

Chubu Electric Power Green/Transition Finance Framework

1. Introduction

Chubu Electric Power Group runs a diverse array of operations while its electricity- and gas-supplying energy businesses serve as a core domain. Example businesses include overseas energy that harnesses the know-how the Group acquired through domestic operations, construction for expanding and maintaining electricity business-related facilities, manufacturing to supply materials and equipment, real estate, and lifestyle-related (e.g., medical and health care services).

2. Overview of the Framework

We have established the Green/Transition Finance Framework (“the Framework”), as provided below, which covers green bonds and green loans alongside transition bonds and transition loans.

We see financing based on the Framework as a means to promote efforts toward realizing a carbon-free society, and consider it an opportunity to reiterate our endeavors to stakeholders.

Further, DNV BUSINESS ASSURANCE JAPAN K.K., a third-party evaluation firm, has evaluated our eligibility for the following standards related to the Framework:

- Climate Transition Finance Handbook (International Capital Market Association [ICMA]), 2023
- Basic Guidelines on Climate Transition Finance (Financial Services Agency; Ministry of Economy, Trade and Industry; and Ministry of the Environment of Japan), 2021
- Green Bond Principles (ICMA), 2021
- Green Bond and Sustainability-Linked Bond Guidelines (Ministry of the Environment of Japan), 2022
- Green Loan Principles (LMA and others), 2023
- Green Loan and Sustainability Linked Loan Guidelines (Ministry of the Environment of Japan), 2022

3. Disclosures Based on the Climate Transition Finance Handbook and Other Sources

3.1 Financiers' Climate Transition Strategies and Governance

3.1.1 Management Vision 2.0

Aiming to go carbon neutral by 2050, the energy business is facing a historic turning point in terms of its surrounding environment. Chubu Electric Power Group views the drastic change in the operating climate as a new business opportunity, and has developed Chubu Electric Power Group Management Vision 2.0 to courageously tackle challenges with 2050's societal landscape in mind.

Specifically, the Group will increase renewable energy output to 3,200 MW or more by around 2030, and simultaneously participate in building a zero-CO₂ hydrogen/ammonia supply chain as a Group-wide endeavor that includes JERA. Further, nuclear power, an important and realistic means for achieving decarbonization, will be put to maximum use upon ensuring safety.

To remain a corporate group essential to customers and society, Chubu Electric Power Group will create new services based on customer- and society-demanded value, have each and every human resource of the Group work to reform a business model that involves delivering services along with energy, and thereby grow sustainably toward 2050.

3.1.2 Zero Emissions Challenge 2050

The Group established Zero Emissions Challenge 2050 in March 2021, aiming to simultaneously achieve "decarbonization" and "safety, stability and efficiency" through the innovation of the energy infrastructure with communities and customers. We are committed to taking on the challenge of attaining net zero CO₂ emissions across our business by 2050 to contribute to realizing a carbon-free society, and, as milestones, we have also set numerical targets for reducing CO₂ emissions from electricity sold to customers in 2030 by 50% or more compared with FY2013, and having company*¹-owned cars fully replaced*^{2, 3} with electric vehicles (EVs).

We are a participant of the "GX League," established based on the "GX League Basic Concept" announced by the Ministry of Economy, Trade and Industry of Japan. Our*¹ goal is to reduce our domestic direct emissions by 50,000 t-CO₂, domestic indirect emissions by 130,000 t-CO₂, and CO₂ emissions from electricity sold to customers by 39.8 million t-CO₂ in FY2025.

To achieve this goal, we will start by maximizing fundamental efforts in endeavors promoted together with our customers, power transmission and distribution, and power generation business areas. At the same time, moving forward we will fully utilize breakthrough technologies that are based on such innovations as storage batteries for system and hydrogen technology usage.

*1 Chubu Electric Power, Chubu Electric Power Grid, and Chubu Electric Power Miraiz

*2 This includes EVs, plug-in hybrid vehicles (PHV), and fuel cell vehicles (FCV)

*3 This excludes special vehicles for emergency/construction that are unsuitable for electrification

<Endeavors promoted together with customers>

Through a triad rollout of energy saving, energy creation, and energy activation, the electrification rate will be enhanced and solutions for decarbonization will be provided for the non-electrified sector.

<Endeavors in the power transmission and distribution field>

In response to power fluctuations and the supply-demand balance associated with the increased introduction of renewable energy sources, such efforts as expanding the areas covered by

regulating power and enhancing power output forecasting will be made to build a network that both maximizes renewable energy use and offers stable supply.

<Endeavors in the power generation field>

Efforts will be made to increase renewable energy output to 3,200 MW or more by around 2030, restart Hamaoka Nuclear Power Station on the premise of safety assurance and the understanding of local communities, and promote zero-emission thermal power generation with JERA by making the best use of innovations (e.g., use of hydrogen and ammonia, which are CO₂-emission free; carbon capture, utilization and storage [CCUS] technology).

3.1.3 Environmental Management System

Chubu Electric Power Group has been rolling out environmental management activities to maintain the PDCA cycle as to business targets and relevant endeavors based on the Chubu Electric Power Group Basic Environmental Policy. Further, we engage in self-declared environmental management activities that are based on ISO14001 (2004).

3.1.4 Zero Emissions Committee

The Zero Emissions Committee, newly established in March 2021, is a body placed under the direct control of the President & Director. It defines super-long-term and medium- to long-term climate change-related goals of Chubu Electric Power, its business companies and group companies, and develops/evaluates action plans for achieving these goals.

3.2 Environmental Materiality in the Business Model

3.2.1 Identification of Materiality

To contribute to the sustainable development of society, the Group intends to grow with society by undertaking business activities in accordance with the CSR Declaration, which serves as the Group's code of conduct, and by fulfilling our social mission stated in our Corporate Philosophy.

In doing so, we have identified the Group's materiality (material issues) through the following process, set corresponding indicators/targets, and are working to resolve issues.

3.2.2 Response to Recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD)

We endorsed the recommendations in the final report of the TCFD in May 2019.

By referring to data published by the International Energy Agency (IEA) and other parties, we have selected a 1.5°C scenario among others for assessing risks and opportunities associated with the transition to a carbon-free society, and a 4°C scenario for assessing risks associated with physical changes, such as abnormal weather.

3.3 Scientifically-Based Climate Transition Strategies and Targets

As stated in "3.1.2 Zero Emissions Challenge 2050," the Group has set numerical targets. These involve taking on the challenge of achieving net-zero CO₂ emissions across all businesses by 2050, and, as a milestone for this, halving sales-derived CO₂ emissions in 2030 versus FY2013, as well as fully replacing company-owned cars with EVs, with the exception of some special vehicles.

This endeavor is based on the 1.5°C scenario (IEA: Net Zero by 2050 [NZE scenario], WEO2022

[APS scenario], etc.), which was developed based on scientific evidence, and conforms with the Transition Roadmap for Power Sector (Agency for Natural Resources and Energy of Japan) and the Japanese government’s Strategic Energy Plan, which sets a goal to reduce 46% of CO₂ emissions by 2030.

3.4 Transparency of Implementation

Amid a drastically changing business environment, the Group will endeavor to achieve a consolidated ordinary income of 250 billion yen or more in 2030 by not only investing around 200–300 billion yen each year for a stable energy supply but also by strategically investing around 1 trillion yen in the decade between FY2021 to FY2030. At the same time, the Group will change its business model as to its profitability structure to transform its profit portfolio to achieve an equal balance between the domestic energy business and new growth areas as well as global business among other fields.

4. Disclosure Based on Green Bond Principles, Green Loan Principles, and Other Factors

4.1 Application of Financing

The financing secured through the Framework is planned to be allocated to new investments and the refinancing of projects that meet the eligibility criteria below (“Eligible Project”). The refinancing is to cover projects that were disbursed within 60 months retroactively from the date of the financing.

Eligibility criteria		Overview of project
Endeavors promoted together with customers (Electrification and enhanced efficiency of energy consumption)*		Provide energy management services (expand energy savings), diversify CO ₂ -free menu (improve non-fossil fuel ratio), provide services that support electrification and other initiatives, and create appealing and livable communities (local production for local consumption), etc.
Endeavors in the power transmission and distribution field		Strengthen wide-area interconnection of unevenly distributed renewable energy, sophisticate and widen the area of supply-and-demand operations, build/operate a distributed grid, expand power transmission capacity and utilize batteries, adopt SF ₆ alternative gas equipment, etc.
Endeavors in the power generation field	Renewable energy*	Develop, construct, manage, retrofit, etc. renewable energy (hydroelectric, biomass, wind, solar, geothermal)
	Nuclear power station	Utilize nuclear power station on the premise of safety assurance and the understanding of local communities

*This may turn into a green Eligible Project and be utilized as green finance

4.2 Process of Project Evaluation and Selection

The department responsible for each operation will evaluate projects and select candidates based

on the eligibility criteria stipulated in the foregoing paragraph, and the department responsible for financing operations will finalize the Eligible Project.

4.3 Management of Financing

The department responsible for financing operations will allocate and manage the secured financing. The balance of the unallocated financing will be reviewed at least once a year, and management will be provided so that the total amount of an Eligible Project does not fall below the transition finance amount before the allocation is completed. Management is planned to be provided on a cash- or cash-equivalent-basis until the secured financing is fully allocated to an Eligible Project.

4.4 Reporting

Until the financing is fully allocated, the annually published Chubu Electric Power Group Report (Integrated Report) or our website will disclose the items below. Any significant change in the status or the impact of the allocation prior to repayment is planned to be disclosed.

(1) Reporting of financing allocation status

- Balance of unallocated financing
- Amount of allocation
- Rough estimate (or percentage) as to the part of the secured financing allocated to refinancing

(2) Impact reporting

The environmental improvement benefits of an Eligible Project will be disclosed in terms of any or all of the examples provided below, within the scope of confidentiality and to a reasonably feasible extent.

Eligibility criteria		Impact reporting (example)
Endeavors promoted together with customers (Electrification and enhanced efficiency of energy consumption)		Overview of project Amount of reduced CO ₂ emissions (t-CO ₂ /y)
Endeavors in the power transmission and distribution field		Overview of project Applications for renewable energy within Chubu Electric Power Grid's service area (connected capacity [kW])
Endeavors in the power generation field	Renewable energy	Installed capacity (MW) Power generation amount (kWh)
	Nuclear power station	Amount of reduced CO ₂ emissions (t-CO ₂ /y)

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