



Second Opinion

SUBARU CORPORATION

Sustainability Finance Framework

October 30, 2023

ESG Division
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Rating and Investment Information, Inc. (R&I) has confirmed the alignment of the Sustainability Finance Framework of SUBARU CORPORATION dated October 2023 with Green Bond Principles 2021, Social Bond Principles 2023 and Sustainability Bond Guidelines 2021 of the International Capital Market Association, Green Loan Principles 2023 and Social Loan Principles 2023 of the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association, Green Bond Guidelines 2022 and Green Loan Guidelines 2022 of the Ministry of the Environment, and Social Bond Guidelines 2021 of the Financial Services Agency. This opinion is based on the following views.

■ Overview of the Opinion

(1) Use of Proceeds

The proceeds under the Framework will be allocated to green eligible projects that contribute to the carbon neutrality of products, the carbon neutrality of corporate activities, and green buildings, as well as social eligible projects that help make safe vehicles. The green eligible projects correspond to the project categories of clean transportation, renewable energy, green buildings, and energy efficiency illustrated in the Green Bond Principles. The social eligible projects correspond to the project category of access to essential services, targeting drivers, passengers, pedestrians, etc. SUBARU has an environmental management system and an environmental risk management system based on third-party certifications to regularly identify environmental risks and prevent and minimize their materialization. On the social front, SUBARU respects the human rights enshrined in international norms, such as ILO standards, by applying them to individual projects. The use of proceeds is reasonable.

(2) Process for Project Evaluation and Selection

SUBARU pursues the direction 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. Eligible projects defined in the Framework are those contributing to the promotion of electrification and the further enhancement of advanced safety technologies aimed at achieving zero fatal road accidents in 2030¹. An organizational process is in place where the Finance & Accounting Department prepares a draft on eligible projects to be funded and selects projects after having project details and other factors confirmed by each business division, including the Sustainability Promotion Department, and a final decision is made following confirmation by the General Manager of Finance & Accounting Department. The process for project evaluation and selection is clear and rational.

(3) Management of Proceeds

The Finance & Accounting Department will manage the proceeds so that the total amount of allocation to any of the eligible categories will equal or exceed the amount of proceeds. It will confirm the allocation of the issue amount once a year, and 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. The management of proceeds is appropriate.

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

(4) Reporting

Until all proceeds are allocated, SUBARU will disclose the allocation of proceeds and the environmental and social impacts of eligible categories funded on its website once a year. R&I confirmed that reporting will be made based on the examples of reporting items provided in the Framework to the extent reasonably possible, considering confidentiality. The reporting is appropriate.

Outline of the Issuer

(1) Business Profile and Business Strategy

- SUBARU is a passenger vehicle manufacturer that has its origins in the aerospace business. The company's product lineup, which embodies Enjoyment and Peace of Mind as well as environmental considerations, resonates with users of SUBARU vehicles worldwide, including its major market of North America. This is driven by its technologies, including four-wheel drive control, horizontally-opposed engines, and driver assistance systems, leading to strong competitiveness of its products. The Legacy, Impreza, Forester and their derivatives account for more than 80% of its vehicles sold.

(2) Promotion of Sustainability

- After years of activities in line with its CSR Policy, SUBARU established the SUBARU Global Sustainability Policy in April 2020 as a guideline to be shared by all Group employees on a global basis, in order to cope with changes in the social environment and in relationships with its stakeholders.

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.

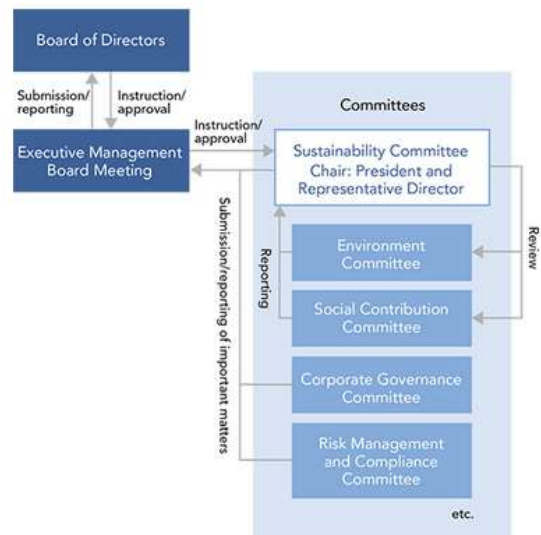
[Source: SUBARU]

- The SUBARU Group promotes CSR initiatives in the Six Priority Areas for CSR: People-oriented Car Culture; Resonance and Coexistence; Peace of Mind; Diversity; Environment; and Compliance. To select the priority areas, the SUBARU Group first identified 41 CSR priority topics for which social needs were high and then conducted a questionnaire among experts and investors in North America and Japan. The responses and opinions it received were used in an assessment and exploration of these areas from two perspectives: areas in which it can engage the community by leveraging its business strengths, and areas related to the demands of society. As a result, the SUBARU Group selected People-oriented Car Culture, Resonance and Coexistence, Peace of Mind, and Diversity as the four areas where SUBARU could engage its communities by leveraging its business strengths, and Peace of Mind, Diversity, Environment, and Compliance as the four areas where the SUBARU Group could work to meet the demands of society.



[Source: SUBARU]

- The Sustainability Committee was established as a forum for discussing all kinds of CSR initiatives by the SUBARU Group, and meets twice a year. The Sustainability Committee is headed by the President and Representative Director, and all of its executives are members. The committee considers business issues from a social perspective and works to strengthen CSR efforts.
- The SUBARU Group comprehensively promotes CSR initiatives as a unified group to realize its sustainability in cooperation with bases in Japan and overseas, and monitors the PDCA status of related committees and departments. The various activities it conducts are communicated and disclosed appropriately through channels such as the Sustainability & CSR section of its website, its integrated reports, and its in-house digital magazine, leading to further enhancement of the SUBARU Group's CSR initiatives.



[Source: SUBARU]

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.	9 Sustainable Industry, 11 Sustainable Communities
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.	11 Sustainable Communities, 17 Sustainable Partnerships
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.	3 Sustainable Good Health and Well-being
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.	5 Sustainable Gender Equality, 8 Sustainable Decent Work and Economic Growth
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.	13 Sustainable Climate Action, 12 Sustainable Responsible Consumption and Production
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.	8 Sustainable Decent Work and Economic Growth, 16 Sustainable Peace, Justice and Strong Institutions

[Source: SUBARU]

1. Use of Proceeds

(1) Eligible Projects

- The proceeds will be used to finance or refinance projects that satisfy the eligibility criteria provided below. In the case of allocation to existing projects, those funded, launched or invested within 36 months prior to the finance execution date are eligible. The proceeds will be allocated to eligible projects within 24 months after they were raised.

Eligibility Criteria	Examples of Eligible Projects	Project Category	
		Green	Social
①Zero emissions vehicles	<ul style="list-style-type: none"> R&D, capital investment, and manufacturing costs related to the development and manufacture of zero emissions vehicles (ZEV) and their components such as batteries Investments in and loans to battery manufacturers and other expenditures 	Clean transportation	
②Charging infrastructure	R&D and capital investment related to charging facilities for the aforementioned ZEVs		
③Loans, etc. in amounts matching sales financing receivables	<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 		
④Introduction of renewable energy	<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 	Renewable energy	
⑤Green building	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	Green buildings / Energy efficiency	
⑥Advanced safety technology (technology related to safety driving assistance and autonomous driving)	<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, Advanced Automatic Collision Notification System, etc., among other projects 		Access to essential services

(2) Project Categories and Expected Environmental Benefits of Eligible Projects

- ① Zero emissions vehicles
- ② Charging infrastructure
- ③ Loans, etc. in amounts matching sales financing receivables

Green Eligible Category: Clean transportation

Project Summary & Eligibility Requirements: R&D, capital investment, and manufacturing costs related to the development and manufacture of zero emissions vehicles² (ZEV) and their components such as batteries, and investments in and loans to battery manufacturers and other expenditures, among other projects

Environmental Benefits: Since well-to-wheel CO₂ emissions from gasoline engine vehicles mostly come from vehicles in operation, reducing CO₂ emissions when driving is one of the key initiatives for low-carbon/zero-carbon vehicles. In the automotive industry, decarbonization efforts are accelerating, as seen in the Accelerating to Zero Coalition, a platform launched at COP27 in 2022 to achieve a global transition to ZEVs in line with the Paris Agreement. The wider adoption of ZEVs requires a broad array of initiatives, including the provision of means of financing for ZEV purchase by customers, in addition to the development of new vehicles and investments for creating social infrastructure such as charging infrastructure. SUBARU will implement its electrification strategy further to realize the carbon neutrality of its products.

SUBARU's BEV (Solterra)



[Source: SUBARU]

- ④ Introduction of renewable energy

Green Eligible Category: Renewable energy

Project Summary & Eligibility Requirements: Investment in renewable energy (solar power, wind power, etc.) in manufacturing and sales activities, and purchase costs for electricity and other energy derived from renewable energy sources, among other projects

Environmental Benefits: SUBARU set a new goal of reducing Scope 1 and 2 emissions by 60% on a total volume basis in FY2035 compared to FY2016 levels. With efforts to use renewable energy in its manufacturing and sales activities underway, renewable energy in FY2022 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 Academy is carbon-neutral electric power. SUBARU will continue to promote the adoption of renewable energy.

² Automobiles that do not emit CO₂ or other exhaust gases when driving, such as battery electric vehicles (BEV) and fuel cell vehicles (FCV)

⑤ Green building

Green Eligible Category: Green buildings / Energy efficiency

Project Summary & Eligibility Requirements: Expenses for acquisition and construction of facilities to be used in the company's business activities where it will obtain (or plans to obtain) the following environmental certifications, among other projects

- (i) LEED certification: Silver or higher
- (ii) CASBEE assessment certification: A rank or higher
- (iii) BELS certification: 5 stars or higher
- (iv) DBJ Green Building Certification: 3 stars or higher

Environmental Benefits: SUBARU is working to reduce CO2 at production bases in Japan and abroad, its offices, etc., and Subaru of America, Inc.'s new headquarters and National Service Training Center have acquired silver LEED certification. SUBARU will continue to contribute to carbon neutrality in its corporate activities by introducing energy-saving equipment into each business site that has greater performance than average, such as in energy efficiency, as well as by acquiring offices.

⑥ Advanced safety technology (technology related to safety driving assistance and autonomous driving)

Project Category: Access to essential services

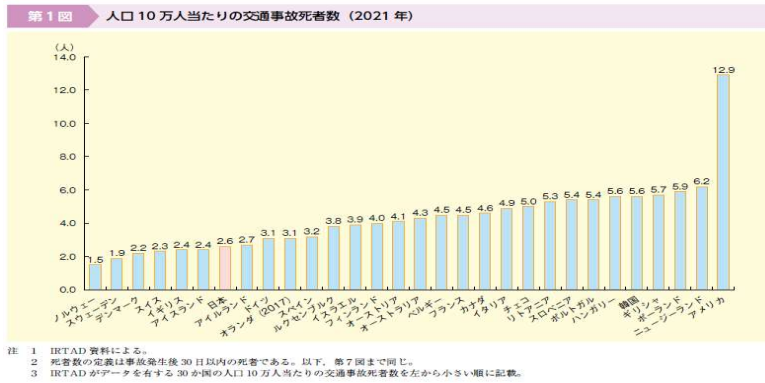
Target Population: Drivers, passengers, pedestrians, etc. (all people including the elderly, children, physically disabled persons and other vulnerable road users)

Project Summary: R&D for advanced safety technologies to achieve the goal of zero fatal road accidents in 2030¹, and manufacturing costs for equipping EyeSight, Advanced Automatic Collision Notification System, etc., among other projects

Social Outcomes: According to the White Paper on Traffic Safety in Japan 2023³, the number of traffic accident fatalities per 100,000 population remains high in the U.S., reinforcing the need for a further reduction in traffic accident fatalities. Against this backdrop, the National Roadway Safety Strategy⁴ identifies the deployment of advanced safety technologies as one of the measures for reducing fatal traffic accidents. In Japan, the number of traffic accidents and traffic accident fatalities are on a downward trend, but reducing traffic accidents continues to be recognized as a social issue in the 11th Traffic Safety Basic Plan, which therefore calls for promoting the use of advanced technology to cut down on these numbers further. The effectiveness of advanced safety technologies in reducing traffic accidents is indicated in the Ministry of Land, Infrastructure, Transport and Tourism's plans and reports on the promotion of advanced safety vehicles. SUBARU has been developing these technologies for more than 50 years based on the philosophy of All-Around Safety, which has led to a low rate of fatal traffic accidents. It aims to achieve zero fatal road accidents in 2030¹ by applying its intelligence technologies in the four priority areas of Primary Safety, Active Safety, Preventive Safety, and Passive Safety, plus Connected Safety.

³ Reference-2 Occurrence of traffic accidents overseas in the White Paper on Traffic Safety in Japan 2023

⁴ A roadmap prepared by the U.S. Department of Transportation



[Source: White Paper on Traffic Safety in Japan 2023]

Early 2020s

Enhance protection for intersection and city accidents

Hook

Right head-on

Right angle

Steer evasion

Enhance protection for driver state and driver error

Roadedge Departure

Loss of consciousness

Expand acceleration control and runaway prevention

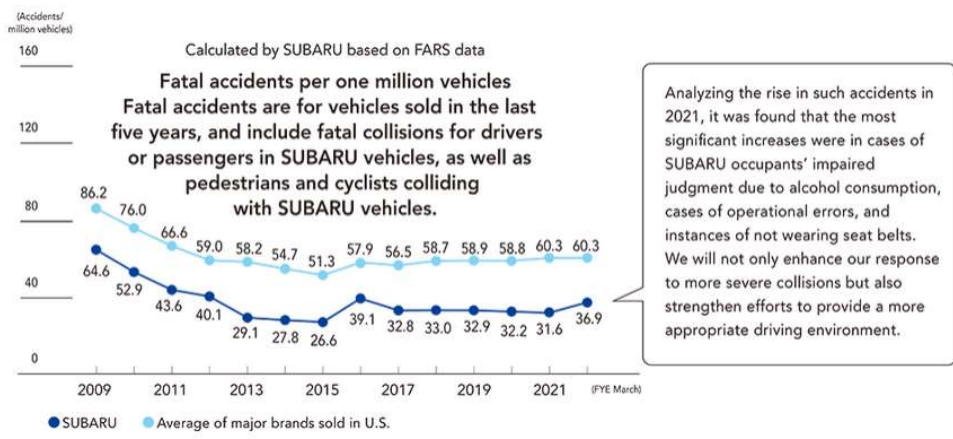
Distraction

Early 2020s

Realize lane change assist, curve-predicting automatic deceleration, and traffic jam hands-off assistance

- Detect presence of neighboring lanes and approach of moving vehicles
- Detect driving position based on a digital map

Equip new features such as lane change assist, curve-predicting automatic deceleration, and traffic jam hands-off assistance

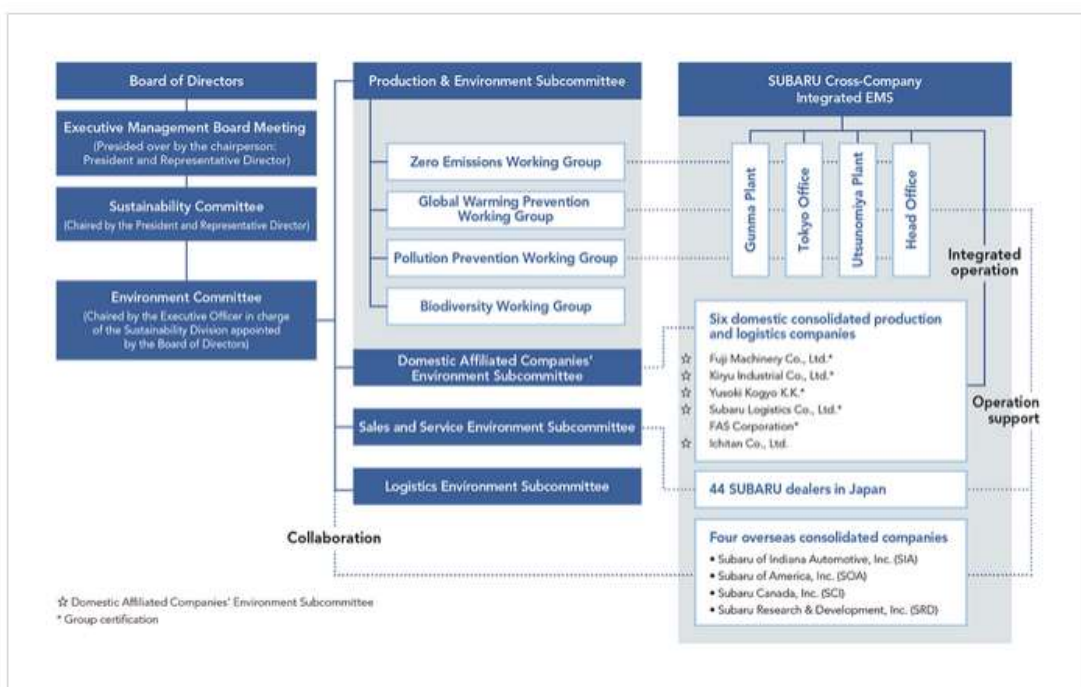


[Source: SUBARU]

(3) Consideration for Negative Environmental and Social Impacts

- R&I confirmed, through interviews and other means, that projects are implemented with due consideration to negative environmental and social impacts. Specifically, an environmental management system and an environmental risk management system are in place to regularly identify environmental risks and prevent and minimize their materialization. On the social front, SUBARU respects the human rights enshrined in international norms, such as ILO standards, by applying them to individual projects.
- When conducting individual projects, the company sets voluntary action items besides complying with environmental laws and regulations, etc. and address them appropriately, as necessary. One of the examples is the creation and implementation of an environmental assessment framework designed to ensure the observance of environmental laws and regulations when making decisions on capital investments.

Environmental Management System



[Source: SUBARU]

<Contributions to SDGs>

The green eligible projects under the Framework are considered as initiatives that contribute to 7. Affordable and clean energy, 9. Industry, innovation and infrastructure, 11. Sustainable cities and communities, 12. Responsible consumption & production, 13. Climate action, and 17. Partnerships for the goals. The social eligible projects are initiatives to help achieve 3. Good health and well-being, 9. Industry, innovation and infrastructure, 11. Sustainable cities and communities, 12. Responsible consumption & production, and 17. Partnerships for the goals.



The proceeds under the Framework will be allocated to green eligible projects that contribute to the carbon neutrality of products, the carbon neutrality of corporate activities, and green buildings, as well as social eligible projects that help make safe vehicles. The green eligible projects correspond to the project categories of clean transportation, renewable energy, green buildings, and energy efficiency illustrated in the Green Bond Principles. The social eligible projects correspond to the project category of access to essential services, targeting drivers, passengers, pedestrians, etc. SUBARU has an environmental management system and an environmental risk management system to regularly identify environmental risks and prevent and minimize their materialization. On the social front, SUBARU respects the human rights enshrined in international norms, such as ILO standards, by applying them to individual projects. The use of proceeds is reasonable.

2. Process for Project Evaluation and Selection

(1) Incorporation into Comprehensive Objectives, Strategies and so on

- In the Mid-term Management Vision "STEP" formulated in 2018, SUBARU is committed to providing its unwavering value of Enjoyment and Peace of Mind, pursuing the SUBARU Difference with not only functional values but also emotional values. Here, the company has defined its vision for SUBARU as a company Delivering Happiness to All. To enhance the SUBARU Difference, it has also worked toward the achievement of carbon neutrality, as well as Monozukuri Innovation in the interest of updating how it builds SUBARU toward delivering Enjoyment and Peace of Mind, the value it provides. SUBARU's direction 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 will be unchanged.



Through the STEP initiatives, "Quality First" and "The Subaru Difference" to meet the expectations of our customers have been embedded in the Subaru DNA.

* Zero fatal road accidents among occupants of Subaru vehicles and people involved in collisions with Subaru vehicles, including pedestrians and cyclists

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.

[Source: SUBARU]

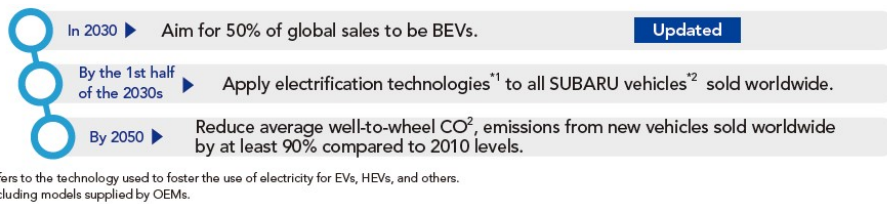
- With the automotive and aerospace businesses as the pillars of SUBARU's operations, its fields of business are the earth, the sky and nature. Preservation of the ecosystem of our planet, the earth, the sky and nature, is of utmost importance to ensure the future sustainability of both society and its organization. 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 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)

Relevant Stakeholders	Themes	Initiatives					
		FYE March 2021	FYE March 2022	FYE March 2023	FYE March 2024	FYE March 2025	FYE March 2026
Customers	Popularizing vehicles that reduce environmental impact	Expansion of the sale of EVs (including models with e-BOXER)					
		Development and sale of EVs (BEVs and SHEVs)					
		BEV development		Launch of SOLTERRA, global rollout and sales expansion of BEVs			
		Establishing appropriate disposal schemes for EV batteries					
Governments	Business to help reduce environmental impact	Introduction of solar power generation for self-consumption					
		Introduction of hydroelectricity and green electricity					
		Energy conservation investment and effective utilization of facilities					
		Continuation of conservation efforts in cooperation with governments					
		Promotion of lighter, electric, and biofuel aircraft					
Business partners	Environmental activities in cooperation with business partners	Establishment and maintenance of an environmental management system					
		Efficient parts storage and transportation					
		Promotion of retailers' continuous efforts for energy saving, water quality conservation, and recycling					
		Optimization of logistics and complete knockdown (CKD) costs					

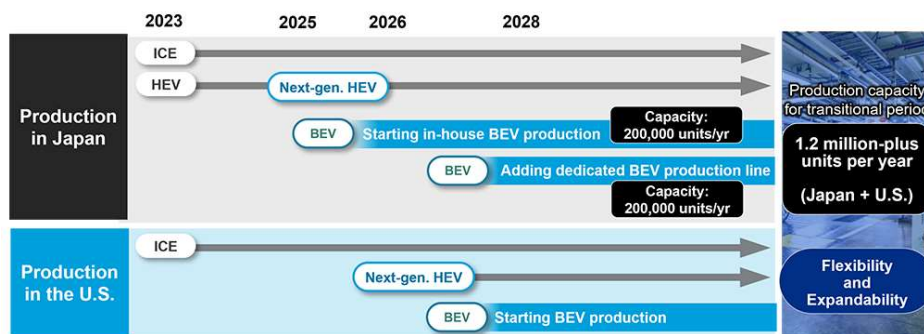
[Source: SUBARU]

- While SUBARU has been promoting electrification, the business environment for the company is changing rapidly, due primarily to the rapid shift to BEVs in the U.S., its core market, and the rise of emerging manufacturers, including those from other industries. In response to this, SUBARU announced an update to its electrification plan and the company's determination for 2028 in August 2023, setting an electric vehicle sales ratio target of 50% by 2030, exclusively through BEVs, a higher target with its vehicle type clarified. During the transitional phase toward electrification, SUBARU is closely monitoring environmental regulations and market trends in the automotive industry. It plans to stay nimble and responsive by utilizing the reorganization of the production structure at its Japanese and U.S. plants. Its approach is grounded in the principles of flexibility and scalability, allowing it to navigate through uncertain and challenging times until a clearer direction emerges.



[Source: SUBARU]

- In order to make environmental efforts with commitment to enhancing SUBARU-ness 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 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-BOXER 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 to 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.



[Source: SUBARU]

- In addition to the Solterra, which was launched in 2022, SUBARU will launch three new BEVs to enhance the SUV category, 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.

Expansion of BEV Lineup

Introduce four additional BEV models by the end of 2028.

By the end of 2026: **4 SUVs***

By the end of 2028: **4 more models**

A total of 8 models in BEV lineup by the end of 2028

8 BEV models

Images are for illustration purposes only.

BEV Sales in the U.S.

Aim for U.S. sales of 400,000 BEVs in 2028.

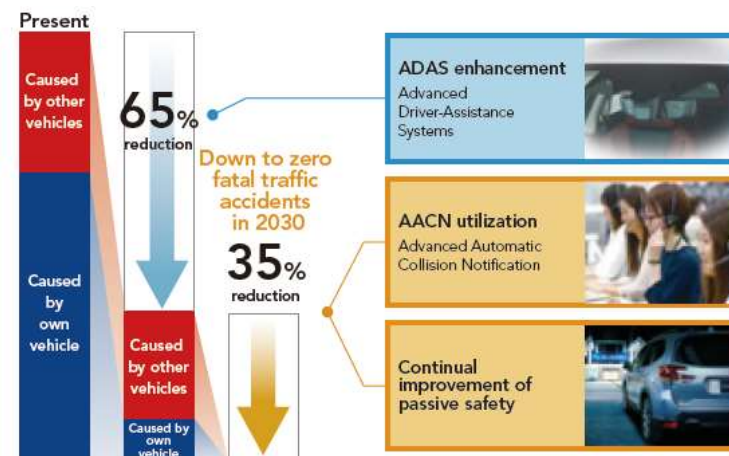
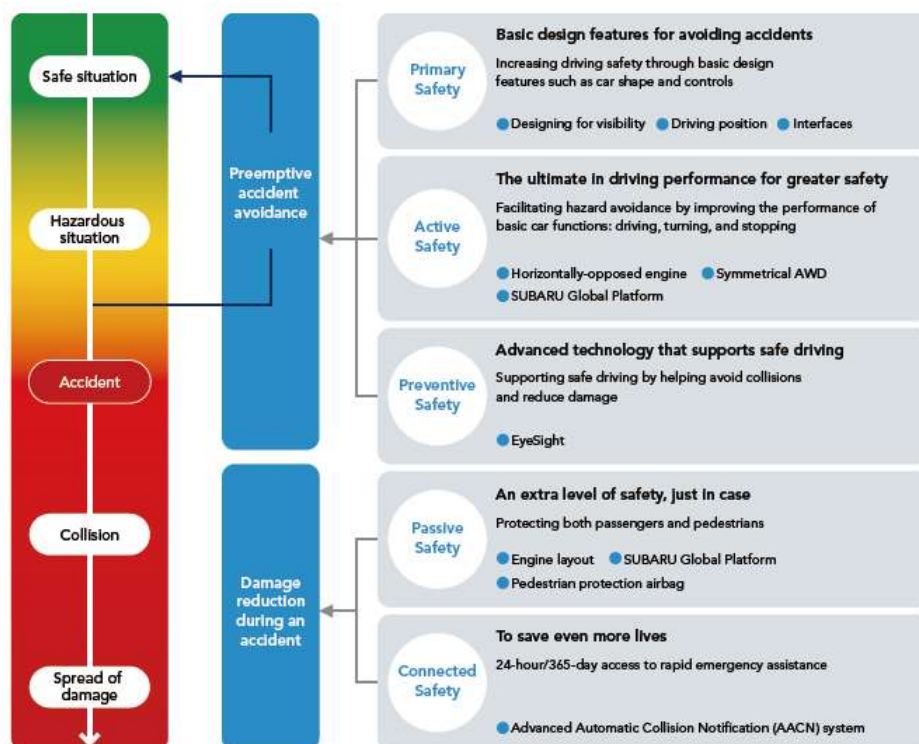
Battery Procurement

Procure batteries globally through alliance with Toyota Motor Corporation

* Incl. Solterra

[Source: SUBARU]

- SUBARU is promoting multifaceted efforts to develop technologies for passive safety performance in order to achieve the goal of zero fatal road accidents in 2030¹. The SUBARU Global Platform has brought about driving dynamics lending enjoyment to operating its vehicles. SUBARU's passive safety performance, which considers not only the driver and passengers but also pedestrians, has earned high evaluations around the world.
- To achieve zero fatal road accidents¹, SUBARU conducted a comprehensive investigation of all fatal traffic accidents that occurred in the U.S. from 2017 to 2019⁵, analyzing the causes of the accidents and the reasons for fatalities. Based on this analysis, it identified functionalities that can effectively eliminate these causes. Following this, the company decided on specific measures to implement these functionalities and is actively engaged in their development to bring them to fruition. In concrete terms, it will improve Advanced Driver Assistance Systems (ADAS) to further avoid and mitigate accidents, and reduce at-fault traffic accidents. For no-fault accidents, the company aims to achieve zero fatal road accidents in 2030¹ by strengthening its existing four safety performance areas, beginning with Passive Safety, and adopting Connected Safety in the form of its Advanced Automatic Collision Notification (AACN) system.



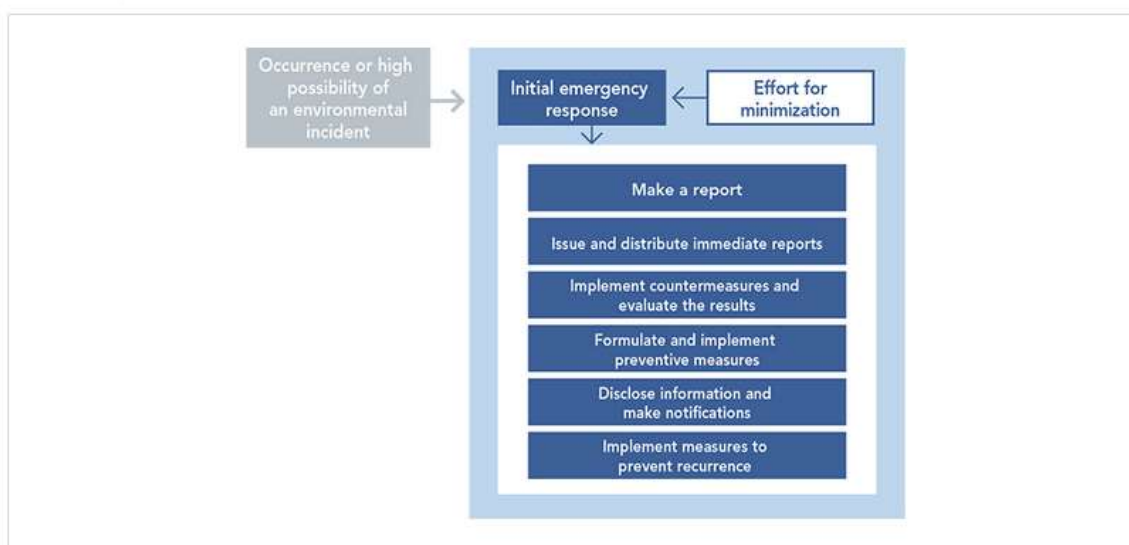
[Source: SUBARU]

⁵ All fatal traffic accidents involving vehicles from the most recent five model years.

(2) Criteria for Project Evaluation and Selection

- Eligible categories aligned with project categories illustrated in the Green Bond Principles and the Social Bond Principles are clearly defined in the Framework as the criteria for the evaluation and determination of eligible projects. Selected eligible projects are those contributing to the promotion of electrification and the further enhancement of advanced safety technologies.
- As mentioned above, R&I confirmed, through interviews and other means, that projects are implemented with due consideration to negative environmental and social impacts. When conducting individual projects, the company sets voluntary action items besides complying with environmental laws and regulations, etc. and address them appropriately, as necessary.

Procedures to Be Followed in Case of an Environmental Accident



[Source: SUBARU]

(3) Process for Project Evaluation and Selection

- The Finance & Accounting Department prepares a draft on eligible projects to be funded and selects projects after having project details and other factors confirmed by each business division, including the Sustainability Promotion Department. A final decision is made following confirmation by the General Manager of Finance & Accounting Department.

SUBARU pursues the direction 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. Eligible projects defined in the Framework are those contributing to the promotion of electrification and the further enhancement of advanced safety technologies. An organizational process is in place where the Finance & Accounting Department prepares a draft on eligible projects to be funded and selects projects after having project details and other factors confirmed by each business division, including the Sustainability Promotion Department, and a final decision is made following confirmation by the General Manager of Finance & Accounting Department. The process for project evaluation and selection is clear and rational.

3. Management of Proceeds

- The Finance & Accounting Department will manage the proceeds so that the total amount of allocation to any of the eligible categories will equal or exceed the amount of proceeds. It will confirm the allocation of the issue amount once a year, and 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.
- When a project can be included in two or more eligible categories, such as manufacturing costs of ZEVs and manufacturing costs for installing advanced safety technologies, the issuer will manage the allocation of proceeds appropriately so that the project will not be double-funded.

The Finance & Accounting Department will manage the proceeds so that the total amount of allocation to any of the eligible categories will equal or exceed the amount of proceeds. It will confirm the allocation of the issue amount once a year, and 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. The management of proceeds is appropriate.

4. Reporting

(1) Overview of Disclosure

- Until all proceeds are allocated, SUBARU will disclose the allocation of proceeds and the environmental and social impacts of eligible categories funded on its website once a year to the extent possible, considering confidentiality and other matters. If a significant change occurs to the allocation of proceeds during the term of finance, disclosure will be made in this regard.

	Items	Timing	Method
Allocation Reporting	<ul style="list-style-type: none"> Amount allocated to each eligible category Rough amount (or percentage) of proceeds used for refinancing Information on the method of management of unallocated funds in accordance with the guidance provided in "Management of Proceeds," if the balance of unallocated funds and unallocated funds exist 	Once a year until all proceeds are allocated	Website
Impact Reporting	<ul style="list-style-type: none"> Of the items listed in the table below, all or part of the information that matches each eligible project funded will be disclosed to the extent reasonably possible 		

■ Impact Reporting Items for Green Projects

Project Category	Eligibility Criteria	Examples of Reporting Items
Clean transportation	Zero emissions vehicles	<ul style="list-style-type: none"> Progress in R&D Number of ZEVs produced or sold CO2 emissions reduced through ZEVs (CO2 t) 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
Renewable energy	Introduction of renewable energy	<ul style="list-style-type: none"> Renewable energy consumed (TJ) or power generation capacity

		<ul style="list-style-type: none"> CO2 emissions reduced (CO2 t)
Green buildings / Energy efficiency	Green building	<ul style="list-style-type: none"> Outlines of buildings Types and ranks of environmental certifications obtained

■ Impact Reporting Items for Social Projects

- The outputs listed below will be disclosed to the extent reasonably possible. The outcome can be confirmed in reports and other materials available in the Sustainability & CSR section of SUBARU's website.

Output (Results of projects)	Outcome (Expected effects stemming from outputs)
<ul style="list-style-type: none"> Progress in R&D Number of vehicles with advanced safety or autonomous driving technologies produced 	<ul style="list-style-type: none"> Improvement in fatal and severe injury accidents involving vehicles sold by SUBARU

(2) Indicators to Show Environmental Benefits and Social Outcomes, Calculation Method, etc.

- Reporting will be made based on the examples of reporting items listed above to the extent reasonably possible, considering confidentiality.
- Quantitative indicators, such as CO2 emissions reduced, will be calculated using general calculation methods or the calculation formulas determined by the company.

Until all proceeds are allocated, SUBARU will disclose the allocation of proceeds and the environmental and social impacts and outputs of eligible categories funded on its website once a year. R&I confirmed that reporting will be made based on the examples of reporting items provided in the Framework to the extent reasonably possible, considering confidentiality. The reporting is appropriate.

[Disclaimer]

Second Opinion is not the Credit Rating Business, but one of the Ancillary Businesses (businesses excluding Credit Rating Service but are ancillary to Credit Rating Activities) as set forth in Article 299, paragraph (1), item (xxviii) of the Cabinet Office Ordinance on Financial Instruments Business, etc. With respect to such business, relevant laws and regulations require measures to be implemented so that activities pertaining to such business would not unreasonably affect the Credit Rating Activities, as well as measures to prevent such business from being misperceived as the Credit Rating Business.

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[Expertise and Third-Party Characteristics]

R&I has launched the R&I Green Bond Assessment business in 2016, and since then, R&I has accumulated knowledge through numerous evaluations. Since 2017, R&I has been participating as an observer in the Green Bond Principles and Social Bond Principles, which have their own secretariat at the International Capital Market Association (ICMA). It also has been registered since 2018 as an Issuance Supporter (external review entity) of the Financial Support Programme for Green Bond Issuance, a project by the Ministry of the Environment.

The R&I assessment method and results can be found on the R&I website (<https://www.r-i.co.jp/en/rating/esg/index.html>).

There is no capital or personal relationship between R&I and the fundraiser that could create a conflict of interest.