

# Second-Party Opinion

## Sumitomo Mitsui Trust Bank Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Sumitomo Mitsui Trust Bank, Limited ("SuMi TRUST" or "the Bank") Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP). This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Green Buildings - are aligned with those recognized by the GBP 2018. Sustainalytics considers that the eligible projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals 7, 9, 11 and 12.



**PROJECT EVALUATION / SELECTION** SuMi TRUST's project evaluation and selection process will be conducted by several project teams including Wholesale Business Planning Department, Structured Finance Department, and the Sustainability Management Department, based on the eligibility criteria. The final decision on the eligible projects will be made by the Wholesale Business Planning Department. This is in line with market practice.



**MANAGEMENT OF PROCEEDS** SuMi TRUST's Wholesale Business Planning Department will track the net proceeds of its green bonds, using internal systems at least once a year, until the maturity of the green bonds. Pending allocation, net proceeds will be invested in overnight or other short-term financial instruments. This is in line with market practice.



**REPORTING** SuMi TRUST intends to report on allocation of proceeds and relevant environmental performance indicators on its website on an annual basis. Allocation reporting will include a brief description and the current amount of the proceeds allocated. Impact reporting will include CO<sub>2</sub> emissions, energy saved, waste reduced/recycled, and the number and certification levels of green buildings. Additionally, the Bank is committed to receiving post issuance reports from an independent provider. Sustainalytics views SuMi TRUST's reporting commitment along with post issuance reports as in line with market practice.

<b>Evaluation date</b>	February 26, 2020
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<b>Issuer Location</b>	Tokyo, 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. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in the Japan's Green Bond Guidelines 2020.

## Introduction

Founded in 1925 and headquartered in Tokyo, Japan, Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST” or “the Bank”) is a Japanese trust bank that provides a broad range of financial services including asset management, real estate management, financial services, and consulting service. The Bank forms the core of Sumitomo Mitsui Trust Group and has offices domestically as well as overseas, including North America, Europe, Asia and Oceania.

SuMi TRUST has developed the Sumitomo Mitsui Trust Bank Framework under which it intends to issue multiple green bonds and use the proceeds to finance and/or refinance projects that generate environmental benefits. The Framework defines eligibility criteria in the following areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Pollution Prevention and Control
5. Green Buildings

SuMi TRUST engaged Sustainalytics to review the Sumitomo Mitsui Trust Bank Green Bond Framework, dated February 2021,<sup>1</sup> and provide a Second-Party Opinion on Framework’s environmental credentials and its alignment with GBP<sup>2</sup> and Japan’s Green Bond Guidelines 2020.<sup>3</sup> 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 independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the GBP and Japan’s Green Bond Guidelines 2020;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.7.1, 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 SuMi TRUST’s Corporate Planning 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. SuMi TRUST representatives have confirmed (1) they understand it is the sole responsibility of SuMi TRUST 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.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> SuMi TRUST had engaged with Sustainalytics in August 2018 to provide a second party opinion (SPO) on its Framework and has reengaged to revise a previous SPO (dated August 2018) in February 2021. This SPO has been updated to incorporate new information provided by the Bank on the four core components including eligibility criteria. Sustainalytics is of the opinion that the changes do not have a material effect on the impact of the intended use of bond proceeds or the Framework’s alignment with the GBP.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at: [http://www.env.go.jp/policy/guidelines\\_set\\_version\\_with%20cover.pdf](http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf)

<sup>4</sup> 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.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SuMi TRUST.

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 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 intended allocation of proceeds but does not guarantee the realised allocation of the bond 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 SuMi TRUST has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Sumitomo Mitsui Trust Bank Green Bond Framework

Sustainalytics is of the opinion that the Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Green Buildings – are recognized by the GBP as project categories with clear environmental impact. Please see Section 3 for Sustainalytics' assessment on impact of the use of proceeds.
  - Within the Renewable Energy category, SuMi TRUST intends to invest in the acquisition, development, construction and operation of infrastructure, facilities, and equipment that generate or transmit solar energy, solar thermal energy, wind energy, geothermal energy, biomass energy and hydropower. Sustainalytics positively notes the following elements of the Framework:
    - Geothermal energy projects are subject to direct emissions threshold less than 100gCO<sub>2</sub>/kWh.
    - Hydropower projects are restricted to small run-of-river hydro facilities with less than 25 megawatts or run of river hydropower assets without pondage.
    - For biomass energy, biomass sources are limited to sustainable feedstock that do not compete with food production and/or waste materials, while excluding palm oil, wood pulp, waste from peat, non-certified feedstock, peat and unknown sources in non-waste biomass energy projects. Additionally, all projects are intended to have direct emissions of less than 100gCO<sub>2</sub>/kWh.
  - Under the Energy Efficiency category, the proceeds will be allocated towards infrastructure, equipment, technology and processes related to smart grids, energy storage, automation and intelligence in the power transmission network, distribution and related systems that improve energy efficiency.
  - For the Clean Transportation category, the Bank intends to finance expenditures related to i) the development, manufacturing and acquisition of non-fossil fuel based vehicles including electric and hydrogen vehicles as well as associated infrastructure, and ii) the development, operation and upgrade of rail transport, cycling and other non-motorised transport. Sustainalytics notes that the Framework defines the criteria that excludes fossil fuel-based transportation and

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- associated infrastructure, and transportation with the main objective of transporting fossil fuel from eligible projects, which is in line with market practice.
- In the Pollution Prevention and Control category, SuMi TRUST will finance the development, construction and operation of pollution prevention and control facilities such as waste recycling and waste-to-energy power plants. For the feedstock of waste to energy power plants, SuMi TRUST, under the Framework, has committed to i) excluding plastics, rubber, tire-derived fuels (TDF), gas capture from operational landfills, and landfill gas flaring and ii) ensuring the removal of recyclable materials, which Sustainalytics views positively.
  - With respect to the Green Building category, SuMi TRUST's eligibility criteria are based on international and regional third-party certification standards including LEED "Gold" or above, BREEAM "Excellent" or above, and CASBEE "A Rank" or above, DBJ Green Building Certification "4 Star" or above, and BELS "4 Star" or above. Sustainalytics views that the focus on the top two levels of certifications aligns with market practice considering that they provide a higher level of positive impact and are generally preferred by investors as a benchmark. (Please see Appendix 2 for Sustainalytics assessments on these certification schemes). Under the same category, SuMi TRUST will invest in buildings that meet the abovementioned criteria and are owned by J-REIT (Japanese Real Estate Investment Trusts) where the allocation amounts to eligible green buildings owned by J-REITs may be calculated based on pro-rata share of eligible green buildings' acquisition cost. The Bank has confirmed that the net proceeds allocated to J-REITs project will be no greater than the amount lent to J-REITs or investment exposure to eligible projects/assets.
  - Under the Framework, SuMi TRUST has confirmed that the Bank will not invest in projects associated with defence and security, nuclear power generation, coal-fired power generation, mining and tobacco sectors as well as all fossil fuel-based assets.
  - SuMi TRUST's look-back period for refinancing activities is 24 months prior to the issuance of the respective bonds.
  - "Eligible Green Projects" are defined in the Framework, in which the projects must i) meet the abovementioned criteria, ii) fall under Category B or Category C under the Equator Principles for Renewable Energy, Energy Efficiency, Clean Transportation or Pollution Prevention and Control, and iii) meet the abovementioned look-back period for refinancing and/or for future investment.
- Project Evaluation and Selection:
    - Several projects teams including Sustainability Management Department, Wholesale Business Planning Department, Structured Finance Department, and Treasury Unit, Global Markets are responsible for establishing the eligible criteria outlined in the Framework. The nominated projects will be evaluated and selected by Wholesale Business Planning Department and Structured Finance Department based on the eligibility criteria, and further verified by the Sustainability Management Department. The final decision will be made by the Wholesale Business Planning Department.
    - Based on the clear process and responsibilities for selecting eligible projects, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - SuMi TRUST' process for management of proceeds is overseen by the Wholesale Business Planning Department. Internal systems have been established by the Bank to track the proceeds at least once a year and ensure that the net proceeds from the green bonds are allocated to Eligible Green Projects. Pending the allocation, the net proceeds will be invested in overnight or other short-term financial instruments, while the unallocated proceeds is subject to the exclusion criteria outlined in the Framework.
    - Based on the use of internal systems, as well as the handling of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - SuMi TRUST will provide allocation and impact reporting on its website on an annual basis.
    - Allocation reporting will be updated at least annually until full allocation and as necessary thereafter in the event of material developments, and will include a brief description of the

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Eligible Green Projects funded and the current funded amounts, loan agreement dates, as well as assertions by management on the proceeds.

- Impact reporting will be conducted until full allocation and will include tonnes of CO<sub>2</sub> emission equivalent avoided, the amount of energy saved (MW), emissions of CO<sub>2</sub> per passenger kilometer travelled, tonnes of waste reduced/recycled, and the number and certification level of buildings.
- SuMi TRUST is committed to receiving issuance reports from an independent provider after the bond issuances.
- Based on SuMi TRUST's allocation and impact reporting commitments along with post issuance reports, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix4: Green Bond/Green 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. 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 Performance of the SuMi TRUST

### Contribution of framework to SuMi TRUST's sustainability strategy and targets

In line with SuMi TRUST Group's Management Principles, the Bank demonstrates a strong commitment to contributing to solve environmental and social issues through its core business by setting out a Sustainability Policy<sup>5</sup>. Through the policy, the Bank commits to incorporating sustainability considerations into its business, and focuses on five key themes<sup>6</sup>: (i) climate change, (ii) natural capital (biodiversity), (iii) environmentally friendly property, (iv) sustainable (ESG) investment, and (v) issues in a super-aged society. Sustainalytics highlights the following policies, targets, and initiatives for being particularly relevant to the Framework:

- SuMi TRUST Group sets out a sustainable financing long-term goal<sup>7</sup> to allocate 5 trillion JPY towards sustainable finance from FY2021 to FY2030, including 3 trillion JPY environmental finance such as renewable energy and green buildings.<sup>8</sup>
- SuMi TRUST Group, through its action guidelines for climate change, is committed to the development and provision of products and services that contribute to mitigate climate change.<sup>9</sup> The Bank takes several initiatives in promoting climate change mitigation, providing finance to renewable energy projects through project finance and fund management, and financial products such as loans in accordance with the Principles for Positive Impact Finance, which aims to deliver positive impact and mitigate adverse impact on the environment, society, and economy.<sup>10</sup>
- SuMi TRUST Group is a signatory to several initiatives that foster sustainability in the financial sector, such as the UN Global Compact, Principles for Financial Action towards a Sustainable Society,<sup>11</sup> Principles for Responsible Investment, Principles for Responsible Banking, and UNEP FI.<sup>12</sup> Moreover,

<sup>5</sup> Sumitomo Mitsui Trust Holdings, "Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)", at: [https://www.smth.jp/en/csr/philosophy/csr\\_policy/index.html](https://www.smth.jp/en/csr/philosophy/csr_policy/index.html)

<sup>6</sup> Sumitomo Mitsui Trust Holdings, "Sumitomo Mitsui Trust Holdings ESG Report 2019/2020", at: <https://www.smth.jp/en/csr/report/2019/E-all.pdf>

<sup>7</sup> Sumitomo Mitsui Trust Holdings, "Investor Meeting on Financial Results for 1H FY2020", at: <https://www.smth.jp/en/ir/presentation/E201118-1.pdf>

<sup>8</sup> Sumitomo Mitsui Trust Holdings, "Sumitomo Mitsui Trust Holdings Sustainability Report 2020/2021 (Japanese only)", at: <https://www.smth.jp/csr/report/2020/full/all.pdf>

<sup>9</sup> Sumitomo Mitsui Trust Holdings, "Sumitomo Mitsui Trust Holdings ESG Report 2019/2020", at: <https://www.smth.jp/en/csr/report/2019/E-all.pdf>

<sup>10</sup> Sumitomo Mitsui Trust Holdings, "Sumitomo Mitsui Trust Holdings ESG Report 2019/2020", at: <https://www.smth.jp/en/csr/report/2019/E-all.pdf>

<sup>11</sup> The Principles for Financial Action towards a Sustainable Society is a set of voluntary guidelines established by Japan's major financial institutions

<sup>12</sup> Sumitomo Mitsui Trust Holdings, "Sumitomo Mitsui Trust Holdings ESG Report 2019/2020", at: <https://www.smth.jp/en/csr/report/2019/E-all.pdf>

SuMi TRUST Group is a member of the Climate Action 100+ initiative<sup>13</sup> and has integrated the Equator Principles, further highlighting the importance of sustainability within the Bank.

Given SuMi TRUST Group's policy, targets, and initiatives for sustainability, Sustainalytics is of the opinion that the SuMi TRUST is well positioned to issue green bonds and that the issuance of green bonds will help the Bank to advance its sustainability strategy.

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

While Sustainalytics recognizes that the net proceeds from the green bonds issued under the Framework will be directed towards eligible projects that are recognized by the GBP to have positive environmental impact, it is acknowledged that such eligible projects could also lead to negative environmental and social outcomes, which may damage SuMi TRUST's reputation as a lender to projects. Some key environmental and social risks associated with the eligible projects could include large energy, transportation and real estate infrastructure projects, as well as occupational health and safety for construction work. Sustainalytics considers SuMi TRUST to be well prepared to manage related social and environmental risks based on the following:

- SuMi TRUST applies the Equator Principles for project finance and project-related corporate loans.<sup>14</sup> SuMi TRUST excludes projects from being financed from the green bond proceeds that have been classified as having potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented according to the Equator Principles. Project evaluation takes into consideration environmental and social impact assessments.
- Under the Framework, SuMi TRUST limits financing from its green bonds to hydro power plants with a capacity below 25 MW, excluding large hydro power plants that often have a high environmental and social impact. In addition, SuMi TRUST excludes the following sectors: defense and security, palm oil, wood pulp, waste from peat, non-certified feedstock in non-waste biomass energy projects, nuclear power generation, coal-fired power generation, mining and tobacco sectors as well as all fossil fuel based assets, fossil fuel based transportation / infrastructure and transportation with the main objective of transporting fossil fuel.
- SuMi TRUST is a signatory to the Principles for Responsible Banking (PRB) and United Nations Environment Programme Finance Initiative (UNEP FI).<sup>15</sup> As a signatory of PRB, the Bank is committed to (i) reducing the negative impact and managing risks from its activities, products and services in order to increase its positive impact, (ii) setting at least two targets addressing the most material impacts aligned with the SDGs and Paris Climate Agreement, and (iii) publicly reporting on its progress.<sup>16</sup>

## **Section 3: Impact of Use of Proceeds**

All five use of proceeds categories are aligned with those recognized by the GBP and Japan's Green Bond Guidelines 2020. Sustainalytics explains why those project categories produces positive environmental impacts in Japan as follows:

### **Importance of renewable energy, energy efficiency, green buildings and low carbon transportation for achieving Japan's climate goal**

Japan heavily relies on thermal power generations from oil, coal and natural gas, to make up for the loss of nuclear power plants that were shut down following the Fukushima-Daiichi nuclear disaster in 2011, which accounted for almost 30% of Japan's total electricity production before the disaster.<sup>17</sup> In 2018, thermal power accounted for 77% of total power generation, with nuclear energy accounting for 6% and renewable sources

<sup>13</sup> Climate Action 100+ is an initiative led by investors to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. <https://climateaction100.wordpress.com/>

<sup>14</sup> Sumitomo Mitsui Trust Holdings, Inc., "The Equator Principles and Sumitomo Mitsui Trust Bank", at : [https://www.smth.jp/en/csr/management/equator\\_principles/index.html](https://www.smth.jp/en/csr/management/equator_principles/index.html)

<sup>15</sup> Sumitomo Mitsui Trust Holdings, Inc., "ESG/CSR Report 2019/2020": <https://www.smth.jp/en/csr/report/2019/E-all.pdf>

<sup>16</sup> United Nations Environment Programme Finance Initiative, "Principles for Responsible Banking", <https://www.unepfi.org/banking/bankingprinciples/>

<sup>17</sup> Agency for Natural Resources and Energy, "FY2018 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: [https://www.enecho.meti.go.jp/statistics/total\\_energy/pdf/stte\\_029.pdf](https://www.enecho.meti.go.jp/statistics/total_energy/pdf/stte_029.pdf)



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(wind, solar, geothermal, biomass and hydro) accounting for 17%.<sup>18</sup> As Japan committed to a 26% GHG emissions reduction in FY2030 compared to FY2013 levels, the government aims to increase the share of renewable energy supply to 22-24%, and achieve 35% increase in energy efficiency, by FY2030, to meet its GHG reduction target.<sup>19,20</sup> Furthermore, following Prime Minister Yoshihide Suga's pledge to reduce GHG emissions to net zero by 2050 on October 2020, Japan commits to maximizing renewable energy use by 2050 with the reference goal of renewable energy sources accounting for 50-60% of the country's electricity production, as well as promoting energy conservation.<sup>21,22</sup>

The final energy consumption in the commercial and other, and residential sectors related to buildings increased by approximately 20% compared to 1990,<sup>23</sup> and buildings accounts for approximately 30% of Japan's total CO<sub>2</sub> emissions,<sup>24</sup> indicating the importance of measures to increase energy efficient buildings, as manifested in the Building Energy Efficiency Act in 8 July 2015.<sup>25</sup>

Moreover, the transport sector accounts for about 20% of Japan's CO<sub>2</sub> emissions.<sup>26</sup> While the country reduced its CO<sub>2</sub> emissions from the sector by 6.2% between FY2018 and FY2013,<sup>27</sup> further investments in clean transportation projects are needed to support Japan's transition towards a decarbonized economy and achieve its GHG reduction targets.

Given the importance of renewable energy, building energy efficiency and the transport sector, Sustainalytics is of the opinion that SuMi TRUST's use of proceeds in these categories is impactful and expected to contribute to meeting Japan's GHG emission targets.

### Importance of Pollution Prevention and Control

Japan's recycling rate for municipal waste hovers around 20%, which is below the OECD average of 34% and one of the lowest among the 34 member countries.<sup>28,29</sup> As a country with high population density and limited land resources, Japan faces a shortage of landfill sites with the remaining capacity estimated at 21.6 years,<sup>30</sup> and relies on incineration as the main method for waste treatment.<sup>31</sup> Given this situation, the Japanese government sets out national targets for FY2025 to promote resource circulation and reduce waste generation, which includes doubling the market size of business related to material-cycle compared to FY2000, achieving

<sup>18</sup> Agency for Natural Resources and Energy, "FY2018 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: [https://www.enecho.meti.go.jp/statistics/total\\_energy/pdf/stte\\_029.pdf](https://www.enecho.meti.go.jp/statistics/total_energy/pdf/stte_029.pdf)

<sup>19</sup> "Submission of Japan's Nationally Determined Contribution (NDC)", at: <https://www.env.go.jp/en/headline/2442.html>

<sup>20</sup> Ministry of the Environment, "Reference Material (3) Japan's INDC (Japanese only)", at: [https://www.env.go.jp/policy/kikouhendou/kondankai01/02-3\\_siryu1-1.pdf](https://www.env.go.jp/policy/kikouhendou/kondankai01/02-3_siryu1-1.pdf)

<sup>21</sup>

Prime Minister of Japan and His Cabinet, "Policy Speech by the Prime Minister to the 203rd Session of the Diet", at: [https://japan.kantei.go.jp/99\\_suga/statement/202010/\\_00006.html](https://japan.kantei.go.jp/99_suga/statement/202010/_00006.html)

<sup>22</sup>

Ministry of Economy, Trade and Industry, "Green growth strategies associated with carbon neutrality in 2050 (Japanese only)", at: <https://www.meti.go.jp/press/2020/12/20201225012/20201225012-2.pdf>

<sup>23</sup> Agency for Natural Resources and Energy, "FY2018 Energy Supply and Demand Report (Final Figures) (Japanese only)", at: [https://www.enecho.meti.go.jp/statistics/total\\_energy/pdf/stte\\_029.pdf](https://www.enecho.meti.go.jp/statistics/total_energy/pdf/stte_029.pdf)

<sup>24</sup> Ministry of the Environment, "Greenhouse Gas Emissions in Fiscal Year 2018 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113761.pdf>

<sup>25</sup> The act provides regulatory measures to ensure compliance with energy efficiency standards for large-scale non-residential buildings, and encourages the use of green building certification systems, such as CASBEE. Overview of the Act on the improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act), Ministry of Land Infrastructure, Transport and Tourism, Japan; <https://www.mlit.go.jp/common/001134876.pdf>

<sup>26</sup> Ministry of Land, Infrastructure, Transport and Tourism, "Carbon Dioxide Emissions from the Transportation Sector (Japanese only)", at: [https://www.mlit.go.jp/sogoseisaku/environment/sosei\\_environment\\_tk\\_000007.html](https://www.mlit.go.jp/sogoseisaku/environment/sosei_environment_tk_000007.html)

<sup>27</sup> Ministry of the Environment, "Greenhouse Gas Emissions in Fiscal Year 2018 (Final Figures) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113761.pdf>

<sup>28</sup> OECD, "Environment at a Glance 2015", at: [https://read.oecd-ilibrary.org/environment/environment-at-a-glance-2015\\_9789264235199-en#page50](https://read.oecd-ilibrary.org/environment/environment-at-a-glance-2015_9789264235199-en#page50)

<sup>29</sup> Ministry of the Environment, "Results of the Survey on General Waste Management Business (FY2018) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113665.pdf>

<sup>30</sup> Ministry of the Environment, "Results of the Survey on General Waste Management Business (FY2018) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113665.pdf>

<sup>31</sup> Ministry of the Environment, "Results of the Survey on General Waste Management Business (FY2018) (Japanese only)", at: <https://www.env.go.jp/press/files/jp/113665.pdf>

cyclical use rate of waste<sup>32</sup> of 47%, up from 44% in FY2015, and reduction of the amount of landfill waste by 77% from the FY2000 level.<sup>33</sup>

Based on the above, Sustainalytics believes that SuMi TRUST's financing of projects related to pollution prevention and control is expected to contribute to Japan's efforts toward improving resource efficiency and reduction of waste.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
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
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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

### Conclusion

The SuMi TRUST has developed the SuMi TRUST Green Bond Framework under which it intends to issue green bonds and use the proceeds to finance and/or refinance projects under Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Green Buildings. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact while further contributing to the achievement of SuMi TRUST Group's Sustainability Policy and SuMi TRUST's sustainable financing long-term goal as well as promotion of measures against climate change pursued by the Japanese government and SDGs 7, 11 and 12.

The Framework defines eligible green projects, setting out specific thresholds and exclusionary criteria. Additionally, SuMi TRUST will conduct i) its selection process based on the Equator Principles, ensuring that projects funded through the bond proceeds have minimal or limited negative environmental or social impacts, ii) its management of proceeds using internal systems, overseen by the Wholesale Business Planning Department and iii) its allocation and impact reporting commitments along with post issuance reports to be provided by an independent provider.

<sup>32</sup> Calculated by dividing the amount of cyclical use by the amount of waste

<sup>33</sup> Ministry of the Environment, "the 4th Fundamental Plan for Establishing a Sound Material-Cycle Society", at: [https://www.env.go.jp/recycle/recycle/circul/keikaku/pam4\\_E.pdf](https://www.env.go.jp/recycle/recycle/circul/keikaku/pam4_E.pdf)



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Based on the above points, Sustainalytics is confident that SuMi TRUST's Green Bond Framework is robust, credible and transparent and in alignment with the four core components of the Green Bond Principles 2018 and Japan's Green Bond Guidelines 2020.

## Appendices

### Appendix 1: Framework Overview

For the purpose of issuing green bonds, SuMi TRUST has developed the following Framework which addresses the four key core components of the GBP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, in February 2021. The Framework belongs to SuMi TRUST.

#### 1. Use of proceeds

The proceeds of the green bond will be allocated towards financing/refinancing projects that meet the following eligibility criteria.

##### 1.1 Eligibility Criteria

SuMi TRUST shall apply the use of proceeds to finance and/or refinance, in whole or in part, existing and future qualifying environmental projects ("Eligible Green Projects") as defined by its internal investment criteria as specified below.

##### Eligible Project Categories

"Eligible Green Projects" means projects meet all of the three conditions i), ii) and iii) below.

i) A project falls in one or more of the project categories (a) to (e) below

##### (a) Renewable Energy

The acquisition, development, construction and operation of infrastructure, facilities, and equipment that generate or transmit renewable energy, including: solar energy, solar thermal energy, wind energy, geothermal energy (restricted to the projects with direct emissions of less than 100gCO<sub>2</sub>/kWh), biomass (restricted to sustainable feedstock not competing with food production and/or waste materials, and restricted to the projects that have direct emissions of less than 100gCO<sub>2</sub>/kWh) energy and small run-of-river hydro facilities with generation capacity of 25 megawatts or less or run of river hydropower assets without pondage

##### (b) Energy Efficiency

The manufacturing, development and operation of infrastructure, equipment, technology and processes related to smart grids, energy storage, automation and intelligence in the power transmission network, distribution and related systems to improve energy management

##### (c) Clean Transportation

Expenditure for the development, manufacturing and acquisition of clean energy vehicles (non-fossil fuel based vehicles, including electric/hydrogen vehicles) and supporting infrastructure, and the development, operation and upgrade of low-carbon public transportation facilities (including rail transport, cycling and other non-motorised transport)

##### (d) Pollution Prevention and Control

The development, construction and operation of pollution prevention and control facilities, such as waste recycling and waste-to-energy power plants. The waste-to-energy feedstock will include household waste, commercial waste, and landfill gas. Feedstock will exclude plastics, rubber, tire-derived fuels (TDF), gas capture from operational landfills, and landfill gas flaring. Materials recovery and recycling will be done prior to incineration

##### (e) Green Buildings

The acquisition, development and construction of new, existing or refurbished buildings which have received or will receive during the life of the Green Bond at least one of the following green building classifications.

- LEED (Leadership in Energy and Environmental Design): LEED Platinum or Gold
- BREEAM (Building Research Establishment Environmental Assessment Methodology): BREEAM Outstanding or Excellent
- CASBEE (Comprehensive Assessment System for Built Environment Efficiency): CASBEE S Rank or A Rank
- DBJ (Development Bank of Japan) Green Building Certification: DBJ Green Building 5 Star or 4 Star

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- BELS (Building-Housing Energy-efficiency Labelling System): BELS 5 Star or 4 Star

Eligible green buildings may include those owned by J-REIT (Japanese Real Estate Investment Trusts), and in such case, the allocation amounts to eligible green buildings owned by J-REITs may be calculated based on pro-rata share of eligible green buildings' acquisition cost. The net proceeds allocated to J-REITs project will be no greater than the amount lent to J-REITs or investment exposure to eligible projects/assets

- ii) For any project categorized as (a) to (d) above, the project must be further categorized as Category B or Category C under the Equator Principles as published by the Equator Principles Association<sup>34</sup>
- iii) Financing disbursed by SuMi TRUST to an existing or new project which has taken place (a) within the 24 months prior to the relevant issue date of a Green Bond or (b) after the issue date of a Green Bond but before the relevant maturity date of such Note.

For long-dated green assets that are refinanced by proceeds of multiple Green Bonds, SuMi TRUST will disclose the age and remaining useful life of the assets to an independent party prior to the initial issuance of the Green Bonds from this Green Bond Framework and update the information when such independent party provides an annual review as described below. The information provided will be supported by a review from such independent party to confirm the continuous environmental benefits of the long-dated assets.

### 1.2 Exclusionary Criteria

In addition to the identification process described above, SuMi TRUST's screening criteria is to exclude:

- Non-committed transactions;
- and
- Assets pledged to other financing programme

For clarification purposes, the following sectors and activity types are excluded from the Green Bond Framework: defence and security, palm oil, wood pulp, waste from peat, non-certified feedstock, peat and unknown sources in non-waste biomass energy projects, nuclear power generation, coal-fired power generation, mining and tobacco sectors as well as all fossil fuel based assets, fossil fuel based transportation or infrastructure and transportation with the main objective of transporting fossil fuel.

## 2. Process for project evaluation and selection

### 2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

SuMi TRUST's Sustainability Management Department, Wholesale Business Planning Department, Structured Finance Department and Treasury Unit, Global Markets worked together to establish the criteria for Eligible Green Projects mentioned above. SuMi TRUST's Wholesale Business Planning Department and Structured Finance Department will select a project pool that meets all the criteria for Eligible Green Projects, and, after verification by the Sustainability Management Department, the Wholesale Business Planning Department would make the final decision on which of the nominated eligible projects will be selected. Net proceeds of the Green Bond are to be allocated to selected eligible projects.

In the selection process described above, SuMi TRUST will apply its screening to exclude: non-committed transactions and assets pledged to other financing programmes.

### 2.2 Environmental Objectives

SuMi TRUST, as one of leading financial institutions, is committed to the active role it plays in contributing to building a sustainable society, and recognises the importance of embedding the principles of social responsibility within all Group activities. Through its strategic sustainability initiatives and policies based on its mission, vision and values, SuMi TRUST strives to create shared value by proactively helping address societal problems in conjunction with pursuing the Group's own enterprise value.

SuMi TRUST's approach to sustainability includes,

<sup>34</sup> According to the Equator Principles, Category A projects are defined as projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented. Category B projects have potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Category C projects have minimal or no adverse environmental and social risks and/or impacts. Net proceeds of green bond can be allocated to existing and new Category B or C projects which will fall into one or more of the categories (a) to (d) above.

- i) Committing to proactive sustainability management  
SuMi TRUST strives to identify and manage material sustainability issues as top priorities of the Group's management, since the Group regards ESG (environmental, social and governance) as a critical foundation for management.
- ii) Integrating sustainability initiatives into its business  
By leveraging its function as a financial group specialized in trust banking, SuMi TRUST aims to provide comprehensive ESG solutions to SuMi TRUST clients, helping to promote the development of a sustainable society. SuMi TRUST utilizes the United Nations Sustainable Development Goals (SDGs) to verify the appropriateness and societal value of the products and services provided.
- iii) Providing values to the community  
SuMi TRUST believes that providing value to society helps maintain a sound business foundation, and that this is a social responsibility required to conduct business. From this point of view, SuMi TRUST provides value to the community in various forms, taking into consideration the United Nation's SDGs.

### 2.3 Process to Mitigate Environmental and Social Risks

The Financial Products Administration Department (Social & Environmental Risk Assessment Team) carries out environmental and social risk/impact reviews on projects subject to the Equator Principles to confirm whether protections for the environment and communities are adhered to by the borrower. In environmental and social risk/impact reviews based on screening forms, the relevant project with project categories (a) to (d) above is categorized into one of three Categories (Categories A, B, and C) reflecting its environmental and social risks and/or impacts. For category (e), a project is certified into certain certification level by LEED, BREEAM, CASBEE, DBJ Green Building Certification, BELS or any other regional, national or internationally recognised standard or certification, based on assessment of environmental performance of a relevant building.

For project categories (a) to (d), the Financial Products Administration Department (Social & Environmental Risk Assessment Team) conducts detailed reviews based on environmental impact assessment reports that take into account the risk/impact category, the status of the country (designated or non-designated country) where the project is located, and industry. The review outcomes are sent to a credit supervision department, where comprehensive risk assessments for credit decisions are conducted based on the review results.<sup>35</sup>

As stipulated in the relevant loan agreement on origination, projects subject to the Equator Principles are required to submit regular reports stipulating compliance with important items concerning environmental and social laws, regulations and rules as well as approvals and permits. Based on regular reports submitted by the borrower, SuMi TRUST then checks for compliance with rules relating to the environment and communities.

## 3. Management of Proceeds

SuMi TRUST has established and implemented systems designed to monitor and ensure that the net proceeds from its Green Bonds be allocated to Eligible Green Projects as defined above. SuMi TRUST's Wholesale Business Planning Department will track the net proceeds of its Green Bonds, using internal systems at least once a year, until the maturity of the Green Bonds.

Records will show that an amount equal to the net proceeds of the bonds will be allocated to the financing of existing and future Eligible Green Projects. SuMi TRUST will monitor and account for an amount equal to the net proceeds from the sale of the bonds to ensure the allocation of such amount to Eligible Green Projects. Pending the allocation of the net proceeds of a Green Bond to finance Eligible Green Projects, the net proceeds will be invested in overnight or other short-term financial instruments. The unallocated proceeds is subject to the exclusion criteria listed above.

The payment of the principal and interest on the bonds will be made from the Bank's general funds and will not be directly linked to the performance of any Eligible Green Projects.

SuMi TRUST will review and update the Eligible Green Projects to which the net proceeds of the bond are allocated. Any proceeds allocated to projects that have been sold, prepaid, amortized or otherwise become ineligible shall be reallocated to other Eligible Green Projects. SuMi TRUST will use best efforts to substitute any redeemed loans or any other form of financing that are no longer financed or refinanced by the net

<sup>35</sup> The details of project finance's evaluation and selection process can be found at the website below:  
[https://www.smth.jp/en/csr/management/equator\\_principles/index.html](https://www.smth.jp/en/csr/management/equator_principles/index.html)

proceeds and/or if any such loans or any other form of financing cease to be an Eligible Asset as soon as practically possible once an appropriate substitution option has been identified.

#### 4. Reporting

##### 4.1 Allocation reporting

During the life of any relevant Green Bond, SuMi TRUST will provide and keep readily available, on a dedicated website, information on the allocation of the net proceeds of the Green Bonds, to be updated at least annually until full allocation and as necessary thereafter in the event of material developments. This information shall include:

- i. allocation of the net proceeds of those bonds to Eligible Green Projects, which include (a) a brief description of the Eligible Green Projects funded and (b) the current funded amounts, and loan agreement dates.
- ii. assertions by management that the net proceeds of that tranche or series of Green Bonds are invested either in qualifying Eligible Green Projects or if unallocated, invested in overnight or other short-term financial instruments.

##### 4.2 Impact reporting

In addition, SuMi TRUST will publish on a dedicated website information and assessments relating to the environmental impacts of financed Eligible Green Projects, at least annually until full allocation and as necessary thereafter in the event of material development. The expected environmental impacts of the projects will use relevant indicators as suggested by the ICMA Harmonized Framework for Impact Reporting, subject to data availability and confidentiality, which may include the following impact indicators.

- Renewable Energy projects: tonnes of CO<sub>2</sub> emission equivalent avoided
- Energy Efficiency: the amount of energy saved (MW)
- Clean Transportation: the CO<sub>2</sub> emissions per passenger kilometer travelled
- Pollution and Prevention Control: tonnes of waste reduced/recycled
- Green Buildings projects: number and certification level of green buildings for Green Buildings projects

The environmental impacts of financed Eligible Green Projects, where reported, will be disclosed on a collective basis.

#### 5. Annual Review

For Green Bonds issued under the SuMi TRUST's Green Bond Framework, it will engage an independent provider to review the post issuance report on annual basis, and evaluate its conformity with its Framework and the Principles and Standards captioned above, Public disclosure will be made available through SuMi TRUST's website <https://www.smth.jp/en/csr/greenbond/index.html>

## Appendix2: Overview and Comparison of Green Building Certification Schemes

	LEED <sup>36</sup>	BREEAM <sup>37</sup>	CASBEE Certification <sup>38</sup>	DBJ Green Building Certification <sup>39</sup>	BELS <sup>40</sup>
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Certification is a green building certification scheme in Japan, which a third party certifies the performance of buildings. The certification scheme includes, based on types of buildings: CASBEE for Buildings, CASBEE for Real Estate, and CASBEE for Housing.	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.	The Building-Housing Energy-efficiency Labelling System (BELS) is an energy performance label, issued under guidelines established by Japan's Ministry of Land, Infrastructure, Transport, and Tourism. The BELS certification scheme evaluates primary energy consumption in order to measure performance of energy conservation.
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	C (Poor) B- (Slightly Poor) B+ (Good) A (Very Good) S (Excellent)  * 4-grade evaluation for CASBEE for Real Estate excluding C rank	1 Star 2 Stars 3 Stars 4 Stars 5 Stars	1 Star 2 Stars 3 Stars 4 Stars 5 Stars
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Efficiency</li> <li>• Resource efficiency</li> <li>• Local environment</li> <li>• Indoor environment</li> </ul> <p>* Areas for assessment of CASBEE for Real Estate are energy/GHG, water, resource, biodiversity, indoor environment</p>	<ul style="list-style-type: none"> <li>• Energy &amp; Resources (Energy conservation, resource conservation, etc.)</li> <li>• Amenity (Convenience and comfort)</li> <li>• Resilience (Environmental risks, legal compliance, etc.)</li> <li>• Community &amp; Diversity (Consideration for the surrounding environment and biodiversity, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency</li> </ul>

<sup>36</sup> More information on the LEED certification scheme at: <https://new.usgbc.org/leed>.

<sup>37</sup> More information on the BREEAM certification scheme at: <https://www.breeam.com/>

<sup>38</sup> Institute for Building Environment and Energy Conservation, "CASBEE certification scheme (Japanese only)", at: <http://www.ibec.or.jp/CASBEE/certification/certification.html>.

<sup>39</sup> Development Bank of Japan, Japan Real Estate Institute (JREI), "DBJ Green Building", at: <http://igb.jp/en/index.html>.

<sup>40</sup> Association for Housing Performance Evaluation & Labeling, "Building-Housing Energy-efficiency Labelling System Building Energy-efficiency Performance Labeling System (Japanese only)", at: <https://www.hyoukakyokai.or.jp/bels/bels.html>.



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				Partnership (information disclosure, etc.) .	
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools- /Retail- /Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Prerequisites depending on the levels of certification + Credits with associated points</p> <p>This number of points is then weighted by item<sup>41</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Score-based performance level.</p> <p>CASBEE uses the BEE (Built Environment Efficiency) as its assessment indicator, which is calculated from Q (Built Environment Quality) as the numerator and L (Built Environment Load) as the denominator. Q and L are obtained through the classification and rearrangement of the four areas of assessment.</p> <p>* CASBEE for Real Estate does not use BEE, additional point system. Certification will not be given, if required item are not met.</p>	<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>	<p>Score-based performance level.</p> <p>The BELS score is based on the Building Energy Index, obtained by comparing the energy consumption of a building to the standard primary energy consumption of the building type in official guidelines.</p> <p>A two-star rating is equivalent to meeting existing energy conservation standards, with higher star ratings implying greater savings.</p> <p>The score is calculated by an accredited third party.</p>
Performance display	 Platinum 80+ points earned 42	 43	 44	 45	 46
Qualitative considerations	Worldwide recognition and application	Worldwide recognition and application	CASBEE is continuously developed based on industry-government-academia collaboration under the support of Ministry of Land, Infrastructure, Transport and	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 end of March 2020, 902	BELS is aligned with official government standards.

<sup>41</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

<sup>42</sup> U.S. Green Building Council, "Green building leadership is LEED", at: <https://new.usgbc.org/leed>

<sup>43</sup> BREEAM, "What is BREEAM?", at: <https://www.breeam.com/>

<sup>44</sup> Institute for Building Environment and Energy Conservation, "Method of Evaluation and Built Environment Efficiency (BEE)", at: [http://www.ibec.or.jp/CASBEE/CASBEE\\_outline/method.html](http://www.ibec.or.jp/CASBEE/CASBEE_outline/method.html)

<sup>45</sup> Development Bank of Japan, "DBJ Green Building", at: [http://www.dbj.jp/en/pdf/service/finance/g\\_building/gb\\_presentation.pdf](http://www.dbj.jp/en/pdf/service/finance/g_building/gb_presentation.pdf)

<sup>46</sup> Institute for Building Environment and Energy Conservation, "Display example of BELS (Japanese only)", at: [https://www.hyokakyokai.or.jp/bels/pdf/170401bels\\_07.pdf](https://www.hyokakyokai.or.jp/bels/pdf/170401bels_07.pdf)

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			Tourism. In Japan, many local governments have made CASBEE assessment results mandatory for building permits.	properties in Japan are certified by the programme. <sup>47</sup>	holistic environmental factors.
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<sup>47</sup> 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

Four elements	Alignment	Sustainalytics' comments
1. Use of Proceeds	Yes	SuMi TRUST's selected eligible criteria, Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Green Buildings, are clearly suggested as project categories with clear environmental benefits in the Japan's Green Bond Guidelines 2020. Additionally, the information on the green bond proceeds, green project categories as well as the process to mitigate the negative impacts are all described in the framework and will be accessible to the investors. In the event of refinancing an asset through the issuance of multiple green bonds, SuMi Trust is committed to disclosing the age, the amount of refinancing and remaining useful life of the assets to and receive a review by an independent party prior to the initial issuance of the green bonds from the Framework.
2. Process for Project Evaluation and Selection	Yes	SuMi TRUST outlines action guidelines for mitigating climate change that it can take as a financial institution. Furthermore, SuMi TRUST ensures that projects are evaluated and selected by the Wholesale Business Planning Department, ensuring that selected projects are aligned with the criteria for Eligible Green Projects. SuMi TRUST also explains, in the Framework, its screening criteria to exclude financing to projects with significant environmental and social risks.
3. Management of Proceeds	Yes	SuMi TRUST's framework clearly explains that the proceeds will be tracked and managed, using internal systems at least once a year until the maturity of the green bond and that any unallocated proceeds will be invested in overnight or other short-term financial instruments.
4. Reporting	Yes	SuMi TRUST has confirmed that it will report relevant information on allocation and environmental performance indicators annually until full allocation as well as in the event of material developments. Reporting will include a list and description of green projects, allocated and unallocated amounts, information on unallocated proceeds, as well as environmental impact of the funded projects including CO <sub>2</sub> emissions, energy saved, waste reduced/recycled, and the number and certification levels of green buildings.

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

### Section 1. Basic Information

Issuer name:	Sumitomo Mitsui Trust Bank, Limited
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Sumitomo Mitsui Trust Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 26, 2020
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 GBPs:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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 – Renewable Energy, Energy Efficiency, Clean Transportation, Pollution Prevention and Control, and Green Buildings – are aligned with those recognized by the GBP. Sustainalytics considers that the Group's eligible projects will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" 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 GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

If applicable please specify the environmental taxonomy, if other than GBPs:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SuMi TRUST's project evaluation and selection process will be conducted by several project teams including Wholesale Business Planning Department, Structured Finance Department, and the Sustainability Management Department, based on the eligibility criteria. The final decision on the eligible projects will be made by the Wholesale Business Planning Department. This is in line 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**

- ☒ Evaluation / Selection criteria subject to external advice or verification ☐ In-house assessment
- ☐ Other (please specify):

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section (if applicable):

SuMi TRUST's Wholesale Business Planning Department will track the net proceeds of its green bonds, using internal systems at least once a year. Pending allocation, net proceeds will be invested in overnight or other short-term financial instruments. This is in line with market practice.

**Tracking of proceeds:**

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

**Additional disclosure:**

- ☐ Allocations to future investments only ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements ☐ Allocation to a portfolio of disbursements
- ☐ Disclosure of portfolio balance of unallocated proceeds ☐ Other (please specify):

**4. REPORTING**

Overall comment on section (if applicable):

SuMi TRUST intends to report on allocation of proceeds and relevant environmental performance indicators on its website on an annual basis. Allocation reporting will include a brief description and the current amount of the proceeds allocated. Impact reporting will include CO<sub>2</sub> emissions, energy saved, waste reduced/recycled, and the number and certification levels of green buildings. Additionally, the Bank is committed to receiving post issuance reports from an independent provider. Sustainalytics views SuMi TRUST's reporting commitment along with post issuance reports are in line 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*): Brief description of the Eligible Green Projects funded, loan agreement dates, as well as assertions by management on the proceeds.

**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):**

- ☐ GHG Emissions / Savings
 ☒ Energy Savings
- ☐ Decrease in water use
 ☒ Other ESG indicators (please specify):
- Tonnes of CO2 emission equivalent avoided for Renewable Energy
  - Emissions of CO2 per passenger kilometer travelled for Clean Transportation
  - Tonnes of waste reduced/recycled for Pollution and Prevention Control,
  - The number and certification level of buildings for Green Buildings

**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): SuMi TRUST 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:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

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

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