



**SuMi TRUST**  
SUMITOMO MITSUI TRUST GROUP

# Progress of Our Approach to Carbon Neutrality

**Feb 2, 2023**

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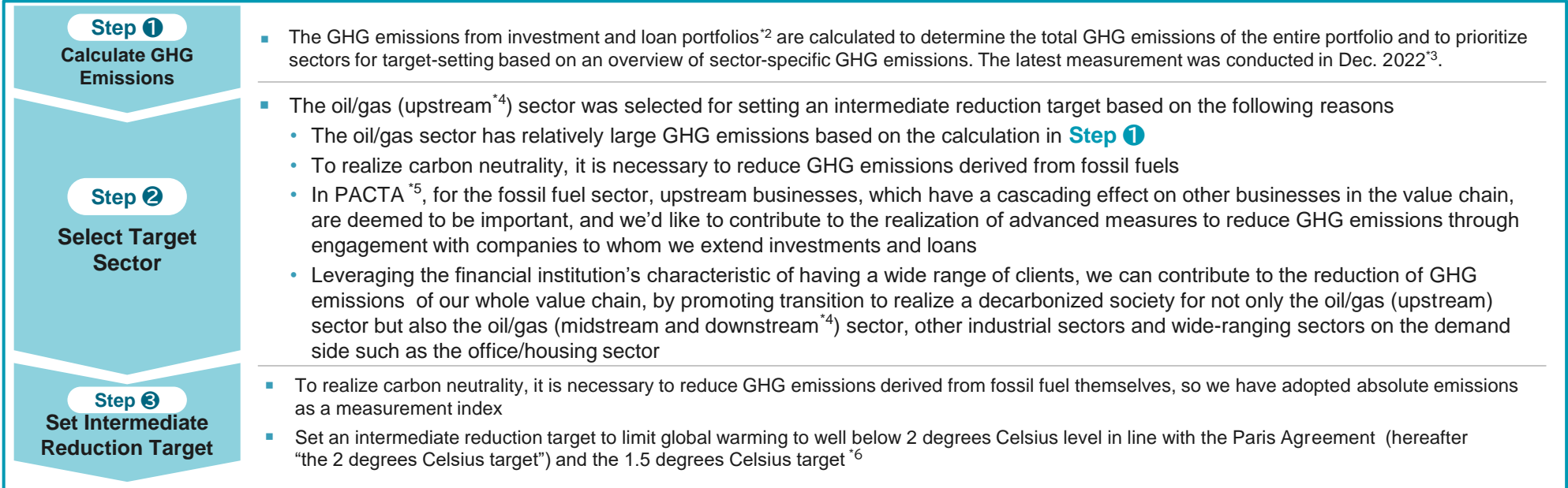
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# 1 Set Intermediate Reduction Target for 2030 : SuMi TRUST Bank -Oil/Gas Sector-

- SuMi TRUST Bank has selected the oil/gas sector from the 9 highly carbon-intensive sectors\*<sup>1</sup> for which NZBA encourages target-setting, and set an intermediate reduction target for absolute emissions in 2030

## Process of Setting Target



Knowledge gained through target-setting studies is reflected in our proposal/support for clients.



Knowledge of sector and understanding of clients are deepened through engagement, which is reflected in review of target-setting process

## Engagement

- Provide SuMi TRUST Group's diversified solutions to support transition, in addition to financial support, through engagement with clients in the oil/gas sector (upstream) and on the demand side
- Contribute not only achieve the intermediate reduction target in investment and loan portfolios, but also to the transition toward a decarbonized society, which our clients are seeking

\*1: 9 sectors are agriculture, aluminum, cement, coal, commercial/residential real estate, steel, oil/gas, power generation and transportation. For the electric utilities sector, we already set a target in Oct. 2022

\*2: Sum of figures calculated by multiplying GHG emitted from clients by those attributable to SuMi TRUST Group through investments and loans

\*3: We measured GHG emissions based on the PCAF Standard. For details, please see "TCFD REPORT 2022/2023" of SuMi TRUST Holdings. English text version will be disclosed in Feb 28, 2023

\*4: In the gas/oil sector, the upstream indicates "exploration, development and production". The midstream and downstream indicate "transportation" and "processing and supply" respectively

\*5: Paris Agreement Capital Transition Assessment

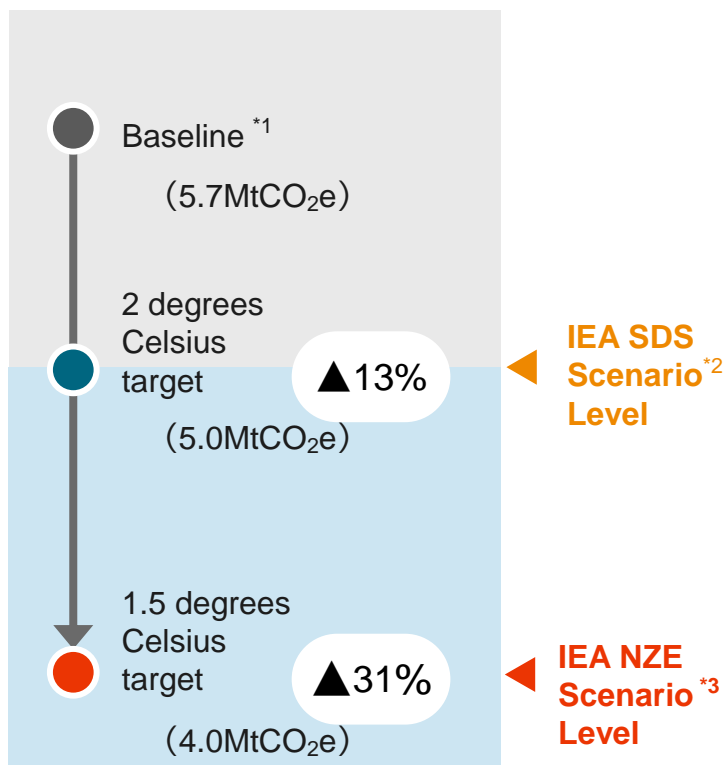
\*6: Targeting credit transactions of SuMi TRUST Bank, SuMi TRUST Bank (Thai) and SuMi TRUST Panasonic Finance

# 1 Set Intermediate Reduction Target for 2030 : SuMi TRUST Bank -About Target-

- Set an intermediate reduction target in the ▲13% to ▲31% range, as the well below 2 degrees Celsius target and the 1.5 degrees Celsius target, which conform to the Paris agreement. We strive to achieve the target through engagement with clients, and support for their transition and technological innovation

## Intermediate Reduction Target for 2030

(The value with % is a target reduction ratio from the baseline.)



## Concept for Setting Target for 2030

**Well below 2 degrees Celsius level**  
("2 degrees Celsius target")

- Setting 2020 as a base year, refer to the CO<sub>2</sub> (including CO<sub>2</sub> converted from methane generated through production) reduction ratio (▲13%) of IEA SDS scenario as of 2030

**1.5 degrees Celsius target**

- Achieve the IEA SDS scenario level mentioned above, and furthermore support clients in transition through engagements and aim to achieve the reduction ratio (▲31%) which fits the IEA NZE scenario

## Major Premise for Calculating GHG Emissions

**Target Value Chain**

- Upstream businesses

**Target Scope**

- Scope 1, 2 and 3

**Target Investment and Loan**

- Financing, acceptance and guarantee, corporate bonds and strategic shareholdings(including unused pledged lending)
- This calculation covers 81% of the target investments and loans

**Calculation Method**

$$\sum \left( \text{Emissions of each client/Project} \times \frac{\text{Balance of investments and loans to each client/Project}}{\text{Funding amount of each client/Project}} \right)$$

\*1: Baseline : GHG emissions or the emission intensity at the start of working toward the target. It can be revised, if the availability of the data is improved.

\*2: IEA SDS scenario : a scenario to restrain the increase of the world mean temperature under 2 degrees Celsius (1.8 degrees Celsius ) with a probability of 66% or more announced by IEA (the International Energy Agency)

\*3: IEA NZE scenario : to restrain the increase of the world mean temperature to 1.5 degrees Celsius with a probability of 50% or more announced by IEA

# Set Intermediate Reduction Target for 2030 : SuMi TRUST Bank

## - Details of Target Setting, Reference Guideline -

Outline of premise to set target		Background and details of premise	Reference guideline
<b>Fiscal year</b>			
Year of setting standard	FY2020 (Mar. 31, 2021)	<ul style="list-style-type: none"> <li>In principle, the base date needs to be set within 2 years from the date when the target is set</li> </ul>	NZBA
Year of setting target	2030	<ul style="list-style-type: none"> <li>The intermediate reduction target needs to be set for 2030 or before</li> </ul>	NZBA
<b>Calculation target</b>			
Target investments and loans	Lending, acceptance and guarantee, corporate bonds and strategic shareholdings (including unused pledged lending)	<ul style="list-style-type: none"> <li>Targeted the exposure of credit businesses*1 based on the Recommendation of NZBA</li> <li>Including unused pledged lending</li> </ul>	NZBA
Cover ratio of investments and loans	81% of target investments and loans	<ul style="list-style-type: none"> <li>It became the calculation object for this target calculation, only if GHG emissions data and the financial data of each client to whom we extended investments and loans were available</li> </ul>	PCAF, NZBA
Target value chain	Upstream businesses	<ul style="list-style-type: none"> <li>Set the target, considering the upstream businesses, which have a sequential effect on the other businesses in the value chain, are important in the fossil fuel sector</li> </ul>	PACTA
Target business/ target Scope	Scope 1, 2 and 3	<ul style="list-style-type: none"> <li>Targeted Scope 3 in addition to Scope 1 and 2, as most of emissions in the sector are CO<sub>2</sub> emissions generated from sold products at burning</li> </ul>	SBTi
<b>Calculation method</b>			
Measuring indicator	Absolute emissions (MtCO <sub>2</sub> e)	<ul style="list-style-type: none"> <li>Set the target to grasp the total amount of GHG emissions exhausted through the use of fossil fuel and realize the reduction of the total amount through engagement</li> </ul>	NZBA
Calculation formula of indicator	$\sum \left( \begin{array}{l} \text{Emissions of each} \\ \text{client/Project} \end{array} \times \frac{\begin{array}{l} \text{Balance of investments and} \\ \text{loans to each client/Project} \end{array}}{\begin{array}{l} \text{Funding amount of} \\ \text{each client/Project} \end{array}} \right)$	<ul style="list-style-type: none"> <li>Applied the method of PCAF, which is the global standard</li> </ul>	PCAF
Reference scenario	2 degrees Celsius target: IEA SDS scenario*2 in general 1.5 degrees Celsius target scenario*3 : IEA NZE	<ul style="list-style-type: none"> <li>Referred to the IEA scenario, which was globally approved and is the global standard of the banking industry</li> </ul>	NZBA
Data used	Disclosed information of individual client to whom we extend investments and loans, IEA, etc.	<ul style="list-style-type: none"> <li>Adopted only highly reliable sources such as documents disclosed by clients to whom we extended investments and loans, and those of governments/international organizations and global data vendors</li> </ul>	NZBA
Quality of data used	Scope 1 and 2 Scope 3	<ul style="list-style-type: none"> <li>Targeted only the data which enable estimation with 4 or more PCAF score for Scope 1 and 2, and with 3 or more PCAF score for Scope 1</li> </ul>	PCAF, NZBA
	PCAF score*2 1.8 PCAF score 2.2		

\*1 : Targeting credit transactions of SuMi TRUST Bank, SuMi TRUST Bank (Thai) and SuMi TRUST Panasonic Finance

\*2 : Original score of PCAF with 5 grades from 1 to 5, which shows the quality of the data. Scores change responding to the degree of estimation, with score 1 being the highest in quality. Those scores are the mean scores of the sector, which are the weighted averages using the balance of investments and loans

## 2 Summary : Road Map toward Carbon Neutrality

	FY2020	FY2021	FY2022	...	FY2030	FY2040	FY2050
<b>1 Net Zero GHG Emissions in inv. &amp; loan portfolio(NZBA)</b>							Net Zero
Electricity(emission intensity, g-CO <sub>2</sub> eq/kWh)	249				138~173		
Oil/Gas(emission reduction ratio, MtCO <sub>2</sub> e)	5.7				▲13%~▲31%		
Other Highly Carbon Intensive Sectors <sup>*1</sup>					Successively set by Sep. 2024		
<b>2 Net Zero GHG Emissions in investment portfolio (NZAMI)</b>							Net Zero
SuMi Trust Asset Management				»	Halve emission intensity for 50% of managed assets <sup>*2</sup> from 2019		
Nikko Asset Management				»	Halve emission intensity for 43% of managed assets <sup>*3</sup> from 2019		
<b>3 Total amount of cumulative sustainable financing which we have worked on<sup>*4</sup></b>		0.83trillion yen		»	Total 10 trillion yen		
<b>4 Loan balance for coal-burning power plants</b>							
Loan for projects		142.7 billion yen		»	Halve from Mar. 2020	Zero	
Corporate loans (new/expansion)		20.1 billion yen		»		Zero	
<b>5 Net Zero GHG Emissions of SuMi TRUST Group</b>			Completed shift to electricity from renewable sources in domestic branch offices of the trust bank	»	Net Zero		
<b>6 Strengthen risk control set-up</b>							
<b>Scenario analysis</b>							
Transition risk	Elect. utilities sector	Shipping sector	<ul style="list-style-type: none"> <li>Simple analysis per sector</li> <li>Detailed analysis of each energy company</li> </ul>		Successively expand targeted sectors for specific analyses		
Physical risk	Mortgage loans		<ul style="list-style-type: none"> <li>National real estate finance</li> </ul>		Start analysis of national project finances and others successively		
GHG Emissions in loan & investment portfolios		Initial trial calculation	<ul style="list-style-type: none"> <li>Successively set and update measurement</li> </ul>		Continuous review and enhancement		
Manage portfolio (Revision of Sector Policy)		Clarify trades banned/to note	<ul style="list-style-type: none"> <li>Partially ban lending to coal-burning power plants</li> <li>Clarify transition supports</li> </ul>		Continuous review and enhancement		

\*1: Highly carbon-intensive sectors are 9 sectors to which targets should be set with priority according to the NZBA guideline: agriculture, aluminum, cement, coal, commercial/residential real estate, steel, oil/gas, power generation, transportation

\*2: Targeting 43 trillion yen, 50% of 85 trillion yen of total managing assets as of Jun 30, 2021. Excluded managing assets are sovereign bonds, etc., for which a method to calculate has not been established yet but will be successively added as target assets, when a method is established from now on

\*3: Targeting approximately 13 trillion yen, 43% of 31 trillion yen of managing assets as of the end of Dec. 2021

\*4: Sustainable financing is a general term for financial services to businesses and clients which contribute to solving environmental/social issues based on international standards such as the Green Bond Principle and the Social Bond Principle. Initially SuMi TRUST Bank set the target to tackle to a total of 5 trillion yen, but has changed to a total of 10 trillion yen including 2.5 trillion yen by impact equities since FY2022, responding to expanding financial needs for accelerated environmental/climate change