



Sustainable Finance Framework (Overview)

Suntory Holdings Limited

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SUNTORY

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Sustainable Finance Framework Overview

- In order to raise funds to promote addressing environmental issues, we have developed a Sustainable Finance Framework that is capable of implementing Green Finance and Sustainability-Linked Finance in accordance with principles set by the International Capital Market Association (ICMA) and guidelines established by the Ministry of the Environment. On October 23, 2023, we obtained a Second-Party Opinion from Moody's, an external evaluation organization, for this framework.

1 Use of Proceeds (Green Finance)

- The Company plans to allocate an amount equal to the funds raised through green finance under the Framework to new expenditures or refinancing of existing expenditures on projects that meet the following eligibility criteria (eligible projects) within 24 months of financing. The applicable eligible projects will be ones located in Japan and overseas.
- In the case of refinancing, the expenditures for capital investment will be limited to ones incurred within the last 36 months of financing. In the case of expenditures related to costs, no proceeds will be allocated to refinancing.

GBP*1 Category	Eligibility Criteria*2	Environmental Benefits	Alignment with SDGs
Energy efficiency	<ul style="list-style-type: none"> ■ Capital investment contributing to energy-saving at the plants we own <ul style="list-style-type: none"> – Adoption of best available technologies as of the installation of facilities 	<ul style="list-style-type: none"> ■ Reduction of GHG emissions 	 
Renewable energy	<ul style="list-style-type: none"> ■ Costs for procurement of green hydrogen ■ Capital investment for the construction of biogas refining facilities, biomass heat supply facilities or biomass power generation facilities through wastewater treatment ■ Costs for procurement of electricity generated from renewable energy (purchase of renewable energy certificates) 	<ul style="list-style-type: none"> ■ Reduction of GHG emissions 	 

(*1) GBP: Green Bond Principles, (*2) exclusion criteria is set for the eligible projects

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2 Process for Evaluation and Selection of Projects (Green Finance)

- Eligible projects to which funds raised under the Framework are allocated will be selected by the Finance Department, the Corporate Management & Finance Division after evaluating the conformity with the eligibility criteria (alignment with environmental benefits). The Corporate Sustainability Department, the Sustainability Management Division will provide advice during the evaluation and selection process.
- Final approval of financing will be given by the Senior General Manager of the Finance Department, the Corporate Management & Finance Division.
- In evaluating the eligibility of each project, we conduct comprehensive analysis focusing on whether it will have no significant negative impacts on the environment and society, as well as other technical aspects.
- In addition, even after full allocation to eligible projects, the Company will annually confirm, mainly with the Corporate Sustainability Department, the Sustainability Management Division, that each eligible project meets the eligibility criteria, does not meet the exclusion criteria, and does not incur ESG-related risks during the period from the financing under the Framework to its redemption (in the case of loans, full payment), and report the results to the Chief Sustainability Officer.

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3 Management of Proceeds (Green Finance)

- The Finance Department, the Corporate Management & Finance Division of the Company will annually manage allocation of proceeds under the Framework by using the management file to ensure that they are allocated to eligible projects. In so doing, the department will ensure that proceeds under the Framework do not exceed the amount of eligible projects held by the Company.
- These tracking management methods will be reviewed by the Senior General Manager of the Finance Department, the Corporate Management & Finance Division at the time of the internal reporting on the tracking management of proceeds.
- Documents and records for management of proceeds under the Framework will be retained until redemption (in the case of loans, full payment) in accordance with the regulations of the Company.
- Proceeds will be managed in the form of cash or cash equivalents in the Company's account dedicated to proceeds until allocation to expenditures of an eligible project.
- In addition, even after the full allocation, there may be cases where the project is excluded from eligible projects to which the proceeds are allocated due to the sale or loss of the project or the occurrence of an event that makes the project no longer meet the eligibility criteria by the time of the redemption of bonds, etc. The unallocated funds that arise in those cases will be allocated to other projects that meet the eligible criteria after they are temporarily managed in the form of cash or cash equivalents.

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4 (1) Allocation Reporting (Green Finance)

- The Company plans to disclose the following items regarding allocation of proceeds during the period from financing under the Framework to redemption (in the case of loans, full payment).
 - Allocated amount and project overview for each eligibility criteria
 - Of the allocated amount, the approximate amount or percentage of the portion allocated to refinancing of existing investments
 - Amount of unallocated funds
 - Scheduled timing of completion of allocation

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4 (2) Impact Reporting (Green Finance)

- The Company plans to disclose the following items, to the extent practical, during the period from financing under the Framework to redemption (in the case of loans, full payment).

GBP Category	Eligibility Criteria	Reporting item
Energy efficiency	<ul style="list-style-type: none"> ■ Capital investment contributing to energy-saving at the plants we own <ul style="list-style-type: none"> – Adoption of best available technologies as of the installation of facilities 	<ul style="list-style-type: none"> ■ Reduction in GHG emissions (t-CO₂e)*³
Renewable energy	<ul style="list-style-type: none"> ■ Costs for procurement of green hydrogen 	<ul style="list-style-type: none"> ■ Reduction in GHG emissions (t-CO₂e)*⁴
	<ul style="list-style-type: none"> ■ Capital investment for the construction of biogas refining facilities, biomass heat supply facilities or biomass power generation facilities through wastewater treatment 	<ul style="list-style-type: none"> ■ Reduction in GHG emissions (t-CO₂e)*⁵
	<ul style="list-style-type: none"> ■ Costs for procurement of electricity generated from renewable energy (purchase of renewable energy certificates) 	<ul style="list-style-type: none"> ■ Reduction in GHG emissions (t-CO₂e)*⁶

(*3) Latest GHG emissions (or their estimate) × Improvement in the energy consumption rate

(*4) Amount of LNG converted from the amount of hydrogen procured × GHG emission factor of LNG

(*5) Power generation using biogas × GHG emission factor of electricity, Reduction in use of city gas × GHG emission factor of city gas, or GHG emissions with conventional design (gas boilers or coal boilers) – GHG emissions with new design (only methane gas boilers after abolishing coal boilers), etc.

(*6) Power consumption × GHG emission factor of electricity

Sustainable Finance Framework Overview

Overview of Sustainability-Linked Finance (1)

Selection of KPIs	KPI #1	Reduction rate (%) of GHG (Scope1 and Scope2) emissions at Suntory sites (vs. 2019)	
	KPI #2	Reduction rate (%) of GHG (Scope1, Scope2 and Scope3) emissions across Suntory value chain (vs. 2019)	
	KPI #3	Reduction rate (%) of water intensity of production per unit (m ³ /kL) at Suntory’s global plants (vs. 2015)	
Calibration of SPTs	SPT #1	Reduction rate (%) of GHG emissions at Suntory sites in 2030 (vs. 2019) : 50%	Notification Date is Specified in the statutory disclosure document (amended shelf registration statement or shelf registration supplement), loan contract or other documents at the time of each financing.
	SPT #2	Reduction rate (%) of GHG emissions across Suntory’s value chain in 2030 (vs. 2019) : 30%	
	SPT #3	Reduction rate (%) of water intensity of production per unit (m ³ /kL) at Suntory’s global plants in 2030 (vs. 2015) : 35%	
Bond/Loan characteristics	<ul style="list-style-type: none"> ■ The financial and structural characteristics of bonds and loans in sustainability-linked finance under the Framework vary depending on whether SPTs have been achieved as of the Target Observation Date. ■ If the achievement status of SPTs is not reported by the Notification Date, it shall be deemed that SPTs have not been achieved. The failure to report includes cases where the Company has provided information on the performance of KPIs but cannot obtain an assurance report from an independent third party. ■ Specific details of characteristics are specified in the statutory disclosure document (amended shelf registration statement or shelf registration supplement), loan contract or other documents at the time of each financing, and shall include (1) coupon step-up/down, (2) purchase of emission credits, and (3) donation, as described below. ■ In the case of issuing sustainability-linked bonds denominated in U.S. dollars, the Company will select only coupon step-up. 		

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Overview of Sustainability-Linked Finance (2)

Reporting	Performance of KPIs	Update on the performance of KPIs as of the last day of each year (December 31)
	Assurance report	Assurance report obtained from an independent third party on the performance of KPIs. In the year to which the Notification Date belongs, an assurance report obtained from an independent third party on the achievement status of SPTs and its impact on the financial and structural characteristics of bonds/loans
	Material information	Any information useful for investors to measure the level of ambition of SPTs. Qualitative and quantitative description of key factors (including M&A activities) that contributed to the improvement of KPIs
	Details of coupon step-up/down	Level of the interest rate after the step-up/down and its fluctuation range, the interest payment date to which the interest rate after the step-up/down applies
	Purchase of emission credits	If the Company purchases emission credits, Name of the emission credits, Purchase price and Transfer date
	Donation	If the Company is making a donation, Name of the donation recipient, Reason for selection, Donation amount and Donation date

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Overview of Sustainability-Linked Finance (3)

Verification

- The Company plans to annually obtain an assurance report (limited or reasonable assurance) from an independent third party on the performance of KPIs specified in the Framework until the year to which the Notification Date of SPTs belongs. In the case of sustainability-linked bonds, the Company also plans to disclose it on the Company's website.
- In addition, the Company will obtain an assurance report from an independent third party on the achievement status of SPTs as of the Target Observation Date, and the determination will be made as to whether the SPTs have been achieved. In the case of sustainability-linked bonds, the Company plans to disclose the obtained assurance report and the results of the determination on the Company's website by the Notification Date.
- In the case of sustainability-linked loans, the Company will report the disclosed information mentioned above only to the lenders of the loan. In the case of syndicated loans, it will be reported to the lenders through the agents.

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Sustained by Nature and Water