

Third party opinions on Positive Impact Finance Evaluation by Sumitomo Mitsui Trust Bank to Subaru Corporation

Japan Credit Rating Agency, Ltd. (JCR) provided a third party opinions to Positive Impact Finance provided by Sumitomo Mitsui Trust Bank to Subaru Corporation.

<Executive Summary>

This Third-Party Opinion examines the suitability of Sumitomo Mitsui Trust Bank, Limited. ("SMTB") to the Positive Impact Finance Principles ("PIF") and the PIF Model Framework which allow borrower not to limit the use of proceeds established by the United Nations Environmental Programme Finance Initiative ("UNEP FI") for the PIF implemented by SMTB to Subaru Corporation ("SUBARU"). To ensure the transparency and objectivity which are recommended in Principle 4 of PIF, Japan Credit Rating Agency, Ltd. ("JCR"), as an independent third-party organization, reviewed (1) the framework and impact indicators for positive impact assessment of SUBARU which procures funds through the PIF, and (2) the compliance of SMTB's PIF principles for the structuring of PIF products.

(1) Framework and Impact Indicators for Positive Impact Assessment of Subaru Corporation

SUBARU has established the Corporate Code of Conduct with the Corporate Philosophy as its top priority, and has formulated its CSR Policy. Based on these policies, SUBARU are implementing CSR activities globally throughout the entire supply chain, including the company, business partners, and customers, thereby achieving social and environmental benefits and striving to realize creating a sustainable society and the sustainable growth of SUBARU. Under the new mid-term management plan "STEP" established in July 2018, SUBARU identified six priority areas in the view of CSR. By incorporating the concepts of these six priority areas for CSR into its business activities, SUBARU aims to contribute for various social needs, to fulfill its corporate social responsibilities, and to contribute to more affluent and sustainable society. JCR confirmed that SUBARU established its internal system to share information and value with all members of the company, from top management to employees in order to implement the six priority areas of CSR set forth in the new mid-term management vision. In formulating the six priority areas for CSR, SUBARU extracted 41 CSR items from entire CSR items, and then it further chose six materialities reflecting the opinions of internal and external stakeholders. These efforts are consistent with the philosophy of the PIF Principles for holistic impact analyses in the three areas of SDGs: environmental, social, and economic.

In this finance, four impacts were identified as the impact categories extracted from the above holistic analyses.

From the above, JCR evaluates that the selection of impact centers and categories are appropriate, and that themes that contribute to the solution of important environmental and social issues have been appropriately extracted.

JCR confirmed the appropriateness of holistic impact analyses and the identified individual impacts in accordance with the confirmation items set out in the UNEP FI's Model Framework ("Framework"). As a result, JCR evaluates that SUBARU's impact analysis is a reasonable result by using this framework.

(2) Compliance of SMTB's PIF Principles for the Structuring of PIF Products

Regarding the SMTB's PIF evaluation framework, JCR confirmed the appropriateness of SMTB's product origination, internal regulations and systems, and the appropriateness of the PIF evaluation procedures in line with the PIF Principles. As a result, JCR confirmed that all items met the requirements.

Important explanation of this third-party opinion

1. Assumptions, Significance, and Limitations of JCR Third-party opinions

The third-party opinion granted and provided by Japan Rating Research Institute (JCR) is a comprehensive opinion of business entities and procurement entities regarding their compliance with the Positive Impact Financial (PIF) Principles formulated by the United Nations Environmental Programme Finance Initiative, and do not fully indicate the extent of the positive impact of the positive impact finance.

This third-party opinion is a statement of opinion on the current plan or status based on information provided by the client, the procurement entity and the business entity, and information independently collected by JCR, and does not guarantee positive results in the future. In addition, this third-party opinion does not quantitatively demonstrate the positive effects of PIFs, and does not represent a commitment to the effects of PIFs. JCR confirms that the funds procured from this project are quantitatively and qualitatively measured by a procurement entity or a third party commissioned by a procurement entity with respect to the degree of achievement of the impact indicators set by the Company. However, in principle, JCR does not directly measure the degree of achievement.

2. International initiatives, principles, etc. referenced in the preparation of this third-party opinion

In preparing this opinion, JCR refers to the following principles and guides developed by the United Nations Environment Programme Finance Initiative.

Positive Impact Financial Principles

Positive Impact Finance Model Framework, which does not limit the use of funds

3. Relationship with Acts Related to Credit Rating Business

Providing this third-party opinion is undertaken by JCR as a related activity and does not constitute an activity relating to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

There are no capitals or human relationships that could cause conflicts of interest between the business entity or procurement entity of the PIF and JCR.

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■Glossary

Third-Party Opinion: This Report, at the request of the client, provides a third-party opinion on the conformity of the Bank's Positive Impact Financial Assessment Report to the United Nations Environmental Programme Finance Initiative's Positive Impact Finance Principles from an independent, neutral and impartial standpoint.

Business entities: Financial institutions that implement positive impact finance.

Procurement entities: Operating companies, etc. that borrow through positive impact finance for positive impact business.

■Registration as an External Evaluator of Sustainable Finance

- Members of the United Nations Environment Programme Financial Initiative Positive Impact Working Group
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- ICMA (registration as an observer with the International Association of Capital Markets as an external evaluator) Member of the Working Group on Principles of Social Bonds

■Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO(Nationally Recognized Statistical Rating Organization. (1)Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

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