

Third party opinions on Positive Impact Finance Evaluation by Sumitomo Mitsui Trust Bank to Nippon Paper Industries, Co., Ltd.

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

<Executive Summary>

This Third-Party Opinion examines the suitability of Sumitomo Mitsui Trust Bank, Limited. ("SMTB") to the Positive Impact Finance ("PIF") Principles and the PIF Model Framework which allows 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 Nippon Paper Industries Co., Ltd. ("Nippon Paper"). To ensure the transparency and objectivity which are recommended in Principle four of PIF, Japan Credit Rating Agency, Ltd. ("JCR"), as an independent third-party organization, reviewed (1) the rationality of PIF assessment including the identified impact indicators for Nippon Paper, and (2) the alignment of SMTB's PIF principles for the structuring of PIF products.

(1) the rationality of PIF assessment including the identified impact indicators for Nippon Paper

The Nippon Paper Group has adopted the slogan of "Constantly creating new value and contributing to better living and cultural progress, as a comprehensive biomass company shaping the future with trees", and is reorganizing its paper business production structure. It has also positioned packaging, household tissue and healthcare, chemicals, energy, and lumber as growth business segment, and is aggressively investing in these areas and concentrating its management resources. The company is also developing new materials such as "Shield Plus" which has a barrier property on paper.

The Nippon Paper Group's Corporate Philosophy states: "Mission: The Nippon Paper Group aims to contribute to better living and cultural progress everywhere it does business." The Group's Corporate Philosophy is the following four concepts. "Vision: 1. Drive social sustainability through its business, 2. Delight the customers, 3. Instill pride in employees, 4. Give back to society", "Value: Challenge, Fairness, Teamwork", and "Slogan: Constantly creating new value and contributing to better living and cultural progress, as a comprehensive biomass company shaping the future with trees.." Based on high-level philosophy, Nippon Paper Group is promoting CSR activities based on the Nippon Paper Group Action Charter.

In order to contribute to realize a sustainable society through business activities, the Nippon Paper Group fulfills its social responsibilities from the perspectives of management, forest management, raw material procurement and environmental, customers, human rights, employment and labor, and local communities and societies.

In identifying key issues related to sustainability, the Nippon Paper Group takes a holistic view of the entire value chain in the locals and countries in which it conducts business activities and extracts important issues. Nippon Paper identified the following 11 key issues related to five social issues (the core subject of ISO26000).¹

- i. Management Responsibility: "1. Thorough compliance", "2. Dialogue with stakeholders",
- ii. Forest Management, Raw Material Procurement and Environmental Responsibility: "3. Sustainable procurement of raw materials", "4. Climate change Initiatives", "5. Reduction of environmental impacts", "6. Preserving biodiversity",
- iii. Responsibility to Customers, "7. Enhancement of product safety", "8. Enhancement of product value"
- iv. Human Rights, Employment and Labor Responsibility, "9. Occupational safety and health", "10. Creation of a vigorous organization"

- v. Responsibilities to communities, “11. Coexistence with Local Communities and society at large”

SMTB identified, sets and monitors the following five impacts, taking into account the impact categories in accordance with the impact assessment tools established by UNEP FI, while respecting the material issues determined by Nippon Paper Industries.

- i. Procurement of raw materials in consideration of sustainability and biodiversity,
- ii. Addressing Climate Change Issues,
- iii. Reducing environmental impact through resource recycling,
- iv. Creating a vigorous organization,
- v. Providing products that are environmentally friendly and socially friendly

JCR confirmed the adequacy of the holistic analysis and impact identification by SMTB for Nippon Paper, in accordance with the verification items set out in the model framework. As a result, the impacts identified in this PIF covers the entire value chain of Japan Paper, and the impacts include both activities that produce positive impacts and activities that reduce negative impacts that will contribute to the realization of a future Sustainable Society. Based on the above, JCR concludes that SMTB’s overarching impact analysis and methods for identifying, evaluating, and monitoring the impact of this PIF are appropriate.

(2) Compliance of SMTB's PIF Principles for the Structuring of PIF Products

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.

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■ 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.

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- 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/>).

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