

Second-Party Opinion NH Foods Ltd. Sustainability Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the NH Foods Ltd. (“NH Foods” or “the Company”) Sustainability Finance Framework (The “Framework”) is credible and impactful and aligns with the four core components of the Sustainability Bond Guidelines 2018 (SBG) and the Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds Green Buildings, and Access to Essential Services, are aligned with those recognized by the SBG. Sustainalytics considers that the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG goals 9 and 11.



PROJECT EVALUATION / SELECTION The Accounting and Finance Department of NH Foods evaluates and selects the projects that are aligned with the eligibility criteria. The selected projects are then finalized by the executive officer in charge of the Accounting and Finance Department. Sustainalytics considers that the evaluation and selection process of NH Foods is aligned with market practice.



MANAGEMENT OF PROCEEDS The Accounting and Finance Department will track and manage the allocated and unallocated amounts of the proceeds of the sustainable finance annually using an internal system and ledger sheets until maturity. Unallocated proceeds will be held in cash or cash equivalents. The management of proceeds of NH Foods is aligned with market practice.



REPORTING NH Foods will provide allocation reporting and impact reporting annually on the “NH Group Integrated Report.” NH Foods will disclose amounts of allocated and unallocated proceeds, and amount or the share of refinancing on the allocation reporting and the type and level of green building certificates obtained for the funded projects, positive environmental impact metrics including CO₂ emissions as well as positive social impact metrics including the number of slopes and multifunctional toilets installed, and the size of established car parks for wheelchair users. Sustainalytics views the reporting of NH Foods as aligned with market practice.

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Issuer Location Osaka, Japan

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Alignment with Japan’s Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with Japan’s Green Bond Guidelines 2020 developed by the Ministry of the Environment of Japan. The guidelines communicate what an issuer is expected to do to issue a credible green bond, and also covers sustainability bonds that include green projects in the use of proceeds. Sustainalytics assessed the alignment between the Framework and the ‘should’ items outlined in the Japan’s Green Bond Guidelines 2020.

Introduction

NH Foods is a Japanese food processing and manufacturing company. Its businesses include production, processing and sale of fresh meats, and production and sale of processed meat products, heat-and-serve meal products, marine products, dairy products and health food products. It has operations in 19 countries and areas, with the largest located in Japan. In addition to food businesses, the Company is engaged in the sporting business: it runs the professional baseball team “Hokkaido Nippon-Ham Fighters” through its group company, Hokkaido Nippon-Ham Fighters, Co. Ltd., and is promoting a new baseball stadium construction project through Fighters Sports & Entertainment Co., Ltd.. In 2023, Fighters Sports & Entertainment Co., Ltd. plans to open the “Hokkaido Ball Park F Village”¹ in Kitahiroshima City, Hokkaido, which will be the home of the Hokkaido Nippon Ham Fighters. In addition to creating a social town that will serve as a disaster prevention facility and a wide-area evacuation site for the community, the facility will be constructed with consideration for the environment, and will include the installation of charging stations for EVs and the use of clean energy for EVs and other vehicles.

NH Foods has developed the NH Foods Sustainability Finance Framework (the “Framework”) under which it intends to issue sustainability bonds and loans, and use the proceeds to finance or refinance construction of the new baseball stadium, ES CON FIELD HOKKAIDO, in the “HOKKAIDO BALL PARK F VILLAGE”² that has positive environmental and social impacts. The Framework defines green and social eligibility criteria in the following areas:

1. Green Buildings
2. Access to Essential Services

NH Foods engaged Sustainalytics to review the Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the SBG³ and Japan’s Green Bond Guidelines 2020.⁴ A summary overview of the Framework has been provided in Appendix 1.

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ 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 GBG and Japan’s Green Bond Guidelines 2020;
- 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 1.6.1, 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 NH Foods’ Accounting and Finance Department 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. NH Foods representatives have confirmed (1) they understand it is the sole responsibility of NH Foods 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.

¹ Fighters Sports & Entertainment Co., Ltd., “HOKKAIDO BALL PARK F VILLAGE”, at: <https://www.hkdballpark.com/en/>

² Fighters Sports & Entertainment Co., Ltd., “Announcements NEWS Conclusion of Strategic Partnership Agreement in the Mobility Field with BWD Japan Co. (Japanese only)”, at: <https://www.hkdballpark.com/news/>

³ International Capital Market Association (ICMA), “The Sustainability Bond Guidelines 2018”, at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

⁵ 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 NH Foods.

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 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 NH Foods has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainability Finance Framework

Sustainalytics is of the opinion that the Sustainability Finance Framework is credible and impactful, and aligns with the four core components of the SBG. Sustainalytics highlights the following elements of NH Foods's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories for the use of proceeds of sustainability bonds and loans – 1) Green buildings and 2) Access to essential services – are recognized by the Green Bond Principles (GBP) and Social Bond Principles (SBP), which refer to components of SBG, as project categories with positive environmental and social impacts. Please see Section 3 for details of Sustainalytics' assessment on the positive environmental and social impacts of the use of proceeds.
 - NH Foods intends to allocate the proceeds to finance expenditures for construction of the new baseball stadium, ES CON FIELD HOKKAIDO, in the "HOKKAIDO BALLPARK F VILLAGE" that meets the eligibility criteria.
 - Sustainalytics positively views the project as a sustainability project in consideration of the following elements of the Framework.
 - With respect to the green aspect of the project, NH Foods is committed to 5 Star under DBJ Green Building Certification, a third-party certification for green buildings, for the new baseball stadium "ES CON FIELD HOKKAIDO". Sustainalytics views that the eligibility criteria that limits the use of the proceeds to buildings with a certification of the top rank under the third-party certification program ensures the positive environmental impacts of the buildings to be funded by the proceeds and are aligned with market practice. (Please see Appendix 2 for overview of DBJ Green Building Certification.)
 - In addition to ensuring positive environmental impacts through acquisition of the above green building certification, allocation to social improvement projects are planned which are: 1) construction of barrier-free and universal design facilities for the building for beneficiaries of the aged and the disabled, including slopes for wheelchair users, multi-functional toilets, wheelchair-accessible spectator spaces, spaces for spectators accompanied by guide dogs, escalators on the main stairs of the third base gate, and car parks exclusively for wheelchair users, and 2) the installment of a stockpile warehouse to provide support to the victims of natural disasters, where target populations and projects are defined in compliance with the SBP recommendations.

- NH Foods intends to allocate the proceeds to refinance, as well as to newly finance. In the Framework, the Company has specified the lookback period for refinancing activities at 36 months preceding the date of issuance of sustainability bonds and loans.
- **Project Evaluation and Selection:**
 - The Accounting and Finance Department of NH Foods is responsible for evaluation and selection of eligible projects, ensuring that the projects meet the eligibility criteria defined in the Framework. The projects selected by the Accounting and Finance Department will be finalized by the executive officer responsible for the Accounting and Finance Department.
 - Sustainalytics considers that the Company's evaluation and selection process is aligned with market practice in consideration of involvement of the Accounting and Finance Department and the executive officer responsible for the department.
- **Management of Proceeds:**
 - The proceeds of sustainable finances are managed by the Accounting and Finance Department of NH Foods. Until maturity, the department will track and manage the allocated and unallocated amounts of the proceeds annually using an internal system and ledger sheets. The unallocated proceeds will be held in cash or cash equivalents.
 - Sustainalytics views that the Company's process of managing the proceeds is aligned with market practice in consideration of the clear management method adopted by the Accounting and Finance Department.
- **Reporting:**
 - NH Foods intends to, until the proceeds are allocated in full, disclose annually information on allocation of the proceeds and environmental and social impacts of the allocated projects on the "NH Foods Group Integrated Report," etc. published on the Company's website.
 - The allocation reporting of the Company will include allocated and unallocated amounts of the proceeds, and amount or the share of refinancing. After full allocation of the proceeds, any major changes in the allocation will be disclosed as required.
 - In the impact reporting, the Company is committed to, to the extent practicable, include positive environmental and social impacts of the projects to which the proceeds are allocated, including, for green projects, progress of certification acquisition process during construction, names and levels of green building certification obtained, amount of energy consumption, volume of CO₂ emissions and water usage, once completed, as well as, for social projects, size of car parks exclusively for wheelchair users, number of multifunctional toilets installed, size of spaces for spectators in wheelchair, size of spaces for spectators accompanied by guide dogs, number of slopes installed, number of escalators installed on the main stairs of the third base gate, amount of emergency food, etc. stockpiled at stockpile warehouses, number of free playground equipment for children, number of multilingual signage for information boards in urban parks installed.
 - Sustainalytics views that the Company's reporting is aligned with market practice in consideration of disclosure of metrics for the above allocation status and positive environmental impacts.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Framework aligns with the four core components of the SBG. For detailed information please refer to Appendix 4: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with Japan's Green Bond Guidelines 2020 developed by the Ministry of the Environment of Japan. The guidelines communicate what an issuer is expected to do to issue a credible green bond, and also covers sustainability bonds that include green projects in the use of proceeds. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in the Japan's Green Bond Guidelines 2020. For detailed information please refer to Appendix 3: Alignment with Japan's Green Bond Guidelines 2020.

Section 2: Sustainability Strategy of NH Foods

Contribution of framework to NH Foods Ltd.'s sustainability strategy

NH Foods, in its three-year "Medium-term Management Plan 2020"⁶ that started in FY2018 (from April 1, 2018 to March 31, 2021), sets out "Pursue sustainability" as one of its business policies. The Company has also identified the "Five CSR Material Issues"⁷ including "Preserving the environment", and has committed in the Medium-term Management Plan, to solution of environmental and social issues through business activities with focus on these material issues.

In order to reduce the environmental load associated with business activities, NH Foods sets out numerical targets for environmental performance indicators every three years. In the "Medium-term Management Plan 2020," the Company is committed to, by FY2020, reducing the CO₂ emission rate and heat consumption rate by 8.0% each, water usage rate by 3.0%, and waste discharge rate by 6.0%, and to raise the waste recycling rate to 94%.⁸ The Company intends to also set up medium- to long-term environmental goals for years to 2030, with focus on CO₂ emissions and water resource preservation⁹. In addition, the Company has established an Environmental Policy¹⁰ and is committed to promoting business activities that are friendly to the environment through: 1) Environmentally conscious products and services; 2) Improvement of environmental performance; 3) Continual improvements; 4) Compliance; and 5) Cooperation with communities.

As part of its efforts to solve social issues, the Company has stated in the "NH Foods Group Action Standards" that it will systematically prepare for natural disasters such as earthquakes, windstorms and floods, as well as large-scale accidents.¹¹ In addition, the Kamagaya Stadium, which is operated and managed by the Hokkaido Nippon-Ham Fighters, a group company of the Company, has a track record of universal support, including the installation of priority parking spaces for wheelchair users and multi-functional toilets, demonstrating the group's willingness to address social aspects.

Considering the above, Sustainalytics is of the opinion that the Framework is consistent with the Company-wide strategy, goals and policies of NH Foods and supports the Company's programs aimed at solving environmental and social issues.

Well-positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that construction of the new ballpark "ES CON FIELD HOKKAIDO," to which NH Foods will allocate the proceeds, create positive environmental and social impacts. Sustainalytics also acknowledges that construction of the ballpark poses potential environmental and social risks. Major risks include adverse effects on the ecosystem, and noise and vibration accompanying land formation and operation of the facilities. NH Foods is working to manage and reduce the major risks associated with this project through the following research and initiatives

- In order to control and reduce adverse impacts on the natural environment nearby accompanying construction of "ES CON FIELD HOKKAIDO," Kitahiroshima City carried out the environmental survey on the woodland areas in the planned construction site of "HOKKAIDO BALLPARK F VILLAGE" including the new baseball stadium, and planned road sites accompanying the facilities, as well as on adjoining special natural monument-designated Nopporo Virgin Forest between July 2018 and July 2019.¹² Based on the on-site survey results, the impact of the construction on animals and plants was estimated and measures to eliminate or mitigate adverse impacts will be implemented. In addition, with regard to the planned road sites, the "Council on Environmental Preservation for Construction of Prefectural Road Kitahiroshima General Athletic Park Line"¹³ was established with experts on board to monitor the impact on and review preservative measures for the natural environment on an ongoing basis. Already some preservative

⁶ NH Foods Ltd., "NH Foods Group Medium-Term Management Plan 2020", at:

https://www.nipponham.co.jp/eng/ir/library/briefing_session/pdf/2018/20180515_02.pdf

⁷ NH Foods Ltd., "NH Foods Group CSR Initiatives", at: <https://www.nipponham.co.jp/eng/csr/nhgroup/>

⁸ NH Foods Ltd., "Environmental Targets and Results", at: <https://www.nipponham.co.jp/csr/environment/management/result.html>

⁹ NH Foods Ltd., "NH Foods Group Integrated Report 2020", at: https://www.nipponham.co.jp/eng/ir/library/annual/pdf/2020_annual/annual2020_e.pdf

¹⁰ NH Foods Ltd., "Environmental Management", at: <https://www.nipponham.co.jp/csr/environment/management/>

¹¹ NH Foods Ltd., "NH Foods Group Action Standards (Japanese only)", at: <https://www.nipponham.co.jp/group/compliance/pdf/all.pdf>

¹² Kitahiroshima City, Planning and Finance Department, Ballpark Promotion Office, Ballpark Facility Section, "Environmental Survey (Japanese only)", at: https://www.city.kitahiroshima.hokkaido.jp/hotnews/files/00129500/00129537/20180925_besshi1_kankyoku.pdf

¹³ Sorachi General Promotion Bureau, Hokkaido, "Guidelines for holding a meeting to discuss environmental preservation for Construction of Prefectural Road Kitahiroshima General Athletic Park Line (Japanese only)", at: http://www.sorachi.pref.hokkaido.lg.jp/kk/skk/grp/kitahiroshima/1-00youryoui_1.pdf

measures are in place for rare animals and plants, and it is planned that the impact be monitored in cooperation with NH Foods and the Council after completion of the new baseball stadium.¹⁴

Considering the above, Sustainalytics is of the opinion that NH Foods possesses adequate processes to manage and mitigate major risks associated with the eligible projects.

Section 3: Impact of Use of Proceeds

The use of proceeds categories that NF Foods defines in the Framework are recognized by the GBP and SBP, which refer to elements of the SBG, as well as Japan's Green Bond Guidelines 2020, as projects that lead to positive environmental and social impacts. Sustainalytics explains how the project categories deliver positive environmental and social impacts in Japan as follows:

Contribution of the New Baseball Stadium "ES CON FIELD HOKKAIDO" to Low Carbon Society and Significance of Architecture with Barrier-free and Universal Design

NH Foods will allocate proceeds of the sustainability bonds and loans to expenditures for construction of the new baseball stadium "ES CON FIELD HOKKAIDO," for which the Company will obtain 5 Star certification under the DBJ Green Building Certification Program. In Japan, the final energy consumption of the commercial and others sector related to buildings such as commercial facilities including stadiums and office and other buildings has increased about 20% since 1990,¹⁵ and the sector is also responsible for 18.5% of Japan's total CO₂ emissions.¹⁶ Accordingly, it is important to promote energy-saving measures for buildings in order to addressing climate change. In 2015, the Japanese government enacted the "Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act)",¹⁷ imposing rigorous regulations in relation to energy-saving measures. The Nationally Determined Contributions (NDC),¹⁸ in which Japan is committed to reducing GHG emissions by 26% by FY2030 in comparison to those in FY2013, imposes a 40% reduction in GHG emissions on the commercial and others sector, the largest among all the sectors. Further, in order to achieve the reduction target for FY2030, the sector is expected to reduce the final energy consumption equivalent to about 3,323,000 kiloliters, which is about 6.6% of Japan's total final energy consumption, through improved energy performance of newly constructed buildings.¹⁹ The DGJ Green Building Certification Program evaluates the subject building based on, in addition to energy-saving performance, a wide range of environmental and social aspects such as resource-saving performance including reduced water usage, decreased waste discharge and recycling, and consideration for the surrounding ecosystem.²⁰ The certification criteria for environmental and social considerations are so set that only about 20% of income-generating buildings in Japan may be certified, with only top 10% of certifiable buildings given 5 Star.²¹

"ES CON FIELD HOKKAIDO" will be constructed for various people including the aged and the disabled, with barrier-free and universal designs including slopes for wheelchair users, multifunctional toilets and car parks exclusively for wheelchair users. In Japan, the importance of barrier-free buildings is rising due to hosting of 2020 Tokyo Olympic and Paralympic Games, ratification of the Convention on the Rights of Persons with Disabilities, enactment of the Act for Eliminating Discrimination Against People with Disabilities, further aging of the society, and increased inbound foreign tourists as a result of promotion of Japan as tourism-oriented country.²² Regarding sporting facilities including stadiums, the "Architectural Design Standards for Easily Accessible Facilities for the Aged and the Disabled (with Supplement for Facilities with Audience Seats or

¹⁴ Sorachi General Promotion Bureau, Hokkaido, "Materials for the Fourth Meeting of the Council (Japanese only)", at: http://www.sorachi.pref.hokkaido.lg.jp/kk/skk/grp/kitahiroshima/4-03shiryuu_8.pdf

¹⁵ Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Production Division, "Revision of the Building Energy Conservation Act (Japanese only)", at: https://www.meti.go.jp/shingikai/enecho/shoene_shinene/sho_energy/pdf/028_03_00.pdf

¹⁶ "Greenhouse Gas Emissions in Fiscal Year 2018 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113761.pdf>

¹⁷ Ministry of Land, Infrastructure, Transport and Tourism, "Overview of the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Conservation Act) (Japanese only)", at: http://www.ibec.or.jp/ee_standard/files/outline_pamphlet.pdf

¹⁸ "Submission of Japan's Nationally Determined Contribution (NDC) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113664.pdf>

¹⁹ Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Production Division, "Revision of the Building Energy Conservation Act (Japanese only)", at: https://www.meti.go.jp/shingikai/enecho/shoene_shinene/sho_energy/pdf/028_03_00.pdf

²⁰ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building Certification Scoring model 2019 v1.3 (Japanese only)", at: http://igb.jp/contentsdata/pdf/score-seat2019v1_3.pdf

²¹ Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building Certification Revision and Publication of Evaluation Items (Japanese only)", at: <http://igb.jp/contentsdata/pdf/kaisei2019.pdf>

²² Ministry of Land, Infrastructure, Transport and Tourism, "Revision of Architectural Design Standards for Easily Accessible Facilities for the Aged and the Disabled (Japanese only)", at: https://www.mlit.go.jp/report/press/house05_hh_000658.html

Bleachers such as Theaters and Sporting Facilities)” was formulated in FY2014,²³ showing that the Japanese government is promoting the policy of developing the environment so that the aged and disabled (wheelchair users, visually challenged, aurally challenged, etc.) may have easy access to buildings, including the unit space and evacuation guidance at the time of disaster at facilities with audience seats or bleachers such as sporting facilities. Further, the Council of Ministers for Universal Design 2020 formulated the Universal Design 2020 Action Plan to coincide with the 2020 Tokyo Olympic and Paralympic Games, promoting urban development with universal design to improve accessibility and living conditions for the physically, intellectually and mentally challenged.²⁴

Considering the environmental and social aspects as stated above, Sustainalytics is of the opinion that allocation by NH Foods of the proceeds to expenditures for construction of “ES CON FIELD HOKKAIDO” has clear positive environmental and social impacts, contributing to Japan’s achievement of the climate change target through reduction of environmental load including CO₂ emissions attributable to the buildings and to improvement of accessibility of the aged and challenged to the facilities.

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 Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Building	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Access to Essential Services	11. Sustainable cities and communities	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities

Conclusion

NH Foods will issue sustainability bonds and loans under the Framework and allocate the proceeds to finance or refinance expenditures for construction of “ES CON FIELD HOKKAIDO,” which is expected to contribute to green buildings and improved access to essential services. Sustainalytics is of the opinion that the use of proceeds stated in the Framework will contribute to achievement of the Company’s Medium-Term Management Plan 2020, to promotion of the policies of the Japanese government for measures to mitigate climate change and to promote the barrier-free society, and to advancement of SDGs 9 and 11.

The use of proceeds of NH Foods is recognized by the GBP and SBP that are the basis of the SBG as well as Japan’s Green Bond Guidelines 2020 as project categories with clear environmental and social impacts. NH Foods will allocate the proceeds of the bonds and loans to expenditures for construction of facilities with barrier-free and universal designs for the disabled and the aged, which will have obtained the top level of a third-party green building certification. Sustainalytics views that the eligibility criteria, process for project evaluation and selection and management of the proceeds are all aligned with market practice.

Based on the above considerations, Sustainalytics is of the opinion that the Framework is robust and transparent, and is in alignment with the four core components of the SBG and Japan’s Green Bond Guidelines 2020.

²³ Ministry of Land, Infrastructure, Transport and Tourism, “Architectural Design Standards for Easily Accessible Facilities for the Aged and the Disabled (with Supplement for Facilities with Audience Seats or Bleachers such as Theaters and Sporting Facilities) [Summary Version] (Japanese only)”, at: <https://www.mlit.go.jp/common/001097180.pdf>

²⁴ Prime Minister’s Office, “Universal Design 2020 Action Plan (Japanese only)”, at: https://www.kantei.go.jp/jp/singi/tokyo2020_suishin_honbu/ud2020kkkaigi/pdf/2020_keikaku.pdf

Appendices

Appendix 1: Framework Overview

For the purpose of issuing sustainability bonds and loans, NH Foods has developed the following Framework which addresses the four key core components of the SBG: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, on December, 2020. The Framework belongs to NH Foods.

1. Use of proceeds

The proceeds of the sustainability finance will be allocated to finance new investments or refinance existing investments in relation to construction of the new baseball stadium, ES CON FIELD HOKKAIDO, in the "HOKKAIDO BALL PARK F VILLAGE," which meets the following eligibility criteria. The look-back period for refinancing will be no more than 36 months prior to the issuance of the sustainability bonds or loans.

1.1 Eligibility Criteria

	Eligible Category	Eligibility criteria
Green Project	Green Building	5 Stars under the DBJ Green Building Certification
Social Project	Access to Essential Services	(Target Population 1) Disabled and aged <ul style="list-style-type: none"> • Multifunctional toilets • Car parks exclusively for wheelchair users • Spaces for spectators in wheelchair • Spaces for spectators accompanied by guide dogs • Escalators on the main stairs of the third base gate (Target Population 2) Victims of natural disasters <ul style="list-style-type: none"> • Stockpile warehouse (Target Population 3) Vulnerable groups of young people <ul style="list-style-type: none"> • Free playground equipment for children • Multifunctional toilets • Slopes (Target Population 4) Foreigners and other minorities <ul style="list-style-type: none"> • Multilingual signage for information boards in urban parks

2. Process for project evaluation and selection

2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

The Accounting and Finance Department of NH Foods confirms that the project meets the eligibility in the process of assessment and selection of eligible projects, and the executive officer in charge of the Department will make the final decision.

2.2 Environmental and Social Objectives

2.2.1 Environmental Objectives

The Group appreciates the bounty of nature and promotes corporate activities that are in harmony with the natural environment to realize the sustainable society. The Group also formulates environmental goals in

the medium-term management plan every three years to reduce environmental loads accompanying business activities. The Group will continue working on efficient use of natural resources, along with reduction in environmental loads, to realize the sustainable society.

2.2.2 Social Objectives

The Group promotes corporate activities that meet the expectation and trust of stakeholders, including customers, regional residents, business partners, shareholders and investors, and employees.

2.3 Process to Mitigate Environmental and Social Risks

The planned site for the Ballpark and roads to be newly constructed is surrounded by an area of woodland, and Kitahiroshima City has already started the environmental survey in order to make the facilities friendly to the environment that coexist with the nature. The survey of buried cultural properties, which is required prior to land formation, is also in progress. The environmental survey will continue to be carried out for each season, and measures will be formulated based on the survey results to protect the natural environment.

3. Management of Proceeds

The Accounting and Finance Department of NH Foods will manage allocation of the proceeds of the sustainability finance using an internal system and ledger sheets until maturity. While the projects, to which the proceeds will be allocated, is yet to be determined, the proceeds will be held in cash or cash equivalents.

4. Reporting

Until the proceeds are fully allocated, the allocation situation of the proceeds will be disclosed annually on the website of the Company (“NH Foods Group Integrated Report,” etc.). Once the proceeds are allocated in full, any major change in the allocation situation will be disclosed in a report showing the allocation situation of the proceeds on the website of the Company as required.

4.1 Allocation reporting

- Allocated amounts of the proceeds
- Unallocated amounts of the proceeds
- The approximate amount or the share of the allocated proceeds used for refinancing


4.2 Impact reporting

Until the proceeds are allocated in full, the Company will disclose the following information annually on the website of the Company (“NH Foods Group Integrated Report,” etc.) to the extent permitted under the confidentiality arrangement and to the extent reasonably practicable.

	Eligible Category	Positive environmental and social impacts
Green Project	Green Building	(During construction) <ul style="list-style-type: none"> • Progress status of certification acquisition procedure (After completion) <ul style="list-style-type: none"> • List of environmental certifications • Amount of energy consumed • Volume of CO₂ emissions • Volume of water used
Social Project	Access to Essential Services	<ul style="list-style-type: none"> • Size of car park for wheelchair users • Number of multifunctional toilets installed • Size of spaces for spectators in wheelchair • Size of spaces for spectators accompanied by guide dogs • Number of slopes installed • Number of escalators installed on the main stairs of the third base gate • Amount of emergency food, etc. stockpiled at stockpile warehouses

		<ul style="list-style-type: none">• Number of free playground equipment for children• Number of Multilingual signage for information boards in urban parks installed
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Appendix 2: Overview and Comparison of Green Building Certification Scheme

	DBJ Green Building Certification²⁵
Background	The Development Bank of Japan (DBJ) Green Building Certification Programme was launched by Development Bank of Japan in 2011 and is operated in conjunction with the Japan Real Estate Institute (JREI), a major appraisal firm in Japan. The certification scheme is recognized as one of Japan’s major regional standards. The certification is available for office buildings, logistics, residential, and retail facilities.
Certification levels	1 Star 2 Stars 3 Stars 4 Stars 5 Stars
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> •Energy & Resources (Energy conservation, resource conservation, etc.) •Amenity (Convenience and comfort) •Resilience (Environmental risks, legal compliance, etc.) •Community & Diversity (Consideration for the surrounding environment and biodiversity, etc.) •Partnership (information disclosure, etc.)
Requirements	<p>Score-based performance level.</p> <p>The assessment has a full score of 300 points and consists of 85 questions, 73 of which are regular questions and 12 of which are questions on innovative initiatives.</p> <p>JREI will conduct on the ground review of building performance on the indicators above, and a committee set in JREI will decide the result of certification rank.</p>
Performance display	 26
Qualitative considerations	In addition to LEED and CASBEE, DBJ Green Buildings Certification Programme is considered as one of the green building standards in Japan. According to its website, as of March 31, 2020, 902 properties in Japan are certified by the programme. ²⁷

²⁵ Development Bank of Japan, Japan Real Estate Institute (JREI), “DBJ Green Building”, at: <http://igb.jp/en/index.html>.

²⁶ Development Bank of Japan, “DBJ Green Building”, at: http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf.

²⁷ Development Bank of Japan, Japan Real Estate Institute (JREI), “DBJ Green Building”, at: <http://igb.jp/en/index.html>.

Appendix 3: Alignment with Japan’s Green Bond Guidelines 2020

Japan’s Green Bond Guidelines 2020	Alignment with Japan’s Green Bond Guidelines 2020	Sustainalytics’ comments on alignment with Japan’s Green Bond Guidelines 2020
1. Use of Proceeds	Yes	The eligible category for use of proceeds defined in the Framework of NH Foods, project in relation to the green building, is recognized as project category with a clear environmental impact in Japan’s Green Bond Guidelines 2020. The process to control and mitigate environmental risks associated with the eligible project is described in the Framework for investors to review in advance. NH Foods intends to refinance the new baseball stadium "ESCON FIELD HOKKAIDO", which is specified as the use of proceeds, through the issuance of multiple Sustainability Bonds. However, as the stadium will be a new asset to be constructed, the Company does not plan to disclose the age of the stadium, its remaining useful life, and the amount to be refinanced.
2. Process for Project Evaluation and Selection	Yes	The Framework demonstrates the environmental goals in the “Medium-term Management Plan 2020” that the Company aims to achieve through the issuance of the sustainability bond. The process and eligibility criteria for project evaluation and selection are also defined in the Framework.
3. Management of Proceeds	Yes	The Framework describes that the Accounting and Finance Department of the Company manages the proceeds of the sustainability bond, and that the department tracks and manages the allocated and unallocated amounts of the proceeds annually until the bond is redeemed. The Company does not expect that there will be any unallocated proceeds, but in case there are, the unallocated proceeds will be kept in cash or cash equivalents.
4. Reporting	Yes	Until the bond proceeds are fully allocated, NH Foods is committed as stated in the Framework that it will disclose the status of the allocation of the proceeds and environmental impact every year and in a timely manner when there is a substantial change. The allocated and unallocated amounts of the proceeds will be disclosed in the allocation reporting, and progress of certification acquisition process during construction, name and level of green building certification obtained, energy consumption, CO ₂ emissions and water usage, once completed, will be disclosed in the impact reporting.

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	NH Foods Ltd.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	NH Foods Ltd. Sustainability Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 28, 2021
Publication date of review publication:	

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 categories for the use of proceeds Green Building, and Access to Essential Services, are aligned with those recognized by the SBG. Sustainalytics considers that the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG goals 9 and 11.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" 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 checked="" 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:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Accounting and Finance Department of NH Foods evaluates and selects the projects that are aligned with the eligibility criteria. The selected projects are then finalized by the executive officer in charge of the Accounting and Finance Department. Sustainalytics considers that the evaluation and selection process of NH Foods is aligned 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*):

The Accounting and Finance Department will track and manage the allocated and unallocated amounts of the proceeds of the sustainable finance annually using an internal system and ledger sheets until maturity. Unallocated proceeds will be held in cash or cash equivalents. The management of proceeds of NH Foods is aligned 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 type="checkbox"/> Allocation to a portfolio of disbursements |
| <input 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):

NH Foods will disclose allocation reporting and impact reporting annually on the “NH Group Integrated Report.” NH Foods will disclose amounts of allocated and unallocated proceeds, and amount or the share of refinancing on the allocation reporting and the type and level of green building certificates obtained for the funded projects, positive environmental impact metrics including CO₂ emissions as well as positive social impact metrics including the number of slopes and multifunctional toilets installed, and the size of established car parks for wheelchair users. Sustainalytics views the reporting of NH Foods 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*):
Unallocated amounts of the proceeds, approximate amount or the share of the allocated proceeds used for refinancing

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):

<input checked="" type="checkbox"/>	GHG Emissions / Savings	<input type="checkbox"/>	Energy Savings
<input type="checkbox"/>	Decrease in water use	<input type="checkbox"/>	Number of beneficiaries
<input type="checkbox"/>	Target populations	<input checked="" type="checkbox"/>	Other ESG indicators (<i>please specify</i>): Status of certification acquisition process of the construction, type and level of green building certification, amount of energy consumed, volume of water used, size of car parks exclusively for wheelchair users, number of multifunctional toilets

		installed, size of spaces for spectators in wheelchair, size of spaces for spectators accompanied by guide dogs, number of slopes installed, number of escalators installed on the main stairs of the third base gate, amount of emergency food, etc. stockpiled at stockpile warehouses
--	--	--

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):
The Company's corporate 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 AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise, that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to sustainability and an evaluation of the environmental and 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles, may also be termed verification.
 - iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 and/or social performance data, the process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

This document is translated from the Japanese language. In case of discrepancies between the Japanese language and translated versions, the Japanese language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

