

March 24, 2020

To whom it may concern

Sumitomo Mitsui Trust Holdings, Inc.

Notice regarding the Conclusion of a Positive Impact Finance
(with unspecified use of funds) Loan Agreement
(with Nippon Paper Industries Co., Ltd.)

Please be informed that Sumitomo Mitsui Trust Bank, Limited, a subsidiary of Sumitomo Mitsui Trust Holdings, Inc. today announced the attached press release.

For further information, please contact:

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Sumitomo Mitsui Trust Bank, Limited

Notice regarding the Conclusion of a Positive Impact Finance (with unspecified use of funds)
Loan Agreement (with Nippon Paper Industries Co., Ltd.)





Sumitomo Mitsui Trust Bank, Limited (President: Masaru Hashimoto; hereinafter “SuMi TRUST Bank”) and Nippon Paper Industries Co., Ltd. (President & Representative Director: Toru Nozawa; hereafter “Nippon Paper”) concluded a “Positive Impact Finance (with unspecified use of funds)” loan agreement (hereinafter “this agreement”) that is in line with the Principles for Positive Impact Finance (*1) released by the United Nations Environmental Programme Finance Initiative (hereinafter “UNEP FI”) (*2).






Positive Impact Finance (hereinafter “PIF”) is a loan intended to provide continuous support to the corporate activities that we comprehensively analyze and evaluate the impacts (both positive and negative) of corporate activities on the environment, society and economy. The most notable feature of the loan is that the degree of contribution from corporate activities, products and services in achieving the corporates’ Sustainable Development Goals (SDGs) is used as evaluation indicators and disclosed as information.

The Nippon Paper Group has for many years operated their business, placing the paper and paperboard business as their core business. The company is promoting structural transformation of their business by positioning the five business units of packaging, household paper/healthcare, chemicals, energy, and timber as growth areas and proactively concentrating investments and managerial resources into these areas. In particular, the packaging, household paper/healthcare, and chemical businesses that all together comprise a single lifestyle-related business segment are each showing significant growth independently and accounted for nearly 20% of consolidated sales in FY2018.

SuMi TRUST Bank assessed the following two initiatives of Nippon Paper as well as the later mentioned themes as activities that particularly have impact on achieving SDGs.

- Guided by their mission to “contribute to better living and cultural progress everywhere it does business” and by upholding the slogan of “being a comprehensive biomass enterprise that shapes the future with trees”, Nippon Paper operates a plethora of businesses that deliver better value to people’s lives with products made from woody biomass.
- In recent years, Nippon Paper has promoted the shift to paper-based solutions with “the use of environmentally-friendly packaging” such as paper-based barrier materials, paper straws, and paper beverage containers designed for drinking that lead to reduction of plastic waste. At the same time, Nippon Paper has developed products and services that contribute to reducing CO2 emissions such as cellulose nanofiber, highly functional cellulose for lithium-ion batteries, and renewable energy generated from biomass materials.

Theme	Content	KPI (Indicator and & goal)	SDGs
Raw material procurement practices that consider sustainability and biodiversity	• Sustainable procurement of raw materials	• Maintain a forest certification rate of 100% for all company-owned forests • Ensure that all raw materials for paper are endorsed under forest certification schemes	   

	<ul style="list-style-type: none"> • Biodiversity conservation 	<ul style="list-style-type: none"> • Conduct surveys on all (100%) overseas chip and pulp suppliers • Maintain a domestic timber utilization rate that exceeds Japan's domestic timber self-sufficiency rate • Forest certification acquisition rate of 100% for company-owned forests • 100% check for rare species across all company-owned forests before logging 	
Climate change initiatives	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions 	<ul style="list-style-type: none"> • 10% reduction of greenhouse gas emissions by FY2020 compared to FY2013 <p>Long-term vision/targets are currently under consideration and slated to be disclosed around September 2020</p>	
Recycling of resources and reduction of environmental impacts	<ul style="list-style-type: none"> • Shape a recycling-oriented society • Promote recycling 	<ul style="list-style-type: none"> • Improve waste recycling rate to at least 98% 	
Building a dynamic organization	<ul style="list-style-type: none"> • A dynamic organization where a diverse workforce can freely demonstrate their capabilities, based on respect for basic human rights and individuality 	<ul style="list-style-type: none"> • Introduce measures aimed at reconsidering work styles • 25% or higher ratio of women hired for career-track positions • 0.8x or higher average ongoing hiring rate of women in career-track positions • Double the number of female managers by 2020 (vs. 2013) 	
Providing environmentally-friendly and socially-responsible products	<ul style="list-style-type: none"> • Environmentally-friendly packaging • Contribute to reducing CO2 emissions, improving safety and quality of cars 	<ul style="list-style-type: none"> • FY2020 sales of ¥235 billion in the "lifestyle-related business" segment • FY2020 operating profit of ¥18 billion in the "lifestyle-related business" segment 	

This agreement has obtained a third-party opinion (*3) from Japan Credit Rating Agency, Ltd. (President: Shokichi Takagi) regarding compliance of the procedures related to this agreement's evaluation to the Principles as well as the rationality of the evaluation indicators.

SuMi TRUST Bank set up an "ESG•SDGs support credit facility" with a total loan commitment of JPY 50 billion that offers a preferential interest rate to support clients that are promoting ESG/SDGs initiatives. Further, as a signatory of the Principles for Responsible Banking (*4), we will continue making efforts in contributing to boost our clients' corporate value over the medium to long term through PIF.

End

(*1) The Principles for Positive Impact Finance

The Principles for Positive Impact Finance was developed by UNEP FI in January 2017 as a financial framework for achieving the SDGs. Companies disclose the level of contributions to achieving SDGs through KPIs. Banks then provide funding by evaluating the positive impact observed from these KPIs that is intended to guide the borrowers to increase positive impact and reduce negative impact.

The lending bank, as a responsible financial institution, will check if the impact is continuing or not by monitoring the indicators.

(*2) The United Nations Environment Programme Finance Initiative (UNEP FI)

The United Nations Environment Programme (UNEP) is an executive body for implementing the "Human Environment Declaration" and the "International Environmental Action Programme", established in 1972 as a subsidiary body to the United Nations system. UNEP FI represents a broad as well as close partnership between UNEP and more than 200 global financial institutions. Since its establishment in 1992, UNEP FI has been working in concert with financial institutions, policy/regulatory authorities to transform itself into a financial system that integrates economic development and ESG considerations.

(*3) For the independent opinion from Japan Credit Rating Agency, Ltd., please visit:

<https://www.jcr.co.jp/en/>

(*4) The Principles for Responsible Banking

The Principles for Responsible Banking was developed by a core group of 30 founding banks through an innovative global partnership between banks and UNEP FI. The unique feature is that impact assessment focusing on impact that corporate activities, products and services have on the environment and society is used for making investment and lending decisions. Sumitomo Mitsui Trust Holdings, Inc. (Director, President: Tetsuo Okubo) became a signatory on September 22, 2019.

For more information, please visit:

<https://www.unepfi.org/banking/bankingprinciples/>