



SUBARU CORPORATION

Sustainability Finance Framework

October 2023



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1 Introduction

SUBARU's Vision: Delivering Happiness to All

In May 2021, SUBARU CORPORATION (hereinafter referred to as "SUBARU") consolidated the multiple corporate principles into three key pillars:



Our corporate statement is “We aim to be a compelling company with a strong market presence built upon our customer-first principle.” The value we deliver to our customers is “Enjoyment and Peace of Mind.” This was established at the same time as the said corporate statement. We recognize that this is a value we must deliver to our customers to deepen our SUBARU-ness, not influenced by changes in the times or external environment, and further enhance our brand. Our vision is “delivering happiness to all.” We established this vision when we changed our company name to SUBARU CORPORATION in 2017. This vision came to us from watching what our customers do: We learned what SUBARU should do from our customers.

SUBARU also established the SUBARU Global Sustainability Policy as a guideline to be shared by all Group employees on a global basis.

Based on them, SUBARU will continue to grow as a global brand in the automotive and aerospace businesses and improve its medium- to long-term corporate value.

SUBARU Global Sustainability Policy

We, the SUBARU Group, are committed to sustainable business practices designed to promote harmony between people, society and the environment in the following ways:

1. Through our business activities, we will contribute to the resolution of various social issues, including the protection of the global environment, and to the creation of a sustainable society.
2. Respecting the quality and originality of our products, we will continue to provide SUBARU's unique value using advanced technologies, and enrich the lives of all those involved with the SUBARU Group.
3. As a good corporate citizen in the international community, we respect human rights, diverse values and individuality, and treat all stakeholders with sincerity in every interaction.
4. We strive to maintain and advance the workplace environment so that employees can work safely in peace, and with a sense of satisfaction.
5. We respect international rules and the laws and regulations of each country and region, as well as local culture and customs, and pursue fair and transparent corporate governance.
6. We make use of dialogue with stakeholders to make management decisions, and disclose corporate information in a timely and proper manner.

SUBARU has established the Sustainability Finance Framework (hereinafter referred to as “the Framework”) in order to procure funds for efforts to realize an enjoyable and sustainable society.

Based on the Framework, SUBARU will procure funds through bonds and loans as green, social and sustainability finance, and strive to help bring about a sustainable society. In addition, a second party opinion was obtained from Rating and Investment Information, Inc. (R&I), an independent external organization, to the effect that the Framework is aligned with the following principles.

Referred principles

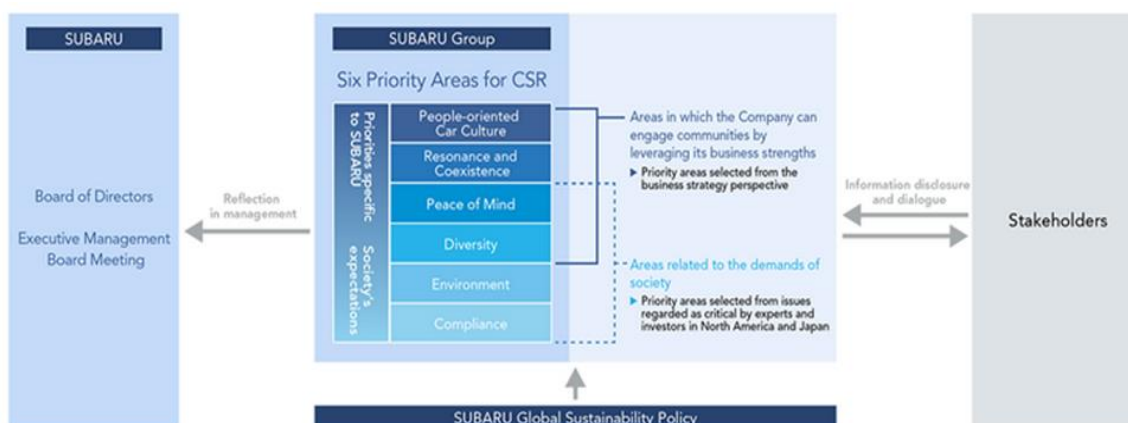
- Green Bond Principles 2021 (GBP/International Capital Market Association (ICMA) 2021)
- Social Bond Principles 2023 (SBP/ICMA 2023)
- Sustainability Bond Guidelines 2021 (SBG/ICMA 2021)
- Green Bond Guidelines (GBGLs/Ministry of the Environment 2022)
- Green Loan Guidelines (GLGLs/Ministry of the Environment 2022)
- Social Bond Guidelines (SBGLs/Financial Services Agency 2021)
- Green Loan Principles (GLP/Loan Market Association (LMA), etc. 2023)
- Social Loan Principles (SLP/LMA, etc. 2023)

2 Sustainability Efforts

Six Priority Areas for CSR












The SUBARU Group selected People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, Diversity, Environment, and Compliance as the Six Priority Areas for CSR with the aim of delivering happiness to all.

In order to create greater social and economic values, SUBARU will recognize important issues for society and the SUBARU Group and promote initiatives in the Six Priority Areas for CSR.



Initiatives in the Six Priority Areas for CSR, and SDGs

SUBARU will further strengthen its initiatives in each of the Six Priority Areas for CSR by clarifying the “Vision for 2025” and actively continue to contribute to achieving the Sustainable Development Goals (SDGs).

Six Priority Areas for CSR	Basic Concepts	Visions for 2025	Relevant SDGs
People-oriented Car Culture	SUBARU believes that a car is more than just a means of transport. SUBARU will foster a sustainable mobility culture by providing customers with added value in the form of products and services which make the car a partner that enriches people's lives and minds, while cherishing the human emotions of "Enjoyment and Peace of Mind."	Become a company that enriches people's lives and minds as a partner.	 
Resonance and Coexistence	SUBARU will become a company that is trusted by, and resonates and coexists with, both individual customers and society as a whole by engaging seriously with their voices through greater person-to-person communication.	Become a company that is widely trusted by, resonates and coexists with society.	 
Peace of Mind	SUBARU will become a company that provides all stakeholders with the utmost peace of mind.	Become a company that provides the utmost peace of mind to all stakeholders.	
Diversity	The SUBARU Group's approach to promoting diversity has two key elements: offering products that respect diverse forms of market value, and respecting and reflecting the diverse values of all those who work for the SUBARU Group.	Promote businesses that create diverse forms of market values while respecting the diverse values of all people.	 
Environment	In order to pass on "The earth, the sky and nature," SUBARU's fields of business, to future generations, we provide utmost care to the environment with our company-wide activities.	Cherish and protect the global environment—The earth, the sky and nature—through Group-wide activities.	 
Compliance	SUBARU will become a company that operates in accordance with laws, regulations, and societal norms, ensuring that our focus on compliance as a priority permeates throughout and is practiced by all those who work for the SUBARU Group.	Act in good faith and become a company that is trusted by and resonates with society.	 

Course of Action that SUBARU Pursues

SUBARU pursues the course of action of evolving the SUBARU Difference to contribute to the realization of a decarbonized society and improving safety in all situations to achieve zero fatal road accidents¹.

Direction announced at the Subaru Technology Briefing in January 2020



Further advance our technologies to deliver "Enjoyment and Peace of Mind."
Maintain **the Subaru Difference** even in the age of vehicle electrification.

Environmental Efforts

With the automotive and aerospace businesses as the pillars of SUBARU's operations, its fields of business are the earth, the sky and nature. Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and SUBARU. The company aligns its business strategy to enhance these global goals in all of its operations.

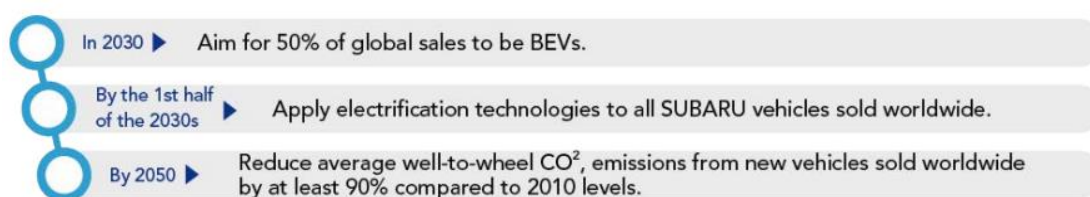
Based on a cross-company environmental management system covering all Group organizations in Japan and abroad, SUBARU is fostering environmental management activities. It is doing so through an all-SUBARU approach, including formulating medium- to long-term environmental targets, implementing measures to achieve the targets, complying with environmental laws and regulations, managing chemical substances, and compiling environmental performance data.

Category	Target Year	Goal
Products Scope 3	2050	Reduce average well-to-wheel CO ₂ emissions from new vehicles (in operation) by 90% or more compared to 2010 levels
	Early 2030s	Apply electrification technologies to all SUBARU vehicles produced and sold worldwide
	2030	Aim for 50% of global sales to be BEVs
Plants and offices (Scope 1 and 2)	FYE March 2051	Achieve carbon neutrality
	FYE March 2036	Reduce CO ₂ emissions by 60% compared with FYE March 2017 (total volume basis)

¹ Zero fatal road accidents among occupants of SUBARU vehicles and people involved in collisions with SUBARU vehicles, including pedestrians and cyclists.

Electrification Strategy

In order to contribute to the realization of a carbon-neutral society, SUBARU has formulated a long-term goal (long-term vision) of achieving carbon neutrality around 2050, “reducing average well-to-wheel² CO₂ emissions from new vehicles (in operation) by 90% or more by 2050 compared with 2010 levels³” and a complementary mid-term goal (milestone) of “aiming for 50% of global sales to be battery electric vehicles (BEV) by 2030” and “applying electrification technologies⁴ to all SUBARU⁵ vehicles produced and sold by the first half of the 2030s.”



In order to make environmental efforts with commitment to enhancing the SUBARU Difference and accelerate its roadmap toward 2050, the company plans an investment of approximately 1.5 trillion yen in production and development to adapt to electrification by around 2030, including 250 billion yen in a strategic reorganization of its domestic production system announced in 2022.

As its roadmap for the domestic production system, SUBARU will launch in-house production of BEVs with a target start date of around 2025, and gradually increase the number and models of BEVs produced. Furthermore, it is exploring the addition of BEV-dedicated production lines in or after 2027. At the Oizumi Plant, where it currently manufactures power units, the production of the next-generation e-BOXER⁶ is planned for transfer to the Kitamoto Plant in 2025. This will be done to prepare for the transition to BEV production and to steadily make progress in installing the next-generation e-BOXER in multiple models. Preparations have begun to increase BEV production capacity at the Yajima Plant from 100,000 units per year, the initial plan, to 200,000 units by around 2026. Together with the newly launched Oizumi Plant, this is expected to bring domestic BEV production capacity to 400,000 units beginning in 2028. In conjunction with these increases, the company has also begun exploring next-generation e-BOXER and BEV production in the U.S.

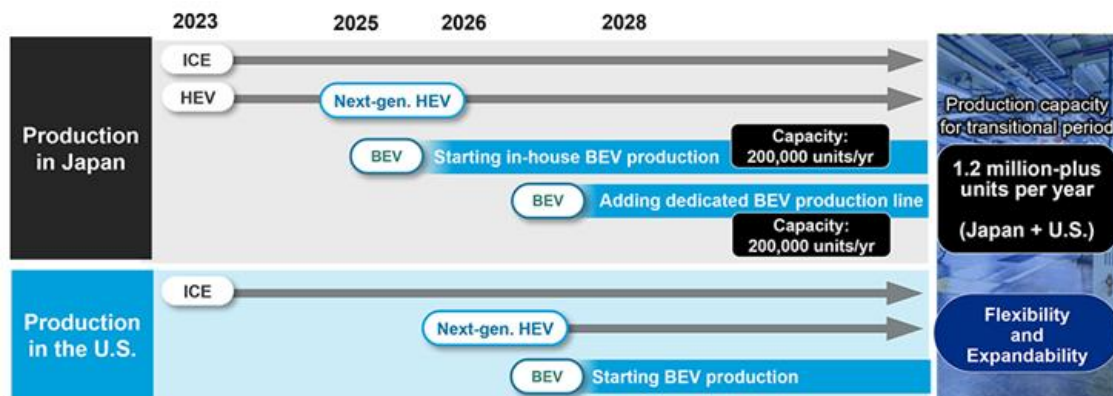
² Well-to-wheel: Approach to calculating CO₂ emissions including the emissions produced by the generation of electricity to be used by EVs and other vehicles

³ Reduce total CO₂ emissions calculated based on the fuel efficiency (notified value) of all SUBARU automobiles sold across the world by 90% or more compared 2010 levels by 2050. Changes in the sales quantity due to changes in the market environment shall be taken into consideration, while minor changes in running distance shall not

⁴ Refers to the technology used to foster the use of electricity for EVs, HEVs, and others.

⁵ Excluding models supplied by OEMs.

⁶ Generic term used for “horizontally-opposed engine + electrification technology,” which offers the unique driving pleasure of SUBARU while being environmentally friendly.



In addition to the Solterra, which was launched in 2022, SUBARU will launch three new BEVs to enhance its SUV lineup, an area where it has strengths, by the end of 2026. Furthermore, the company will make efforts globally through its alliance with Toyota Motor Corporation for battery procurement to support the sales of these vehicles. SUBARU is also planning to add four more models to its BEV lineup by the end of 2028, aiming for sales of 400,000 units in the U.S. market in 2028.



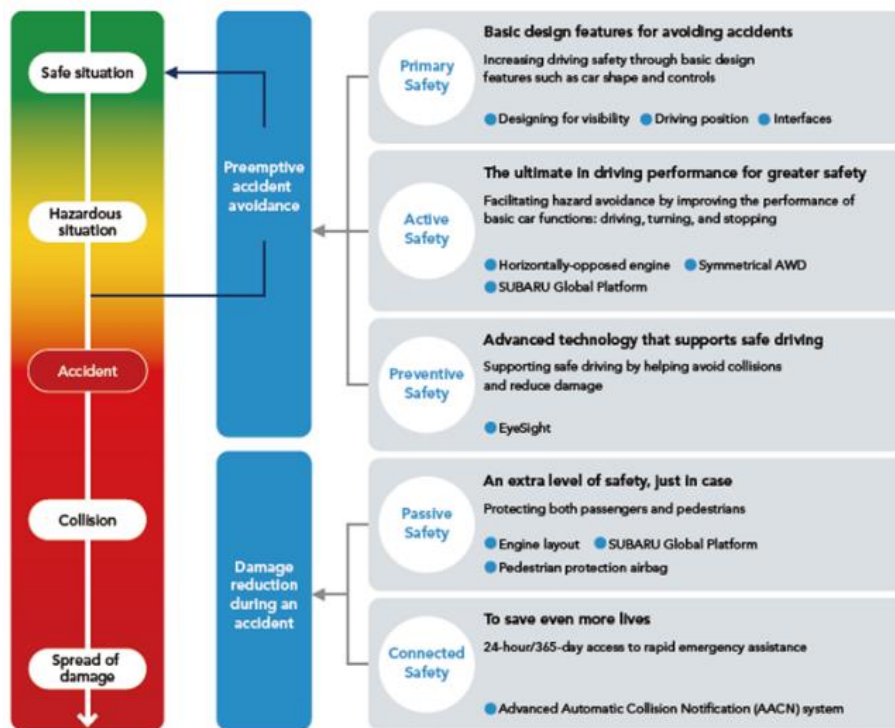
Utilization of Renewable Energy

Renewable energy in FYE March 2022 accounted for 5.9% of the energy consumption of the entire SUBARU Group and 18.6% of its total electricity consumption. All of the electricity purchased at the Gunma Main Plant, Utsunomiya South Plant and 2nd South Plant, the Ebisu Subaru Building, and the Subaru Training Center is carbon-neutral electric power. SUBARU is actively working on the utilization of renewable energy.

Making Safe Vehicles

For more than half a century, SUBARU has been making vehicles with the highest priority on safety performance, focusing on protecting human lives.

SUBARU is pursuing safety of vehicles from all angles and developing its unique safety technologies based on SUBARU's philosophy of All-Around Safety "World-class safety and security for all passengers" by adding "Connected Safety" to the following four: "Primary Safety," such as a package that provides good visibility and prevents passengers from getting tired; "Driving Safety," such as the ability to accurately avoid obstacles in front of the vehicle and control the vehicle without disrupting the vehicle even after avoidance; "Preventive Safety," such as pre-collision brakes represented by "EyeSight"; and "Passive Safety," which protects passengers in the event of an accident.

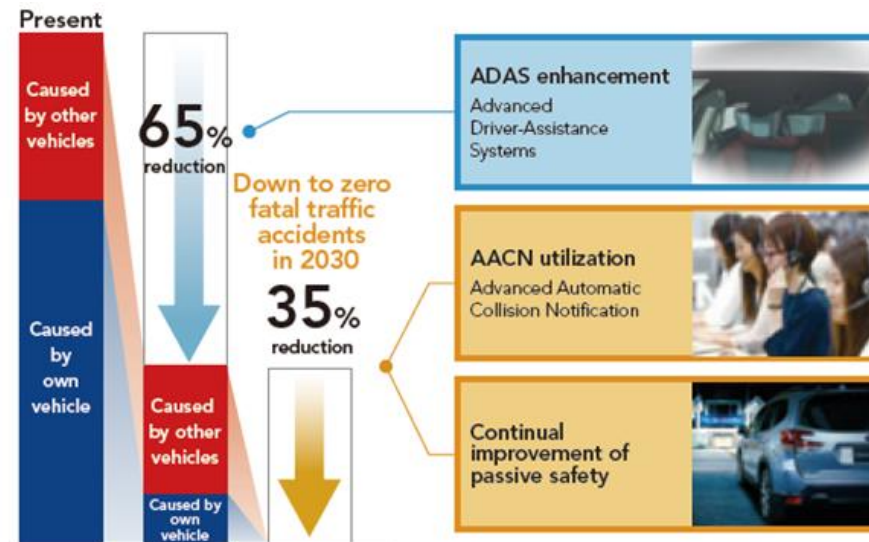


Plan to Achieve Zero-Fatality Road Safety ¹

To achieve zero fatal traffic accidents¹, SUBARU conducted a comprehensive investigation of all fatal traffic accidents that occurred in the United States from 2017 to 2019⁷, analyzing the causes of the accidents and the reasons for fatalities. Based on this analysis, we identified functionalities that can effectively eliminate these causes. Following this, we decided on specific measures to implement these functionalities and are actively engaged in

⁷ All fatal traffic accidents involving vehicles from the most recent five model years

their development to bring them to fruition. In concrete terms, we will improve Advanced Driver Assistance Systems (ADAS) to further avoid and mitigate accidents, and reduce at-fault traffic accidents. For no-fault accidents, we aim to achieve zero fatal traffic accidents¹ in 2030 by strengthening our existing four safety performance areas, beginning with Passive Safety, and adopting Connected Safety in the form of our Advanced Automatic Collision Notification (AACN) system.




3 Alignment with Green Bond Principles, etc.


3.1 Use of Proceeds

Funds procured under the Framework will be allocated to new or existing projects that meet the following eligibility criteria (hereinafter referred to as “eligible projects”). In the case of allocation to existing projects, those funded, launched or invested in within 36 months prior to the finance execution date are eligible. The proceeds will be also allocated to eligible projects within 24 months after they were procured.


1. Carbon Neutrality of Products (Green)

Eligibility Criteria (GBP Eligible Project Category)	Environmental Targets	SDGs
<p>Zero emission vehicles (clean transportation)</p> <ul style="list-style-type: none"> R&D, capital investment and manufacturing costs related to the development and manufacture of zero emission vehicles (ZEV) and their components such as batteries Investments in and loans to battery manufacturers and other expenditures 	Mitigation of climate change	
<p>Charging infrastructure (clean transportation)</p> <ul style="list-style-type: none"> R&D and capital investment related to charging facilities for the aforementioned ZEVs 		
<p>Loans, etc. in amounts matching sales financing receivables (clean transportation)</p> <ul style="list-style-type: none"> Loans in amounts matching credit and lease receivables for ZEVs held by sales finance subsidiaries Interest rate incentive expenses to promote BEVs 		






2. Carbon Neutrality in Its Corporate Activities (Green)

Eligibility Criteria (GBP Eligible Project Category)	Environmental Targets	SDGs
<p>Introduction of renewable energy (renewable energy)</p> <ul style="list-style-type: none"> Investment in renewable energy (solar power, wind power, etc.) in manufacturing and sales activities Purchase costs for electricity and other energy derived from renewable energy sources, among other projects 	Mitigation of climate change	

3. Green Building (Green)

Eligibility Criteria (GBP Eligible Project Category)	Environmental Targets	SDGs
<p>Green buildings (Green building, energy efficiency)</p> <ul style="list-style-type: none"> Acquisition and construction of facilities to be used in the company's business activities where it will obtain (or plans to obtain) environmental certifications, among other projects <p>(i) LEED certification: Silver or higher</p> <p>(ii) CASBEE assessment certification: A rank or higher</p> <p>(iii) BELS certification: 5 stars or higher</p> <p>(iv) DBJ Green Building Certification: 3 stars or higher</p>	Mitigation of climate change	

4. Making Safe Vehicles (Social)

Eligibility Criteria (SBP Eligible Project Category)	Target	SDGs
<p>Advanced safety technologies (technology related to safety driving assistance and autonomous driving)</p> <ul style="list-style-type: none"> R&D for advanced safety technologies to achieve the goal of zero fatal road accidents in 2030¹ Manufacturing costs for equipping EyeSight and Advanced Automatic Collision Notification System, etc. among other projects 	Drivers, passengers, pedestrians, etc. (all people including the elderly, children, physically disabled persons and other vulnerable road users)	    

3.2 Process for Project Evaluation and Selection

The Finance & Accounting Department prepares a draft on eligible projects to which funds procured under the Framework are to be allocated and decides the following after having project details and other factors confirmed by each business division, including the Sustainability Promotion Department.

Relevant departments

- Finance & Accounting Department
- Sustainability Promotion Department
- Each business division, etc.

Decision

- Verification of compliance with eligibility criteria for eligible projects throughout the procurement period (based on the policy of qualifying only those projects that have a positive long-term impact on the environment and society)
- Confirmation that eligible projects are consistent with the contents specified in “Use of Proceeds”
- Replacement of eligible projects when eligibility requirements are no longer met
- Confirmation of the contents of the Framework and reflection and update of changes in SUBARU’s business strategies, technologies, markets, etc. to the Framework as appropriate

3.3 Management of Proceeds

The Finance & Accounting Department will manage the proceeds so that the total amount of allocation to any of the eligible projects will equal or exceed the amount of proceeds. It will also confirm the allocation of the issue amount once a year. Until fully allocated to eligible projects, the proceeds will be managed in cash or cash equivalents. If projects are cancelled or postponed, the proceeds will be re-allocated to eligible projects within 12 months in accordance with the Framework.

3.4 Reporting

SUBARU will disclose the allocation of proceeds, environmental benefits and social impacts on its website.

Allocation Reporting

SUBARU will disclose the allocation of funds procured under the Framework once a year until all proceeds are allocated to the extent possible in consideration of confidentiality.

- Amount allocated to each eligible category
- Rough amount (or percentage) of proceeds used for refinancing
- Information on the method of managing unallocated funds in accordance with the guidance provided in “Management of Proceeds,” if the balance of unallocated funds and unallocated funds exist

If a significant change occurs to the allocation of proceeds during the term of finance, disclosure will be made in this regard.

Impact Reporting

SUBARU will disclose all or part of the information that matches each eligible project funded, on the environmental and social impacts of eligible categories to which funds procured under the Framework are allocated, once a year until all proceeds are fully allocated to the extent reasonably possible.

Eligibility Criteria	Examples of Reporting Items
Zero emission vehicles	<ul style="list-style-type: none">• Progress in R&D• Number of ZEVs produced or sold• CO₂ emissions reduced through ZEVs (CO₂t)• Progress in battery development, scale of manufacture, etc.
Charging infrastructure	<ul style="list-style-type: none">• Number of charging stations deployed• CO₂ emissions reduced through charging stations (CO₂ t), etc.
Loans, etc. in amounts matching sales financing receivables	<ul style="list-style-type: none">• Number or amount of credit and lease transactions• Number or amount of transactions with interest rate incentives
Introduction of renewable energy	<ul style="list-style-type: none">• Renewable energy consumed (TJ) or power generation capacity• CO₂ emissions reduced (CO₂t)
Green buildings	<ul style="list-style-type: none">• Outlines of buildings• Types and ranks of environmental certifications obtained
Advanced safety technology	<ul style="list-style-type: none">• Progress in R&D• Number of vehicles with advanced safety or autonomous driving technologies produced