

December 12, 2022

To whom it may concern

Sumitomo Mitsui Trust Bank, Limited

**Notice regarding the Conclusion of a Positive Impact Finance (with unspecified use of funds)**  
**Loan Agreement (with LOTTE CO., LTD.)**

Sumitomo Mitsui Trust Bank, Limited (President: Kazuya Oyama; hereinafter “SuMi TRUST Bank”) concluded a “Positive Impact Evaluation” (hereinafter “this evaluation”) and “Positive Impact Finance (with unspecified use of funds)” loan agreement (hereinafter “this agreement”) with LOTTE CO., LTD. (President / Representative Director: Eiichi Gochou; hereinafter “LOTTE”) in line with the Principles for Positive Impact Finance (\*1) released by the United Nations Environment Programme Finance Initiative (hereinafter “UNEP FI”) (\*2).

Positive Impact Finance (hereinafter “PIF”) is a type of loan agreement intended to support corporations to comprehensively analyze and evaluate the impacts (both positive and negative) of business activities related to the environment, society and economy on an ongoing basis. The most notable feature of PIF is that the degree of contribution from corporate activities, products and services in achieving Sustainable Development Goals (SDGs) is used as an evaluation indicator and monitored based on publicly disclosed information, and that we support corporations’ activities to achieve these goals through engagement.

This agreement has obtained a third-party opinion (\*3) from Japan Credit Rating Agency, Ltd. (President: Shokichi Takagi) regarding the compliance of the procedures related to this agreement’s evaluation to the Principles as well as the rationality of the evaluation indicators.





Through providing PIF and other solutions for sustainability businesses, we will continue to support clients’ business activities that contribute to the achievement of the SDGs and contribute to the enhancement of their corporate value over the medium to long term.



**【About LOTTE】**


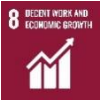

LOTTE is mainly manufacturing and selling confectionary and ice cream, with its corporate mission to “We enrich people’s lives by providing superior products and services that our customers love and trust.” Since its founding, LOTTE has upheld the three LOTTE Values of “User Oriented,” “Originality,” and “Quality” as the basis for all of its corporate activities. Under the LOTTE Group Philosophy, on which these values are based, LOTTE continues to take on the task of “LOTTE-novation” to create new value for local communities and society. By developing LOTTE-novation, LOTTE contributes to the realization of a sustainable society and environment through its business activities by providing health-oriented value using knowledge and technology about foods and by initiatives to provide a stable supply of high-quality goods and services.

**【Overview of Positive Impact Evaluation】**

In concluding this agreement, SuMi TRUST Bank assessed the following initiatives of LOTTE both qualitatively and quantitatively as initiatives that particularly have an impact on achieving SDGs.

Theme	Content	Goals and Indicators (KPI)	SDGs
<p>Providing food safety and reliability by improvement of product quality</p>	<ul style="list-style-type: none"> <li>✓ Improve product quality throughout the entire supply chain and provide products with safety and reliability</li> </ul>	<p><b><u>Providing food safety and reliability by development of a new proprietary quality assurance system</u></b>            (Goal)  <ul style="list-style-type: none"> <li>✓ Complete the introduction and continued operation of LOTTE ADVANCE, a new proprietary quality assurance system, in all domestic and overseas development and production sites</li> </ul>           (Indicator (KPI))  <ul style="list-style-type: none"> <li>✓ Status of operation of LOTTE ADVANCE in all domestic and overseas development and production sites</li> </ul> </p>	
<p>Creating new health-oriented value through foods</p>	<ul style="list-style-type: none"> <li>✓ Create new health-oriented value through foods and contribute to solve social issues</li> </ul>	<p><b><u>a. Increasing people who are health conscious with practicing KAMUKOTO [chewing]</u></b>            (Goal)  <ul style="list-style-type: none"> <li>✓ Increase the percentage of people who practice KAMUKOTO (chewing) with proper awareness to 50% or more by 2028</li> </ul>           (Indicator (KPI))  <ul style="list-style-type: none"> <li>✓ Percentage of people who practice KAMUKOTO (chewing) with proper awareness</li> </ul> <p><b><u>b. Increasing people who have made xylitol part of their daily lives for the sake of their dental and oral health</u></b>            (Goal)  <ul style="list-style-type: none"> <li>✓ Increase percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health to 50% or more by 2028</li> </ul>           (Indicator (KPI))  <ul style="list-style-type: none"> <li>✓ Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health</li> </ul> </p> </p>	
<p>Reduction of environmental impact</p>	<ul style="list-style-type: none"> <li>✓ Contribute to a sustainable global environment</li> </ul>	<p><b><u>a. Achieving carbon neutrality</u></b>            (Goals)  <ul style="list-style-type: none"> <li>✓ Reduce energy-related CO<sub>2</sub> emissions (Scope 1 and 2) by 23% or more by FY2028 compared to FY2019</li> <li>✓ Increase the percentage of tier 1 supplier, which reduce CO<sub>2</sub> emissions (Scope 1 and 2) by SBT standards (well-below 2°C scenario), by 80% or more by FY2027 (transaction volume base)</li> </ul>           (Indicators (KPI))</p>	 

		<ul style="list-style-type: none"> <li>✓ Percentage of energy-related CO<sub>2</sub> reductions (Scope 1 and 2) compared to FY2019</li> <li>✓ The percentage of tier 1 supplier, which reduce CO<sub>2</sub> emissions (Scope 1 and 2) by SBT standards (well-below 2°C scenario), by 80% or more by FY2027 (transaction volume base)</li> </ul> <p><b><u>b. Reduction of the volume of FLW (Food Loss and Waste) produced per unit of sales (confectionery and ice cream businesses)</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Reduce the volume of FLW produced per unit of sales volume (confectionery and ice cream businesses) by 50% or more by FY2028 compared to FY2019</li> </ul> <p>(Indicator (KPI))</p> <ul style="list-style-type: none"> <li>✓ Reduction rate of the volume of FLW produced per unit of sales volume (confectionery and ice cream businesses) compared to FY2019</li> </ul> <p><b><u>c. Reduction of the volume of petroleum-based plastics used</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Promote the reduction of petroleum-based plastics</li> </ul> <p>(Indicators (KPI))</p> <ul style="list-style-type: none"> <li>✓ Reduction rate of petroleum-based plastics used by volume</li> <li>✓ Status of development of new technologies that can help enable resource circulation</li> </ul> <p><b><u>d. Waste Reduction</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Increase recycling rate of waste generated by domestic and overseas production processes to 99% or more by FY2028</li> </ul> <p>(Indicator (KPI))</p> <ul style="list-style-type: none"> <li>✓ Recycling rate of waste generated by domestic and overseas production processes</li> </ul>	
<p>Promotion of procurement with concern about environment and human rights</p>	<ul style="list-style-type: none"> <li>✓ Promote sustainable procurement in all the entire supply chain</li> </ul>	<p><b><u>a. Increasing use of Fair Cacao</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Increase the procurement ratio of Fair Cacao to be 100% by FY2028</li> </ul> <p>(Indicator (KPI))</p> <ul style="list-style-type: none"> <li>✓ Usage rate of Fair Cacao</li> </ul> <p><b><u>b. Achieving NDPE (No Deforestation, No</u></b></p>	 

		<p><b><u>Peatland development, and No Exploration</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Increase procurement rate of third-party verified palm oil to 100% by FY2028 (domestic and overseas)</li> </ul> <p>(Indicator (KPI))</p> <ul style="list-style-type: none"> <li>✓ Procurement rate of third-party verified palm oil</li> </ul>	
Promotion of Diversity & Inclusion	<ul style="list-style-type: none"> <li>✓ Build a workplace environment where every employee with diverse background can reach their full potential, perform at their best, and maintain a healthy body and mind</li> </ul>	<p><b><u>a. Promotion of women’s success</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Increase ratio of female managers to 20% or more by 2028 (domestic)</li> </ul> <p>(Indicator (KPI))</p> <ul style="list-style-type: none"> <li>✓ Ratio of female managers</li> </ul> <p><b><u>b. Promotion of life-work balance</u></b></p> <p>(Goal)</p> <ul style="list-style-type: none"> <li>✓ Decrease annual total working hours per person to 1,800 hours or less by 2028 (domestic)</li> </ul> <p>(Indicator (KPI))</p> <ul style="list-style-type: none"> <li>✓ Annual total working hours per person</li> </ul>	  

(\*1) The Principles for Positive Impact Finance

The Principles for Positive Impact Finance was developed by UNEP FI in January 2017 as a financial framework for achieving the SDGs. Companies disclose the level of contributions to achieving SDGs through KPIs. Banks then provide funding by evaluating the positive impact observed from these KPIs that is intended to guide the borrowers to increase the positive impact and reduce the negative impact.

The lending bank, as a responsible financial institution, will check if the impact is continuing or not by monitoring the indicators.

(\*2) The United Nations Environment Programme Finance Initiative (UNEP FI)

The United Nations Environment Programme (UNEP) is an executive body for implementing the “Human Environment Declaration” and the “International Environmental Action Programme”, established in 1972 as a subsidiary body to the United Nations system. UNEP FI represents a broad as well as a close partnership between UNEP and more than 200 global financial institutions. Since its establishment in 1992, UNEP FI has been working in concert with financial institutions, policy/regulatory authorities to transform itself into a financial system that integrates economic development and ESG considerations.

(\*3) Third-party opinion on compliance with Principles of Positive Impact Financial and rationality of used metrics

For the independent opinion from Japan Credit Rating Agency, Ltd., please visit:

<https://www.jcr.co.jp/en/greenfinance/>

Ends