

Second-Party Opinion

Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Clean Transportation and Access to Essential Service – Financing the underserved, are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 10 and 11.



PROJECT EVALUATION AND SELECTION TLT's Treasury Division, in consultation with its Sustainability Development Department, will be responsible for evaluating and selecting eligible assets in alignment with the eligibility criteria of the Framework. The Treasury Division has a monitoring process to identify and mitigate potential environmental and social risks associated with all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS TLT's Treasury Division will be responsible for the management and allocation of proceeds using an internal system. TLT intends to fully allocate proceeds within two years of issuance. Pending full allocation, proceeds will be temporarily held in liquid marketable or money market instruments. This is in line with market practice.



REPORTING TLT commits to report on allocation of proceeds on its website on an annual basis until maturity of the financing instruments. In addition, TLT intends to report on relevant impact metrics. Sustainalytics views TLT's allocation and impact reporting as aligned with market practice.

Second-Party
Opinion



Reviewed by:

MORNINGSTAR

SUSTAINALYTICS

Evaluation Date	December 18, 2023
Issuer Location	Bangkok, Thailand

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For inquiries, contact the Sustainable Corporate Solutions project team:

Rashmi John (Mumbai)
Project Manager
rashmi.john@morningstar.com

Vijay Wilfred (Mumbai)
Project Support
vijay.wilfred@morningstar.com

Nishant Bhagchandani (Mumbai)
Client Relations
susfinance.apac@sustainalytics.com
(+852) 3008 2391

Introduction

Toyota Leasing (Thailand) Company Limited (“TLT”, or the “Company”) is an indirect majority-owned subsidiary of Toyota Motor Corporation (“TMC”, or the “Group”). TLT operates as a lending institution offering insurance, vehicle tax and transfer of services to Toyota, Lexus and Hino dealers and customers in Thailand. Established in October 1993, TLT employs 1,231 staff as at September 2023.¹

TLT has developed the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework dated December 2023 (the “Framework”) under which it intends to issue green, social and sustainability bonds and loans² and other debt-like financing instruments.³ TLT intends to use the proceeds to finance and refinance, in whole or in part, existing and future loans and capital leases for eligible car models that are expected to contribute to the decarbonization of road transportation and increased access to financial services to a specific target population in Thailand. The Framework defines eligibility criteria in two areas:

1. Clean Transportation
2. Access to Essential Service - Financing the underserved

TLT engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),⁴ Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP).⁵ The Framework has been published in a separate document.⁶

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, 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 1.15, 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 TLT’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. TLT representatives have confirmed: (1) they understand it is the sole responsibility of TLT to ensure that the information provided is complete, accurate and 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.

¹ Toyota Leasing (Thailand), “Company Profile”, at: [Company_Profile_TOYOTA_LEASING\(EN\).pdf \(tlt.co.th\)](#)

² The Borrower has confirmed to Sustainalytics that the Framework does not include revolving credit facilities.

³ Sustainalytics has reviewed only the financial instruments that are specified in the Framework.

⁴ The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

⁵ The Green Loan Principles and Social 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/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁶ The Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework is available on Toyota Leasing (Thailand) Company Limited’s website at: <https://www.tlt.co.th/index.php>

⁷ 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.

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 TLT.

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 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.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized 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 TLT has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework

Sustainalytics is of the opinion that the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Clean Transportation and Access to Essential Service - Financing the underserved are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - TLT has established a three-year look-back period for refinancing activities, which Sustainalytics considers to be aligned with market practice.
 - Within the Clean Transportation category, TLT may finance and refinance loans and leases to eligible Toyota vehicle models that are funded, in whole or in part, by TLT. Eligible vehicles include those with zero CO₂ tailpipe emissions, such as vehicles powered using batteries, hydrogen and fuel cells. Sustainalytics considers these investments and thresholds as aligned with market practice.
 - Within the Access to Essential Service - Financing the underserved category, TLT may finance and refinance loans and leases to Toyota vehicle models that are funded, in whole or in part, by TLT and meet the following criteria:
 - Provision of loans to individuals and small-scale farmers⁸ falling under low-income population to purchase vehicles.
 - The Framework defines low-income population as individuals earning less than 80% of Thailand's median income, about USD 3,778 (THB 132,470) per annum as at 2021.⁹ Sustainalytics notes that Thailand's median annual income is USD 4,723 (THB 165,588) as at 2021.¹⁰ Further, Sustainalytics notes that the defined threshold is aligned with the market practice to define a target population with an upper threshold at or below the annual median income at the municipal or regional level.
 - The Company has confirmed to Sustainalytics that the financed motorcycles and motor vehicles will adhere to the current emission standards developed by the Thai Industrial Standards Institute for vehicles, which is equivalent to that of Euro 4 emissions standards.

⁸ TLT adheres to UN Food and Agriculture Organization's definition of small-holder farmers.

UN FAO, "Smallholders and Family Farmers", at: <https://unstats.un.org/sdgs/metadata/files/Metadata-02-03-02.pdf>

⁹ World Bank, Poverty & Inequality Indicators, <https://pip.worldbank.org/poverty-calculator?src=THA>

¹⁰ Ibid.

- Sustainalytics also notes that the Company will extend preferential terms for the loans to the target population, in the form of extended instalment period (up to 108 months), reduced downpayment (starting at 10%) and reduced interest rate. Additionally, the Company also has responsible credit practices in place to mitigate financial risks to borrowers.
 - Sustainalytics notes that the UN Food and Agriculture Organization defines small-scale farmers based on the amount of land operated and the economic revenue from agricultural activities.¹¹ While noting that the average farm size is only 4 hectares per household in Thailand,¹² Sustainalytics encourages TLT to report on the farm size of small-holder farmers financed through this category, where feasible.
 - Sustainalytics views such financing to be socially impactful.
- Project Evaluation and Selection:
 - TLT’s Treasury Division, upon consultation with the Sustainability Development Department, will be responsible for evaluating and selecting eligible assets following the eligibility criteria in the Framework. The Treasury Division is headed by the Vice President and includes the Money Markets Department, Capital Markets Department and Treasury Operation and Market Risk Management Department.
 - The Treasury Division has an internal monitoring process to identify and mitigate potential environmental and social risks associated with all the allocation decisions made under the Framework. For more details, please see Section 2.
 - Based on the delegation of responsibility to a specific department and its commitment to undertake an environmental and social risk evaluation of its assets, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The net proceeds of the sustainable financing instruments will be deposited in TLT’s general account and managed by the Company’s Treasury Division. TLT will track the proceeds using an internal reporting system.
 - TLT intends to fully allocate proceeds within two years of issuance. Pending full allocation, proceeds will be temporarily held liquid marketable or money market instruments.
 - The Company has communicated to Sustainalytics that instruments issued under the Framework may include multi-tranche loan facilities. TLT intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
 - Based on the use of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - TLT commits to report on the allocation of proceeds on its website, on an annual basis, until the maturity of the financing instruments. TLT will prepare a Sustainable Financing Allocation Report that will include the amount of allocated proceeds and unallocated proceeds, and the share of financing versus refinancing.
 - On impact reporting, TLT intends to prepare a one-time impact report, approximately one year following the settlement of the bond or loan. This report will be made publicly available on TLT’s website and will include, as relevant and applicable: i) the number of electrified vehicles financed; ii) the percentage reduction in CO₂ emissions from electrified vehicles; iii) the number of individuals provided with access to financial services for the vehicles financed and refinanced by the proceeds; and iv) the number of small-scale farmers provided with access to financial services for the vehicles financed and refinanced by the proceeds.
 - Based on TLT’s commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework aligns with the four core components of the GBP, SBP, GLP and SLP.

¹¹ UN FAO, “Smallholders and Family Farmers”, at: <https://unstats.un.org/sdgs/metadata/files/Metadata-02-03-02.pdf>

¹² UN FAO, “Family Farming Knowledge Platform”, at: <https://www.fao.org/family-farming/countries/tha/en/#:~:text=The%20average%20farm-size%20is%20only%204%20hectares%20per%20year%20-%20about%2060%25%20come%20from%20farm%20income>

Section 2: Sustainability Strategy of TLT

Contribution to TLT's sustainability strategy

As a majority-owned subsidiary of Toyota Motor Corporation, TLT follows the sustainability strategy developed by the Group. Therefore, Sustainalytics focused on the Group's sustainability strategy in the following section.

In 2015, TMC introduced the "Toyota Environmental Challenge 2050", which defines six long-term goals to reduce the environmental impact of TMC globally and support the achievement of the UN Sustainable Development Goals ("SDGs").¹³ Examples of these goals to be achieved for Toyota by 2050 are to: (i) achieve carbon neutrality for GHG emissions from new vehicles and from corporate activities; (ii) achieve zero CO₂ emissions at all facilities worldwide by 2050; (iii) eliminate all CO₂ emissions throughout the entire vehicle life cycle; (iv) minimize water usage and implement water discharge management; and (v) promote global deployment of end-of-life vehicle treatment, recycling technologies and systems. In September 2022, the Group received validation and approval from the Science Based Targets initiative (SBTi) for its scope 1, 2 and 3 emissions reduction targets. The science-based targets require the Group to: i) reduce scope 1 and 2 emissions by 68% by 2035 from a 2019 baseline, aligned with SBTi's 1.5°C decarbonization pathway; and ii) reduce scope 3 emissions intensity (gCO₂e/km) by 33.3% for passenger light duty vehicles and light commercial vehicles, and 11.6% medium and heavy freight trucks by 2030 from a 2019 baseline, aligned with SBTi's well below 2°C decarbonization pathway.¹⁴

To achieve the Toyota Environmental Challenge 2050, TMC set short- to medium-term goals including the 2025 Target and the 2030 Milestone. In its 2023 Sustainability Data Book, TMC reports on the progress towards its goals, as follows: i) reduced the global average CO₂ emissions from new vehicles by 27% from 2010 levels; ii) reduced the CO₂ emissions from its global plants by 25% compared to 2013 levels; iii) achieved a 20% renewable energy introduction rate at its facilities for renewable power generation; and iv) decreased water usage per vehicle produced by 13% compared to 2013 levels. Additionally, the Group signed on to the recommendations of Task Force on Climate-related Financial Disclosures in April 2019 and has been disclosing appropriate climate-related risks and opportunities as part of its annual reports.

Sustainalytics is of the opinion that the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework is aligned with the Group's overall sustainability strategy and initiatives and will further the Company's action on its key sustainability priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental and social impacts. 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 may include issues involving emissions and effluents from operational, environmental and social impacts of the supply chain, e-waste management, and occupational health and safety. Additionally, by offering lending and financial services, TLT is exposed to key social risks, such as issues related to predatory lending or over-indebtedness for financially vulnerable individuals.

Sustainalytics is of the opinion that TLT is able to manage and/or mitigate potential risks through implementation of the following:

- In FY2016, the Group introduced the CDP Supply Chain Program, which covers 84% of TMC's suppliers, to strengthen and support its environmental initiatives conducted with its suppliers and assess environmental risks and opportunities across its supply chain.¹⁵
- Toyota Daihatsu Engineering & Manufacturing, a subsidiary of TMC, has developed the Green Purchasing Guidelines whereby TMC requires all of its business partners and suppliers to undertake green, environmentally friendly initiatives. This includes the establishment of an environmental management system, the reduction of GHG emissions, reduction of water use, the promotion of resource recycling, and the management of chemical substances.¹⁶
- For the establishment of an environmental management system, all business partners, domestic and overseas production affiliates are required to acquire ISO 14001 (environmental management)

¹³ Toyota Motor Corporation, "Sustainability Data Book", (2023), at: https://global.toyota/pages/global_toyota/sustainability/report/sdb/sdb23_en.pdf

¹⁴ Toyota Motor Corporation, "Sustainability Data Book", (2023), at: https://global.toyota/pages/global_toyota/sustainability/report/sdb/sdb23_en.pdf

¹⁵ Toyota Motor Corporation, "Sustainability Data Book", (2023), at: https://global.toyota/pages/global_toyota/sustainability/report/sdb/sdb23_en.pdf

¹⁶ Toyota Green Purchasing Guideline, at: https://global.toyota/pages/global_toyota/sustainability/esg/toyota_green_purchasing_guidelines_en.pdf

certification. Moreover, to ensure that environmental management is considered throughout the product life cycle of delivered products, the Green Purchasing Guidelines require business partners to submit environmental data (energy consumption during parts or raw material production, GHG emission, and waste volumes) for TMC's Eco-Vehicle Assessment System. Furthermore, the guidelines require business partners to reduce GHG emissions throughout the product life cycle, materials, operation base, logistics, use stage, disposal and recycling.

- TMC has a health and safety policy and philosophy rolled out across its global operations through which it promotes health awareness and safety-first work culture. TMC has a Globally Expanding Occupational Safety and Health Management System to monitor and mitigate safety-related incidents. As of December 2022, eight global plants of TMC have acquired ISO 45001 certification on occupational health and safety.¹⁷
- TLT confirmed with Sustainalytics that the Company adheres to Thailand government's laws and regulations related to consumer lending and has a credit review process where the borrowing customer's application is checked against TLT's various internal systems, including blacklist database and credit scoring system. Moreover, TLT has shared its lending policies and due diligence procedures with Sustainalytics, of which Sustainalytics has assessed on a confidential basis. The policies aim at preventing TLT from risks related to predatory lending, money laundering, counterterrorism, and proliferation of weapons of mass destruction financing. For example, they specify that TLT must conduct know your customer ("KYC") procedures for all its customers, preventing TLT from being used by criminal elements for money laundering. Further, TLT has a credit assistance programme aimed at aiding customers encountering financial liquidity issues. This programme includes debt restructuring plans and instalment postponement options, specifically designed to support customers in navigating challenging economic circumstances. Sustainalytics notes that such policies and programmes ensure that risks pertaining to customer lending are well managed by TLT.

Sustainalytics recognizes that some risks related to the use of cars, such as road safety and vehicle end-of-life management, which TLT supports through its leasing business, cannot be mitigated by TLT, and are instead dependent on customers and other third parties. Overall, Sustainalytics is of the opinion that TLT is well positioned to address common environmental and social risks associated with its transaction.

Section 3: Impact of Use of Proceeds

All two use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Importance of financing clean transportation in Thailand

Thailand has committed to reaching carbon neutrality by 2050 and net zero GHG emissions by 2065, recognizing the importance of urgent global co-operation to address climate change. To achieve these targets, Thailand has pledged to enhance its Nationally Determined Contributions to reduce GHG emissions by 30-40% by 2030 from the previous target of 20-25%.¹⁸

The transport sector in Thailand accounted for 28% of the total GHG emissions in 2022.¹⁹ Although biofuels blended with diesel and gasoline are mandated in Thailand, the transport sector continues to rely primarily on fossil fuels, such as petrol, diesel, CNG, fuel oil and LPG.²⁰ Thailand's Long-term Low Greenhouse Gas Development Strategy identifies the transport sector as one of the main GHG emitters and plans to introduce measures to reduce GHG emissions.²¹ The potential mitigation measures identified in the country's transport sector include travel demand management, transit-oriented development, expansion of the railway network into double track, expansion of mass-rapid transit, high-speed trains, single-rail transfer operation, improved river logistics efficiency, adjustment of excise and annual vehicle tax collection rates according to the amount of CO₂ emissions, and promotion of electric and hybrid intercity public buses or minibuses and delivery motorcycle fleet upgrades. The Government of Thailand's net zero GHG emission timeline for the transport

¹⁷ Toyota Motor Corporation, "Sustainability Data Book", (2023), at: https://global.toyota/pages/global_toyota/sustainability/report/sdb/sdb23_en.pdf

¹⁸ UNFCC, "Thailand's Long-term Low Greenhouse Gas Emission Development Strategy", (2022), at: https://unfccc.int/sites/default/files/resource/Thailand%20LT-LDS%20%28Revised%20Version%29_08Nov2022.pdf

¹⁹ Economic Intelligence, "Thailand's sustainability policy: getting its act together" (2023), at: <https://www.eiu.com/n/thailand-sustainability-policy-getting-its-act-together/>

²⁰ UNFCC, "Thailand's Long-term Low Greenhouse Gas Emission Development Strategy", (2022), at: https://unfccc.int/sites/default/files/resource/Thailand%20LT-LDS%20%28Revised%20Version%29_08Nov2022.pdf

²¹ UNFCC, "Mid-century, Long-term Low Greenhouse Gas Emission Development Strategy: Thailand", (2021), at: https://unfccc.int/sites/default/files/resource/Thailand_LTS1.pdf

sector includes the following interim targets: i) phase-down of internal combustion engines by 2030, and ii) shifting from fossil fuel dependent ICE vehicles to biofuels vehicles by 2045. Additionally, the government has launched the 30@30 EV policy, which commits to having zero-emission vehicles represent at least 30% of the total domestic vehicle production by 2030.²²

Based on the above, Sustainalytics is of the opinion that TLT's lending for clean transportation has the potential to contribute to Thailand's GHG emission targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Access to Essential Services	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

TLT has developed the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework under which it may issue green, social and sustainability bonds and loans, and use the proceeds to finance loans and capital leases for eligible car models that are expected to contribute to the decarbonization of road transportation and increased access to financial services to a specific target population in Thailand. Sustainalytics considers that the eligible projects are expected to provide positive environmental and social impacts.

The Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework is aligned with the overall sustainability strategy of TLT and that the use of proceeds will contribute to advance the UN Sustainable Development Goals, specifically SDGs 10 and 11. Additionally, Sustainalytics is of the opinion that TLT has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that TLT is well positioned to issue green, social and sustainability bonds and loans, and that Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

²² UNFCCC, "Thailand's Long-term Low Greenhouse Gas Emission Development Strategy", (2022), at: https://unfccc.int/sites/default/files/resource/Thailand%20LT-LEDS%20%28Revised%20Version%29_08Nov2022.pdf

Appendix

Appendix 1: Sustainable Finance - External Review Form

Section 1. Basic Information

Issuer name:	Toyota Leasing (Thailand) Company Limited
Social Bond ISIN or Issuer Social Bond Framework Name, if applicable:	Toyota Leasing (Thailand) Company Limited Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 18, 2023
Publication date of review publication:	
Original publication date [please fill this out for updates]:	

Section 2. Review overview

SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
 - Use of Proceeds
 - Management of Proceeds
 - Process for Project Evaluation and Selection
 - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Verification
- Other (please specify):
- Certification
- Scoring/Rating

Does the review include a sustainability quality score?

- Of the issuer
- Of the project

Of the Framework Other (please specify): No scoring**ASSESSMENT OF THE PROJECT(S)****Does the review include:**

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

ISSUER'S OVERARCHING OBJECTIVES**Does the review include:**

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's actions and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

CLIMATE TRANSITION STRATEGY**Does the review assess:**

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

Overall comment on this section:**Section 3. Detailed Review****1. USE OF PROCEEDS****Does the review assess:**

- the environmental/social benefits of the project(s)?

- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

Overall comment on this section:

The eligible categories for the use of proceeds, Clean Transportation and Access to Essential Service – Financing the underserved, are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 10 and 11.

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

Overall comment on this section:

TLT's Treasury Division, in consultation with Sustainability Development Department, will be responsible for evaluating and selecting eligible assets in alignment with the eligibility criteria of the Framework. The Treasury Division has a monitoring process to identify and mitigate potential environmental and social risks associated with all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.

3. MANAGEMENT OF PROCEEDS

Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

Overall comment on this section:

TLT's Treasury Division will be responsible for the management and allocation of proceeds using an internal system. TLT intends to fully allocate proceeds within two years of issuance. Pending full allocation, proceeds will be temporarily held in liquid marketable or money market instruments. This is in line with market practice.

4. REPORTING

Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?

the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

Overall comment on this section:

TLT commits to report on allocation of proceeds on its website on an annual basis until maturity of the financing instruments. In addition, TLT intends to report on relevant impact metrics. Sustainalytics views TLT's allocation and impact reporting as aligned with market practice.

Section 4. Additional Information

Useful links (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:

Additional assessment in relation to the issuer/bond framework/eligible project(s):

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

- i. Second-Party Opinion: An institution with environmental and social 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 or Social 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 and Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the social 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 and social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally and socially 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 and Social Bond proceeds, statement of environmental and social impact or alignment of reporting with the GBP and SBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond/ Social Bond or associated Green Bond/ Social Bond framework or Use of Proceeds certified against a recognized external green or social 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 and Social Bond Scoring/Rating: An issuer can have its Green/ Social Bond, associated Green/ Social 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 social performance data, process relative to the GBP, SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental and social risks.

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