

INTRODUCTION

Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST”) is a leading Japanese trust bank and is among the largest financial groups in Japan. The Group has been designated as one of the “domestic systemically important banks (D-SIBs)”. SuMi TRUST provides a broad range of financial services both in domestic as well as in overseas.

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,

i) Committing to proactive sustainability management

SuMi TRUST strives to identify and manage material sustainability issues as top priority 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.

SuMi TRUST plans to issue Green Bonds to facilitate lending towards environmental projects. All existing and new projects to be financed through Green Bonds proceeds must be eligible under the Use of Proceeds criteria outlined in the Framework Overview section below and provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer.

SuMi TRUST has developed a Green Bond Framework (the “Framework”) under which it plans to finance and or re-finance eligible green projects via the issuance of Green Bond. It aspires to fully comply with the ICMA Green Bond Principles 2018¹ and the Japan’s Green Bond Guidelines 2020, established by the Ministry of the Environment of Japan².

¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>

² http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

Framework Overview

This section follows the ICMA Green Bond Principles 2018 and Japan's Green Bond Guidelines 2020 which provides guidelines in key areas below:

1. Use of proceeds;
2. Process for project evaluation and selection;
3. Management of proceeds;
4. Reporting; and
5. External Review

To provide transparency and reflect current best practices of the sustainable capital markets, the Framework aligns with the International Capital Market Association (ICMA) Green Bond Principles 2018 (GBP). The ICMA GBP is a voluntary process guideline that is globally considered to be a leading guideline for the issuance of green bonds.

The development of this Framework, with the intention of issuing Green Bonds under it, is consistent with SuMi TRUST's goal of contributing to the achievement of the UN's Sustainable Development Goals (SDGs), part of the UN's 2030 Agenda for Sustainable Development. The UN SDGs are a collection of 17 goals designed to address the most pressing social, economic and environmental sustainability issues society faces today.

Use of Proceeds

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.

For the purpose of this section, "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 100gCO₂/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

100gCO₂/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
- 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 Association³

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.

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

³ 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.

- 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.

Project Evaluation and Selection Process

Process to mitigate environmental and social risk

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.⁴

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.

Selection of eligible projects

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.

⁴ 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

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

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 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.

Reporting

Allocation Report

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.

Environmental Impact Report

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 CO₂ emission equivalent avoided
- Energy Efficiency: the amount of energy saved (MW)
- Clean Transportation: the CO₂ 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.

External Review

SuMi TRUST has obtained a second party opinion from Sustainalytics to confirm the alignment of its Green Bond Framework with ICMA Green Bond Principles 2018 and Japan's Green Bond Guidelines 2020.

Sustainalytics' second party opinion is published on SuMi TRUST's website, found through <https://www.smth.jp/en/csr/greenbond/index.html>

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>