

March 26, 2020

To whom it may concern

Sumitomo Mitsui Trust Bank, Limited






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



Sumitomo Mitsui Trust Bank, Limited (President: Masaru Hashimoto; hereinafter “SuMi TRUST Bank”) and Sumitomo Forestry Co., Ltd. (President and Representative Director: Akira Ichikawa; hereinafter “Sumitomo Forestry”) 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.

Sumitomo Forestry is a global corporation mainly engaged in timber/materials, housing/construction, overseas housing and real estate businesses. In addition to building wooden houses that have positive impact on the environment and society, they are also focusing on strengthening areas of business that have impact on SDGs. For example, they are increasing the amount of biomass fuel material handled, expanding domestic and overseas forest plantation area with seedlings produced, and enhancing operations of renewable energy power generation plants and operations of paid nursing homes.

SuMi TRUST Bank assessed the following themes both qualitatively and quantitatively as initiatives that particularly have impact on achieving SDGs.

Theme	Content	KPI (Indicator and goal)	SDGs
Procurement practices that consider sustainability and biodiversity	<ul style="list-style-type: none"> •Forestry management that balances both global warming measures and biodiversity conservation •Expand the use of sustainable forest resources 	<ul style="list-style-type: none"> •221,467ha of certified forest area within and outside of Japan by FY2021 •7,920ha of forest plantation area with in-house produced seedlings and supply of 7.26 million seedlings by FY2021 •1,363,930 tons handling volume of chip and pellet for fuel by FY2021 •100% sustainable timber handled and timber products handling volume by FY2021 	    

	<ul style="list-style-type: none"> • Create an environment that takes into account biodiversity 	<ul style="list-style-type: none"> • Sale of 500,000 local tree species by FY2021 	
Reduction of environmental impact from business activities	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions from business activities in aims to achieve a carbon-free society • Protect resources, reduce generated waste, and achieve zero emissions 	<ul style="list-style-type: none"> • 21% reduction of greenhouse gas emissions from own business activities by 2030 compared to 2017 • Targeted recycling rates for each business in FY2021: New housing construction sites: 98%; domestic manufacturing plants: 99.5%; power generation business: 56.5%; renovation business: 84%; lifestyle service business: 98%; overseas manufacturing plants: 98%; housing demolition sites: 98% • Promote zero emissions from waste: FY2021 targeted final disposal amount of industrial waste: 54,087 tons (15% reduction vs. FY2017) 	
Workplace where diverse workforces can thrive	<ul style="list-style-type: none"> • Build sustainable supply chains • Create a workplace where vibrancy is generated from different ways of thinking and job motivation • Secure human resources by nurturing the younger generation and effectively utilizing senior workers 	<ul style="list-style-type: none"> • 80% implementation rate of sustainability survey for the domestic housing department supply chain • 100% implementation rate of sustainability survey for suppliers of imported timber • Increase proportion of female managers to at least 5.5% at the parent company, at least 7.3% among domestic group companies, and an employee satisfaction level of 85% at the parent company • 15% three-year turnover rate among newly hired graduates (parent company) • Training cost: ¥132,000 per employee; total number of training participants: 13,000; 	

	<ul style="list-style-type: none"> •Reduce long working hours through work-style reforms •Eradicate occupational accidents 	<p>training hours per employee:15.5 hours (parent company)</p> <ul style="list-style-type: none"> •87% re-employment rate of employees who have reached retirement age (parent company) •Average of 14 days paid leave taken by employees and 32% average reduction of overtime hours (parent company, vs. FY2013) •Zero serious occupational accidents (requiring four or more days of leave) and zero occupational accidents at new construction sites (requiring one or more days of leave) <p>All targets above are for FY2021</p>	
<p>Products and services for realizing a sustainable society</p>	<p>With various business activities focusing on “wood”, build a “value creation process” to contribute to the “realization of a sustainable and prosperous society”. Promote the following three policies in each business area:</p> <ul style="list-style-type: none"> •Expand environmentally-friendly products and services (including external indirect emissions) •Expand businesses that help solve challenges faced by the society 	<ul style="list-style-type: none"> •16% reduction in the total amount of emissions from purchased goods and services and the use of sold products by 2030 compared to 2017 •80% order rate for ZEH* in FY2021, 60% environmentally-friendly renovation order rate in FY2021 •199,509t-CO2 carbon stock in wooden architecture in Japan in FY2021 •63% order rate for environmentally-friendly products in the environment and greening business in FY2021 •2,014 planned rooms at paid nursing homes in FY2021 •Medium to long term aim of building a power generation system in the renewable energy 	

	<ul style="list-style-type: none"> •Promote development of sustainable and innovative technology 	<p>business capable of supplying 300MW (converted to number of households); FY2021 plan is to supply an equivalent of 373,826 households with 177MW</p> <ul style="list-style-type: none"> •With implementation of the “W70 Plan” in 2025 and the “W350 Plan” in 2041, Sumitomo Forestry will broaden the possibilities of wooden structures with a roadmap for future technologies by developing building methods, environmentally friendly technologies, and trees that function as resources and building materials. 	
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*Net zero-energy houses

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/>

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