

## Green Bond / Green Bond Programme

### Independent External Review Form

#### Section 1. Basic Information

Issuer name:

Sumitomo Mitsui Trust Bank

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

The Trust Beneficiary Rights 00012747 (Trust Beneficiary Right)

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

September 28, 2018

Publication date of review publication:

September 28, 2018

#### Section 2. Review overview

##### SCOPE OF REVIEW

*The following may be used or adapted, where appropriate, to summarise the scope of the review.*

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |  |
|--|--|
| <input type="checkbox"/> Second Party Opinion    | <input type="checkbox"/> Certification             |
| <input type="checkbox"/> Verification            | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): |  |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Sumitomo Mitsui Trust Bank, Limited (SMTB) was founded as Mitsui Trust and Banking Corporation in 1924 and Sumitomo Trust and Banking Corporation in 1925, and is the core company of the Sumitomo Mitsui Trust and Banking Corporation Group. SMTB was established in 2012 through the merger of Sumitomo Trust and Banking, Chuo Mitsui Trust and Banking, and Chuo Mitsui Asset Trust and Banking. The Sumitomo Mitsui

Trust Group, to which SMTB belongs, is the largest asset operation and management group in Japan. It is a trust banking group with industry-leading businesses, mainly in the fiduciary business (asset management). The Sumitomo Mitsui Trust and Banking Corporation have formulated the "Action Guidelines for Climate Change" in response to climate change. "2. Provision of Products and Services" in the "Action Guidelines for Climate Change", stipulates that "the Group will strive to develop and provide products and services that contribute to climate change mitigation, such as promotion of energy conservation through financial functions and promotion of the use of renewable energy." The Group aims to contribute to the resolution of climate change issues by utilizing the functions of trusts.

The subject of this evaluation is trust beneficiary rights backed by a loan receivable from a project SPC that operates a solar power generation facility in SMTB's banking account.

SMTB entrusts its loan to the SPC held in the bank account to its own trust account. The Trustee SMTB shall deliver the trust beneficiary rights to the bank account and SMTB shall transfer the trust beneficiary rights to investors.

Through this scheme, SMTB provides investors with opportunities to invest in ESGs. The loan from SMTB underlying the trust beneficiary rights to the SPC will be used to fund the construction of a solar power generation facility owned by the SPC.

SMTB also confirmed that this project may not have a serious negative environmental impact that would outweigh the environmental impact of the project. Based on the above, JCR has evaluated the use of the loan, which is the underlying asset of this assessment, as a green project that contributes significantly to reducing CO2 emissions.

In addition, JCR confirmed that the management system and transparency of the trust beneficiary rights in SMTB are high, for example, due to the fact that the management of the trust beneficiary rights is managed in an appropriate manner internally and that the internal management system is in place.

As a result, the trust beneficiary rights to be evaluated are set as "g1" in the "Green Bond Assessment (Purpose of Use of Funds)" and "m1" in the "Management/Operation System and Transparency Assessment" based on JCR Green Bond Assessment Method, and the "Overall evaluation" is set as "Green1.". In addition, the trust beneficiary rights are considered to meet the standards for items required under the Green Bond Principles and the Green Bond Guidelines of the Ministry of the Environment of Japan.

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

## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

**Overall comment on section** (if applicable):

**a. Environmental Benefits of the Projects**

- i. 100% of the proceeds is for the acquisition of a solar power generation facility, which is highly effective in improving the environment.
- ii. Solar power generation facilities are highly schedule to be completed and put into operation as planned.
- iii. The use of proceeds falls under the category of renewable energy among green projects as defined in the ICMA's Green Bond Principles or Green Bond Guidelines of the Ministry of the Environment of Japan.

**b. Negative impact on Environment**

In selecting the project subject to green bonds, SMTB assumes risks that may have a negative impact and conducts preliminary examinations. As a result of such preliminary examination, no negative impact on the environment has been anticipated for the target asset.

**Use of proceeds categories as per GBP:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

**Overall comment on section** (if applicable):

SMTB have clear environmental goal, project selection criteria and process to determine the proceeds, which are shown in evaluation report composed by JCR.

## Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other <i>(please specify)</i> :  |

## Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> :  |   |

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section *(if applicable)*:

The loan claim underlying the trust beneficiary rights to be evaluated will be used in full amount to fund the construction of the solar power generation facility by the project SPC and will not be used for any other purposes.

SMTB, the trustee, will promptly allocate the proceeds from the trust beneficiary rights to the loan to the SPC divided into three times, and the SPC will allocate the funds to the construction of the solar power generation facility, etc. in accordance with the loan agreement concluded with SMTB. Therefore, SMTB does not schedule to accrue unallocated funds.

### Tracking of proceeds:

- |  |
|--|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds   |
| <input type="checkbox"/> Other <i>(please specify)</i> :   |

### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> :                                |

## 4. REPORTING

### Overall comment on section *(if applicable)*:

- a. Reporting on proceeds allocation  
the trust beneficiary rights shall be posted to the trust account after the establishment of the trust and

shall be managed in the management system of SMTB. JCR confirms that the trust account settlement is to be conducted semi-annually and that the trust property status report is to be delivered to investors at that time.

On the other hand, with regard to the loan claim that is the underlying asset of the trust beneficiary rights, the SPC appropriates for the construction of the solar power generation facility immediately after each loan is made, no reporting of unappropriated funds during the term is currently anticipated.

b. Impact reporting for environmental benefits

In the ESG/CSR report, SMTB schedules to disclose the effects of environmental improvements status by the CO2, and to receive a third-party review by JCR once a year to confirm the accuracy of the reporting.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify):      |  |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                  | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other (please specify): |                                      |

*All the proceeds will be allocated to the projects promptly after issuing the bonds.*

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings                         |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Other ESG indicators (please specify): |

**Means of Disclosure**

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify):                        |
| <input checked="" type="checkbox"/> Reporting reviewed             |   |

Yes, both use of proceeds and impact reporting are subject to external review.

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Sumitomo Mitsui Trust Group's website about CSR efforts

<https://www.smth.jp/en/csr/index.html>

JCR's website about green bond evaluation methodology

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

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Second Party Opinion    | <input type="checkbox"/> Certification             |
| <input type="checkbox"/> Verification            | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): |  |

**Review provider(s):**

**Japan Credit Rating Agency, Ltd.**

**Date of publication:**

**September 28, 2018**

## ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.