

## Third-Party Opinions on Positive Impact Finance Evaluation by Sumitomo Mitsui Trust Bank To Rengo Co., Ltd.

Japan Credit Rating Agency, Ltd. (JCR) provided a third party opinion to Positive Impact Finance provided by Sumitomo Mitsui Trust Bank to Rengo Co., Ltd.

### <Executive Summary>

This Third-Party Opinion examines the suitability of Sumitomo Mitsui Trust Bank, Limited. ("SMTB") to the Positive Impact Finance Principles ("PIF") and the PIF Model Framework which allow borrower not to limit the use of proceeds established by the United Nations Environmental Programme Finance Initiative ("UNEP FI") for the PIF implemented by SMTB to Rengo Co., Ltd.(Rengo) To ensure the transparency and objectivity which are recommended in Principle 4 of PIF, Japan Credit Rating Agency, Ltd. ("JCR"), as an independent third-party organization, reviewed (1) the rationality of SMTB's PIF evaluation for Rengo and the impacts related to the identified impact indicators, and (2) the compliance of SMTB's PIF principles for the structuring of PIF products to Rengo.

### **(1) The rationality of SMTB's PIF evaluation for Rengo and the impacts related to the identified impact indicators**

Rengo Group has positioned the reduction of the environmental impact of its business activities as one of the management issues that must be addressed as a top priority as a company and conducts its business operations. Rengo Environmental Charter was established in 1999. In 2009, it was revised to the Rengo Group Environmental Charter as a long-term vision for the environment when the company celebrated its 100th anniversary.

Rengo formulated environmental target "Eco Challenge 020" for target year FY 2020, setting concrete activity targets, and managing the status of achievement.

With the keyword of "Less is more.", Rengo expresses its stance of contributing to the creation of a better society and a sustainable society and fulfilling its corporate social responsibilities through the creation of high-quality, high-value-added packaging while effectively utilizing resources and reducing burdens on the global environment.

To promote environmental management, Rengo has established the Environmental subcommittee, which oversees the entire company, and division environmental subcommittee. The Environmental subcommittee which is chaired by the director in charge of environmental matters deliberates and decides on company-wide direction, targets, and plans related to the environment and reports to the CSR Committee, which is chaired by the Chairman of the Representative Director. The content of discussions and the status of initiatives at the CSR Committee are reported to the Board of Directors.

Rengo's sustainability and SDGs information is also disclosed on its website and in its Environmental and Social Report.

Based on the keyword of "Less is more," Rengo is implementing environmental initiatives based on the belief that the three concepts of "Less energy consumption" (which consumes as little energy as possible), "Less carbon emissions" (which generates as little carbon dioxide as possible) and "High quality products with more value-added" (which produces high-value-added, high-quality products) are key concepts for Rengo and environmental and social sustainability.

Since February 2020, Rengo has been working to identify materiality, gathering opinions from both inside and outside the company to identify environmental issues and then weighing them. Following management's involvement, Rengo

plans to identify materiality by the end of FY 2020.

In this financing, a holistic analysis of Rengo's business activities was conducted, and based on the organizational structure and activities related to the above SDGs, in light of the sustainability activities as well, "Less energy consumption (consumption of energy is as small as possible)," "Less carbon emissions (generation of carbon dioxide is as small as possible)," and "High quality products with more value-added (creation of higher-value-added, high-quality products)" were identified as the impacts that would contribute to the implementation of these concepts from among the three concepts and the impacts extracted through a holistic analysis. The impact of these concepts was then identified as the impacts to be monitored by this financing, and the key performance indicators (KPIs) were set for each.

In the future, SMTB will conduct monitoring along with these KPIs related to the impact of these three items.

JCR has evaluated that the holistic analysis and impact specific content of this finance have been properly analyzed as a result of confirming them in accordance with the items outlined in the model framework. The categories and KPIs identified as impacts in this financing were selected based on the "Less is more." concept, neither of which is materially different from the planned materiality that Rengo will identify in the future, and therefore, it is expected that this financing will facilitate Rengo's future efforts with respect to materiality.

JCR evaluates the impact of this financing based on KPIs in line with the evaluation criteria illustrated in the PIF Principles, and as a result expects diversity, effectiveness, efficiency, and additionality. These KPIs are also appropriate in light of the impact identification and the nature of sustainability activities. JCR also evaluates the monitoring policy in the Finance as appropriate in light of the impact identification of the Finance and the content of the KPI.

Accordingly, JCR evaluates that the comprehensive impact analysis (identification, assessment, and monitoring of impacts) of the model framework that captures the three aspects of SDGs (environmental, social, and economic) is being fully utilized in this financing.

## **(2) Compliance of SMTB's PIF Principles for the Structuring of PIF Products to Rengo**

Regarding the SMTB's PIF evaluation framework, JCR confirmed the appropriateness of SMTB's product origination, internal regulations and systems, and the appropriateness of the PIF evaluation procedures in line with the PIF Principles. As a result, JCR confirmed that all items met the requirements.

---

## Important explanation of this third-party opinion

---

### 1. Assumptions, Significance, and Limitations of JCR Third-party opinions

The third-party opinion granted and provided by Japan Rating Research Institute (JCR) is a comprehensive opinion of business entities and procurement entities regarding their compliance with the Positive Impact Financial (PIF) Principles formulated by the United Nations Environmental Programme Finance Initiative, and do not fully indicate the extent of the positive impact of the positive impact finance.

This third-party opinion is a statement of opinion on the current plan or status based on information provided by the client, the procurement entity and the business entity, and information independently collected by JCR, and does not guarantee positive results in the future. In addition, this third-party opinion does not quantitatively demonstrate the positive effects of PIFs, and does not represent a commitment to the effects of PIFs. JCR confirms that the funds procured from this project are quantitatively and qualitatively measured by a procurement entity or a third party commissioned by a procurement entity with respect to the degree of achievement of the impact indicators set by the Company. However, in principle, JCR does not directly measure the degree of achievement.

### 2. International initiatives, principles, etc. referenced in the preparation of this third-party opinion

In preparing this opinion, JCR refers to the following principles and guides developed by the United Nations Environment Programme Finance Initiative.

Positive Impact Financial Principles

Positive Impact Finance Model Framework, which does not limit the use of funds

### 3. Relationship with Acts Related to Credit Rating Business

Providing this third-party opinion is undertaken by JCR as a related activity and does not constitute an activity relating to the credit rating business.

### 4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

### 5. Third-party character of JCR

There are no capitals or human relationships that could cause conflicts of interest between the business entity or procurement entity of the PIF and JCR.

---

#### ■ Disclaimers

The information contained in this document has been obtained by JCR from the Business entities or procurement entities and from accurate and reliable sources. Provided, however, that such information may be erroneous due to human, mechanical or other reasons. Accordingly, JCR makes no representation or warranty, express or implied, as to the accuracy, results, accuracy, timeliness, completeness, marketability, or fitness for a particular purpose of such information, and JCR assumes no responsibility for any error, omission, or result of using such information. In no event shall JCR be liable for any special, indirect, incidental or consequential damages of any kind, including opportunity loss, monetary loss, which may arise from any use of such information, whether contractual, tort, negligence or other cause of liability, and whether or not such damages are foreseeable or unforeseeable. This third-party opinion does not express any opinion on various risks (credit risk, price fluctuation risk, market liquidity risk, price fluctuation risk, etc.) related to positive impact finance, which is subject to the evaluation. This third-party opinion is a comprehensive statement of opinion at the present time of JCR and is not a statement of fact and does not make any recommendations regarding risk judgment or the decision to purchase, sell or hold individual bonds, commercial paper, etc. This third-party opinion may be changed, suspended, or withdrawn due to changes in information, lack of information, or other reasons. All rights to this document are reserved by JCR. No part or all of this document may be reproduced, translated, modified or otherwise altered without the permission of JCR.

#### ■ Glossary

**Third-Party Opinion:** This Report, at the request of the client, provides a third-party opinion on the conformity of the Bank's Positive Impact Financial Assessment Report to the United Nations Environmental Programme Finance Initiative's Positive Impact Finance Principles from an independent, neutral and impartial standpoint.

**Business entities:** Financial institutions that implement positive impact finance.

**Procurement entities:** Operating companies, etc. that borrow through positive impact finance for positive impact business.

#### ■ Registration as an External Evaluator of Sustainable Finance

- Members of the United Nations Environment Programme Financial Initiative Positive Impact Working Group
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Change Initiative Accreditation Verification Organization)
- ICMA (registration as an observer with the International Association of Capital Markets as an external evaluator) Member of the Working Group on Principles of Social Bonds

#### ■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en/>).

#### ■ For further information, contact

Information Service Dept. TEL:03-3544-7013 FAX:03-3544-7026

#### **Japan Credit Rating Agency, Ltd.**

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax +81 3 3544 7026