



TRE HOLDINGS

未来へ、捨てない創造力を。

TRE HOLDINGS CORPORATION

Sustainability- Linked Finance Framework

August, 2023



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1 Introduction

TRE HOLDINGS CORPORATION was established in 2021 as a result of the business integration between TAKEEI CORPORATION and REVER HOLDINGS CORPORATION, two leading waste treatment and recycling businesses in Japan, with the mission of helping to create an efficient recycling society and a carbon-neutral society. As the foremost comprehensive environmental management company in Japan, TRE HOLDINGS will contribute to the creation of an efficient recycling society and a carbon-neutral society through its waste recycling businesses, its resource recycling business and its woody biomass power generation business with efficient use of unused resources.

TRE HOLDINGS has developed the following "Sustainability-Linked Finance Framework" (hereinafter, "The framework"). The Groups will execute Sustainability-Linked Finance based on the framework. We will pursue sustainable growth to create an efficient recycling society and a carbon-neutral society with our stakeholders.

Note: REVER CORPORATION, a subsidiary (grandchild company) of TRE HOLDINGS, has absorbed and merged with its subsidiary, REVER HOLDINGS CORPORATION, effective from April 1, 2023.

1.1 Reference to Principles and Guidelines

The framework will communicate in a transparent manner on the key elements and core components recommended by the following principles and guidelines.

- ICMA¹ Sustainability-Linked Bond Principles 2023
- Ministry of the Environment, Sustainability-Linked Bond Guidelines 2022
- Ministry of the Environment, Sustainability-Linked Loan Guidelines 2022
- LMA² ,APLMA³ ,LSTA⁴ Sustainability-Linked Loan Principles 2023

TRE HOLDINGS has obtained a second opinion from Rating and Investment Information, Inc. (R&I), an independent external reviewer regarding the alignment of this framework with the Principles and Guidelines stated above.

1.2 Principles

Under TRE HOLDINGS' corporate philosophy of "We are committed to the conservation of the global environment," we aim to contribute to the realization of an efficient recycling, and a carbon-neutral society in response to serious impact of destruction of environments and climate change across the globe underway.

As a comprehensive environmental management company that places value on harmony with nature and coexistence with the local ecosystem, we are pressing on with the extension of the recycling business and promote the energy business. Also, to that end, we actively pursue the development of innovative technology.

We work to develop further well-balanced relationships with all stakeholders and implement sustainable operations to facilitate the delivery of sustainability management.

¹ ICMA : International Capital Market Association

² LMA : Loan Market Association

³ APLMA : Asia Pacific Loan Market Association

⁴ LSTA : Loan Syndications and Trading Association

1.3 Materiality

To putting TRE HOLDINGS' principles into practice, we have identified material (key) issues that we will prioritize. To identify these issues, we held multiple discussions and debates from views such as which social issues we could help resolve through our strengths and expertise as a comprehensive environmental management company, which matters we should use as a foundation for the continued business of TRE HOLDINGS, and which matters would be necessary for sustained growth in corporate value. At the end of this repeated processes, we identified five material issues. Going forward, we will set medium and long-term targets, action plans and KPIs based on the identified material issues and work steadily through the PDCA cycle.

Five material issues

	Material issues	Vision for the future (KPIs, etc.)	Main initiatives
Solving social issues through our businesses	Create an efficient recycling society	We will respond appropriately and accurately to the increasingly sophisticated recycling needs of waste generators using the strengths and expertise of the Waste Treatment & Recycling Business.	<ul style="list-style-type: none"> Build a resource recycling scheme by linking waste management companies and other industries. Improve facilities and realize plans for advanced sorting sites. Add value to unused resources or turn them into products. Build a business scheme for recycling waste plastic.
	Create a carbon-neutral society	We will generate renewable energy, reduce the greenhouse gases emitted from our businesses (make energy used carbon neutral by 2026), and contribute to carbon neutrality throughout society by providing environmental devices and technologies.	<ul style="list-style-type: none"> Establish/operate sustainable woody biomass power generation plants integrated with forest management. Visualize greenhouse gas (CO₂) emissions from our business activities and implement measures to reduce them. Provide environmental equipment, technology and services that help stakeholders reduce greenhouse gases (CO₂).
The foundation of business continuity	Provide pleasant working environments	We will provide working environments where diverse talents can work actively with peace of mind and where all individuals can display their potential to the fullest.	<ul style="list-style-type: none"> Create workplaces where anyone can work in health and safety and with peace of mind. Promote work-life balance. Develop the human resources that will support the company's sustained growth by carrying out all kinds of training and providing a system to support obtaining qualifications.
	Strengthen the corporate governance structure	We will ensure that we have a sound and highly-transparent governance structure, including compliance, in order to promote sustainability management.	<ul style="list-style-type: none"> Maintain the transparency of management by establishing various committees. Conduct training to ensure thorough compliance and check the state of observance. Practice appropriate information management and risk management
Sustainable growth in corporate value	Enhance our brand value and increase our recognition as a comprehensive environmental management company	We will undertake initiatives and share information that earns us the trust and business of customers, business partners, shareholders and investors.	<ul style="list-style-type: none"> Disclose information in a timely and suitable fashion. Practice fair and equitable IR activities. Engage stakeholders

1.4 Four basic strategies (Medium-term business plan)

TRE HOLDINGS formulated and announced our medium-term business plan: "Towards an Efficient Recycling and Carbon-Neutral Society" at the same time as the company's founding in October 2021.

Under the medium-term business plan, we established basic strategies to achieve this target, namely "pursuing growth for recycling businesses," "promoting eco-friendly energy businesses," "developing new technologies" as growth strategies and "sustainability management" as a key strategy, and each business is carrying out specific measures according to these strategies.

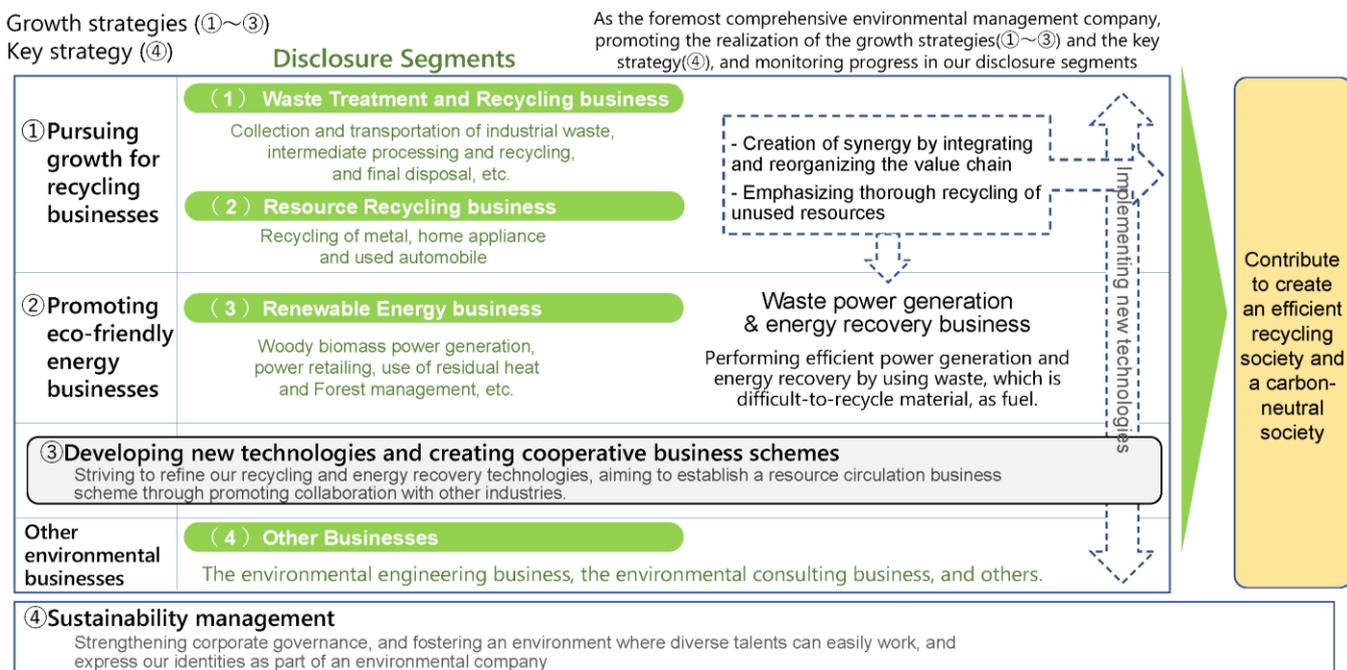
Pursuing growth for recycling businesses: By maximizing the synergy of integration, we will provide our customers with an even safer, enriched value chain that affords them peace of mind.

Promoting eco-friendly energy businesses: We are engaged in unique renewable energy businesses that are rooted in the local community. Along with striving to expand our woody biomass power generation business, we will also focus on energy recovery from waste.

Developing new technologies: In order to create an efficient recycling and carbon-neutral society, and to bring about a world that gives all kinds of waste new life in the form of resources and reuses them, we are working to build new business models such as supplying recycled resources that visualize CO₂ emissions and other environmental values, and decarbonizing the value chain through product life cycle design.

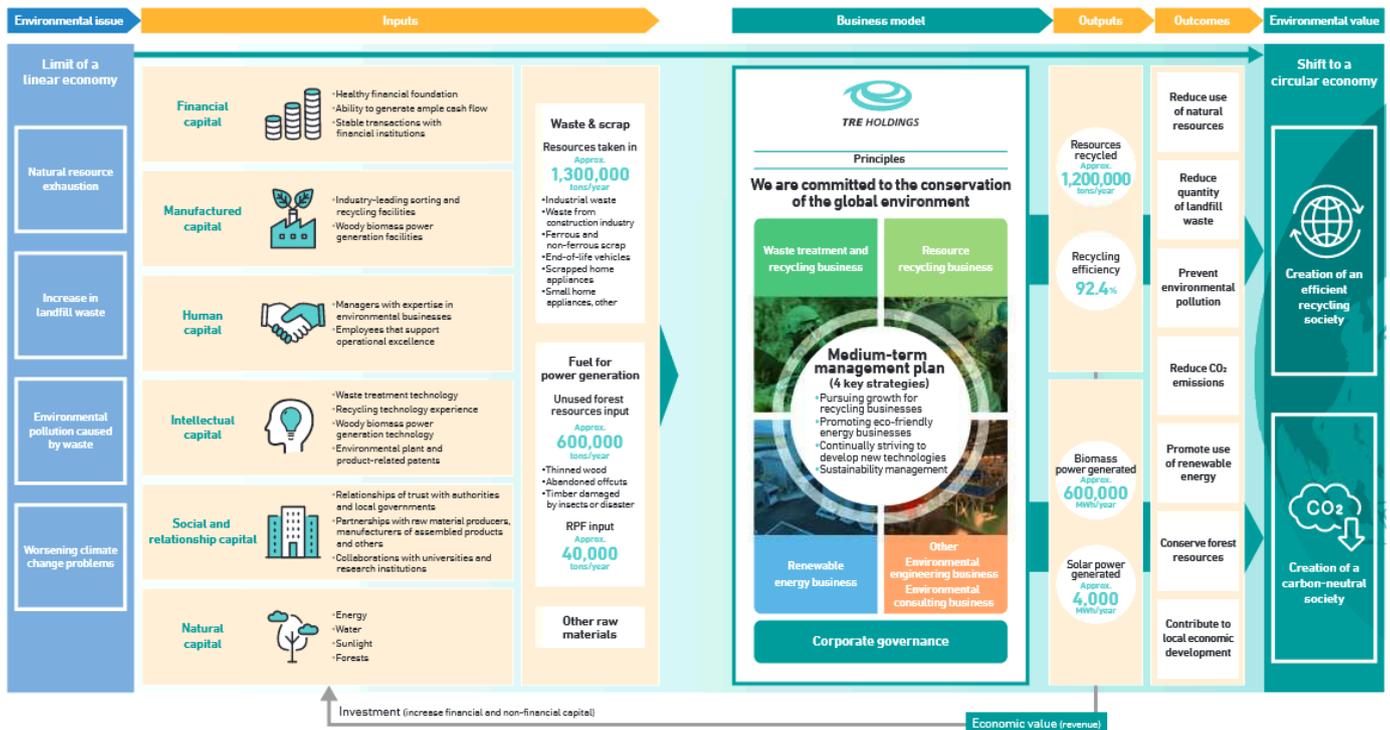
Sustainability management: We strive to maximize corporate value and strengthen our governance structure in order to earn trust from various stakeholders. With this in mind, we are committed to practicing sustainability management as the foremost comprehensive environmental management company that responds to a variety of environmental needs.

Four basic strategies (Medium-term business plan)



1.5 Structure for creating environmental value that will contribute to the creation of an efficient recycling, carbon-neutral society

TRE HOLDINGS is building a value creation model aimed at accelerating the shift from a linear to a circular economy and contributing to the creation of an efficient recycling, carbon-neutral society. As a comprehensive environmental management company, the TRE Group is engaged in waste treatment and recycling, resource recycling, renewable energy, environmental engineering and environmental consulting businesses. We create various types of environmental value by taking in the waste generated by a consumer society and repurposing it as energy and resources.

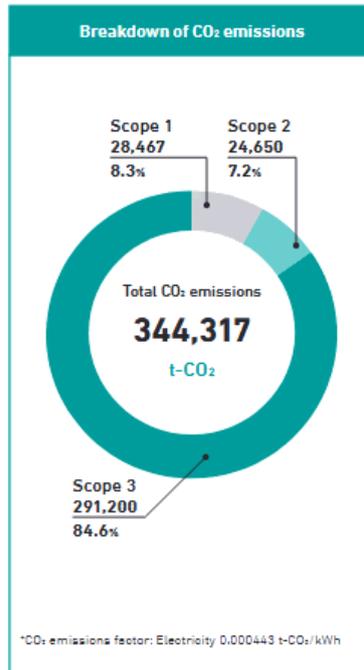


1.6 Our approach towards climate change, our initiatives towards reduction of Greenhouse Gases

TRE HOLDINGS is highly aware of the worsening effects of climate change and the destruction of the environment on a global level as well as of the need to develop countermeasures.

Starting in 2022, the Group has begun to disclose information according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). We will continue to analyze issues and hold discussions to gradually expand the disclosure of information. Additionally, in June 2022, along with announcing our endorsement of the TCFD recommendations, we also joined the TCFD Consortium, a forum for companies and financial institutions endorsing the TCFD recommendations to hold discussions.

We have made "sustainability management" a key strategy in our medium-term business plan, and as part of this effort, we aim to achieve carbon neutrality in our own power consumption by 2026(FY2027), which is five years after our business integration (by promoting energy-saving activities and efficiently procuring non-fossil certificates and CO₂ credits.) Additionally, in 2022(FY2023), we began calculating and disclosing CO₂ emission of Scope 3.



1.7 Sustainability management

The Group has set forth sustainability management in its medium-term business plan.

In June 2022, we established the CSR and Sustainability Promotion Committee to promote sustainability management across all Group companies in order to further enhance our initiatives to address climate change and social issues.

The committee formulates action plans on climate change and social issues for the Group and monitors their progress. It also deliberates and supervises their contents at the Board of Directors' meeting after discussing and obtaining a consensus on them at Group management committee meetings.

The president and CEO, in addition to chairing the CSR and Sustainability Promotion Committee, also chairs the Group Internal Controls Committee and management committee meetings and recognizes the many sustainability-related issues as the most important risk to management. Through speedy decision-making, we will continue to discover and handle issues quickly and manage the PDCA cycle so as to strengthen our management foundation.

TRE Group sustainability management (structure)



2 Disclosure in line with the relevant Principles such as ICMA SLBP

2.1 Selection of KPIs

The following KPIs are selected to be used for Sustainability-Linked Finance (Sustainability-Linked Bond (SLB) / Sustainability-Linked Loan (SLL)) executed under the framework.

As a comprehensive environmental management company, TRE HOLDINGS is pursuing growth for recycling businesses and promoting eco-friendly energy businesses to create an efficient recycling society and a carbon-neutral society. We believe that the following KPIs will serve as performance metrics for the given businesses.

KPIs	
KPI-1	CO ₂ emission reduction rate in Scope 1 and Scope 2 (Base year: 2013(FY2014))
KPI-2	Recycling efficiency

KPI-1: CO₂ emission reduction rate in Scope 1 and Scope 2

<Definition>

KPI-1 calculates the reduction rate since 2013(FY2014) based on the total CO₂ emissions from Scope1 and Scope2, which are calculated according to the Ministry of the Environment's "Basic Guidelines for Calculating GHG Emissions Through the Supply Chain (Ver.2.4)", and includes the aggregate data of our entire corporate group, including consolidated subsidiaries.

Historical figures prior to the integration into the holding company were calculated by combining TAKEEI CORPORATION and REVER CORPORATION.

Note: In case there is a change in the scope of aggregation, we plan to disclose the latest scope at the time of reporting.

<Track record>

	2013 (FY2014)	2019 (FY2020)	2020 (FY2021)	2021 (FY2022)
Total CO ₂ emissions in Scope1 and Scope2 (t-CO ₂)	52,302	51,184	51,795	53,117
CO ₂ emission reduction rate (%) in Scope1 and Scope2 (Base year: 2013(FY2014))	—	▲2.14%	▲0.97%	1.56%

KPI-2: Recycling efficiency

<Definition>

KPI-2 calculates the percentage of valuable items and waste accepted by our entire group that could be utilized as resources recycled.

Recycling efficiency = Resources recycled / (Resources recycled + Waste generated)*100

- Resources received: Volume of valuables and waste received by the Group
- Resources recycled: Volume of resources received that could be used as recycled resources
- Waste generated: Volume of resources received that could not be recycled and was disposed of

<Track record>

	2019 (FY2020)	2020 (FY2021)	2021 (FY2022)
Resources received (1000t)	1,439	1,358	1,331
Resources recycled (1000t)	1,293	1,244	1,225
Waste generated (1000t)	136	96	101
Recycling efficiency	90.49%	92.82%	92.38%

2.2 Calibration of Sustainability Performance Targets (SPTs)

For Sustainability-Linked Finance (SLB/SLL) executed under the framework, the following SPTs will be established. The SPTs to be used, the date of determination of the SPTs, and the score of the applicable SPTs will be identified and disclosed in the statutory disclosure documents (for bonds) or contract documents (for loans) at the time of each financing execution.

SPTs	
SPT-1	CO ₂ emission reduction rate for each year in Scope1 and Scope2 consistent with the following (Base year: 2013(FY2014)) For setting annual targets other than those mentioned below, calculation are based on linear interpolation. ⁵ <ul style="list-style-type: none"> 46% reduction by 2030(FY2031) Carbon neutrality by 2050(FY2051)
SPT-2	Recycling efficiency should be consistent with the following. For setting annual targets other than those mentioned below, calculation are based on linear interpolation. (Annual targets to be calculated based on linear interpolation from 2021 to 2030(FY2022-FY2031).) <ul style="list-style-type: none"> Recycling efficiency as 93% by 2030(FY2031) Recycling efficiency as 94% by 2040(FY2041)

2.3 Bond/Loan Characteristics

The characteristics of Sustainability-Linked Finance bonds/loans executed under the framework will change depending on the achievement status of SPTs. The content of the change is assumed to be (1) "step up/step down in interest rates", (2) "Donation", or (3) " Purchasing emission credits or certifications" below, but the specific content will be statutory disclosure documents (for bonds) or contract documents (for loans) at the time of each financing to specify.

Even if TRE HOLDINGS change the SPTs after the Sustainability-Linked Finance is executed, the SPTs for the Sustainability-Linked Finance that has already been executed will not be changed. However, in the situation of an event that may have a significant impact on the assumptions used in measuring the KPIs, setting the SPTs, or the scope of the KPIs (e.g., M&A activities, significant changes in regulatory or other institutional aspects, or the occurrence of unusual events such as huge natural disasters), we may revise the Sustainability-Linked Finance SPTs that we have already executed. The details of the review will be disclosed on our website.

(1)Step Up/Step Down Interest Rates

In the case of step up

If a third-party verified report is not received by the determination date that the SPTs have been achieved, the

⁵ While we have announced our goal to achieve carbon neutrality in Scope 1, 2 and 3, by 2050(FY2051), we have not set interim targets for Scope 1, 2 and 3 at this point. Therefore, in this framework, we have set 2030(FY2031) targets for Scope 1 and 2 as interim targets for 2050(FY2051).

interest rates will be stepped up at the annual rate specified at the time of financing from the interest payment after the determination date to the redemption/repayment date.

In the case of step down

If a third-party verified report is received by the determination date that the SPTs have been achieved, the interest rates will be stepped down at the annual rate specified at the time of financing from the interest payment after the determination date to the redemption/repayment date.

(2)Donations

If a third-party verified report is not received by the determination date that the SPTs have been achieved, donation in an amount corresponding to the percentage specified in the above legal disclosure documents will be made to qualified donation recipients by the reimbursement/repayment date. Qualified donation recipients are public interest incorporated associations, public interest foundations, international organizations, local government certified non-profit organizations, local governments, and similar organizations, including those related to climate change and recycling, that are associated with the improvement of SPTs that have not been achieved. The recipients of the donations will be determined by the required resolution prior to the reimbursement/repayment date.

(3)Purchasing emission credits or certifications

If a third-party verified report is not received by the determination date that the SPTs have been achieved, we will purchase emission credits (credits and securitization of CO₂ reduction value) or certifications (Green Power Certificates, Non-Fossil Certificates, etc.) in an amount corresponding to the percentage specified in the above legal disclosure documents by the reimbursement/repayment date. In the event of a force majeure event (e.g., a change in trading system regulations, etc.) that prevents us from purchasing emission credits or certifications, we will make a donation to a qualified donor.

2.4 Reporting

TRE HOLDINGS will report on the following items. The reporting period is the fiscal year preceding the fiscal year to which the reporting date belongs. The contents of the report will be published on the website of TRE HOLDINGS.

No.	Information to be Reported	Reporting Frequency
1	Performance of the KPIs	Annually until the final determination dates, starting from the fiscal year following the year of issuance of each Sustainability-Linked Finance
2	Performance against the SPTs	
3	Up-to-date information of sustainability strategies relative to the KPIs and SPTs	
4	<ul style="list-style-type: none"> · If SPTs have not been reached and "donations" are made, the amount and recipients of the donations OR · If SPTs have not been reached and "Purchasing emission credits or certifications" are made, the amount and the name of the emission credits or certifications 	Timely

2.5 Verification

The performance of each KPI against the SPT is verified by an independent third party on an annual basis until a decision date is reached. The results of the verification will be published on the website of TRE HOLDINGS.