by the Sustainability Strategy Planning Dept., Corporate Strategy Dept. and Corporate Finance Dept. based on the eligibility criteria as well as Asahi Kasei's Group Philosophy and Group Vision. The projects selected will be subject to final verification based on the business's eligibility at the Management Council, which is chaired by the President. Sustainalytics considers the Company's project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Asahi Kasei's Corporate Finance Dept. will track the amount of allocated and unallocated proceeds of the green bond based on its management flow biannually, using internal management systems. Unallocated proceeds will be held in cash or cash equivalents. Sustainalytics views the Company's process for management of proceeds in line with market practice.



REPORTING Asahi Kasei intends to report on the allocation of proceeds and environmental positive impacts on its website and sustainability report annually. The allocation reporting includes an overview of projects financed by the proceeds, the amount and share of allocated proceeds, and the amount and share of proceeds allocated to financing and refinancing. The environmental impact reporting includes quantitative environmental impact metrics, including the amount of hydroelectric power generated (MW) by financed renovated facilities and the amount of CO₂ emissions reduced (t-CO₂). Sustainalytics considers the Company's reporting as being aligned with market practices.

Evaluation date	31 March 2020
Issuer Location	Tokyo, Japan

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Alignment with Japan's Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with Japan's Green Bond Guidelines 2020. The guidelines communicate what an issuer is expected to do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between the Framework and the 'requirements of' items outlined in the Japan's Green Bond Guidelines 2020.

Introduction

Asahi Kasei Corporation (“Asahi Kasei” or “the Company”) is the operating holding company of the Asahi Kasei Group (“Asahi Kasei Group” or “the Group”), a leading comprehensive chemical enterprise group in Japan. Founded in 1922, the Company is headquartered in Tokyo, Japan, and together with six core operating companies, the Company operates in the three business segments of “material segment,” “homes segment,” and “health care segment.”

Asahi Kasei has developed the Asahi Kasei Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance and/or refinance projects related to hydroelectric power that increase the use of renewable energy in the company's business operations. The Framework defines eligibility criteria in the following area:

1. Renewable energy (Hydroelectric power)

Asahi Kasei engaged Sustainalytics to review the Framework, dated March 2020 and provide a second-party opinion on the Framework's environmental credentials and its alignment with the GBP,¹ and Japan's Green Bond Guidelines 2020.² A summary overview of the Framework has been provided in Appendix 1.

As part of this engagement, Sustainalytics held conversations with various members of Asahi Kasei's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Asahi Kasei's Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

¹ International Capital Market Association, “The Green Bond Principles (GBP)”, at: <https://www.icmagroup.org/green-social-and-sustainabilitybonds/green-bond-principles-gbp/>

² Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Asahi Kasei Green Bond Framework

Summary

Sustainalytics is of the opinion that the Asahi Kasei Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - Asahi Kasei's eligibility criteria specifies capital expenditures and maintenance expenditures that would lead to enhanced power output and extended service life of existing hydroelectric power facilities as the use of proceeds. The eligible use of proceeds category, renewables energy, is recognized by the Green Bond Principles as a project category with environmental benefits. Asahi Kasei owns nine hydroelectric power facilities in Miyazaki and Kumamoto Prefecture, and the facilities currently meet approx. 14% of the power consumption needs³ in the Group's domestic business operations. Sustainalytics considers that projects related to hydroelectric power facilities will contribute to reducing Asahi Kasei's environmental burdens and be measures against climate change in society. Please see Section 3 for Sustainalytics' assessment on the use of proceeds.
 - Asahi Kasei is committed to allocating the proceeds to expenditures of run of river hydroelectric power facilities with a generating capacity of between 5 and 20 MW and renovation and maintenance of those facilities. Run-of-river hydroelectric power facilities generate power using the natural flow of river water and difference in water levels with no impounding of water required.
 - The Framework limits the eligible projects for the use of proceeds to run-of-river hydroelectric power facilities with a generating capacity of up to 20 MW and also defines exclusionary criteria for power generation systems using fossil fuels and hydroelectric power facilities with a generating capacity of over 20 MW. Sustainalytics positively views those restrictions to the use of proceeds as conducive to reducing environmental risks.
 - Asahi Kasei intends to allocate the green bond proceeds to new and/or existing projects. The Company applies a lookback period of 24 months for refinancing existing projects.
- Project Evaluation and Selection:
 - Sustainability Strategy Planning Dept. and Energy Division identify candidate projects for the allocation of proceeds based on the eligibility criteria. The projects are re-evaluated and selected by the Sustainability Strategy Planning Dept., Corporate Strategy Dept. and Corporate Finance Dept. based on the eligibility criteria as well as Asahi Kasei's Group Philosophy and Group Vision. Projects selected will be subject to final verification based on the business's eligibility at the Management Council, which is chaired by the President. Sustainalytics considers that the Company's project evaluation and selection process is in line with market practice.
- Management of Proceeds:
 - Asahi Kasei's Corporate Finance Dept. will track the amount of allocated and unallocated proceeds of the green bond issuance based on its existing management flow biannually, using internal management systems. Unallocated proceeds will be held in cash or cash equivalents. Sustainalytics views that the Company's process for managing proceeds is in line with market practice.
- Reporting:
 - Asahi Kasei intends to report on the allocation of proceeds on its corporate website and sustainability report annually until the amount of proceeds is fully allocated. The report includes an overview of projects financed, the amount and share of proceeds allocated to each eligible project, and the share of the amount allocated to financing and refinancing, and the amount of

³Asahi Kasei Corp., "Sustainability Report 2019 Asahi Kasei Group", at: https://www.asahi-kasei.co.jp/asahi/jp/sustainability/basic_information/library/report/pdf/sustainability_report2019jp.pdf

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unallocated proceeds. The Company has committed to disclosing the allocation of proceeds on a timely basis in the event that material changes occur including after full allocation. The Company intends to disclose an annual impact report on its corporate website and sustainability report until the maturity of the green bond. Quantitative environmental impact metrics reported includes the total capacity of hydroelectric power generation run by the company (MW), hydroelectric power generation capacity (MW) and the amount of CO₂ emissions reduced (t-CO₂) by renovated facilities financed by the proceeds. Sustainalytics considers the Company's reporting as being aligned with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2020

Japan's Green Bond Guidelines 2020 communicate what an issuer is expected to do to issue a credible green bond, and also highlight what an issuer is recommended to do. Sustainalytics assessed the alignment between the Framework and the 'requirements of' items outlined in the Japan's Green Bond Guidelines 2020.

GBP and Japan's Green Bond Guidelines 2020	Alignment with GBP and with Japan's Green Bond Guidelines 2020	Sustainalytics' comments on alignment with Japan's Green Bond Guidelines 2020
1. Use of Proceeds	Yes	Projects related to hydroelectric power facilities, specified by Asahi Kasei within the Framework, are recognized by Japan's Green Bond Guidelines 2020 as a project category with clear environmental benefits. In the Framework, the Company also provides explanations about environmental risks associated with eligible projects and its measures to mitigate such risks, and allows investors to access them in advance. Additionally, when green bonds are issued to refinance the asset, Asahi Kasei will report on an overview of the asset and the amount to be refinanced at the time of issuance. Furthermore, the Company has confirmed to Sustainalytics that the overview will include the date of commencement of operation of the facility, the estimated completion date, and remaining useful life.
2. Process for Project Evaluation and Selection	Yes	Asahi Kasei describes in the Framework its medium-term management initiative and environmental targets it aims to achieve through the issuance of the Green Bond. The Framework also specifies the eligibility criteria for the use of proceeds and exclusionary criteria to eliminate potential significant risks on the environment and society, and explains that Asahi Kasei's Sustainability Strategy Planning Dept. and Energy Division identifies candidate projects, and the

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		Sustainability Strategy Planning Dept., Corporate Strategy Dept. and Corporate Finance Dept. will evaluate and select projects based on these criteria.
3. Management of Proceeds	Yes	The Framework explains that Asahi Kasei's Corporate Finance Dept. is assigned to tracking the amount of allocated and unallocated proceeds of the Green Bond issuance biannually, using internal management systems. In addition, the Framework states that the Company will allocate the majority of the proceeds to eligible projects within about three years, and explains that unallocated proceeds will be held in the form of cash or cash equivalents.
4. Reporting	Yes	Asahi Kasei is committed in the Framework to reporting on the allocation of proceeds annually on its corporate website until the proceeds are fully allocated to eligible projects. The disclosure will include an overview of projects financed (including allocation schedule), the amount and percentage of proceeds allocated to each eligible project, the percentage of the proceeds allocated to refinancing, and the amount of unallocated proceeds. The Company will report on the allocation of proceeds on a timely basis in the event that material changes occur including after full allocation. The Company is also committed to annually disclosing environmental impact metrics regarding eligible projects on its corporate website and sustainability report until the maturity of the Green Bond. Quantitative environmental impact metrics reported will include the total capacity of hydroelectric power (MW), as well as power generation capacity (MW) and amount of CO ₂ emissions reduced (t-CO ₂) of renovated facilities.

Section 2: Sustainability Strategy of Asahi Kasei

Contribution of framework to Asahi Kasei's sustainability strategy

Sustainalytics is of the opinion that Asahi Kasei has integrated its sustainability efforts into a management strategy by setting the following policies and targets and has articulated its commitment to ensuring sustainability through its business activities.

- The Asahi Kasei Group sets out "harmony with the natural environment" as the Group Vision ⁴ and considers implementing global environmental measures as a priority issue for management. Asahi Kasei has also formulated the Asahi Kasei Group's Global Environmental Policy⁵ and is committed to working on the following initiatives through the provision of products and services and its business activities: (1) Establishing a low-carbon society, (2) Preserving water resources, (3) Recycling, (4) Achieving harmony with nature, (5) Managing overseas locations (plants) and (6) Collaborating with the supply chain.

⁴ Asahi Kasei Corp. "Group Philosophy", at: <https://www.asahi-kasei.co.jp/asahi/en/aboutasahi/philosophy/>

⁵ Asahi Kasei Corp. "Environmental Management", at: <https://www.asahi-kasei.co.jp/asahi/en/sustainability/environment/management/>

- Asahi Kasei formulated the three-year medium-term management initiative “Cs+ for Tomorrow 2021” starting from FY2019, under which the Company defined sustainability for Asahi Kasei as contributing to sustainable society and focusing on the sustainable growth of corporate value.⁶ Under this initiative, Asahi Kasei has set a target of reducing the Group’s GHG emissions intensity per net sales (domestic and overseas) by 35% by FY2030 compared with the FY2013 level. To achieving this target, Asahi Kasei is promoting the use of renewables in its own production processes. As of the end of March 2019, the hydroelectric power plants owned by Asahi Kasei provided approximately 14% of the Group’s domestic electricity consumption.⁷

Considering Asahi Kasei’s sustainability policies, targets, and initiatives mentioned above, Sustainalytics is of the opinion that the Company is well positioned to issue Green Bonds. Sustainalytics also considers that the Company’s use of proceeds specified in the Framework will contribute to achieving the Group Vision, the Asahi Kasei Group’s Global Environmental Policy, and the medium-term management initiative “Cs+ for Tomorrow 2021.”

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that, while Asahi Kasei’s eligible projects related to hydroelectric power generation, specified in the Framework as the use of proceeds, have environmental benefits, they may potentially have negative impacts on the environment and society. The major potential risks arising from such project include the occurrence of adverse impacts on the ecosystem accompanying renovation works and operations of power generation systems, conflict with local residents, noise and vibration, and workplace injuries. Asahi Kasei has established the following systems and processes designed to reduce such risks.

- Asahi Kasei has shown its commitment within its Framework that it will confirm the following in the project selection process: (1) compliance with environmental laws and regulations in the country and municipality in which the project is located; (2) implementation of the environmental impact study when required by laws and regulations; (3) provision of briefing for local residents on the construction and environmental impact of the hydroelectric power facilities; and (4) no adverse impacts will occur on water volume and quality upstream and downstream of the power generation system through the pre-survey of impacts on ecosystems and installation of clarifiers. Under the Environmental Impact Assessment Act in Japan, hydroelectric power facilities with a generating capacity of less than 20 MW are not subject to an environmental impact assessment. Considering this, Sustainalytics positively evaluates that Asahi Kasei has voluntarily established a process in the project selection process to ensure the provision of briefing to residents and the verification of project’s impacts on the volume and quality of water.
- The Asahi Kasei Group has introduced the Occupational Health & Safety Management System (OHSMS) to more than 90% of its offices and plants and is working on reducing the risk of workplace injuries by implementing risk assessments and management based on the Plan-Do-Check-Act (PDCA) cycle.⁸

Considering the above, Sustainalytics is of the opinion that Asahi Kasei is well positioned to reduce environmental and social risks associated with eligible Green Bond projects.

Section 3: Impact of Use of Proceeds

The use of proceeds category described in the Framework, Renewable energy, is recognized by the GBP and Japan’s Green Bond Guidelines 2020 as projects that produce positive environmental impacts. Sustainalytics explains why this project category produce positive environmental impacts in Japan as follows:

Importance of hydroelectric power in Japan

Following the Great East Japan Earthquake and the accident at the Fukushima Daiichi Nuclear Power Plant that occurred in 2011, Japan set a policy to reduce its dependence on nuclear power generation and introduce renewable energy sources as much as possible. The Long-term Demand and Supply Outlook⁹, issued in 2015,

⁶ Asahi Kasei Corp. “Medium-term management initiative Cs+ for Tomorrow 2021”, at: <https://www.asahi-kasei.co.jp/asahi/en/ir/library/initiative/pdf/e190529en.pdf>

⁷ Asahi Kasei Corporation “Sustainability Report 2019 (Japanese)”, at: https://www.asahi-kasei.co.jp/asahi/ip/sustainability/basic_information/library/report/pdf/sustainability_report2019jp.pdf

⁸ Asahi Kasei Corporation “Occupational Health and Safety”, at: <https://www.asahi-kasei.co.jp/asahi/en/sustainability/social/workplace/>

⁹ Ministry of Economy, Trade and Industry, “Long-term Energy Supply and Demand Outlook”, at: https://www.meti.go.jp/english/press/2015/pdf/0716_01a.pdf

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established a target to increase the composition of renewable energy sources in the total generated energy in FY2030 to 22–24% (of which, 8.8–9.2% should come from hydroelectric power generation) from 10% before the Great East Japan Earthquake. The Fifth Strategic Energy Plan, approved by the Cabinet in 2018¹⁰, set out a policy to work to make renewable energy the primary power source with an eye on 2050 and designated hydroelectric power generation as an energy source with a very stable supply. In particular, run-of-river hydroelectric power generation holds promises to play a role as a base load energy source with a low running cost.

In addition, in the “Long-Term Strategy under the Paris Agreement as Growth Strategy”¹¹, approved by the Cabinet in June 2019 based on the Paris Agreement, the Japanese government presented long-term goals of reducing GHG emissions by 80% by 2050 and aiming at net zero GHG emissions as early as possible in the second half of the 21st century. Reducing GHG emissions through the use of hydroelectric power generation, which is a low carbon energy source, will play a critical role in Japan’s achievement of its climate targets

Asahi Kasei specified in the Framework to allocate the proceeds to capital investments and maintenance works that will lead to enhanced power output and extended service life of existing run-of-river hydroelectric power facilities. Sustainalytics is of the opinion that the use of proceeds defined by the Company in the Framework will contribute to expanding the use of hydroelectric power generation and promote the achievement of Japan’s energy policies and reduction of GHG emissions.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goal and target:

Use of Proceeds Category	SDG	SDG target
Renewable energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

Asahi Kasei plans to issue Green Bonds based on its Green Bond Framework and use the proceeds to finance and/or refinance hydroelectric power projects. Sustainalytics considers that the use of proceeds defined by the Company in the Framework will not only contribute to the achievement of the Company’s sustainability goals and medium-term management initiative, but will also support the achievement of the Japanese government’s measures against climate change and related energy policies as well as the promotion of UN SDG 7.

Asahi Kasei’s use of proceeds are recognized by the GBP and Japan’s Green Bond Guidelines 2020 as a project category with clear environmental benefits. Sustainalytics views that the Company’s eligibility criteria, project evaluation and selection process, management of proceeds, and reporting policies are aligned with market practices.

Based on the above considerations, Sustainalytics is of the opinion that the Framework is credible and transparent, and in alignment with the four requirements of the GBP and Japan’s Green Bond Guidelines 2020.

¹⁰ Ministry of Economy, Trade and Industry, “Basic Energy Plan” (2018), at: https://www.meti.go.jp/english/press/2018/pdf/0703_002c.pdf

¹¹ Ministry of the Environment, “The Long-term Strategy under the Paris Agreement” (2019), at: <https://www.env.go.jp/press/111913.pdf>

Appendices

Appendix 1: Framework Overview

For the purpose of issuing green bonds, Asahi Kasei has developed the following framework which addresses the four key core components of the GBP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, in March 2020. The framework belongs to Asahi Kasei, and a summary overview has been provided below.

1. Use of proceeds

Based on the framework, the proceeds of the green bond will be allocated toward financing or refinancing expenditures or investments related to new or existing projects that meet the eligibility criteria. In the event that the proceeds will be allocated to refinance existing expenditures, such expenditures will be limited to those that have been made within 24 months prior to the date of the green bond issuance, and an overview of the relevant asset and the amount to be refinanced will be disclosed at the time of the green bond issuance.

1.1 Eligibility Criteria

Category: Renewable energy

Expenditures/investments related to renewables include the following.

■Hydroelectric power facilities

- Existing run-of-the-river hydroelectric power facilities without water reservoir with a maximum output of 5–20 MW and
- Renovation, improvement, and maintenance of systems for the purpose of increasing the efficiency of power generation and extending the service life of systems, as well as work related thereto, while working to maintain or improve the safety level in the operation of systems

Exclusionary criteria: Projects that meet the following criteria will be excluded from the use of proceeds of the green bond.

- Power generation using fossil fuels
- Large-scale hydroelectric power generation with an output of over 20 MW

2. Process for project evaluation and selection

2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

The Sustainability Strategy Planning Dept., Corporate Strategy Dept., and Corporate Finance Dept. of Asahi Kasei will evaluate and select eligible green projects, from among the potential projects identified and chosen as eligible green projects by the Sustainability Strategy Planning Dept. and Energy Division. This shall be done based on the applicability of the Group Philosophy and the Group Vision of the Company and the eligibility shall be verified at the Management Council participated in by the President.

2.2 Environmental Objectives

The Asahi Kasei Group sets out “harmony with the natural environment” as the Group Vision and considers implementing global environmental measures a priority issue. The Asahi Kasei Group developed the group policy regarding global environmental measures and environmental management systems and is promoting environmental conservation activities by setting indicators and targets. Regarding climate change measures, in particular, the Asahi Kasei Group consider climate change to be a significant issue which may affect our business operations as well as the entire society in the future. Hence, the Group has implemented climate change measures including ones to reduce greenhouse gas (GHG) emissions. The Group considers contributing to improving the global environment through its business operations as well as efforts to improve its own environmental performance to be important tasks. In the Medium-term Management Initiative “Cs+ for Tomorrow 2021,” the Group thus set a new target for reducing GHG emissions to be achieved in 2030. To reduce the global environmental burden, the amount of emissions included in the Group’s reduction target has been changed to include its overseas production sites, all consolidated subsidiaries, and generation of power sold to outside companies as well as its major domestic production sites. To meet this new goal, the Asahi Kasei Group is advancing the installation of equipment with lower GHG emissions, the conversion of fuel used in its thermoelectric power plants, and the utilization of renewables.

2.3 Process to Mitigate Environmental and Social Risks

In determining the eligibility of the project, Asahi Kasei verifies that the potential project meets the following requirements to reduce the environmental and social risks.

- The environmental laws and regulations enforced by the government and/or the local government of the location of the project are complied with and an environmental impact assessment is performed where necessary.
- Adequate explanation has been given to local residents in carrying out the project.
- Regarding hydroelectric power generation, no adverse impact will be generated on the volume and quality of water upstream and downstream of the system.

3. Management of Proceeds

The Corporate Finance Dept. of Asahi Kasei will allocate an amount equivalent to the green bond proceeds to eligible projects in accordance with the proceeds management flow. The Corporate Finance Dept. of the Company will track the amount of the proceeds from the green bond used in the eligible projects biannually by using internal management systems.

Pending allocation, Asahi Kasei intends to manage the amount equal to net proceeds in cash or cash equivalents. In addition, it is scheduled to complete allocation of most of the net proceeds in around three years after the issuance of the green bond.

4. Reporting

The Company will report on the allocation of the proceeds to eligible projects as well as environmental and social impacts of eligible projects on its corporate website and in its sustainability report on an annual basis.

4.1 Allocation reporting

Asahi Kasei will annually report on the allocation of proceeds until the proceeds are fully allocated to eligible projects. Asahi Kasei will disclose the allocation of proceeds and the overview of eligible projects financed by the proceeds on its website and sustainability report. On such occasion, the following information will be made publicly available to the extent possible in light of confidentiality requirements.

- The allocation of proceeds to each eligible project (amount/percentage of the proceeds allocated)
- Overview of the eligible projects financed by the proceeds (including allocation schedule)
- Ratio of the proceeds allocated toward new investments and refinancing
- Amount of proceeds unallocated

The first report on the allocation of proceeds will be made public within one year from the date of the green bond issuance. Asahi Kasei will timely disclose information on the allocation of proceeds in the event that material changes to the proceeds occur after full allocation.

4.1 Impact reporting

The Company will annually report on the following metrics related to the eligible projects on its corporate website and sustainability report to the extent disclosable in light of confidentiality and non-disclosure obligations until the maturity of the green bond.

- Total capacity of hydroelectric power generation (MW)
- Power generation capacity of renovated hydroelectric power generation systems (MW)
- CO₂ emissions reduction (ton/ CO₂e)

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Asahi Kasei Corp.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Asahi Kasei Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	31 March, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

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

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds Renewable energy, is aligned with those recognized by the GBP. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goal (SDG) 7.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally 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 and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Sustainability Strategy Planning Dept. and Energy Division identifies candidate projects for the allocation of proceeds based on the eligibility criteria. The projects are re-evaluated and selected by the Sustainability Strategy Planning Dept., Corporate Strategy Dept. and Corporate Finance Dept. based on the eligibility criteria as well as Asahi Kasei's Group Philosophy and Group Vision. The projects selected will be subject to final verification based on the business's eligibility at the Management Council, which is chaired by the President. Sustainalytics considers the Company's project evaluation and selection process to be in line with market practice.

Evaluation and selection

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

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- Summary criteria for project evaluation and selection publicly available
 Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Asahi Kasei's Corporate Finance Dept. will track the amount of allocated and unallocated proceeds of the green bond based on its management flow biannually, using internal management systems. Unallocated proceeds will be held in cash or cash equivalents. Sustainalytics views the Company's process for management of proceeds in line with market practice.

Tracking of proceeds:

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

Additional disclosure:

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

4. REPORTING

Overall comment on section (*if applicable*):

Asahi Kasei intends to report on the allocation of proceeds and environmental positive impacts on its website and sustainability report annually. The allocation reporting includes an overview of projects financed by the proceeds, the amount and share of allocated proceeds, and the amount and share of proceeds allocated to financing and refinancing. The environmental impact reporting includes quantitative environmental impact metrics, including the amount of hydroelectricity generated (MW) by financed renovated facilities and the amount of CO2 emissions reduced (t-CO2). Sustainalytics considers the Company's reporting as being aligned with market practices.

Use of proceeds reporting:

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

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other (please specify): In a timely manner in the event of significant change | |

Impact reporting:

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

Frequency:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Total capacity of hydroelectric power generation (MW), Power generation capacity of renovated hydroelectric power generation systems (MW) |

Means of Disclosure

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

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

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

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

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