

Second-Party Opinion

Toyota Tsusho Corporation Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Toyota Tsusho Corporation Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in renewable energy projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



PROJECT EVALUATION / SELECTION Toyota Tsusho Corporation's Finance department will be responsible for overseeing the evaluation and selection of eligible projects, with the support from the Carbon Neutrality Promotion department. The General Manager of the Finance department will make the final allocation decisions. Toyota Tsusho Corporation has adopted processes for managing environmental and social risks associated with the eligible projects. These processes are applicable to all allocation decisions made under the Framework. Sustainalytics views that Toyota Tsusho Corporation's processes for evaluating and selecting projects are in line with market practice.



MANAGEMENT OF PROCEEDS Toyota Tsusho Corporation's Finance department will be responsible for the management and the allocation of proceeds to eligible green projects. The proceeds will be tracked using Excel files and the Company intends to achieve full allocation by the next fiscal year once the green bonds or loans are issued. Pending allocation, unallocated proceeds will be held in cash or cash equivalents. Sustainalytics considers this process to be in line with market practice.



REPORTING Toyota Tsusho Corporation intends to report on the allocation of proceeds on its website annually until full allocation. Allocation reporting will include information such as amount of allocation at the category level, balance of any unallocated proceeds, and a brief description of eligible projects. In addition, Toyota Tsusho Corporation is committed to reporting on relevant impact indicators such as, renewable energy generation capacity (MW), annual reduction in CO₂ emissions (tCO₂), annual amount of renewable energy consumed (TJ), to the extent practicable. Sustainalytics views Toyota Tsusho Corporation's reporting system as aligned with market practice.



Evaluation date	October 26, 2022
Issuer Location	Nagoya, Japan

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Introduction

Toyota Tsusho Corporation (“Toyota Tsusho”, or the “Company”) is a major Japanese trading company established in 1948. The Company operates in seven segments which are Metals, Global Parts & Logistics, Automotive, Machinery, Energy & Project, Chemicals & Electronics, Food & Consumer Services, and Africa. As of March 31, 2022, the Company has 65,218 employees on a consolidated basis.

Toyota Tsusho has developed the Toyota Tsusho Corporation Green Finance Framework (the “Framework”), dated September 2022, under which it intends to issue green bonds and loans and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to contribute to positive environmental impacts. The Framework defines eligibility criteria in one area:

1. Renewable Energy

Toyota Tsusho engaged Sustainalytics to review the Toyota Tsusho Corporation Green Finance Framework, dated September 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Toyota Tsusho Corporation’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Toyota Tsusho Corporation representatives have confirmed (1) they understand it is the sole responsibility of Toyota Tsusho Corporation to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Toyota Tsusho Corporation.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

³ The Toyota Tsusho Corporation Green Finance Framework is available on Toyota Tsusho Corporation’s website at: <https://www.toyota-tsusho.com/english/sustainability/environment/greenfinance.html>

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Toyota Tsusho is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Toyota Tsusho Corporation has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Toyota Tsusho Corporation Green Finance Framework

Sustainalytics is of the opinion that the Toyota Tsusho Corporation Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category – Renewable Energy – is aligned with those recognized by the GBP and GLP. Sustainalytics notes that the proceeds of the Framework are expected to contribute to positive environmental impacts.
 - Toyota Tsusho will apply a look-back period of two fiscal years for refinancing opex, which Sustainalytics considers to be in line with market practice.
 - Toyota Tsusho intends to refinance equity investment of companies that derive 90% or more of its revenue from activities that comply with the eligibility criteria set in the Framework. Sustainalytics recognizes that the GBP and GLP favour project-based financing, which provides more transparency than non-project-based financing in general. Nevertheless, Sustainalytics recognizes that the financing of pure-play companies through green bonds and loans is commonly accepted as an approach which can generate positive environmental impacts.
 - In the Renewable Energy category, Toyota Tsusho may finance or refinance the development, construction and operation of onshore or offshore wind, solar, hydropower, geothermal and biomass projects including plant construction, power generation and transmission. Sustainalytics considers the criteria for financing renewable energy projects to be aligned with market practice and notes the following:
 - Financing of wind and solar power projects (including installation of on-site solar panels at the Company's facilities).
 - Regarding solar thermal projects, the Company has confirmed that the reliance on non-renewable energy backup will be limited to 15% of the facility's electricity generation.
 - Hydropower projects will be limited to: i) run-of-river without artificial reservoir or low storage capacity; ii) ones with life-cycle carbon emissions intensity less than 50 gCO₂e/kWh; or iii) ones with power density greater than 10 W/m². For all new hydropower projects, the Company has confirmed that an environmental and social impact assessment aligned with relevant international standards⁵ by a credible body is required per project and the absence of significant risks and controversies associated with the projects needs to be ensured.
 - Geothermal projects with a direct emissions threshold of less than 100 gCO₂/kWh

⁵ International standards include, but not limited to, IFC Performance Standards on Environmental and Social Sustainability.

- Biomass projects using waste material as feedstock including residues from forestry, agriculture, fisheries and palm oil operations. Residues from fishery is restricted to companies that have obtained Aquaculture Stewardship Council Farm (ASC)⁶ or Marine Stewardship Council (MSC) certification.⁷ Residues from palm oil operations⁸ is restricted to palm oil suppliers that are certified by the Roundtable on Sustainable Palm Oil (RSPO)⁹ or the Roundtable on Sustainable Biomaterials (RSB).¹⁰
 - For biomass projects using non-waste material, Toyota Tsusho intends to only use feedstock that do not compete with food sources and has life-cycle greenhouse gas (GHG) emissions intensity below 100 gCO₂e/kWh. For projects that use wood and wood pellets, the feedstock will be limited to ones from the Forest Stewardship Council (FSC)¹¹ or Programme for the Endorsement of Forest Certification (PEFC) certified suppliers.¹² For projects that use non-wood crops, the Company has confirmed to Sustainalytics that the feedstock meets the following requirements:
 - The production of feedstock does not take place on land with high biodiversity that has been converted to produce feedstock in the last 10-15 years.
 - Land with a high amount of carbon has not been converted for feedstock production.

Toyota Tsusho will also exclude palm oil, peat, uncertified materials, or materials sourced from unknown suppliers. Sustainalytics notes that it is market expectation to specify all certification schemes and encourages the Company to report on any certification schemes it intends to include in its eligibility criteria.
 - In addition, the Company intends to purchase renewable energy through power purchase agreement (PPAs) or virtual power purchase agreements (VPPAs) to increase the share of renewable energy in its electricity consumption. The Company has confirmed to Sustainalytics that the energy sources will be identifiable and do not include any nuclear power, and that positive environmental impacts are expected to be created by making long-term procurement. In the case the term of PPAs/VPPAs is shorter than green bond or green loan periods, the Company will reallocate the proceeds to other eligible projects for the remaining life of the bond or loan.
- Project Evaluation and Selection:
 - Toyota Tsusho's Finance department will be responsible for overseeing the evaluation and selection of eligible projects, with the support from the Carbon Neutrality Promotion department. The General Manager of the Finance department will make the final allocation decisions.
 - Toyota Tsusho has in place an environmental and social risk management system that are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation.
 - Based on the clear delineation of responsibility for project evaluation and selection, Sustainalytics considers these processes to be in line with market practice.
- Management of Proceeds:
 - Toyota Tsusho's Finance department will be responsible for the management and allocation of proceeds to eligible projects. The proceeds will be managed in the Finance department's general account, and an amount equivalent to the net proceeds will be earmarked for allocation to eligible projects. The proceeds will be tracked at least once a year using Excel files.
 - The Company intends to allocate all proceeds to eligible projects by the next fiscal year once the green bonds or loans are issued. Pending allocation, unallocated proceeds will be held in cash or cash equivalents.

⁶ ASC Farm Standards, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

⁷ Marine Stewardship Council, The MSC Fisheries Standards, at: <https://www.msc.org/standards-and-certification/fisheries-standard>

⁸ Toyota Tsusho Corporation has confirmed to Sustainalytics that financing under the Framework will be limited to waste biomass projects using palm kernel shells from RSPO certified palm oil operations and will not include the general financing of palm oil operations.

⁹ The Roundtable on Sustainable Palm Oil, at: <https://rspo.org/>

¹⁰ The Roundtable on Sustainable Biomaterials, at: <https://rsb.org/?msclid=e8ed6e87c6cc11ec88b92ee2d6d3952a>

¹¹ Forest Stewardship Council, at: <https://ca.fsc.org/en-ca>

¹² Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

- Based on the presence of an internal tracking system, allocation timeframe and disclosure on temporary allocation, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Toyota Tsusho intends to report on the allocation of proceeds to eligible projects on its website annually until full allocation. Allocation reporting will include the amount of allocation at the category level, balance of any unallocated proceeds, and a brief description of eligible projects.
 - In addition, the Company is committed to reporting on relevant impact metrics to the extent practicable, such as renewable energy generation capacity (MW), annual reduction in CO₂ emissions (tCO₂), and annual amount of renewable energy consumed (TJ).
 - Based on the annual allocation and impact reporting commitments, Sustainalytics considers these processes to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Toyota Tsusho Corporation Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Toyota Tsusho Corporation

Contribution of Framework to Toyota Tsusho's sustainability strategy

Toyota Tsusho demonstrates a commitment to sustainability through its following objectives as the Key Sustainability Issues (Materiality): (i) Strive for the elimination of traffic casualties and contribute to the creation of a safe and comfortable mobility society, (ii) Contribute to the development of a recycling-based society by transforming waste into resources for manufacturing, (iii) Contribute to the transition to a carbon neutral society by reducing CO₂ emissions from automobiles and factories/plants through the use of clean energy and innovative technologies, (iv) Grow with developing countries, including those in Africa, and endeavor to solve social issues through business operations, (v) Begin everything we do with ensuring safety and compliance and continue to be an organization trusted by society, and (vi) Respect human rights, and actively develop people who will contribute to society by nurturing them and giving them opportunities to apply their skills.¹³ In terms of reducing GHG emissions, the Company has established a long-term target to achieve net-zero by 2050 with an interim target to reduce its GHG emissions by 50% by 2030 when compared to 2019 (for Scope 1 and Scope 2).¹⁴

In line with these targets, with the mission of "Passing down a better global environment to the children of the future", Toyota Tsusho has set up a "Task Force for Promoting Carbon Neutrality" in April 2021 with a purpose to promote the Company decarbonization efforts across all its divisions.¹⁵ This taskforce is overseen by the Chief Digital & Technology Officer and has five working groups in place including, Renewable Energy and Energy Management Working Group to monitor the progress toward the achievement of its carbon neutrality target. In terms of renewable energy, Toyota Tsusho targets to increase the proportion of renewable energy in the Company's total electric power generation capacity from 45% in the fiscal year (FY) 2021 to 58% in FY2024.¹⁶ Globally, Toyota Tsusho operates about 3,610 MW with the composition being 2,971 MW for wind, 344 MW for solar, 270 MW for hydroelectric power, and 25 MW for biomass power as of March 31, 2022.¹⁷ The Company sets targets of the total power generation capacity of renewable energy to be more than 5 GW in FY2024 and more than 10 GW in FY2029. In addition, the Company has a specific target to expand renewable energy in Africa from 260 MW in FY2020 to 1,440 MW by FY2024.¹⁸

Based on the context mentioned above, Sustainalytics is of the opinion that the Toyota Tsusho Corporation Green Finance Framework aligns with its sustainability policies, goals, and initiatives, and promotes the Company's contribution to the mitigation of climate change through its business.

¹³ Toyota Tsusho "Integrated Report 2022", at: https://www.toyota-tsusho.com/english/ir/library/integrated-report/pdf/ar2022e_all.pdf

¹⁴ Toyota Tsusho "Integrated Report 2022", at: https://www.toyota-tsusho.com/english/ir/library/integrated-report/pdf/ar2022e_all.pdf

¹⁵ Toyota Tsusho "Toyota Tsusho Establishes Task Force for Promoting Carbon Neutrality

- Contributing to the transition into a decarbonized society through the industrial lifecycle -" at: [https://www.toyota-tsusho.com/english/press/detail/210401_004799.html#:~:text=Toyota%20Tsusho%20Corporation%20\(%22Toyota%20Tsusho,action%20to%20achieve%20carbon%20neutrality.](https://www.toyota-tsusho.com/english/press/detail/210401_004799.html#:~:text=Toyota%20Tsusho%20Corporation%20(%22Toyota%20Tsusho,action%20to%20achieve%20carbon%20neutrality.)

¹⁶ Toyota Tsusho "Integrated Report 2022", at: https://www.toyota-tsusho.com/english/ir/library/integrated-report/pdf/ar2022e_all.pdf

¹⁷ Toyota Tsusho "Integrated Report 2022", at: https://www.toyota-tsusho.com/english/ir/library/integrated-report/pdf/ar2022e_all.pdf

¹⁸ Toyota Tsusho "Integrated Report 2022", at: https://www.toyota-tsusho.com/english/ir/library/integrated-report/pdf/ar2022e_all.pdf

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include occupational health and safety, land use and biodiversity issues associated with large-scale renewable energy projects, supply chain risks as well as community relations. Sustainalytics is of the opinion that Toyota Tsusho is able to manage and mitigate potential risks through implementation of the following:

- Regarding occupational health and safety, Japan's Industrial Safety and Health Law mandates evaluation of worker health and working environments to ensure appropriate health and safety measures are followed at work sites.¹⁹ The Company has established management rules and guidelines to identify and manage occupational safety & health and environmental risks of the projects financed, under the supervision of Global Safety & Environmental Promotion Department.²⁰
- Regarding risks associated with environment and biodiversity, the Group has adopted environmental management systems under ISO 14001 standards, which aims to provide organizations with a long-term environmental management framework, integrating social and economic needs.²¹ For its overseas operations, the systems are operated and managed in accordance with the Toyota Tsusho Group's environmental management rulebook - a set of voluntary standards. Additionally, the Company has energy management system aligned with ISO 50001 standards.²² In terms of biodiversity, the Company formulated the Toyota Tsusho Group Biodiversity Guidelines in December 2015 and revised in December 2019 to preserve biodiversity in its areas of operation.²³ The Guidelines mandate the implementation of risk assessment and research and assessment prior to investment.
- Toyota Tsusho has established Supply Chain Sustainability Behavioral Guidelines to address risks related to human rights, occupational safety and health, and environmental issues across its entire supply chain. This includes questionnaires to be filled by suppliers, monitoring, verification and on-site surveys to manage and mitigate supply chain risks.²⁴ Toyota Tsusho Group follows Human Rights Policy in compliance with the United Nations' Guiding Principles on Business and Human Rights and commits to the following: implementation of human rights due diligence, compliance with the relevant laws and international human rights norm and rights of indigenous people.²⁵

Section 3: Impact of Use of Proceeds

The use of proceed category is aligned with those recognized by the GBP and GLP. Sustainalytics focuses below on where the impact is specifically relevant in both the local and the global context.

Importance of promoting renewable energy

CO₂ emissions from the global power sector in 2020 was 13.5 Gt, accounting for 40% of energy-related CO₂ emissions.²⁶ According to the International Energy Agency (IEA)'s Net Zero Emissions by 2050 Scenario (NZE),²⁷ a scenario in line with 1.5°C commitment under the Paris Agreement, the power sector needs to reduce CO₂ emissions by 7.6% annually on average by 2030.²⁸ In 2020, however, the sector reduced CO₂ emissions only by 2.9%, significantly lower than the level suggested by the NZE.²⁹ The NZE also requires the sector to dramatically increase the proportion of renewable energy in power generation from 29% in 2020 to more than 60% by 2030.³⁰

¹⁹ International Labour Organization (ILO), "Industrial Safety and Health Law", (2008), at:

<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/27779/61989/F332577679/JPN27779.pdf>

²⁰ Toyota Tsusho website "Occupational Health and Safety Initiatives" at:

<https://www.toyota-tsusho.com/english/sustainability/social/safety-health.html>

²¹ Toyota Tsusho, "Environmental Management", at: <https://www.toyota-tsusho.com/english/sustainability/environment/management.html#anc-01>

²² Toyota Tsusho, "Climate Change", at: <https://www.toyota-tsusho.com/english/sustainability/environment/climate-change.html>

²³ Toyota Tsusho, "Biodiversity", at: <https://www.toyota-tsusho.com/english/sustainability/environment/biodiversity.html>

²⁴ Toyota Tsusho, "Supply Chain", at: <https://www.toyota-tsusho.com/english/sustainability/social/supply-chain.html#anc-01>

²⁵ Toyota Tsusho, "Respect for Human Rights", at: <https://www.toyota-tsusho.com/english/sustainability/social/human-rights.html>

²⁶ International Energy Agency (IEA), "Tracking Power 2021", at: <https://www.iea.org/reports/tracking-power-2021>

²⁷ International Energy Agency (IEA), "Net Zero Emissions by 2050 Scenario (NZE)", at: <https://www.iea.org/reports/world-energy-model/net-zero-emissions-by-2050-scenario-nze>

²⁸ International Energy Agency (IEA), "Tracking Power 2021", at: <https://www.iea.org/reports/tracking-power-2021>

²⁹ International Energy Agency (IEA), "Tracking Power 2021", at: <https://www.iea.org/reports/tracking-power-2021>

³⁰ International Energy Agency (IEA), "Renewable Power", at: <https://www.iea.org/reports/renewable-power>

In the fiscal year (FY) 2020, while the proportion of renewable energy in total power generation was 18.1%, fossil fuel-based thermal power generation accounted for 76.3% in Japan.³¹ In April 2021, the Japanese government committed itself to reducing GHG emissions by 46% compared with FY2013 levels by FY2030.³² As part of the energy mix aligned with this commitment, it is considering to increase the proportion of renewable energy to 36–38% by FY2030.³³ Furthermore, having committed to net-zero GHG emissions by 2050, the government has formulated a Green Growth Strategy,³⁴ which describes the policy direction and action plan towards achieving carbon neutrality in 2050. In the Strategy, the government expresses its intent to promote the use of renewable energy, setting a reference target of covering 50–60% of electric power generation with renewable energy.

Based on the above, Sustainalytics is of the opinion that Toyota Tsusho's financing renewable energy under the Framework is expected to create a positive environmental impact through CO₂ emissions reduction globally, while helping Japan achieve its medium- to long-term climate change targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the Toyota Tsusho Corporation Green Finance Framework advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

³¹ "Agency for Natural Resources and Energy, "FY2020 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: <https://www.meti.go.jp/press/2022/04/20220415003/20220415003-1.pdf>

³² Ministry of the Environment, "Japan's Nationally Determined Contribution (NDC)", at: https://www.env.go.jp/earth/ndc/JAPAN_NDC.pdf

³³ Ministry of Economy, Trade and Industry, "Outline of Strategic Energy Plan (Japanese only)", at: <https://www.meti.go.jp/press/2021/10/20211022005/20211022005-1.pdf>

³⁴ Ministry of Economy, Trade and Industry, "Green Growth Strategy through Achieving Carbon Neutrality in 2050 (Japanese only)", at: <https://www.meti.go.jp/press/2021/06/20210618005/20210618005-3.pdf>

Conclusion

Toyota Tsusho Corporation has developed the Toyota Tsusho Corporation Green Finance Framework under which it may issue green bonds and/or loans and use the proceeds to finance renewable energy projects. Sustainalytics expects the projects funded by the green finance proceeds to contribute to positive environmental impacts.

The Toyota Tsusho Corporation Green Finance Framework outlines processes for tracking, allocating, and managing proceeds and makes commitments for the Company to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Toyota Tsusho Corporation Green Finance Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds category is expected to contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that Toyota Tsusho has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Toyota Tsusho Corporation is well positioned to issue green bonds and loans and that the Toyota Tsusho Corporation Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Toyota Tsusho Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Toyota Tsusho Corporation Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 26, 2022
Publication date of review publication: Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in renewable energy projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Toyota Tsusho Corporation's Finance department will be responsible for overseeing the evaluation and selection of eligible projects, with the support from the Carbon Neutrality Promotion department. The General Manager of the Finance department will make the final allocation decisions. Toyota Tsusho Corporation has adopted processes for managing environmental and social risks associated with the eligible projects. These processes are applicable to all allocation decisions made under the Framework. Sustainalytics views that Toyota Tsusho Corporation's processes for evaluating and selecting projects are in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Toyota Tsusho Corporation's Finance department will be responsible for the management and the allocation of proceeds to eligible green projects. The proceeds will be tracked using Excel files and the Company intends to achieve full allocation by the next fiscal year once the green bonds or loans are issued. Pending allocation, unallocated proceeds will be held in cash or cash equivalents. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Toyota Tsusho Corporation intends to report on the allocation of proceeds on its website annually until full allocation. Allocation reporting will include information such as amount of allocation at the category level, balance of any unallocated proceeds, and a brief description of eligible projects. In addition, Toyota Tsusho Corporation is committed to reporting on relevant impact indicators such as, renewable energy generation

capacity (MW), annual reduction in CO₂ emissions (tCO₂), annual amount of renewable energy consumed (TJ), to the extent practicable. Sustainalytics views Toyota Tsusho Corporation's reporting system as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*): *balance of any unallocated proceeds, information on how unallocated proceeds, if any, have been held in line with the guidelines set forth in the "Management of the Proceeds", and a brief description of eligible project.*

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): *renewable energy generation capacity (MW), annual amount of renewable energy consumed (TJ).*

Frequency

- Annual Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report Information published in sustainability report

- Information published in ad hoc documents
- Other (please specify): Toyota Tsusho's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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