

## Third party opinion on Positive Impact Finance Evaluation by Sumitomo Mitsui Trust Bank Limited to Sumitomo Forestry Co., Ltd.

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

### <Executive Summary>

This third party opinion examines the suitability of the Positive Impact Finance ("PIF") delivered by Sumitomo Mitsui Trust Bank Limited ("SMTB") to Sumitomo Forestry Co., Ltd. ("Sumitomo Forestry") for the Principles for PIF and the Model Framework for Financial Products for Corporates with unspecified use of funds ("Model Framework") established by the United Nations Environmental Programme Finance Initiative ("UNEP FI"). To ensure the transparency and the objectivity of assessment recommended in the Principle four of PIF, Japan Credit Rating Agency, Ltd. ("JCR"), as an independent third-party organization, reviewed (1) the rationality of SMTB's PIF evaluation for Sumitomo Forestry 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 Sumitomo Forestry.

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

Sumitomo Forestry places "Corporate Philosophy" as its high level concept: "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society." Under the philosophy, Sumitomo Forestry stipulated "Our Values" and "Code of Conduct" which show its actions and concepts to realize the sustainability. Based on these principles, it established sustainability-related policies such as Environmental Policy and various guidelines.

Sumitomo Forestry drew up "Sumitomo Forestry Group 2021 Medium-Term Management Plan" covering the three-year period beginning in fiscal 2019, one of the four basic policies is to promote further integration of business operations and ESG initiatives, and it decided "Medium-Term Sustainability Targets as part of the Sumitomo Forestry Group 2021 Medium-Term Management Plan". In this plan, it identified five "sustainability-related material issues" in which its stakeholders are highly interested and are essential to its strategic management throughout its value chain. Based on the above five material issues, it established 15 qualitative targets and related quantitative goals by 2021. These are reflected in the annual action plans and the measures of the departments in charge. The progress and achievements of the goals are reviewed at the Sustainability Committee, which is convened four times a year. The Committee is comprised of executive officers and directors, as well as general managers, with the President and Executive Officer acting as the committee chairman. The minutes of the Committee shall be reported to the Board of Directors. As such, PDCA cycle of Sumitomo Forestry's sustainability activities functions. Sumitomo Forestry discloses its sustainability-related information concisely in its Integrated Report and fully in its Sustainability Report, etc.

Along the items to consider listed in the Model Framework, JCR confirmed the appropriateness of SMTB's holistic analysis and impact identification for Sumitomo Forestry, and assessed them as reasonable analysis results. Through this finance, SMTB identified the following four impacts and set indicators to be monitored: “1) Procurement that considers sustainability and biodiversity”, “2) Reduction of the environmental burden arising from the business activities”, “3) Workplaces where diverse workforces can be active” and “4) Products and services for realizing sustainable and affluent society”.

JCR evaluates that the indicators are based on the above analysis results, and that the monitoring is likely to be appropriate. In addition, JCR confirmed the impacts related to the indicators along the Principle four of PIF. From the above, JCR assessed that SMTB has adequately implemented the holistic impact analysis (impact identification, assessment, and monitoring) of the Model Framework. The Sustainability Management of Sumitomo Forestry is consistent with the concept of the holistic impact analysis across the three dimensions related to SDGs (social, environmental, economic), which is the intention of the Principles for PIF and the Model Framework.

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

Along the Principles for PIF, JCR confirmed the appropriateness of SMTB's process, methodology, internal regulation, and internal system for PIF arrangement and the PIF arranged by SMTB for Sumitomo Forestry. As a result, JCR confirmed that they meet all the requirements.

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## Important explanation of this third-party opinion

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### 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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#### ■ Disclaimers

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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.

- 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/>).

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