

Sumitomo Mitsui Trust Bank, Limited (Green Deposit)

Type of Engagement: Annual Portfolio Review

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Engagement Team:

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Introduction

In May 2021, Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST”) launched a green deposit product (the “Green Deposits”) to facilitate lending towards environmental projects. The Green Deposits required the Bank to hold the equivalent amount of proceeds raised from the Green Deposits to effectively finance and refinance eligible loans that are expected to create positive environmental impact (the “Eligible Loans”). As of March 31, 2023, SuMi TRUST raised JPY 9,715 million under the green deposit product. In September 2023, Sumi TRUST engaged Sustainalytics to review the portfolio of Eligible Loans funded with proceeds from the Green Deposits (the “Eligible Portfolio”) and provide an assessment as to whether the portfolio met the use of proceeds criteria outlined in the Sumitomo Mitsui Trust Bank Green Product Framework (the “Framework”). The eligibility criteria, as a standalone document, were reviewed by Sustainalytics in June 2022 to verify the alignment with market practice.¹

Evaluation Criteria

Sustainalytics evaluated the Eligible Portfolio based on whether the Eligible Loans met the eligibility criteria outlined in the Framework.

The below Table 1 lists the Category, Eligible Activities and Exclusions to which the proceeds were allocated under the Framework.

Table 1: Category, Eligible Activities and Exclusions

Category	Eligible Activities	Exclusions
Renewable Energy	<p>Acquisition, development, construction and operation of infrastructure, facilities, and equipment that generate or transmit renewable energy, including:</p> <ul style="list-style-type: none"> Solar energy Solar thermal energy Wind energy Geothermal energy Biomass energy (restricted to sustainable feedstock not competing with food production and/or waste materials, and restricted to the electricity generation projects that have direct emissions of less than 100 gCO₂/kWh) Run of river hydropower without artificial reservoir 	<p>Geothermal energy</p> <ul style="list-style-type: none"> Direct emissions of greater than or equal to 100 gCO₂/kWh <p>Biomass energy</p> <ul style="list-style-type: none"> Palm-oil Wood pulp Peat, non-certified feedstock, and unknown sourcing from sustainable feedstock (non-waste) Energy relying on feedstock (non-waste) that contribute to deforestation, biodiversity loss or decrease in soil carbon pools Plastics, rubber, tire-derived fuel to energy, or fuel conversion from waste materials <p>Hydropower</p> <ul style="list-style-type: none"> Projects which have not undertaken an environmental and social impact assessment

¹ Sumitomo Mitsui Trust Bank, Limited, “Green Product Framework Version 2.0”, at: https://www.smth.jp/-/media/th/sustainability/esg/pdf/SMTB_Green_Product_Framework.pdf

	or with low storage capacity	that ensures no significant controversy surrounding the project
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Issuer’s Responsibility

SuMi TRUST is responsible for providing accurate information and documentation relating to the projects funded, including description of projects and amounts allocated.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings to investors, conducted the verification of the use of proceeds from the SuMi TRUST’s Green Deposits. The work undertaken as part of this engagement included collection of documentation from SuMi TRUST and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and facts presented by SuMi TRUST with respect to the funded projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by SuMi TRUST.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed Eligible Portfolio are not in conformance with the eligibility criteria outlined in the Framework. SuMi TRUST has disclosed to Sustainalytics that the proceeds from the Green Deposits were fully allocated as of March 31, 2023.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Eligible Portfolio to determine if the Eligible Loans aligned with the eligibility criteria outlined in the Framework and above in Table 1.	All Eligible Loans reviewed complied with the eligibility criteria defined criteria in the Framework	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of projects, including description, estimated and realized costs, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation Reporting of the Green Deposit Proceeds

Category	Sub-Category	Loan Balance (Million JPY)	Net Proceeds Allocation (Million JPY)
Renewable Energy	Solar Energy	8,701	8,701
	Wind Energy	4,552	1,014
Total		13,253	9,715

Total Green Deposit raised	9,715
Allocated amount	9,715

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