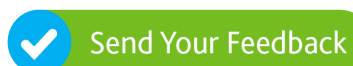


ASSESSMENT

23 October 2023



Analyst Contacts

Atsushi Goto
 Associate Lead Analyst
 Moody's Japan K.K.
 atsushi.goto@moody's.com

Manon Inomata
 Sustainable Finance Associate
 Moody's Japan K.K.
 manon.inomata@moody's.com

Tobias Lindbergh
 SVP-Sustainable Finance
 tobias.lindbergh@moody's.com

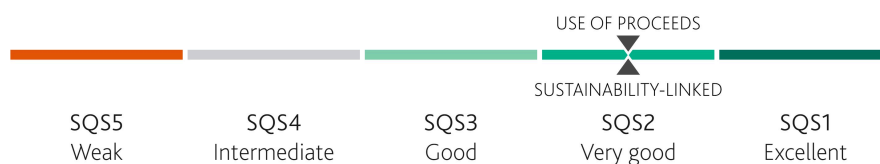
Suntory Holdings Limited

Second Party Opinion – Sustainable Financing Framework
 Assigned SQS2 (Use of Proceeds) and SQS2 (Sustainability-Linked)

Summary

We have assigned an SQS2 sustainability quality score (very good) to the use of proceeds (UoP) portion and an SQS2 sustainability quality score (very good) to the sustainability-linked portion of Suntory Holdings Limited's (Suntory HD) sustainable financing framework dated October 2023. The framework covers two eligible UoP categories and three key performance indicators. For the UoP portion, the framework is aligned with the four core components of the ICMA's GBP 2021 and LMA's GLP 2023, and demonstrates a high contribution to sustainability. For the sustainability-linked portion, the framework is aligned with the five core components of the ICMA's SLBP 2023 and LMA's SLLP 2023, and demonstrates a high contribution to sustainability.

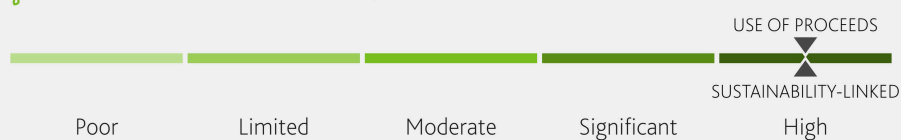
Sustainability quality score



Alignment with principles



Contribution to sustainability



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Suntory HD's sustainable financing framework, including its alignment with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) and the Loan Market Association's (LMA) Green Loan Principles (GLP) 2023¹, ICMA's Sustainability-Linked Bond Principles (SLBP) 2023 and LMA's Sustainability-Linked Loan Principles (SLLP) 2023. Under the framework, the company plans to issue UoP green financial instruments with the aim of financing projects comprising two eligible green categories, as outlined in Appendix 2 of this report. In addition, the company has selected three sustainability KPIs for potential issuance of sustainability-linked bonds — in the areas of greenhouse gas emission (GHG) (KPIs 1 and 2) and water conservation (KPI 3) — as outlined in Appendix 3 of this report. We have assessed the alignment with principles and contribution to sustainability components of both the use-of-proceeds and sustainability-linked portions of the financing framework independently, which results in two separate SQS scores. The UoP portion applies to Suntory HD and its subsidiaries, excluding Suntory Beverage & Food Limited (SBF), while the sustainability-linked portion applies to Suntory HD and its subsidiaries including SBF.

Our assessment is based on the last updated version of the framework received on 18 October 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Headquartered in Osaka, Suntory Holdings Limited is one of Japan's largest manufacturers of alcoholic and soft beverages. It is a holding company that owns operating subsidiaries such as [Suntory Beverage & Food Limited](#) (A2 stable) and [Beam Suntory Inc.](#) (Beam Suntory, Baa1 stable). Suntory HD is also one of the largest non-public, family-owned companies in Japan. The company's consolidated revenue net of liquor tax was ¥2.7 trillion in 2022. Beam Suntory is a wholly owned, whiskey-centric alcoholic beverage company with a sizable presence especially in the US and Japan. The alcoholic beverages segment accounted for about 35% of Suntory HD's consolidated revenue in 2022. SBF is a leading soft beverage manufacturer with a global footprint and is a 59%-owned subsidiary. The beverage and food segment accounted for about 54% of Suntory HD's consolidated revenue in 2022.

The key sustainability issues, as identified by Suntory HD, include clean water and sanitation, good health and well-being, responsible consumption and production, and climate action. The issuer established Suntory Group Sustainability Vision in 2019 to drive sustainability management across the group.

Strengths

- » The financing of renewable energy and energy efficiency categories that are likely to generate high impact in the UoP portion
- » Clearly identified environmental benefits and objectives in both UoP categories
- » A strong commitment to manage and minimize ESG externalities from the company operations, including from the eligible projects included in the UoP
- » The adoption of highly relevant KPIs and highly ambitious SPTs in the sustainability-linked portion

Challenges

- » The issuer does not commit to have its allocation and impact reporting verified by a third party in the UoP portion
- » The issuer does not set or disclose the interim targets for its SPTs, limiting visibility into KPI performance in the sustainability-linked portion

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Alignment with principles - use of proceeds

Suntory HD's sustainable financing framework (UoP portion) is aligned with the four core components of the ICMA's Green Bond Principles 2021 (including June 2022 Appendix 1) and the LMA's Green Loan Principles 2023. In addition, the issuer intends to align its framework with Green Bond Guidelines 2022 and the Green Loan Guidelines 2022 issued by the Ministry of Environment of Japan.

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> Green Bond Principles (GBP) | <input type="checkbox"/> Social Bond Principles (SBP) | <input checked="" type="checkbox"/> Green Loan Principles (GLP) |
| <input type="checkbox"/> Social Loan Principles (SLP) | <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

Suntory HD has clearly defined and communicated the nature of the expenditures, project location and the eligibility criteria for the eligible categories. The net proceeds will be used to finance energy efficiency or renewable energy projects at its Japan and overseas plants. While the issuer has not set any technical thresholds, it has provided a list of specific projects to be included in the upcoming issuance, which we have incorporated in our assessment.

Clarity of the environmental or social objectives – BEST PRACTICES

Suntory HD has clearly outlined a relevant environmental objective for the eligible categories, which is climate change mitigation. This is considered coherent with international standards and Suntory HD has referenced the United Nations (UN) Sustainable Development Goals (SDGs) in articulating the objective of the eligible categories.

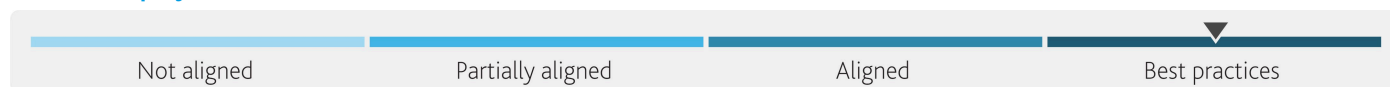
Clarity of expected benefits – BEST PRACTICES

Suntory HD has identified relevant benefits for the eligible categories. The benefits are measurable and will be quantified in allocation and impact reports. While the lookback period is 36 months, refinancing will be limited to capital spending. The issuer also commits to disclosing the expected share of refinancing to the investors before the issuance.

Best practices identified - use of proceeds

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of process for defining eligible projects – BEST PRACTICES

Suntory HD has set up a clear process for determining project eligibility. The issuer has appointed the head of the finance department, the corporate management & finance division as the approver, and the finance department, based on the recommendations by the corporate sustainability department, the sustainability management division, will evaluate and select the eligible projects. In addition, the corporate sustainability department will be responsible for monitoring continued compliance of the projects with the eligibility and exclusion criteria throughout the life of the bond or the loan. In case the projects are no longer compliant, the issuer commits to reallocating the proceeds to other projects. In addition, the process, including the relevant approvals, will be documented to maintain traceability.

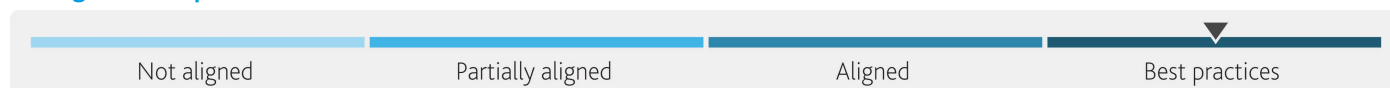
Environmental and social risk mitigation process – BEST PRACTICES

Suntory HD also commits to ensuring environmental and social risks are appropriately monitored and managed. The sustainability department will, on an annual basis, ensure compliance with the relevant internal and external regulations including the sustainable sourcing policy and Suntory Group's code of business conduct. In case controversies were to be found, the issuer would follow the group's sustainability strategy to address the issues as appropriate.

Best practices identified - process for project evaluation and selection

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

Suntory HD has defined a clear process of the management and allocation of bond proceeds. Net proceeds will be deposited in a segregated account. In addition, the finance department will track the proceeds and ensure that the total proceeds do not exceed the total amount allocated to the project on an annual basis, which will be reviewed by the head of the department.

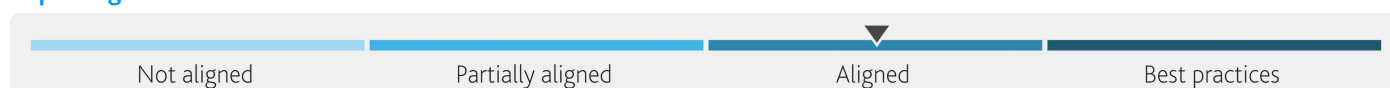
Management of unallocated proceeds – BEST PRACTICES

Suntory HD will allocate the proceeds to the projects within 24 months of issuance. The unallocated proceeds will be kept in a bank account as cash and cash equivalent, and will not be directed to any controversial or GHG-intensive activities.

Best practices identified - management of proceeds

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – ALIGNED

Suntory HD will report on the allocation of proceeds and on the expected environmental benefits annually until the maturity of the bond/loan and in the event of material developments. The report will be disclosed to the lenders in case of green loans, and to the public, in case of green bonds. The reporting is likely to be exhaustive, including the project description, the details of the management of the proceeds, and environmental reporting indicators that are clear and relevant. In addition, the reporting will include the methodology and assumptions used to report on the environmental impacts.

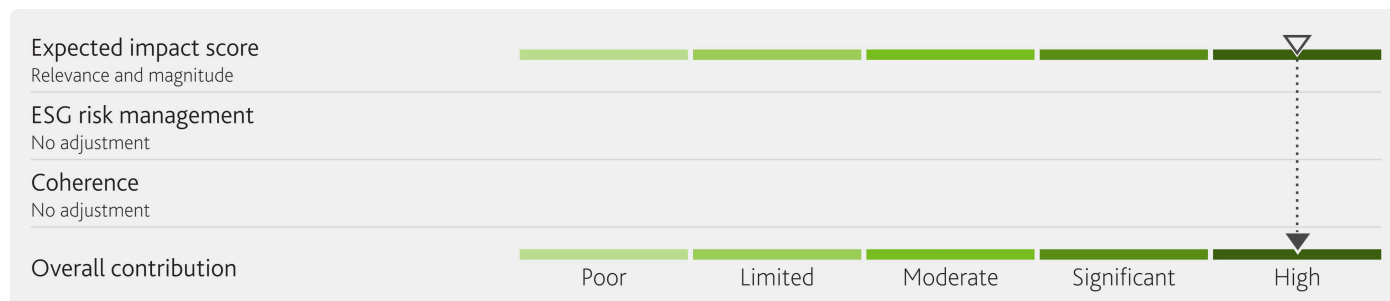
However, the issuer does not commit to engaging an independent third party to audit the allocation or the impact reporting.

Best practices identified - reporting

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs refinancing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum

Contribution to sustainability - use of proceeds

The use of proceeds portion of the framework demonstrates a high overall contribution to sustainability.

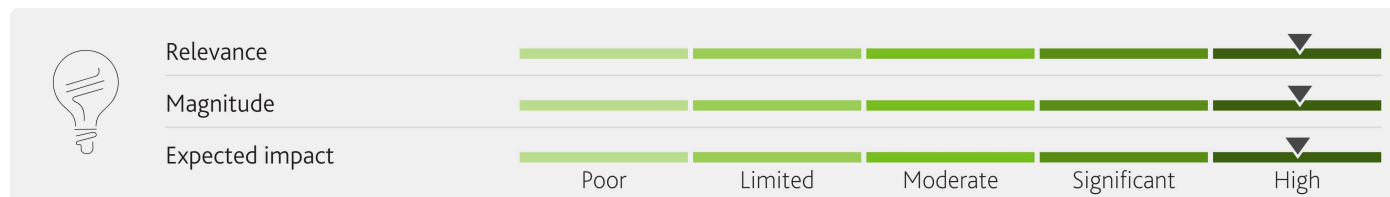


Expected impact - use of proceeds

The expected impact of the eligible projects on environmental objectives is considered high. The issuer expects to allocate most of the proceeds to projects in the energy efficiency category, and therefore, we have assigned it a higher weight in determining the combined contribution to sustainability score.

While both categories lack granular technical thresholds, our assessment reflects the details of the projects to be included in the upcoming issuance, which is the only issuance planned at this moment.

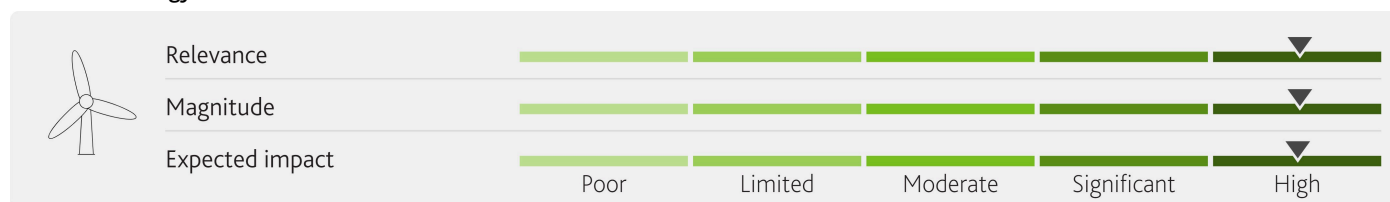
Energy Efficiency



The relevance of this category is high because improving energy efficiency is essential to reducing energy demand and supporting decarbonization. In addition, climate change mitigation is one of the top key sustainability challenges that the issuer faces, as shown in the issuer's materiality matrix. Production of alcoholic beverages can be GHG intensive, especially when distillation is involved. As such, Scope 1 and 2 emissions, which are targeted in this category, are highly important despite accounting for only 10.6% of the total GHG emissions by the issuer.

The magnitude is considered high, because the improvement in energy efficiency is likely to be substantial while avoiding carbon lock-in. While the issuer has not set a clear technical threshold, the issuer commits to adopting the best available technology to ensure the highest level of energy efficiency. Based on the list of projects provided to us, which covers four projects across three factories in Japan and the US, we expect the projects to substantially improve the projects' energy efficiency and the projects will effectively contribute to the stated objective of climate change mitigation. Furthermore, the projects will not involve any direct investments in fossil fuel-related assets, effectively preventing carbon lock-in. While the factories may rely on fossil fuel during the production process, we expect Suntory HD to gradually reduce its reliance on such assets to meet the GHG emission reduction targets submitted to SBTi. In addition, the issuer will allocate more proceeds to the projects with higher expected efficiency gains to ensure the highest level of expected impact.

Renewable Energy



The category exhibits high relevance overall because prevention of global warming is a highly ranked materiality issue for the issuer. While this category only targets Scope 1 and 2 GHG emissions of the issuer, it is considered highly important despite representing a small proportion of overall emissions, similar to the energy efficiency category. In addition, increasing and promoting the use of renewable energy is an important challenge globally and in Japan, and it aligns with the country's national carbon neutrality goal and strategy to increase the share of renewable energy in its grid to 36%-38% by 2030.

The magnitude is considered high because the projects are likely to generate a material and positive long-term environmental impact. The issuer intends to finance biogas-related projects in its beer or whiskey factories, using the wastewater produced during beer and whiskey production. While the technical thresholds are not set, the biogas-related projects included are likely to substantially reduce GHG emissions from the production process by recovering the energy from the wastewater and replacing the conventional boilers, which rely on fossil fuels, with biogas boilers. Furthermore, the issuer intends to finance the purchase of green hydrogen from Yamanashi Prefecture's power-to-gas system. The green hydrogen will be used as a heat source in the factory and is likely to cover a substantial portion of the factory's heat needs, thus substantially reducing GHG emissions. The category also includes a small allocation to the purchase of Renewable Energy Certificates (RECs). The use of RECs can have a lower environmental impact than on-site generation because they do not necessarily directly contribute to the addition of new renewable energy capacity.

ESG risk management - use of proceeds

We have not applied a negative adjustment for ESG risk management. Suntory HD has established the Global Sustainability Committee to promote group-level sustainability efforts, including reporting on business risks and opportunities to the board of directors. Furthermore, sustainability department will ensure that the ESG risks are appropriately monitored and managed at the project level and that any controversies are responded to in line with the group's sustainability policies.

While the projects are directly linked to the production of alcohol, we have not applied the adjustment. This reflects the issuer's efforts to mitigate the negative impact of alcohol through its "DRINK SMART" approach, which seeks to reduce alcohol misuse, in addition to following laws and regulations. The efforts include, but are not limited to, responsible marketing and promotion of moderate drinking. The issuer also intends to further promote the sale of low or nonalcoholic beverages to cater to the broad range of consumer interests and occasions. In addition, to further mitigate the concerns around negative social impacts, the issuer does not specifically target populations that are especially vulnerable to drinking problems, such as people with alcohol use disorder.

Coherence - use of proceeds

We have not applied a negative adjustment for coherence to the expected impact score. The projects to be financed under Suntory HD's framework align with its overall sustainability strategy, especially the climate change mitigation strategy, which has been verified by SBTi as 1.5 °C aligned.

Alignment with principles - sustainability-linked

Suntory HD's framework for sustainability-linked financing instruments is aligned with ICMA's SLBP 2023 and LMA/APLMA/LSTA's SLLP 2023, and incorporates practices under these principles. In addition, the issuer intends to align its framework with Sustainability-Linked Bond Guidelines 2022 and Sustainability-Linked Loan Guidelines 2022 issued by the Ministry of Environment of Japan.

- | | | |
|--|--|--|
| <input type="radio"/> Green Bond Principles (GBP) | <input type="radio"/> Social Bond Principles (SBP) | <input type="radio"/> Green Loan Principles (GLP) |
| <input type="radio"/> Social Loan Principles (SLP) | <input checked="" type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input checked="" type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Selection of key performance indicators



Definition – ALIGNED

Suntory HD has clearly defined and disclosed the characteristics of the KPIs, including the units of measurement, the rationale, the calculation methodologies and the scope.

These details will be included in Suntory HD's sustainability-linked financing framework, which will be publicly available on the company's website, together with its annual reporting.

Measurability, verifiability and benchmark – ALIGNED

The selected KPIs are measurable and externally verifiable, and can be benchmarked by relying on external references. The calculation methodology is consistent, and in case of any changes to the calculation methodology, the issuer commits to disclosing them to investors. In addition, in case of any changes, the issuer will engage an external reviewer to confirm that the proposed revision is consistent with the initial level of ambition of the relevant SPT. Historical performance data for at least the previous three years have been disclosed in the issuer's sustainability report, although not all of them have been externally verified.

Relevance and materiality – ALIGNED

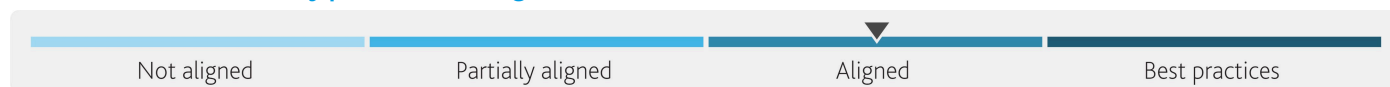
The selected KPIs are relevant, core and material to the company's business strategy for its current and future operations. In the issuer's sustainability matrix, objectives such as "water and sanitation" and "climate change mitigation" are part of the most material environmental issues of the materiality analysis. Furthermore, "water and sanitation" is considered the most material environmental issue for the issuer.

The issuer intends to cover 100% of its GHG emissions by setting two KPIs, that is, GHG emissions at Suntory's sites (Scope 1 and Scope 2) and GHG emissions across Suntory's value chain (Scope 1, Scope 2 and Scope 3). While the water intensity KPI covers water intensity at the issuer's own production sites, representing around 90% of the issuer's total revenue, the water footprint from the upstream supply chain, which could be material, is not included. The relevance and materiality of the KPIs are analyzed in detail in the "Contribution to Sustainability" section.

Best practices identified

- » There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure KPIs
- » The KPI(s) definition(s) explicitly rely on external references, allowing them to be benchmarked
- » The KPI related data is externally verifiable

Calibration of sustainability performance targets



Consistency and ambition – BEST PRACTICES

The company's SPTs are consistent with the issuer's sustainability strategy. The SPTs for KPI 1 and KPI 2 are in line with Suntory HD's corporate targets of reducing GHG emissions at Suntory's sites by 50% and reducing GHG emissions across Suntory's value chain 30%, both by 2030 compared with a 2019 baseline. For KPI 3, the SPT is in line with Suntory HD's corporate target of reducing water intensity from the company's own plants by 35% globally by 2030 compared with a 2015 baseline. The means to achieve the SPTs have been disclosed in detail in the framework and are considered credible.

Furthermore, the selected SPTs demonstrate a high ambitiousness. The level of ambition is analyzed in detail in the "Contribution to Sustainability" section.

Disclosure – ALIGNED

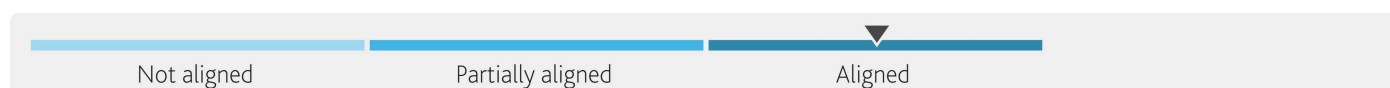
The timeline and baseline year are disclosed in the framework, which will be publicly available. Information regarding the trigger event date, adjustment mechanisms and extent of potential pricing adjustments will be stipulated in the bond or loan transaction documentation.

However, the issuer does not intend to disclose the annual target to allow sufficient visibility into KPI performance.

Best practices identified

- » Disclosure of the means for achieving the SPT(s) as well as their respective contribution in quantitative terms to the SPTs OR as well as any other key factors beyond the issuer/borrower's direct control that may affect the achievement of the SPT(s)
- » The means for achieving the SPT(s) are credible
- » The selected baselines are relevant and reliable

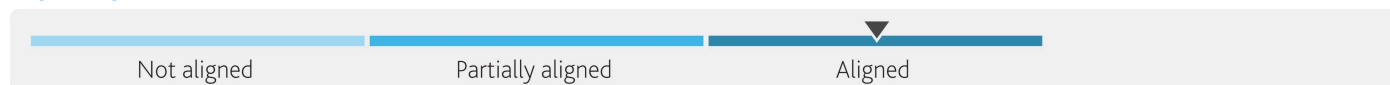
Instrument characteristics



Variation of structural characteristics – ALIGNED

The financial characteristics of the instrument are clearly defined and will be disclosed to investors/lenders. Depending on Suntory HD's performance in relation to the applicable SPT on the SPT observation date, this trigger event may result in coupon step-up or down, purchase of emission credits, or donation. In case the bond is denominated in USD, the issuer intends to select the interest rate step-up only. The details of the adjustment mechanism, including but not limited to the trigger event date, the reporting and verification reporting date(s), and the extent of the potential pricing adjustment, will be stipulated in the bond or loan documentation.

Reporting



Transparency of reporting – ALIGNED

Suntory HD commits to reporting annually on the progress of the SPTs in relation to the respective KPIs. This reporting will be made publicly available on the company's website for bonds, or alternatively disclosed directly to lenders in the case of loans.

The intended scope and granularity of reporting are clear and cover all the required elements. Suntory HD commits to reporting on the performance of the KPIs, any material information that are relevant for the investors to assess the ambitiousness of the SPTs, and the details of the changes in bond/loan characteristics. Furthermore, Suntory HD will report on the events contributing to the improvement in KPIs performance when feasible.

Verification

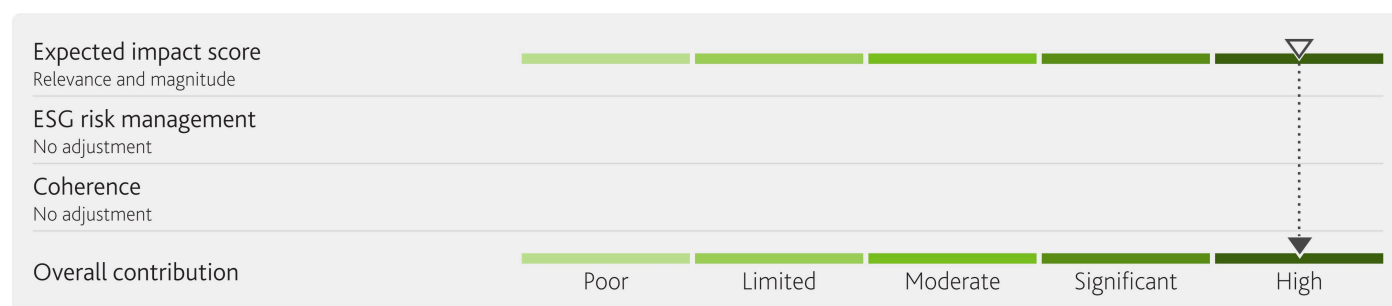


Verification process – ALIGNED

The issuer commits to an independent and external verification of the performance of its KPI against the SPTs on an annual basis or in relation to any SPT observation date until the trigger event. The verification report will be made publicly available. For sustainability-linked loans, the external review reports will be disclosed only to the lenders.

Contribution to sustainability - sustainability-linked

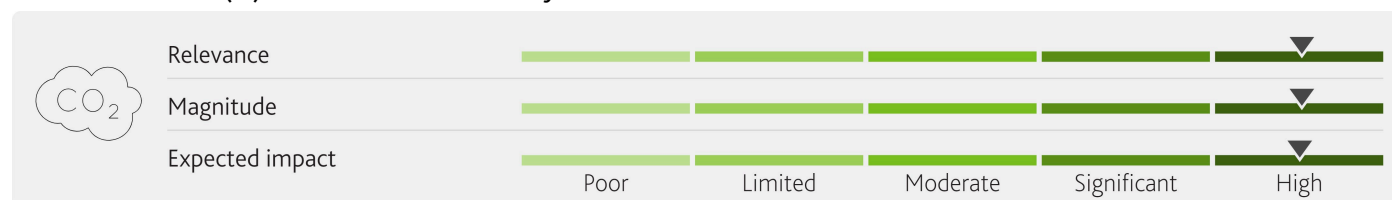
The sustainability-linked portion of the framework demonstrates a high overall contribution to sustainability.



Expected impact - sustainability-linked

The expected impact of all KPIs and SPTs on sustainability objectives is high. The issuer intends to use all three KPIs jointly and we have weighted the KPIs' equally to determine the overall contribution to sustainability. A detailed assessment is provided below.

KPI 1: Reduction rate (%) of GHG emissions at Suntory's sites

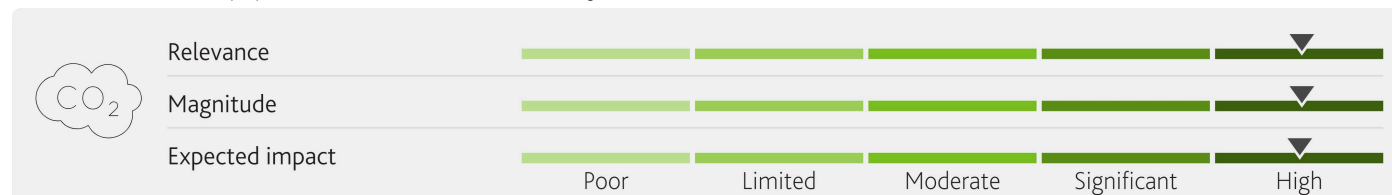


The relevance of the KPI is high because GHG emission reduction is one of the most important sustainability challenges for the issuer. While the beverage sector is not among the largest emitters of GHGs, climate change mitigation is highly relevant as climate change affects access to key ingredients, including water and crops. Climate change mitigation is also one of the four top material environmental issues in the issuer's materiality matrix. While KPI 1, Scope 1 and 2 emissions, only accounts for 10.6% of the total GHG emissions, the issuer has confirmed that all three KPIs within its framework will be used at the same time, including KPI 2, which covers the emissions across the value chain (Scope 1, Scope 2, and Scope 3 emissions), thus effectively covering all GHG emissions by the issuer.

We expect the issuer will continue and increase its purchase of RECs to reduce its reported market-based Scope 2 emissions. The KPI is considered less relevant in general in case RECs are used to achieve SPTs, because it does not directly contribute to the expansion of renewable energy capacity and provides fewer incentives to improve energy efficiency and expand renewable energy. At the same time, we expect the issuer to put substantial efforts into improving energy efficiency and to install on-site renewable energy generation to decrease Scope 1 and 2 emissions further.

The magnitude is also considered high because the SPT is ambitious and represents a material improvement. The SPT is highly ambitious compared to the international standards, aligns with the 1.5°C pathway and is validated by SBTi in 2021. In addition, the SPT is mostly in line with the best performers in the sector who have also obtained SBTi validation. While some peers have larger reduction targets, the SPT is ambitious given Suntory HD's exposure to whiskey production, which is more GHG intensive than beer production. Furthermore, the issuer commits to a steady decrease in emissions while the historical trend has been highly volatile, suggesting that the issuer will materially improve its emission profile.

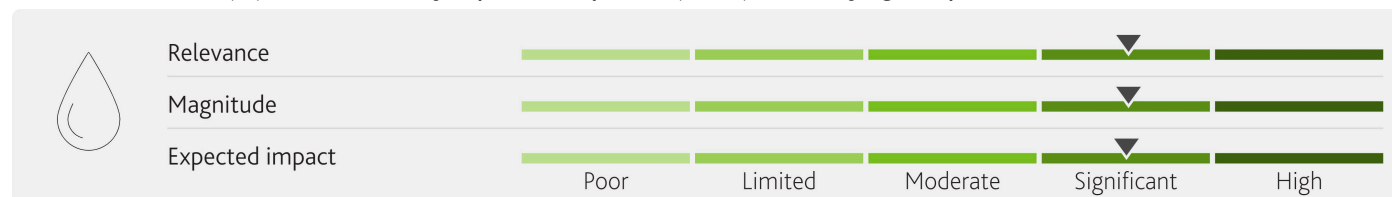
KPI 2: Reduction rate (%) of GHG emissions across Suntory's value chain



The relevance of the KPI is high. As stated in the relevance section for KPI 1, GHG emission reduction is a highly relevant sustainability challenge for the sector and the issuer. The KPI covers all the GHG emissions by Suntory HD, including the Scope 1 and 2, and 3.

The magnitude is also considered high. The SPT, 30% reduction by 2030, meets the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practice. In addition, the SPT represents a material improvement from the group's average annual increase of around 6% in the past three years while the SPT is equivalent to an average annual decrease of around 3%. The SPT can also be considered as broadly in line with the best performers in the industry. All domestic peers with similar business models have similar or slightly more ambitious target levels, while some international peers have larger reduction targets but with different business models. Most of the peers have been reviewed by SBTi, which suggests that the industry as a whole is advanced and the SPT can be considered best in class when it is similar to the targets set by the peers.

KPI 3: Reduction rate (%) of water intensity of production per unit (m³/kL) at Suntory's global plants



The relevance of the KPI is significant. Water consumption is a relevant sustainability challenge for the beverage sector and the issuer as it is a key ingredient. Water deficiency will directly affect the production of beverages and hence water availability is considered the most important environmental issue in the issuer's materiality matrix. However, the coverage of the KPI is somewhat constrained because of the lack of visibility into water consumption across the supply chain, especially in the upstream.

The magnitude of the ambition of the SPT is considered significant because the SPT is one of the best among its domestic and international peers. The targets set by the peers somewhat lag that of Suntory HD, even considering the differences in business models. On the other hand, the score also reflects the fact that the issuer has historically reduced water intensity faster than the target. Water intensity was reduced by 4.4% per year between 2015 and 2022, while the target is equivalent to a 2.8% reduction per year. At the same time, this reflects the efforts the issuer has made in this area, and we expect the rate of improvement to slow down as the issuer's water management capabilities improve.

Because there are no existing sector standards related to water consumption, we have been unable to perform a benchmark analysis against them.

ESG risk management - sustainability-linked

We have not applied a negative adjustment for environmental, social and governance (ESG) risk management to the expected impact score. The KPIs defined in the framework are unlikely to lead to any associated environmental or social negative externalities. Please also refer to the "ESG risk management - Use of proceeds" section for further details.

Coherence - sustainability-linked

We have not applied a negative adjustment for coherence to the expected impact score because the company's strategy is well aligned with the targets under this framework.

Appendix 1 - Mapping eligible categories and KPIs to the UN SDGs

Suntory HD's sustainable finance framework is likely to contribute to three of the UN SDGs. The two eligible use of proceeds categories are likely to contribute to two SDGs, while the three sustainability-linked KPIs are likely to contribute to three SDGs, namely:

UN SDG 17 Goals	Eligible Category/KPI	SDG Targets
GOAL 6: Clean Water and Sanitation	KPI3: Reduction rate of water intensity	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	Energy Efficiency	7.2: Increase substantially the share of renewable energy in the global energy mix
	Renewable Energy	7.3: Double the global rate of improvement in energy efficiency
	KPI1: Reduction rate (%) of GHG emissions at Suntory's site	
	KPI2: Reduction rate (%) of GHG emissions across Suntory's value chain	
GOAL 13: Climate Action	Energy Efficiency	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
	Renewable Energy	
	KPI1: Reduction rate (%) of GHG emissions at Suntory's sites	
	KPI2: Reduction rate (%) of GHG emissions across Suntory's value chain	

The mapping of UN SDGs in this SPO considers the eligible project categories and KPIs and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in Suntory HD's sustainable finance framework

Eligible Category	Description	Environmental Benefits	Impact Reporting Metrics
Energy efficiency	<ul style="list-style-type: none"> - Capital investment contributing to energy-saving at the plants Suntory HD owns -- Adoption of the best available technology at the time of facility installation 	Reduction of GHG emissions	Reduction in GHG emissions (t-CO2e)
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) 	Reduction of GHG emissions	Reduction in GHG emissions (t-CO2e)

Appendix 3 - Summary of key performance indicators in Suntory HD's framework

KPI	Baselines	SPTs
Reduction rate (%) of GHG emissions at Suntory's sites	2019	Reduce GHG emissions at Suntory's site by 50% by 2030
Reduction rate (%) of GHG emissions across Suntory's value chain	2019	Reduce GHG emissions across Suntory's value chain by 30% by 2030
Reduction rate (%) of water intensity of production per unit (m ³ /kl) at Suntory's global plants	2015	Reduce water intensity of production per unit at Suntory's global plants by 35% by 2030

Moody's related publications

Second Party Opinion analytical framework:

» [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022

Topic page:

» [ESG Credit and Sustainable Finance](#)

Endnotes

¹ The Green Loan Principles and the Sustainability-Linked Loan Principles are jointly published by Loan Syndications and Trading Association (LSTA), Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA).

Moody's assigns SPOs in alignment with the main tenets of the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the LSTA/LMA/APLMA Guidance for Green, Social and Sustainability-Linked Loans External Reviews, as applicable; Moody's practices may however diverge in some respects from the practices recommended in those documents. Moody's approach to assigning SPOs is described in its Assessment Framework, and is subject to the ethical and professional principles set forth in the Moody's Investors Service Code of Professional Conduct.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

© 2023 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJJK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000. MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1381540