# GREEN PRODUCT

Version 3.0

SUMITOMO MITSUI TRUST BANK, LIMITED

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This Framework was developed by Smitomo Mitsui Trust Bank, Limited with the support of Sustainalytics.

# **INTRODUCTION**

# About Sumitomo Mitsui Trust Bank, Limited and the Bank's Approach to Sustainability

Sumitomo Mitsui Trust Bank, Limited ("SuMi TRUST") is a leading Japanese trust bank and is among the largest financial groups in Japan. The Group has been designated as one of the "domestic systemically important banks (D-SIBs)". SuMi TRUST provides a broad range of financial services both in domestic as well as in overseas.

SuMi TRUST, as one of leading financial institutions, is committed to the active role it plays in contributing to building a sustainable society, and recognizes the importance of embedding the principles of social responsibility within all Group activities. Through its strategic sustainability initiatives and policies based on its mission, vision and values, SuMi TRUST strives to create shared value by proactively helping address societal problems in conjunction with pursuing the Group's own enterprise value.

SuMi TRUST's approach to sustainability includes:

i) Committing to proactive sustainability management

SuMi TRUST strives to identify and manage material sustainability issues as top priority of the Group's management, since the Group regards ESG (environmental, social and governance) as a critical foundation for management.

ii) Integrating sustainability initiatives into its business

By leveraging its function as a financial group specialized in trust banking, SuMi TRUST aims to provide comprehensive ESG solutions to SuMi TRUST clients, helping to promote the development of a sustainable society. SuMi TRUST utilizes the United Nations Sustainable Development Goals (SDGs) to verify the appropriateness and societal value of the products and services provided.

iii) Providing values to the community

SuMi TRUST believes that providing value to society helps maintain a sound business foundation, and that this is a social responsibility required to conduct business. From this point of view, SuMi TRUST provides value to the community in various forms, taking into consideration the United Nation's SDGs.

In March 2019, as one of our commitment to sustainability, SuMi TRUST developed the world's first Positive Impact Finance (PIF with unspecified use of funds) solution, which adapts the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI) for lending to operating companies. PIF is a product that comprehensively analyzes and evaluates the impact of a company's supply chain on the environment, society, and the economy, sets specific KPIs for increasing positive impact and reducing

negative impact, and asks clients to commit to these KPIs, which are then incorporated into the loan agreement. Then, through subsequent monitoring and disclosure of results, we encourage our clients to contribute to achieving SDGs and support their efforts to improve competitiveness (including for their businesses, products, and services) from a global perspective.

#### **Intent of the Framework**

SuMi TRUST released Green Deposits to facilitate lending towards environmental projects based on Green Product Framework ("the Framework"). All existing and new projects to be financed through Green Deposits proceeds must meet eligible categories and activities, as well as exclusions defined under the Green Eligible Guide section below and provide clear environmental benefits, which will be assessed and, where feasible, quantified by SuMi TRUST.

Pending the allocation of the net proceeds of a Green Deposit to finance Eligible Green Projects, the net proceeds will be invested in overnight or other short-term financial instruments. The unallocated proceeds is subject to the exclusion criteria listed below.

#### **Internal and External Review Process**

The Framework version 1.0 was developed by SuMi TRUST with the support of Sustainalytics, a Morningstar

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Company, a leading provider of ESG research and ratings for investors, financial institutions and corporate clients. As the market and regulations evolve, SuMi TRUST will update the Framework and the underlying Green Eligibility Guide with support from Sustainalytics annually. Sustainalytics also provided a review of this version 3.0 of the Framework.

### **GREEN ELIGIBILITY GUIDE**

SuMi TRUST shall apply the use of proceeds to finance and/or refinance, in whole or in part, existing and future qualifying environmental projects ("Eligible Green Projects") as defined by its internal investment criteria as specified below.

For the purpose of this section, "Eligible Green Projects" means projects meet all of the conditions i) and ii) below.

i) A project falls in one or more of the project categories (a) to (e) below

Category	SDG Alignment	Eligible Activities	Exclusions
(a) Renewable Energy	7 ATERCALL AND EXCLUSION OF A STATE OF A ST	<ul> <li>Acquisition, development, construction and operation of infrastructure, facilities, and equipment that generate or transmit renewable energy, including:         <ul> <li>Solar energy</li> <li>Solar thermal energy, with less than 15% fossil fuel back-up</li> <li>Wind energy</li> <li>Geothermal energy, with the direct emissions intensity of less than 100 gCO<sub>2</sub>/kWh</li> <li>Waste biomass energy, with feedstock limited to i) residues from forestry and agriculture, ii) residues from fisheries certified with MSC<sup>1</sup>, ASC<sup>2</sup> or MEL<sup>3</sup>, iii) waste from palm oil operations certified with RSPO<sup>4</sup> or RSB<sup>5</sup>, or iv) wastewater and sewage sludge</li> <li>Non-waste biomass energy, with life cycle emissions intensity of less than 100 gCO<sub>2</sub>e/kWh, using feedstock restricted to i) wood and wood pellets certified with FSC<sup>6</sup> or PEFC<sup>7</sup>, or ii) non-wood crops</li> </ul> </li> <li>Run of river hydropower without artificial reservoir or with low storage capacity</li> </ul>	<ul> <li>Waste biomass energy</li> <li>Plastics, rubber, tire-derived fuel (TDF) to energy, or fuel conversion from waste materials</li> <li>Non-waste biomass energy</li> <li>Feedstock that: <ul> <li>i. is produced on land with high biodiversity within the last 10-15 years,</li> <li>ii. is produced on land with a high amount of carbon has been converted for feedstock production, or iii. competes with food production</li> </ul> </li> <li>Feedstock from palm oil, wood pulp or waste from peat</li> <li>10% or more of feedstock is non-certified oil, energy crops, including corn, soy, sugarcane, and wood pellets without sustainable sourcing and GHG emissions reduction commitments</li> </ul> Hydropower <ul> <li>Projects which have not undertaken an environmental and social impact assessment that ensures no significant controversy surrounding the project</li> </ul>
Energy Efficiency		operation of infrastructure, equipment, technology and	technologies / processes that are inherently carbon-

<sup>1</sup> Marine Stewardship Council (MSC), at: https://www.msc.org/

<sup>2</sup> Aquaculture Stewardship Council (MSC), at: https://www.insc.org/
 <sup>3</sup> Marine Eco-Label Japan (MEL), at: https://melj.jp/eng/about\_us
 <sup>4</sup> The Roundtable on Sustainable Palm Oil (RSPO), at: https://rspo.org/
 <sup>5</sup> The Roundtable on Sustainable Biomaterials (RSB), at: https://rsb.org/

<sup>6</sup> Forest Stewardship Council (FSC), at: https://fsc.org/en

<sup>7</sup> Programme for the Endorsement of Forest Certification (PEFC), at: https://www.pefc.org/

	7 ATOMINALE AND CLEM DARROY DOLLAR THE AND 9 NOLSTRY, NINOVATION AND MRXITILIZATE CONTRACT OF AND AND MRXITILIZATE CONTRACT OF AND AND AND AND AND AND AND AND AND AND AND	<ul> <li>processes in the power</li> <li>transmission network,</li> <li>distribution and related systems</li> <li>to improve energy management,</li> <li>related to:</li> <li>Smart grids,</li> <li>Energy storage,</li> <li>Automation and</li> <li>Intelligence</li> </ul>	intensive and/or primarily driven / powered by fossil fuels
(C) Clean Transportation		<ul> <li>Clean energy vehicle</li> <li>Development, manufacturing and acquisition of clean energy vehicles and supporting infrastructure such as electric vehicles and hydrogen vehicles</li> <li>low-carbon public transportation</li> <li>Development, operation and upgrade of low-carbon public transportation facilities including electric rail transport, cycling and other non-motorised transport</li> </ul>	<ul> <li>Fossil fuel based transportation or infrastructure and transportation with the main objective of transporting fossil fuel, including hybrid vehicle</li> </ul>
(d) Pollution Prevention and Control	11 SUSTAINABLE CITIES ADD COMMANTES 12 ORISINE ADD PRODUCTION ADD PRODUCTION	<ul> <li>Development, construction and operation of pollution prevention and control facilities, such as:</li> <li>Waste recycling,</li> <li>Waste-to-energy power plants, where i) the waste-to-energy feedstock will include household waste, commercial waste, and landfill gas, and ii) materials recovery and recycling will be done prior to incineration</li> </ul>	<ul> <li>Waste recycling</li> <li>Chemical recycling of plastic</li> <li>E-waste or Waste from Electrical and Electronic Equipment (WEEE), without robust waste management processes to mitigate associated risks</li> <li>Waste-to-energy power plants</li> <li>Plastics, rubber, tire-derived fuels (TDF), gas capture from operational landfills, and landfill gas flaring</li> </ul>
(e) Green		Acquisition, development and construction of new, existing or refurbished buildings which have received or will receive during the life of the Green Product at least	<ul> <li>Industrial facilities</li> <li>Facilities/buildings designed for the purpose of extraction, storage,</li> </ul>

Buildings <sup>8</sup>	9 NOUSTRY, NOUVILLON NOUSTRY, NOUVILLON 11 SUSTAINABLE CITIES COMMUNITES	<ul> <li>one of the following green building classifications:</li> <li>LEED (Leadership in Energy and Environmental Design): Platinum or Gold</li> <li>BREEAM (Building Research Establishment Environmental Assessment Methodology): Outstanding or Excellent</li> <li>CASBEE (Comprehensive Assessment System for Built Environment Efficiency): S Rank or A Rank</li> <li>DBJ (Development Bank of Japan) Green Building Certification: 5 Stars or 4 Stars</li> <li>BELS (Building-Housing</li> </ul>	transportation or manufacture of fossil fuels
		BELS (Building-Housing Energy-efficiency Labelling System): 5 Stars or 4 Stars	

ii) For any project categorized as (a) to (d) above, the project must be further categorized as Category B or Category C under the Equator Principles as published by the Equator Principles Association<sup>9</sup>

In addition to exclusionary criteria defined under the table and the identification process described above, SuMi TRUST's screening criteria is to exclude:

- Non-committed transactions
- Assets pledged to other financing programme
- The following sectors and activity types are excluded from the Green Deposit Framework: defence and security, nuclear power generation, coal-

<sup>&</sup>lt;sup>8</sup> Eligible green buildings may include those owned by J-REITs (Japanese Real Estate Investment Trusts), and in such case, the allocation amounts to eligible green buildings owned by J-REITs may be dedicated loans, which aim at acquiring specific eligible green buildings, or general corporate purpose loans to J-REITs that are pure-players, who earn at least 90% of its revenues from eligible green buildings.

<sup>&</sup>lt;sup>9</sup> According to the Equator Principles, Category A projects are defined as projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented. Category B projects have potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Category C projects have minimal or no adverse environmental and social risks and/or impacts. Net proceeds of Green Deposit can be allocated to existing and new Category B or C projects which will fall into one or more of the categories (a) to (d) above.

fired power generation, mining and tobacco sectors as well as all fossil fuel based assets.

# Initiatives SuMi TRUST (including group company) participate or sign

Major initiatives Sumitomo Mitsui Trust Holdings is a signatory to or participates in:



UNEP FI (United Nations Environment Programme Finance Initiative)



Principles for Financial Action for the 21st Century



United Nations Global Compact (UN Global Compact)



Leadership Declaration under Business and Biodiversity Initiative "Biodiversity in Good Company"



Principles for Responsible Banking (PRB)



TCFD (Task Force on Climate-related Financial Disclosures)



Principles for Responsible Investment (PRI)



CDP

About the Principles for Responsible Banking

We became a founding signatory to the Principles for Responsible Banking (PRB) advocated for by the United Nations Environment Programme Finance Initiative (UNEPFI) and launched in September 2019. By focusing on the areas in which our core business has significant impact, setting goals for specific initiatives, and taking action, we hope to make the greatest contributions towards achieving the targets of the SDGs on both a global and local level. Having signed on to the PRB, we are obligated to disclose information about our initiatives every year. We disclose this information in our ESG Report.

Major initiatives Sumitomo Mitsui Trust Bank is a signatory to or participate in (excluding the initiatives SuMi Trust Holdings is a signatory to)





The Equator Principles

The Poseidon Principles

## DISCLAIMER

The Framework is provided for information purposes only as of the date of its publicaition. The information and statements contained in the Framework, including any supplements or amendments threto, are subject to change without prior notice.

The Framework shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any financial instrument that may reference the Framework.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.