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For immediate release

Sumitomo Forestry Co., Ltd.

**Sumitomo Forestry Signs Loan Agreement for Positive Impact Finance
First home builder in recognition of contributions to SDGs**



Sumitomo Forestry Co., Ltd. (President and Representative Director: Akira Ichikawa; Headquarters: Chiyoda-ku, Tokyo; hereinafter Sumitomo Forestry) hereby announces the signing of a loan agreement with unspecified use of funds (hereinafter the “Agreement”) with Sumitomo Mitsui Trust Bank, Limited (President: Masaru Hashimoto; Headquarters: Chiyoda-ku, Tokyo; hereinafter SMTB). The Agreement is in alignment with the Principles for Positive Impact Finance¹ established by the United Nations Environmental Programme Finance Initiative² (hereinafter “UNEP FI”). This was in recognition of Sumitomo Forestry’s initiatives to contribute to the Sustainable Development Goals (SDGs), and Sumitomo Forestry will be provided with preferential interest rates that are lower than normal interest rates under the Agreement.




The Principles for Positive Impact Finance is a financial framework for achieving the SDGs, and the Positive Impact Finance executed in accordance with this framework involves comprehensive analysis and evaluation of the economic, environmental, and social impacts of corporate activities and the provision of loans to support these activities on an ongoing basis. Evaluations by financial institutions are conducted through third-party reviews to ensure transparency.


SMTB became the first in the world to provide loans through the Positive Impact Finance in March 2019, and Sumitomo Forestry will be the first home builder to receive a loan from SMTB through Positive Impact Finance. In signing the Agreement, a third-party opinion³ was obtained from Japan Credit Rating Agency, Ltd. (President: Shokichi Takagi; Headquarters: Chuo-ku, Tokyo) regarding conformity with the Principles for Positive Impact Finance and the rationality of the evaluation indicators.

The Sumitomo Forestry Group operates a wide range of businesses centered on wood as a renewable natural resource both in Japan and overseas. Specifically, the Group promotes businesses that contribute to reducing environmental impact on society as a whole, such as sustainable forest management and plantation operations involving trees that absorb CO₂ during their growth process and sequester it as carbon after they have been harvested and used as timber; wood biomass power generation operations; and construction of wooden houses. In the Medium-Term Management Plan announced in May 2019, the Group set out to “promote further integration of business operations and ESG initiatives” as one of the Basic Policies. In line with this policy, the Group steps up efforts to contribute to SDGs.

In signing the Agreement, SMTB qualitatively and quantitatively assessed the following themes as activities that will have a particular impact on the achievement of SDGs.

Theme	Content	KPI (indicators and targets)	SDGs
Procurement that considers sustainability and biodiversity	<ul style="list-style-type: none"> Forest management that balances climate change measures and conservation of biodiversity Expanding the utilization of sustainable forest resources Creating an environment that considers biodiversity 	<ul style="list-style-type: none"> Expand the area of certified forests in Japan and overseas to 221,467 ha by FY2021 Increase the area of forest plantation with in-house produced seedlings and the number of seedlings supplied to 7,920 ha and 7.26 million by FY2021 Expand the volume of chip and pellet fuel, etc. used to 1,363,930t by FY2021 Expanding the percentage of sustainable timber and timber products handled to 100% by FY2021 Increase the number of local tree species sold to 500,000 in FY2021 	
Reduction of the environmental impact of business activities	<ul style="list-style-type: none"> Reducing greenhouse gas emissions toward creating a decarbonized society Protecting resources, reducing the generation of waste and achieving zero emissions 	<ul style="list-style-type: none"> Reduce greenhouse gas emissions from business activities by 21% in 2030 compared to the 2017 level Achieve following recycling rates in each business (new housing construction sites: 98%; domestic manufacturing plants: 99.5%; power generation business: 56.5%; renovation business: 84%; lifestyle service business, etc.: 98%; overseas manufacturing plants: 98%; housing demolition sites: 98%) Promote zero waste emissions (reduce industrial waste final disposal amount to 54,087t in FY2021 (down 15% compared to the FY2017 level)) 	

<p>Workplace where diverse human assets can unharness their skills</p>	<ul style="list-style-type: none"> • Building sustainable supply chains • Creating a workplace that generates diverse ideas, job satisfaction and vibrancy • Securing human resources by training younger workers and utilizing older ones • Reducing long work hours through work style reforms • Eliminating occupational injuries 	<ul style="list-style-type: none"> • Achieve sustainability survey implementation rate in the supply chain of the domestic housing department of 80% in FY2021 • Maintain sustainability survey implementation rate of suppliers of imported timber of 100% in FY2021 • Increase the ratio of female employees ratio in management positions to at least 5.5% for Sumitomo Forestry and at least 7.3% for affiliated companies in Japan; improve employee satisfaction level to 85.0% for Sumitomo Forestry • (1) Reduce the three-year turnover rate among newly hired graduates to 15% (2) Increase training cost per employee to 132,000 yen, total number of training participants to 13,000, and training time per employee to 15.5 hours (3) Increase the rate of retiree reemployment to 87% (all figures for Sumitomo Forestry only) • Increase average paid leave usage by employees to 14 days for Sumitomo forestry; reduce the average overtime working hours by 32.0% for Sumitomo Forestry compared to the FY2013 level • Achieve zero serious occupational injury or incident (requiring at least four days off work) and zero occupational injury or incident (requiring at least one day off work) at new housing construction sites 	  
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<p>Products and services that realize sustainable society</p>	<p>The Group will contribute to the realization of a sustainable and prosperous society by building value creation process from its business operations centered on wood. The Group will promote the following three measures in each business operation.</p> <ul style="list-style-type: none"> Increasing environmentally conscious products and services (including indirect GHG emissions generated outside the scope of its own business operations) Expanding businesses that contribute to resolving social issues Promoting sustainable and innovative technological development 	<ul style="list-style-type: none"> Reduce total GHG emissions generated from use of products and services purchased and products sold by 16% in 2030 compared to the 2017 level Achieve rate of orders for ZEH of 80% and environmentally-friendly renovation order rate of 60% in FY2021 Achieve carbon stock in wooden architecture in Japan of 199,509 t-CO₂ in FY2021 Achieve rate of orders for environmentally-friendly products in the environmental greening businesses of 63% in FY2021 Increase number of rooms at private-pay elderly care facilities planned for FY2021 to 2,014 Aim to increase amount of electricity supplied by renewable energy business (converted to number of households) to 300MW in power generation in the medium- to long-term (planned amount of electricity supplied by renewable energy business for FY2021 is equivalent to electricity supply for 373,826 households, or 177 MW in power generation) Set a roadmap for technological development for the future, including building construction methods, environmental technologies, and development of wood for building materials and resources, with the aim to expand the potential of wooden architecture, through the achievement of W70 Project in 2025 and W350 Project in 2041 	
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Progress and results of these initiatives will be disclosed in [Integrated Reports](#) and [Sustainability Reports](#) published by the Company.

Through the signing of this Agreement, Sumitomo Forestry further strengthens the initiatives toward achieving the SDGs and pursue the enhancement of its corporate value over the medium- to long-term.

***1 Principles for Positive Impact Finance**

This is a financial framework for achieving the Sustainable Development Goals (SDGs) formulated by the United Nations Environment Programme Finance Initiative (UNEP FI) in January 2017. By disclosing contributions to the achievement of SDGs, with banks assessing the positive impact of these contributions and providing funds, the framework guides the efforts of fund providers to increase positive impacts and reduce negative impacts.

As the responsible financial institution, lending banks monitor indicators to ensure that their impacts are continuing.

***2 United Nations Environment Programme Finance Initiative (UNEP FI)**

The United Nations Environment Programme (UNEP) is a subsidiary body of the United Nations established in 1972 as an implementing agency for the Declaration of the United Nations Conference on the Human Environment and the International Environment Action Programme. UNEP FI is a broad and close partnership between UNEP and more than 200 global financial institutions. Since its establishment in 1992, it has been working with financial institutions, policies, and regulators to transform itself into a financial system that integrates economic development with environmental, social and governance (ESG) considerations.

***3 Please refer to the web site of Japan Credit Rating Agency, Ltd.**

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