

Second-Party Opinion

SCSK Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the SCSK Corporation (“SCSK” or the “Company”) Green Finance Framework (The “Framework”) is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and the Green Loan Principles 2020 (GLP). This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds Energy Efficiency, is aligned with those recognized by the GBP and GLP. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.



PROJECT EVALUATION / SELECTION SCSK’s Finance Division, with support of Sustainability Division, evaluates and selects projects in accordance with the eligibility criteria. Final approval for selected projects will be provided by the President and Chief Operating Officer or the Director in charge of finance of the Company. The Company’s project evaluation and selection processes is in line with market practice.



MANAGEMENT OF PROCEEDS The Finance Division will track and manage the allocated and unallocated amounts of the proceeds using an internal system on quarterly basis, until redemption of the bond. Unallocated proceeds will be held in cash or cash equivalents. SCSK’s management of proceeds is in line with market practice.



REPORTING SCSK intends to annually report on the allocation of the proceeds of the green bonds and their environmental performance indicators on its website. Allocation reporting will include the proceeds allocation plan, allocated and unallocated amounts, schedule of allocation, method of management of unallocated amounts, and the amount or share of refinancing. Impact reporting will include either annual average PUE, energy use, or CO₂ emissions volume as a quantitative indicator, where feasible. Sustainalytics considers SCSK’s reporting to be in line with market practice.

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Alignment with Japan’s Green Bond Guidelines 2020 and Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020

Sustainalytics is of the opinion that the Framework is in line with the Japan’s Green Bond Guidelines 2020 as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020, developed by the Ministry of the Environment of Japan.

Introduction

SCSK Corporation (“SCSK” or the “Company”) was established in 1969, and provides seven lines of IT services including consulting, systems development, verification services, IT infrastructure development, IT management, Business Process Outsourcing (BPO), and IT Software and Hardware sales. In addition to the 24 group companies, the Company currently operates business through 12 offices, a network of data centers, BPO centers, customer service/logistics centers and near-shore offices across Japan, and eight offices overseas. The Company is headquartered in Tokyo and its parent company is Sumitomo Corporation.

SCSK has developed the SCSK Green Finance Framework (the “Framework”) under which it intends to issue multiple green bonds and loans and use the proceeds to finance and/or refinance, projects that deliver environmentally benefits. The Framework defines eligibility criteria in the following area:

1. Energy Efficiency

SCSK engaged Sustainalytics to review the Framework, dated February 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the GBP,¹ GLP,² Japan’s Green Bond Guidelines 2020,³ as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020.⁴ A summary overview of the Framework has been provided in Appendix 1. Information on the project, which the proceeds from issuance or execution of green finance in 2021 is planned to be allocated, is provided in Appendix 2.

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the GBP as administered by ICMA, GLP as administered by LMA, and Japan’s Green Bond Guidelines 2020 as well as expected elements of green loans under the Green Loan and Sustainability Linked Loan Guidelines 2020;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of SCSK’s Finance Division and Sustainability Division to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. SCSK representatives have confirmed (1) they understand it is the sole responsibility of SCSK to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

¹ International Capital Market Association, “Green Bond Principles 2018” at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bondprinciples-gbp>

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

³ Ministry of the Environment, Japan, “Green Bond Guidelines, 2020”, at http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

⁴ Ministry of the Environment, Japan, “Green Loan and Sustainability Linked Loan Guidelines 2020”, at: http://www.env.go.jp/policy/guidelines_set_version_with%20cover.pdf

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and SCSK.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that SCSK has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the SCSK Green Finance Framework

Sustainalytics is of the opinion that the SCSK Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of SCSK's Green Bond Framework:

- Use of Proceeds:
 - The eligible category for the green finance, Energy Efficiency, is recognized as a project category that has environmental benefits in the GBP and GLP. The Company's intended use of proceeds will further promote its medium- to long-term growth strategy of "sustainability management," and contribute to Japan's climate change measures through energy efficiency. Please refer to Section 3 for the details of Sustainalytics' evaluation of environmental benefits of the use of the green bond proceeds.
 - Under the Energy Efficiency category, SCSK intends to allocate green finance proceeds to expenditures for construction, acquisition, refurbishment and operation of an energy efficient data center. In the eligibility criteria of the data center intended for allocation of proceeds, the Company commits to allocation to projects that achieves Power Usage Effectiveness (PUE) below 1.5 under the Framework. Sustainalytics notes the Green Grid's PUE is a de facto ratio which measures infrastructure energy efficiency for data centers, and has an estimated global average of 1.58⁷ in 2018. Sustainalytics recognizes that there are only a few data centers with exemplary energy efficiency having PUE of 1.2 or less; nevertheless, a data center with a PUE of 1.5 or less⁸ is considered "efficient" in the market.
 - SCSK intends to allocate green finance proceeds to new expenditures and refinancing. In addition, the Framework limits the look back period to expenditures made within three years from the financing with issuance of the green bond or execution of green loans.
- Project Evaluation and Selection:

⁶ The Green Grid is an affiliate membership level of the Information Technology Industry Council (ITI). It is an industry consortium working to improve IT and data center energy efficiency and eco-design around the world. Refer to the website for details: <https://www.thegreengrid.org/en/about-us>

⁷ The Green Grid's PUE measures the ratio of the energy consumption of total facility and the energy consumption of IT equipment within that facility. PUE does not consider "the efficiency of IT or networking equipment (or software applications)," and was designed "only to benchmark efficiency gains over time at an individual site rather than to compare one facility against another." The global average of PUE ratio came from the Uptime Institute's survey of almost 900 data center operators, IT and facilities management, and executives. Most survey respondents (62%) were from large, mature data center markets, such as the US, Canada, and Europe, with a balance spread across a mix of emerging and smaller data center markets. Uptime Institute Global Data Center Survey: <https://datacenter.com/wp-content/uploads/2018/11/2018-data-center-industry-survey.pdf>

⁸ 4 NREL, High-Performance Computing Data Center Power Usage Effectiveness: <https://www.nrel.gov/computational-science/measuring-efficiency-pue.html>

- Eligibility of the project will be evaluated based on the eligibility criteria by SCSK's Finance Division with support of the Sustainability Division. The final approval will be made by the President and Chief Operating Officer or the Director in charge of finance.
 - Considering the involvement of senior management and multiple departments stated above, Sustainalytics views the Company's project selection and evaluation processes as in line with market practice.
- Management of Proceeds:
 - SCSK's Finance Division is responsible for the management of the proceeds. Finance Division will track and manage the allocated and unallocated amounts using an internal system on quarterly basis, until the maturity of the green bonds and green loans. In addition, the Director in charge of finance or the General Manager of the Finance Division will confirm the result of tracking on a quarterly basis. Pending allocation, unallocated funds will be held in cash or cash equivalents. In case of events such as change to the construction or plan for the data center, unallocated funds will be held in cash or cash equivalents or reallocated to an alternative green project that meets the Eligibility Criteria.
 - Considering the involvement of department in charge and the clear management, Sustainalytics views SCSK's management of proceeds as in line with market practice
 - Reporting:
 - SCSK is committed to disclosing the allocation of proceeds of green finance and its environmental indicators, on an annual basis, on the Company website.
 - Allocation reporting will contain information pertaining to the proceeds allocation plan, allocated and unallocated amounts, allocation schedule, method for management of funds pending allocation, and the amount or share of refinancing in case the proceeds are allocated to refinancing, until all proceeds will be allocated. Additionally, In the event of significant change after full allocation, the Company is committed to disclosing information in a timely manner.
 - Impact reporting will contain either the annual average PUE, energy use, or CO₂ emissions volume so long as there is green bond or green loan outstanding.
 - Sustainalytics considers that the Company's reporting is in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the SCSK Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

Alignment with Japan's Green Bond Guidelines 2020 and Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020

The guidelines communicate what an issuer is expected to do to issue a credible green bond and loan. Sustainalytics assessed the alignment between the Framework and the 'should' items outlined in the Japan's guidelines 2020 on green bonds and green loans. For detailed information please refer to Appendix 3: Alignment with Japan's Green Bond Guidelines 2020 as well as Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020.

Section 2: Sustainability Strategy of SCSK

Contribution of framework to SCSK Corporation's sustainability strategy

Based on the corporate philosophy,⁹ SCSK aims to promote sustainability management that contributes to offering solutions to social issues as its medium- to long-term growth strategy.¹⁰ In addition, the Company has identified "global environmental contributions" as one of its material issues for implementing the strategy,

⁹ SCSK Corporation, "Corporate Philosophy", at: https://www.scsk.jp/corp_en/vi.html

¹⁰ SCSK Corporation, "Notification of Establishment of SCSK Group Medium-Term Management Plan (FY2020-FY2022)", at: https://www.scsk.jp/ir_en/news/2020/pdf/20200428_3e.pdf

¹¹ and aims to conduct environmentally-friendly business activities. Data centers are a priority material issue in the Company's value chain, with largest energy consumption and greenhouse gas (GHG) emission. The Company is promoting higher efficiency and energy saving by monitoring and disclosing power use efficiency (PUE), optimization of operation including air conditioning control, and capital expenditures such as equipment renewal and functionality enhancements.¹²¹³

In accordance with its corporate philosophy and Sumitomo Corporation Group's environment policy,¹⁴ SCSK has established an Environment Action Plan,¹⁵ listing 1) collaboration with partner companies towards a transition to decarbonized society; 2) contribution to creation of a resilient society addressing climate-change related risks; and 3) realizing environmentally friendly and sustainable corporate activity, as the desirable direction of business and set environmental goal for each item. With respect to 3) above, a GHG reduction target for business activities have been set, and energy saving, and waste volume reduction is being promoted at data centers and offices.¹⁶

Considering the above, Sustainalytics is of the opinion that the use of proceeds set forth by SCSK under the Framework is aligned with its sustainability strategy and will contribute to the promotion of its initiatives to improve data center efficiency and save energy.

Well-positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the energy efficiency related project of the data center defined as eligible for the use of proceeds by SCSK creates clear environmental benefits, Sustainalytics is also aware that such project poses potential environmental and social risks. Main risks include adverse impact on ecosystem, noise/vibration, information leakage and data privacy infringement in conjunction with the construction and operation of data centers. Sustainalytics is of the opinion that the Company is well positioned to mitigate and address the environmental and social risks associated with the eligible project due to the consideration of implementation of policies and processes described below.

- SCSK is committed, under the Framework, to conducting environmental impact evaluation in accordance with the environmental impact assessment ordinance established by the local municipality where the data centers are located, and to comply with the applicable environmental laws and regulations. The environmental impact assessment required under the ordinance is applicable to businesses that are likely to have significant impact on the environment, and prescribes the procedures for prior research/projection/evaluation and ex post facto research on material impact on environmental factors based on the type of business and regional characteristics. Implementation of such procedures ensures management of environmental risks that are of concern. As an example, in Chiba Prefecture Environmental Impact Assessment Ordinance, designated projects above a certain scale are required to conduct environmental impact assessment, and developers are required to conduct assessment on the impact of project implementation on environmental factors including the ecosystem, noise and vibration, air quality, and water quality, which are selected based on the project and regional characteristics.^{17 18} Environmental protection measures will be considered based on the assessment, and verification of whether the environmental impact has been avoided or reduced by the measures, as well as post-project survey will be conducted.
- SCSK Group has obtained ISO14001 certification, the international standard for environmental management, and is engaged in reducing environmental risks by implementing an environmental management framework.¹⁹
- SCSK has acquired ISO27001 certification, an international standard for information security management systems, for its data centers in order to manage and reduce information security related

¹¹ SCSK Corporation, "Approach to Material Issues", at: https://www.scsk.jp/corp_en/csr/materiarity/description.html

¹² SCSK Corporation, "Specific Environmental Initiatives", at: https://www.scsk.jp/corp_en/csr/environment/efforts.html

¹³ SCSK Corporation, "Data Center Initiatives", at: https://www.scsk.jp/corp_en/csr/environment/datacenter.html

¹⁴ Sumitomo Corporation, "Environmental Policy and Management Structure, Objectives and Results", at:

<https://www.sumitomocorp.com/en/jp/sustainability/environment-policy>

¹⁵ SCSK Corporation, "Environmental Policy", at: https://www.scsk.jp/corp_en/csr/environment/sustainable_business.html

¹⁶ SCSK Corporation, "Environmental Policy", at: https://www.scsk.jp/corp_en/csr/environment/sustainable_business.html

¹⁷ Chiba Prefectural Office, "About Environmental Impact Assessment" (Japanese only), at:

<https://www.pref.chiba.lg.jp/kansei/eikyohyouka/jourei/documents/kankyoeikyohyoukatoha.pdf>

¹⁸ Chiba Prefectural Office, "Rules for Establishing Guidelines for Selecting Items for Environmental Impact Assessment of Projects under the Chiba Prefecture Environmental Impact Assessment Ordinance, Guidelines for Rationally Selecting Methods for Surveying, Predicting and Evaluating the Items, and Guidelines for Measures for Environmental Conservation" (Japanese only), at:

<https://www.pref.chiba.lg.jp/kansei/iken/2013/documents/asesugijutusisin201401.pdf>

¹⁹ SCSK Corporation, "Environmental Policy", at: https://www.scsk.jp/corp_en/csr/environment/sustainable_business.html

risks,²⁰ and the Company has committed to Sustainalytics that it will acquire the same certification for its newly constructed data centers. By establishing the Information Security Basic Policy,²¹ the Company has committed to compliance with laws, regulations and rules related to information security management operation and information security. Furthermore, it requires its contractors to comply with its Information Security Guidelines which set forth the requirements regarding information security.²²

Section 3: Impact of Use of Proceeds

The use of proceeds category defined by SCSK in the Framework, is aligned with those recognized by the GBP, GLP, Japan’s Green Bond Guidelines 2020, as well as Expected Elements of Green Loans under the Green Loans and Sustainability Linked Loan Guidelines 2020. Sustainalytics explains why the project category produces positive environmental impacts in Japan as follows:

Significance of improving data center energy efficiency for Japan’s climate change actions

Since 2015, global annual energy consumption and GHG emission volume by information and communications technology (ICT) sector has been increasing by about 9% and 8%, respectively²³. In addition, energy consumption and GHG emission volume arising from ICT in 2020 is estimated to account for about 3.3% of total global consumption and about 4% of total global emissions, respectively. Data center energy consumption accounts for about 19% of total consumption by ICT, and is contributing significantly to the environmental load by the ICT sector²⁴. Global data distribution is estimated to double between 2018 and 2021,²⁵ and data centers are required to improve energy efficiency to control energy consumption.

In Japan, data center services market is expected to experience about 9.1% average annual growth between 2019 and 2024, and a trial calculation indicates that the share of data centers in overall demand for power will increase from 1.5% in 2018 to 5% in 2028.^{26,27} In Japan’s Nationally Determined Contribution (NDC), the Japanese government aims at GHG emission reduction of 26.0% from the level of FY2013 by FY2030, which requires reducing energy demand by 50.3 million kL across Japan during the period²⁸. Therefore, improving energy efficiency of data centers which are expected to increase demand will be an important measure for achieving Japan’s climate goals.

Under the Framework, SCSK intends to allocate the proceeds of green finance to the cost of construction, refurbishment, acquisition, and operation of energy efficient data centers with PUE below 1.5. Sustainalytics considers that the use of proceeds will contribute to the reduction of expected growth in energy consumption by data centers and to the achievement of the climate target by the Japanese government.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds and loans issued under the SCSK Green Finance Framework advances the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

²⁰ SCSK Corporation, “Information Security”, at: https://www.scsk.jp/corp_en/csr/governance/security/security.html

²¹ SCSK Corporation, “Information Security Basic Policy”, at: <https://www.scsk.jp/security.html>

²² SCSK Corporation, “Information Security”, at: https://www.scsk.jp/corp_en/csr/governance/security/security.html

²³ The Shift Project, “LEAN ICTTOWARDS DIGITAL SOBRIETY”, at: https://theshiftproject.org/wp-content/uploads/2019/03/Lean-ICT-Report_The-Shift-Project_2019.pdf

²⁴ The Shift Project, “LEAN ICTTOWARDS DIGITAL SOBRIETY”, at: https://theshiftproject.org/wp-content/uploads/2019/03/Lean-ICT-Report_The-Shift-Project_2019.pdf

²⁵ Ministry of Internal Affairs and Communications, “White Paper on Information and Communications, Part 1, Special Feature: The Evolving Digital Economy and the Future of Society 5.0 (Japanese only)”, at: <https://www.soumu.go.jp/johotsusintokei/whitepaper/ja/r01/html/nd112110.html>

²⁶ IDC Japan, “IDC Releases Domestic Data Center Services Market Forecast”, at: <https://www.idc.com/getdoc.jsp?containerId=prJPJ46788520>

²⁷ Nihon Keizai Shimbun, “Impact on power supply and demand at data centers: Challenges in developing transmission lines”(Japanese only), at: <https://www.nikkei.com/article/DGXMZO47917970Z20C19A7EE8000/>

²⁸ “Japan’s Nationally Determined Contribution”, at : <https://www.env.go.jp/press/files/jp/113664.pdf>

Conclusion

SCSK has developed the SCSK Green Finance Framework under which it will issue green bonds and execute green loans and allocate the proceeds to financing and/or refinancing related to energy efficient data centers. Sustainalytics views that the use of proceeds set forth in this framework by the Company will contribute to the promotion of the Sustainability Management under its medium- to long-term growth strategy and supports achievement of the climate change action of the Japanese government as well as promotions of SDGs Goal 7.

SCSK's use of proceeds is an eligible project category recognized as having clear environmental benefits in the GBP, GLP, Japan's Green Bond Guidelines 2020, as well as expected elements of green loans under the Green Loans and Sustainability Linked Loan Guidelines 2020. The Company intends to use the proceeds as expense for construction, refurbishment, acquisition, and operation of data centers that satisfies the "PUE 1.5 or less" threshold, and to implement project evaluation and selection by the Finance Division and Sustainability Development Department, management of the proceeds by the Finance Division, and annual disclosure of allocation status and environmental indicators. Sustainalytics is of the opinion that the Company's commitment to the processes is in line with market practice.

Based on the above, Sustainalytics is confident that the Framework is credible, transparent, and in alignment with the four core components of the GBP, GLP, as well as Japan's Green Bond Guidelines 2020, and expected elements of green loans under the Green Loans and Sustainability Linked Loan Guidelines 2020.

Appendices

Appendix 1: Framework Overview

For the purpose of issuing green bonds and executing green loans, SCSK has developed the following Framework which addresses the four key core components of the GBP and GLP: use of proceeds, project evaluation and selection process, management of proceeds, and reporting, in February 2021. The Framework belongs to SCSK.

1. Use of proceeds

The proceeds of green bonds or green loans will be allocated to new expenditures or refinance related to construction, refurbishment, acquisition, and operation of data centers that meet the following Eligibility Criteria. Refinancing will be limited to expenditures made within three years from the financing with issuance of the green bonds or green loans.

1.1 Eligibility Criteria

Power Usage Effectiveness (PUE) below 1.5

■ Green Bond Principles and the Green Loan Principles Business category: Energy Efficiency

Under the framework, in case of refinancing an asset that requires long-term maintenance, through the issuance of multiple green bonds and green loans, the age of the assets and remaining useful life and the amount to be refinanced will be disclosed as at the time of issuance of the green bond or execution of the green loan.

If part of a multiple tranche of a loan is a green loan, the green tranche will be clearly designated and tracked in an appropriate manner.

2. Process for project evaluation and selection

2.1 Application of Eligibility and Exclusionary Criteria in Project Selection

SCSK's Finance Division, with support of Sustainability Division, selects projects that meet the Eligibility Criteria, with the final decision to be made by the President and Chief Operating Officer or the director in charge of finance.

2.2 Environmental Objectives

Based both on our Corporate Philosophy of "Create Our Future of Dreams" and the environmental policies of the Sumitomo Corporation Group, we have formed an Environmental Action Plan with three distinct targets.

SCSK is a company that contributes to society through its business activities, namely the provision of IT services. As such, we aim to create an affluent society together with our customers.

Environmental Action Plan

1. To collaborate with customer companies with the aim of contributing to the realization of carbon-free societies
Together with our customers, we intend to develop and establish efficient systems that contribute to reductions in greenhouse gases.
2. To contribute to the creation of resilient societies that respond to climate change risks
We intend to contribute to the establishment of resilient societal infrastructure, by means of data centers that can be used as disaster recovery bases and the utilization of the latest technologies.
3. To realize sustainable corporate activities that take the environment into consideration
Through the implementation of energy savings and the use of renewable energy sources, we intend to minimize the greenhouse gases emitted as a consequence of our business activities.

2.3 Process to Mitigate Environmental and Social Risks

SCSK will confirm that the following processes are implemented to mitigate expected environmental risks.

- (1) Compliance with Laws and Regulations
1. Compliance with Environment Related Laws and Regulations
 SCSK Group ensures that all officers and employees comply with all laws and regulations including those related to the environment.
 2. Environmental Assessment
 In accordance with the environmental impact assessment ordinances of the local government where the facility is located, environmental impact assessment and research to reduce negative impact on environment from large development projects are conducted as necessary.

(2) Practical Measures

Negative Impact	Countermeasures
Noise and vibration associated with construction	Carry out in compliance with laws and regulations
Increased noise, vibration and air pollution and other issues caused by concentration to specific location and time	Manage the increase in exhaust gas with efficient traffic flow from site entrance to the truck berth

3. Management of Proceeds

- Proceeds Allocation Plan
 The proceeds of green bonds or green loans will be allocated immediately to the necessary use of proceeds for Green Projects that meet the Eligibility Criteria.
- Method for Tracking the Proceeds
 SCSK Finance Division will track and manage the linkage of the green bonds or green loans proceeds and assets and allocation of the proceeds using an internal system on quarterly basis, so long as the green bonds or green loans are outstanding. In addition, SCSK intends to have the results of tracking confirmed by the director in charge of finance or General Manager of the Finance Division, generally on a quarterly basis.
- Internal Control and External Audit of Tracking and Management
 Business operation of the Finance Division is subject to internal audit.
- Management of Unallocated Proceeds
 Unallocated green bond or green loan proceeds will be managed as cash or cash equivalents until all the proceeds are fully allocated. In case of events such as change to the construction or plan for Data Centers, SCSK intends to manage unallocated proceeds as cash or cash equivalents, or reallocate to an alternative Green Project that meet the Eligibility Criteria.

4. Reporting

- 4.1 Allocation reporting**
 Annual disclosure will be made on SCSK’s website on information concerning allocation status of the proceeds until all the proceeds are fully allocated to the projects,;
- (1) Plan for allocation of proceeds
 - (2) Amount of allocated proceeds
 - (3) Approximate amount of unallocated proceeds, intended timing of allocation and the method of management while the proceeds are unallocated
 - (4) Intend to include approximate amount or share in case of allocation to refinancing.
- In the event of significant change after full allocation, disclosure will be made in a timely manner.
- 4.2 Impact reporting**
 Annual disclosure will be made on the SCSK’s website.
 While the green bond and green loan is outstanding, SCSK intends to report on the environmental benefits of the business for which the proceeds are used, to the extent practicable in one of the following areas:
- (1) Annual average PUE
 - (2) Energy use

(3) CO ₂ emission

Appendix 2: Example of Allocation of Green Finance Proceeds

- Project data center: “netXDC Chiba Center No.3 (S13)”²⁹

Address	Inzai City, Chiba Prefecture
Site Area	Approximately 32,201 sqm
Total Floor Space	Approximately 13,000 sqm
Scheduled Completion	March 2022
Building	No basement, 7 floors above ground, 2 floors utility steel structure building, SRC seismic isolation with vertical vibration control
Power Supply Equipment	Main line spare line 2-system power receiving Generator: N+1 redundant configuration with 72 consecutive hours of service UPS: Flexible design for modifying redundant configurations on a per-room basis
Cooling Equipment	N+1 redundant configuration (can be optionally expanded to N+2 configuration)
Number of Racks	1600 racks
Total Power Capacity	20MW

²⁹ SCSK Corporation, “Decided to build an advanced datacenter optimizes overall corporate systems in Inzai City, Chiba Prefecture”, at: https://www.scsk.jp/ir_en/news/2020/pdf/20201124e.pdf

Appendix 3: Alignment with Japan’s Green Bond Guidelines 2020 and Expected Elements of Green Loans under the Green Loan and Sustainability Linked Loan Guidelines 2020

Four elements	Alignment	Sustainalytics’ comments
1. Use of Proceeds	Yes	SCSK’s use of proceeds for the energy efficiency related project under this Framework falls under the category of projects with clear environmental benefits in Japan’s Green Bond Guideline 2020 as well as expected elements of Green Loans under the Green Loan and Sustainability Linked Loan Guidelines 2020. The Company describes its measures for managing and mitigating environmental risks associated with the Eligible Project in the Framework, which is available for investors and lenders to view in advance. In the Framework, the Company explains that when an asset that requires long-term maintenance will be refinanced through multiple issuances of green bonds and execution of green loans, the age of the assets and remaining useful life and the amount to be refinanced will be disclosed as at the time of issuance. Moreover, the Company describes in the Framework that if part of a multiple tranche of a loan is a green loan, the green tranche will be clearly designated and tracked in an appropriate manner.
2. Process for Project Evaluation and Selection	Yes	In the Framework, the Company describes the environmental goal it is aiming to achieve through the issuance of the green bonds and execution of green loans. In addition, Eligibility Criteria and processes for project evaluation and selection are explained.
3. Management of Proceeds	Yes	The Finance Division will manage the proceeds and will track the allocated and unallocated amounts on quarterly basis using an internal system so long as the green bonds and green loans are outstanding. In addition, the Company explains in the Framework that unallocated proceeds will be managed as cash or cash equivalents.
4. Reporting	Yes	SCSK intends to make annual disclosure on the status of the allocation of the proceeds and environmental benefits of the green projects, and on timely basis if there is significant change. Allocation reporting will be provided until the proceeds have been fully allocated, and include the proceeds allocation plan, allocated and unallocated amounts, schedule of allocation, method of management of proceeds pending allocation, and the amount or share of refinancing in case the proceeds are allocated to refinancing. Impact reporting is to report either the annual average PUE, energy use, or CO ₂ emissions volume so long as there is green bond outstanding.

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	SCSK Corporation
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	SCSK Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 15, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds Energy Efficiency, is aligned with those recognized by the GBP and GLP. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

SCSK's Finance Division, with support of Sustainability Division, evaluates and selects projects in accordance with the eligibility criteria. Final approval for selected projects will be provided by the President and Chief Operating Officer or the Director in charge of finance of the Company. The Company's project evaluation and selection processes is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The Finance Division will track and manage the allocated and unallocated amounts of the proceeds using an internal system on quarterly basis, until redemption of the bond. Unallocated proceeds will be held in cash or cash equivalents. SCSK's management of proceeds is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (if applicable):

SCSK intends to annually report on the allocation of the proceeds of the green bonds and their environmental performance indicators on its website. Allocation reporting will include the proceeds allocation plan, allocated and unallocated amounts, schedule of allocation, method of management of unallocated amounts, and the amount or share of refinancing. Impact reporting will include either annual average PUE, energy use, or CO2 emissions volume as a quantitative indicator, where feasible. Sustainalytics considers SCSK's reporting to be in line with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*): Amount of allocated proceeds, intended timing of allocation, the method of management, share of refinancing.

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): Where feasible, either annual average PUE, energy use, or CO2 emissions volume

Frequency

- Annual Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (*please specify*):
The Company's website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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This document is translated from the Japanese language. In case of discrepancies between the Japanese language and translated versions, the Japanese language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named
2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

