



Sustainability-Linked Finance Framework

August 2024

1. Introduction

GS Yuasa Corporation ("the Company") formulated its Sustainability-Linked Finance Framework ("the Framework"), by financing Sustainability-Linked Bonds or Sustainability-Linked Loan ("Sustainability-Linked Finance Instruments"), aiming to motivate the advancement of sustainability management and to promote sustainable economic activity and growth in terms of both the environment and society.

The Framework is formulated in alignment with the "2024 Sustainability-Linked Bond Principles" by the International Capital Market Association (ICMA), "2023 Sustainability-Linked Loan Principles" by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and the Loan Syndication & Trading Association (LSTA), and "2022 Sustainability-Linked Bond Guidelines" and "2022 Sustainability-Linked Loan Guidelines" by the Ministry of the Environment, and has obtained a second-party opinion from Japan Credit Rating Agency, Ltd. (JCR).

1.1. Overview of the company

The GS Yuasa Group ("the Group") has set 'Innovation and Growth' as its corporate philosophy and, in a history more than 100-years, has created products that solve social issues according to the needs of the times, such as lead-acid storage batteries for automobiles and motorcycles, and backup battery power sources that support public infrastructure, contributing to society through energy devices. After the business integration of Japan Storage Battery Co., Ltd. and Yuasa Corporation in 2004, the company has accelerated its growth through planned capital expenditures and the advancement of partnerships and collaborations. In 2009, Honda Motor Co., Ltd. and GS Yuasa Corporation established Blue Energy Co., Ltd. to manufacture and sell lithium-ion batteries, and in 2023 they established Honda·GS Yuasa EV Battery R&D aiming to conduct research and development on high-capacity, high-output lithium-ion

batteries and their manufacturing methods with high competitiveness at a global level and build both a supply chain for key raw materials and an efficient production system. Efforts are also being made to strengthen the business foundation, focusing on enhancing the profitability of the lead-acid storage battery business. Currently, the Group is expanding its business domestically and internationally in the segments of automotive batteries, industrial batteries and power supplies, automotive lithium-ion batteries, and specialized batteries and others.

1.2. Management Fundamental Policy (Philosophy, Sustainability Management Policy)

Positioning “committing to people, society, and the global environment” through the “Innovation and Growth” as its corporate philosophy, the Group is committed to utilizing advanced technologies developed in the field of stored energy solutions to deliver security and comfort to our customers around the globe, to make a real contribution to the global effort toward sustainability, and to grow corporate value in accordance with Sustainability Management Policy.

- We will strive to help address the challenges to sustainability and seek lasting growth together with the community.
- We will pursue fair and healthy business practices, and maintain steadfast business foundations able to support sustained growth.
- We will strive to earn the understanding and trust of a diverse range of stakeholders through dialogue.

1.3. Vision 2035 (Long-Term Vision)

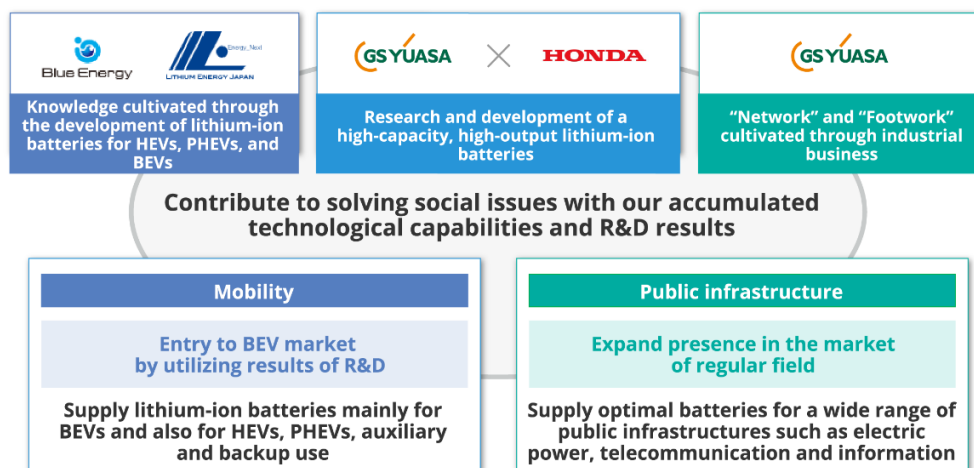
The Company announced Vision 2035, our long-term vision, in April 2023. Vision 2035 expresses our ideal vision of GS Yuasa in 2035 in order to achieve "Innovation and Growth" for the next 100 years, based on the DNA of our founders and the knowledge we have accumulated over the past 100 years.



1.3.1. Key points of "Innovation and Growth" for achieving Vision 2035

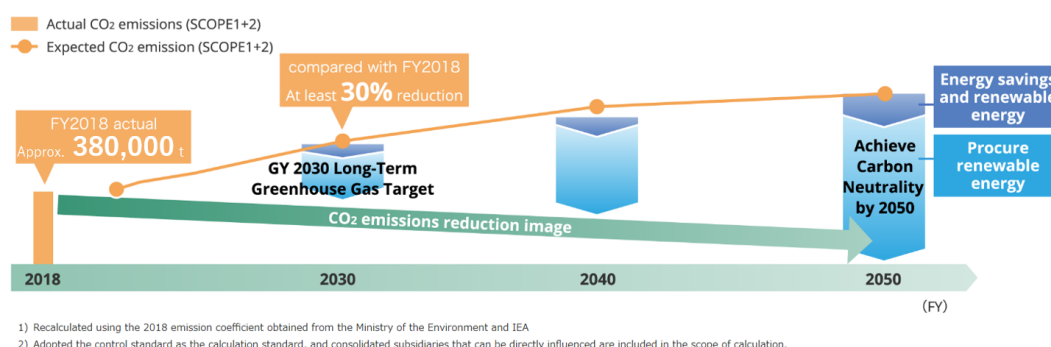
To achieve Vision 2035, we will advance "Innovation and Growth" with a focus on mobility and public infrastructure, contributing to solutions to social problems.

In the mobility field, we will leverage the results of research and development to supply lithium-ion batteries, mainly for battery electric vehicles (BEVs), contributing to the advancement of mobility. In the public infrastructure field, we will use our supply capabilities, which we developed with batteries for BEVs, to expand our presence in growing regular (renewable energy) field markets and supply batteries that are optimal for a wide range of infrastructure including electric power, telecommunications, and information, supporting public infrastructure that provides safety and peace of mind.



1.3.2. GY 2050 Carbon Neutrality Target

We have announced its commitment to achieving carbon neutrality by fiscal 2050 in terms of Scope 1 and Scope 2 emissions. Adding to the GY 2030 Long-Term Greenhouse Gas Target, which was announced in fiscal 2021, we will be enacting further energy savings and the use of renewable energy, as well as initiatives within the procurement of renewable energy. Through these, we will be achieving carbon neutrality. Additionally, the products we supply make a contribution to the reduction of CO2 emissions throughout society as a whole.



1.4. Sixth Mid-Term Management Plan (FY2023-2025)

1.4.1. Policy/Measure

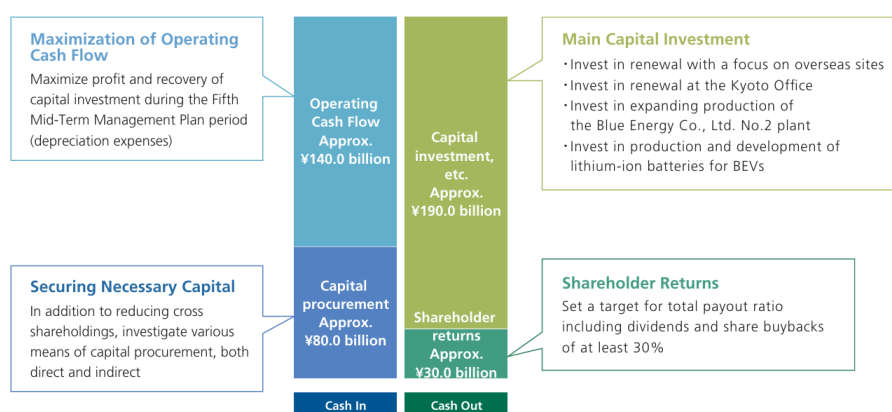
Positioning this period as one for laying the foundation for reform to realize the vision envisioned in Vision 2035, we will implement a variety of measures to reform our business structure.

<p>1</p> <p>Development of batteries for BEVs</p>		<ul style="list-style-type: none"> ● Development of a high-capacity, high-output lithium-ion batteries by utilizing joint venture company with Honda ● Establishment of production and supply systems of batteries for BEVs to expand mobility and public infrastructure business
<p>2</p> <p>Reinforcement of earning capacity in existing business</p>		<ul style="list-style-type: none"> ● Thorough value-added creation and improvement in profitability ● Maximization of profits due to unparalleled superiority in Industrial Batteries and Power Supplies Business in Japan ● Transformation of regional strategy, including review of business in China, maximization of profits by concentrating resources at main sites
<p>3</p> <p>DX / new business</p>		<ul style="list-style-type: none"> ● DX promotion to enable business structure transformation ● Create new business that contribute to solving social issues

1.4.2. Capital Allocation

The term of the Sixth Mid-Term Management Plan will be a three-year period for upfront investment. We will prioritize investment in the mobility field, which is expected to grow considerably, centered primarily around batteries for BEVs, and in the public infrastructure field, centered on renewable energy. By increasing sales of environmentally considered products, we will reduce CO2 emissions and contribute to the global environment and society.

Capital Allocation (FY2023 - 2025)



1.4.3. Materiality

When carrying out the Mid-Term Management Plan, the first year of which is fiscal 2023, we formulated new materiality response plans to address significant sustainability issues. After considering perspectives such as reinforcing our business foundations and enhancing corporate value, we formulate a business plan that corresponds to those material issues (a materiality response plan) and set management indicators and targets to measure the progress of the plan.

Materiality		Major Activities and targets	
E	➢ Environment – Contribute to sustainability of the global environment as an energy device company		
	➢ Developing and popularizing environmentally considered products ➢ Promoting environmental protection	➢ Ratio of reduction of CO ₂ emissions 15% or more (compared with FY2018) ➢ Ratio of reduction of water use 15% or more (compared with FY2018) ➢ Ratio of recycled lead used 70% or more ➢ Percentage of environmentally considered products in total sales 45% or more	
S	➢ Social – Respect for human rights and contribution to society		
	➢ Respect for individuality ➢ Respect for diversity ➢ Human resources development ➢ Enhancement of work environments and occupational health and safety ➢ Provision of high-quality products ➢ Responsible procurement promotion	➢ Promotion of human rights education and thorough management of human rights risks ➢ Promotion of diversity & inclusion ➢ Promotion of work-life balance and health management ➢ Promotion of human resource development programs ➢ Promotion of occupational health and safety risk management ➢ Strengthening of product safety management, promotion of quality improvement and strengthening of quality communication ➢ Responses to responsible mineral procurement and managing CSR risks in the supply chain	
G	➢ Governance – Promotion of fair, transparent, and swift group-wide governance		
	➢ Thoroughly fulfilling our CSR and ensuring compliance ➢ Protection of intellectual property ➢ Thorough management of confidential information	➢ Promotion of compliance education, provision and thorough of legal information ➢ Thorough avoidance of infringement and elimination of counterfeit products ➢ Promotion of security measures and information security training	

[Refer here for detailed information concerning materiality response plans](#)

1.5. Sustainability promotion framework

Within the Group, the president has been designated as the Chief Commanding Officer for Sustainability Promotion managing the entire Group's sustainability promotion. Further, the Board of Directors plays a central role in making important management decisions for the Group as a whole and supervises and manages the suitability of sustainability management in the Group.

Moreover, the Sustainability Promotion Committee, established at our core operating subsidiary, GS Yuasa International, is the primary decision-making body for the Group's business execution and works to discuss, formulate, and promote overall sustainability activities, thereby promoting group-wide sustainability management initiatives.



2. Sustainability-Linked Finance Framework

The Framework will apply to Sustainability-Linked Finance Instruments issued by the company. The Framework is formulated in alignment with the “2024 Sustainability-Linked Bond Principles” as administered by ICMA, “2023 Sustainability-Linked Loan Principles” as administered by LMA, APLMA, LSTA, and “2022 Sustainability-Linked Bond Guidelines” and “2022 Sustainability-Linked Loan Guidelines” by the Ministry of the Environment, and their five core components.

1. Selection of Key Performance Indicator (KPI)
2. Calibration of Sustainability Performance Target (SPT)
3. Financial Characteristics
4. Reporting
5. Verification

2.1. Selection of KPI

The KPI to be executed based framework is “Reduction of CO2 emissions volume (total volume, Scope 1, 2)”. The company recognizes that the achievement of carbon neutrality is one of its most important management challenges. The KPI includes initiatives for the realization “Vision 2035”, “GY 2050 Carbon Neutrality Target”.

KPI	Reduction of CO2 emissions volume (total volume, Scope 1, 2)
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※Scope : The Group’s production bases (Domestic : 9 business sites, Oversea : 14 business sites)

※Scope 2 emissions show the CO2 emissions calculated using the methods of market standards.

※The CO2 conversion factor in the calculation of CO2 emissions associated with power usage uses the following published values. However, the conversion factor for electricity derived from renewable energy is set to zero.

- Japan : Annual coefficient for each power company announced in accordance with the Act on Promotion of Global Warming Countermeasures.
- Outside of Japan : Annual coefficients announced in “Emissions Factors,” a publication of the International Energy Agency (IEA).

【Historical data (Unit : t-CO2)】

Fiscal Year	2018	2019	2020	2021	2022	2023
CO2 emissions (Scope1, 2)	380,118	366,432	348,852	352,870	314,046	328,138
Reduction Rate (compared to FY2018)	-	3.60%	8.23%	7.17%	17.38%	13.67%

※The verification results of the FY2018 CO2 emissions data from an independent third party will be disclosed in integrated reports or on the company's website

2.2. Calibration of SPT

The company formulated its “GY 2030 Long-Term Greenhouse Gas Target,” aiming to reduce FY2030 CO2 emissions (total volume, Scope 1 and 2) by at least 30% compared to FY2018, as part of its corporate responsibility in the shift to a decarbonized society. The framework uses the following CO2 emission reduction targets as its SPT.

The Group works toward achieving SPT by implementing “Promote energy-saving measures”, “Promote of generating renewable energy”, “Procure renewable energy”.

SPT	Annual targets toward 30% or higher reduction in CO2 emissions volume by FY2030 (compared to FY2018)
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SPT will be determined from following annual CO2 emission reduction targets in consideration of the financing period.

【Annual CO2 emission reduction targets】

Fiscal Year	2027	2028	2029	2030
Reduction Rate (compared to FY2018)	21%	24%	27%	30%

If the company changes its SPT after implementation of Sustainability-Linked Finance Instruments, the SPT for Sustainability-Link Finance Instruments already implemented will not be changed. If an unforeseeable situation (Significant changes in M & A activities, regulations and other institutional aspects, or occurrence of abnormal events) occurs at the time of publication of the framework, and it is necessary to change the definition of KPI or the setting of SPT, the reason for the change and the content will be disclosed on the company’s website.

2.3. Financial Characteristics

The financial and structural characteristics of the Sustainability-Linked Finance Instruments executed based on the framework will change depending on the achievement of the SPTs.

Changes in financial characteristics include an interest rate increase (step-up) / decrease (step-down), execution of donations to organizations which aim to engage in environmental conservation activities, purchase emission credits, but are not limited.

The financial and structural characteristics will be specified in the statutory disclosure documents or contract documents formulated at each time of financing.

2.4. Reporting

KPI results for the basis period and each fiscal year will be disclosed annually in integrated reports or on the Company's website until the observation date for the set SPT.

Any information with the potential to impact achievement of the SPT (e.g. formulation of or amendment to sustainability strategy) will be disclosed in a timely manner.

2.5. Verification

The Company plans to have its KPI figures verified annually by an independent third party until the observation date for the set SPT. Verification results will be disclosed annually in integrated reports or on the Company's website.