

Green Bond / Green Trust



In recent years, new green finance vehicles such as green bonds and social bonds have gained much attention and the major market is being formed primarily in Europe.

With the aim of accelerating sustainable finance initiatives concerning climate change, natural capital, environmentally friendly property, and other issues, SuMi TRUST Bank not only issues green

bonds, but has also launched an initiative to develop a "green trust" financing scheme that leverages its own trust functions.

By utilizing our extensive knowledge of capital markets and various financing schemes, including trust funds, our Group will continue to meet the sustainability needs of our clients.

Green Bond Issuance

On September 25, 2018, SuMi TRUST Bank issued its first green bond for overseas markets. Given the rise of initiatives implemented by corporations and investors in and outside of Japan to tackle environmental problems, SuMi TRUST Bank is aware that it can provide financial support to these initiatives as part of its social responsibility as a financial institution. We hope to deliver even more value to our stakeholders by contributing to the construction of a sustainable environment and society by issuing green bonds and using the proceeds raised for financing.

The funds raised from the issuance of our green bonds can only be used to combat climate change issues and help improve the environment, including renewable energy projects such as solar and wind power generation, and the acquisition or construction of environmentally friendly property. Our green bonds are issued and managed in accordance with SuMi TRUST Bank's green bond

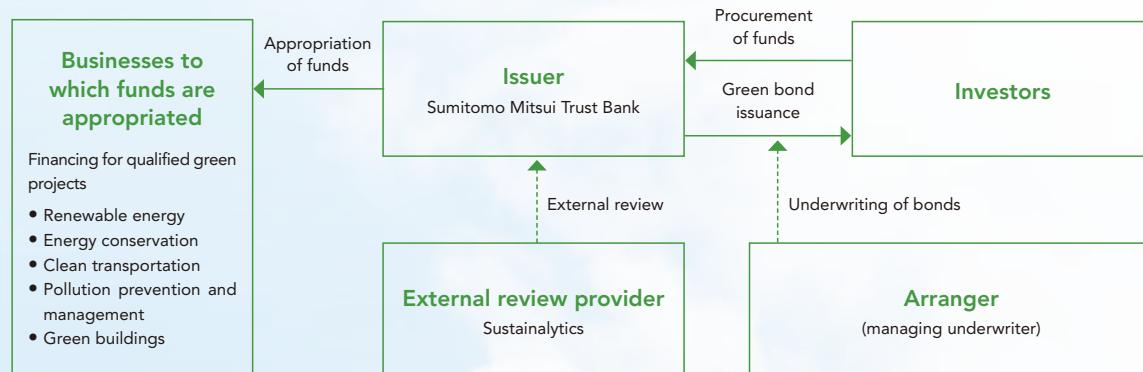
framework, which was developed in line with the Green Bond Principles (2018) of the International Capital Market Association (ICMA) and the Ministry of the Environment's Green Bond Guidelines (2017). We have also received opinions on the framework from Sustainalytics, a third-party certifying body. Our ESG initiatives have also been well received and steadily digested by ESG investors, who have markedly grown in number over the last few years.

Overview of Green Bond Issuance

Issuer	Sumitomo Mitsui Trust Bank, Limited
Currency	Euro
Yield	3-month Euribor rate + 0.25%
Pricing date	September 18, 2018
Issue date	September 25, 2018
Coupon dates	25 th of March, June, September, and December every year
Credit ratings	Moody's: A1; S&P: A
Issue size	€500 million
Maturity	September 25, 2020 (2 years)

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Issuance Scheme



Overview of Green Bond Framework

SuMi TRUST Bank has formulated a green bond framework that complies with the following four requirements of the Green Bond Principles (2018)

and the Green Bond Guidelines (2017): (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds; and (4) reporting.

(1) Use of proceeds	Funds raised from the issuing of green bonds shall be appropriated to qualified green projects that meet all of the following conditions. <ul style="list-style-type: none"> Business that corresponds to at least one of the following: renewable energy, energy conservation, clean transportation, pollution prevention and management, or green buildings. Evaluated under the Equator Principles and classified as either Category B or C. Green buildings certified as having at least a CASBEE A rank, a BREEAM Excellent rating, or a LEED Gold certification. Financing for the project extended within 24 months after the green bond issue date or after the issue date but before maturity.
(2) Project evaluation and selection	<ul style="list-style-type: none"> The results of a review of environmental and social impacts under the Equator Principles, as well as green building certifications issued by third-party organizations are applied to the project's evaluation. The project to which funds are appropriated is selected following the nomination and examination of qualified green project candidates by multiple relevant departments.
(3) Management of proceeds	<ul style="list-style-type: none"> Funds raised from the issuing of green bonds shall be appropriated to qualified green projects. Funds not appropriated shall be allocated to overnight or short-term financial instruments. The appropriation of funds shall be monitored on an ongoing basis.
(4) Reporting	<ul style="list-style-type: none"> Until the green bonds are redeemed, how funds are appropriated to qualified green projects, as well as the results of reviews of third-party certification bodies shall be scheduled for public release on the website at least once a year. In addition, the improvements made to the environment (reduction in CO₂ emissions, etc.) from qualified green projects to which funds were appropriated shall be scheduled for public release on the website at least once a year.



Green Trust

On September 29, 2018, SuMi TRUST Bank launched Green Trust, a jointly operated designated money trust^{*1} that leverages the Bank's trust functions and uses loan proceeds to only acquire or refinance J-REIT green buildings^{*2}.

The Green Trust has been assigned the highest possible rating of "Green 1" under the green bond evaluation^{*3} system of the Japan Credit Rating Agency (JCR) in line with the Green Bond Principles^{*4}. It was the first initiative of its kind in Japan for a jointly operated designated money trust. Loans from the Green Trust have also been assigned the highest possible rating of "Green 1" under JCR's green loan evaluation system in line with the Green Loan Principles^{*5}.

Given that the real estate business is one of its core businesses, SuMi TRUST Bank provides the Green Trust which offers added value to real estate investment corporations that seek to expand their holdings of environmentally friendly properties and institutional investors that aim to incorporate ESG investing into their asset management practices. To that end, SuMi TRUST Bank leverages its trust functions and employs a business model unique to

a financial group specialized in trust banking that exercises financing functions as a bank.

We believe the Green Trust will contribute to the development of the J-REIT market because it offers investment firms in the ever-expanding J-REIT market a new vehicle to procure funds along with a broader investor base, which in turn will lead to greater uptake of green buildings. Moreover, by launching ESG investment instruments, we hope to provide ESG investment opportunities to investors and encourage ESG investing.

^{*1}A jointly operated designated money trust ("green trust") is a financial product in which money is entrusted to the trust bank as trust assets and jointly managed within the limits designated in the trust deed. Investment returns are paid in accordance with the trust amount.

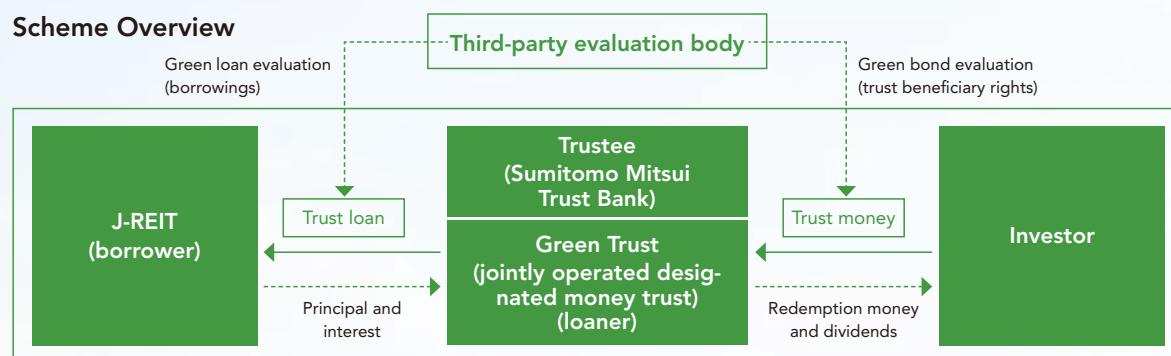
^{*2}A green building is any property defined as a green project in the Green Bond Principles, Green Loan Principles, or the Ministry of the Environment's Green Bond Guidelines, and accredited with a regionally, domestically, or internationally recognized standard or certification (CASBEE, etc.).

^{*3}JCR green bond evaluation: JCR evaluates green loans in line with the Green Loan Principles and green bonds in line with the Green Bond Principles. These evaluations, JCR green loan evaluation and JCR green bond evaluation, are collectively referred to as JCR green finance evaluations.

^{*4}The Green Bond Principles are global guidelines established by the International Capital Market Association (ICMA).

^{*5}The Green Loan Principles are global guidelines for loans established by the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA). They were formulated in line with the content of the Green Bond Principles.

Scheme Overview



- (1) As both trustor and beneficiary, the investor entrusts money to the Green Trust account (jointly operated designated money trust) of Sumitomo Mitsui Trust Bank, the trustee (a green evaluation is acquired for the trust beneficiary rights).
- (2) The trust account (Green Trust) of Sumitomo Mitsui Trust Bank concludes a loan agreement with a J-REIT (borrower) and uses the funds procured in step (1) to extend a loan to the J-REIT (a green evaluation is acquired for the loan).
- (3) The J-REIT pays the principal and interest to the trust account (Green Trust) of Sumitomo Mitsui Trust Bank.
- (4) The trust account (Green Trust) of Sumitomo Mitsui Trust Bank pays the dividend income and refund of principal to the investor.