



# SUMITOMO MITSUI TRUST HOLDINGS



**SuMi TRUST**  
SUMITOMO MITSUI TRUST HOLDINGS

## Sustainability Report 2020/2021

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## Reason for Existence (“Purpose”)

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# Creating new value with the power of trusts and let prosperous future for our clients and society bloom

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## Management Principles (“Mission”)

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- (I) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (II) Adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society.
- (III) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (IV) Offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions.

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## Ideal Model (“Vision”)

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### —Towards “The Trust Bank”—

Based on the fiduciary spirit and with significant expertise and comprehensive capabilities, the Sumitomo Mitsui Trust Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

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## Codes of Conduct (“Value”)

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In order to pursue the Management Principles of the Sumitomo Mitsui Trust Group, the executives and employees commit themselves to comply with the six Codes of Conduct described below.

### **Completely Client-oriented—Truthfulness and Loyalty**

We will adhere to the highest degree of “Truthfulness and Loyalty” as well as credibility and sureness, and will carry out all our responsibilities for client satisfaction and comfort as our top priority.

### **Contribution to Society—Dedication and Development**

We will remain dedicated in all our efforts, with “Frontier Spirit,” and continue to contribute to society.

### **Realization of Organizational Capability—Trust and Creativity**

We will realize our organizational capabilities with full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust.

### **Establishment of Individuality—Self-help and Self-discipline**

With a spirit of self-help and self-discipline as well as a sense of ownership, we will carry out our responsibilities.

### **Strict Compliance with Applicable Laws and Regulations**

We will strictly comply with all applicable laws, rules and regulations, and will ensure that all our corporate activities meet the highest standards of social norms.

### **Resolute Stance against Antisocial Forces**

We will continue to take a resolute stance against antisocial forces, which may threaten public order and the security of civil society.

# Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)

At Sumitomo Mitsui Trust Group, based on our Reason for Existence (“Purpose”), our Management Principles (“Mission”), our Ideal Model (“Vision”) and our Codes of Conduct (“Value”), we respect dialogue with all stakeholders, such as clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities and international institutions, and play an active role in building a sustainable society.

## 1. Contribute to Solving Social and Environmental Problems through Business

- We work to solve social and environmental problems from a global perspective through our core businesses.
- We integrate the diverse functions that are unique to a trust bank group and develop new business models and innovative products and services to help solve social and environmental problems.

## 2. Serve Clients with Sincerity

- We strive to provide in-depth explanations and proposals so that clients can fully understand the details of our products and services. In addition, we make efforts to quickly meet the demands of clients and link their feedback to business improvements and product and service enhancement.
- We strive to undertake meticulous management of client information.
- We engage in educational and awareness-raising activities by cooperating with educational institutions, government authorities, NPOs, etc., to enable clients to take the lead in rationally selecting financial products and building sound assets.

## 3. Earn the Trust of Society

- We strictly adhere to all laws, regulations and rules, and conduct our activities in a sincere and fair manner that conforms to societal norms.
- We build sound and proper relationships with stakeholders, and fulfill our responsibilities as a member of society, engaging in fair competition and appropriate disclosure of corporate information, etc.
- We maintain a resolute stance against antisocial forces which threaten public order and safety, and work to prevent improper use of financial functions by organized crime.

## 4. Address Environmental Issues

- We aim to build a low-carbon society, a natural symbiosis society which fosters biodiversity, and a circulatory society, and will work to solve problems which obstruct these aims through our core businesses by cooperating with various stakeholders.
- We work on energy and resource conservation to reduce the environmental burden caused by our own activities.

## 5. Respect the Individual

- We respect individual rights and diverse values, rejecting unjustifiable acts of discrimination in all our activities.
- We create a safe and pleasant workplace environment, respect employees’ diverse ways of working, and strive to achieve work-life balance.
- We work to develop the skills of employees and strive to build sound minds and bodies.

## 6. Participate in and Contribute to the Community

- We aim to revitalize the community and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contribution such as educational and cultural activities.

# Editorial Policy

This report focuses on the ESG (Environmental, Social and Governance) initiatives of the SuMi TRUST Group, which strives for the balanced creation of both social value and economic value. The Group has been publishing integrated reports with investors as the primary reader since 2017, and this report provides comprehensive disclosure to investors and non-investor stakeholders seeking more detailed ESG information.

This report was prepared based on the Common Metrics presented in the white paper “Measuring Stakeholder Capitalism-Toward Common Metrics and Consistent Reporting of Sustainable Value Creation,” which was compiled by the four major global accounting firms based on recommendations from the World Economic Forum’s International Business Council. In addition, at the end of the report, there is a comparison table with these common metrics, the US non-financial disclosure standard SASB (Sustainability Accounting Standards Board) and financial

sector accounting metrics, and the GRI (Global Reporting Initiative) international non-financial disclosure standards, as well as annual disclosure information as mandated by the Principles for Responsible Banking to which the Group became a signatory in September 2019.

## Scope of This Report

Sumitomo Mitsui Trust Group (comprised of Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited, and other group companies)

## Target Readers

All stakeholders, including customers, shareholders and investors, employees, business partners, local communities, NPOs, governments, international institutions, etc.

## Period Covered by This Report

October 1, 2019 to September 30, 2020

\*This report also includes the most recent information on activities before fiscal year 2019 as well as after October 2020.

## Sustainability Information Disclosure Outline

In addition to this report and the Integrated Report, the Group discloses a variety of information on sustainability. First, there are separately published versions spun off from this report, which are the TCFD (Task Force on Climate-related Financial Disclosures) Report (formerly the “Climate Change Report”), the Natural Capital Report, and the Environmentally Friendly Property Report. In addition, SuMi TRUST Bank publishes two types of digest reports for seniors (“Considering the Problems of Dementia” and “Senior-Generation Housing”) every other year, and publishes the SuMi TRUST With You Social Contribution Report every quarter. Meanwhile, asset management business Sumitomo Mitsui Trust Asset Management publishes the Stewardship Report and Nikko AM publishes the Sustainability Report annually to disclose details of their respective ESG investment initiatives. Our website carries extensive information on the Sustainability activities that Sumitomo Mitsui Trust Group does not cover in this report.



Specifically, the website provides more detailed information on our initiatives related to issues such as successful aging and support for the environment and living creatures.

Sustainability in Sumitomo Mitsui Trust Group  
<https://www.smth.jp/en/csr/index.html>

The quarterly journal “SuMi TRUST With You” reports on the “With You” social contribution activities of SuMi TRUST Bank (four issues per year).





# Contents

## 004 Management Commitment

012  
**Principles of Governance**  
 Sustainability as a Management Strategy

- 006 Response to the Spread of COVID-19
- 008 The Sumitomo Mitsui Trust Group’s Reason for Existence (“Purpose”)
- 009 Medium-Term Management Plan (FY2020–2022)
- 010 SuMi TRUST Bank Message from the President
- 011 Sumitomo Mitsui Trust Asset Management Message from the President  
 Nikko Asset Management Co., Ltd. Joint Message from Co-CEOs
- 013 The Group’s Approach to Principles of Governance
- 014 Corporate Governance
- 016 Sustainability Promotion System
- 026 Compliance and Conducting Business Activities Fairly
- 033 Initiatives for Appropriate Tallying Operations of Voting Rights Exercise Forms at General Meetings of Shareholders
- 034 Risk Management and Materiality Management
- 045 Consideration for Borrowers’ Environmental and Social Impact

056  
**Planet**  
 Consideration for the Environment

- 057 The Group’s Approach to Planet (Environmental Issues)
- 058 Climate Change
- 068 Natural Capital (Biodiversity Issues)
- 077 Environmentally Friendly Property
- 085 Environmental Burden Reduction Measures

092  
**People**  
 Social Considerations

- 093 The Group’s Approach to People (Social Issues)
- 094 Respect the Individual
- 113 Addressing Issues of a Super-Aged Society

126  
**Prosperity**  
 Economic Considerations

- 127 The Group’s Approach to Prosperity (Economic Considerations)
- 128 Creation of Employment and Wealth
- 129 Providing Value to Clients
- 141 Helping Invigorate Communities and Society
- 177 Trust Forum Foundation
- 178 The Sumitomo Foundation

179 Comparative Table of the World Economic Forum’s Common Metrics	190 GRI Content Index
182 PRB Initiatives	207 Financial Review
188 SASB Index	208 Basic Information of the SuMi Trust Group

## Management Commitment



### Integrating sustainability into management and developing sustainability initiatives as our business

As COVID-19 continues to spread with no end in sight, there are concerns that social and economic activities will be stagnant for a long time. We would like to express our heartfelt sympathy to those who have been infected and their families, and to all those whose lives and business activities have been severely disrupted by COVID-19.

In addition, regarding the issue of forward processing in the tallying operations of exercised voting rights which came to light in September 2020, we would like to express our sincere apologies once again for causing great inconvenience and concern to all companies that have entrusted the provision of stock transfer agency services business to SuMi Trust Bank, Tokyo Securities Transfer Agent and JAPAN SECURITIES AGENTS, as well as to all shareholders and capital market participants.

We have defined our Purpose (reason for existence) as “To create new value with the power of trusts and let prosperous future for our clients and society bloom,” and have launched a Medium-Term Management Plan that places the “balanced creation of both social value and economic value” as a core management philosophy. By steadily advancing initiatives to solve a variety of social issues in the Group’s wide-ranging business domains, we aim to achieve sustainable development of society as well as sustainable and stable growth for the Group.

Looking at the macroeconomic environment, the concept of “Build Back Better” is being advocated to realize a stronger economy going forward compared to pre-COVID times based on lessons learned from the Global Financial Crisis. In Europe, enormous sums are being allocated on accelerating the climate-neutral Green Deal policy initiative to make it a pillar for economic recovery. Even in Japan, which has been lagging behind, a change in government policy is expected to lead to a strong push for monetary policies that promote environmental innovation. As a signatory to the Principles for Responsible Banking (PRB), which calls for conformity with the Paris Agreement and Sustainable Development Goals (SDGs), we will also play our expected roles in realizing a carbon-free society by promoting innovation of or facilitating the transition to renewable energy, hydrogen, next-generation storage batteries, and carbon recycling.

In addition to raising concerns about climate change, the spread of COVID-19 has also highlighted the importance of human capital. I feel that it is the mission of top management to create a workplace where the people responsible for executing the Medium-Term Management Plan and supporting the sustainable growth of the Group can safely take on the challenge of figuring out new ways to work under the new normal environment and contribute to improving performance. In March 2020, the Company was selected for the first time as one of the Nadeshiko Brand enterprises by the Ministry of Economy, Trade and Industry (METI), which recognizes companies that are carrying out outstanding initiatives to promote the advancement of women. We will continue to make every effort to support women’s career development by promoting them to positions of responsibility. Moreover, diversity is not just about gender. We are determined to further strengthen our initiatives to create a comfortable workplace and reform awareness in consideration of the super-aging society, for example by expanding opportunities for seniors with specialized skills and helping employees balance work and nursing care.

This year’s Sustainability Report adopted the common metrics of stakeholder capitalism, which was announced at the World Economic Forum (Davos) in January 2020 and officially released in September. As such, it is organized into four sections: Principles of Governance, Planet (Environment), People (Society), and Prosperity (Economy). This report also serves as the first release of the Report and Self-Assessment on the Principles for Responsible Banking required of PRB signatories.

Precisely because we are in this challenging environment, we will strive to become a company that creates positive impact by integrating sustainability into our management and developing sustainability initiatives as our business. I am grateful for the continued warm support of all our stakeholders.

January 2021

Sumitomo Mitsui Trust Holdings, Inc.  
Director, President



# Response to the Spread of COVID-19

The Group has been focusing on supporting various stakeholders in the prolonged efforts to combat the COVID-19 pandemic. To continue providing services in an unprecedented situation as a financial group specialized in trust banking, we will continue to take action based on three basic stances: ensuring the health and safety of employees and their families, ensuring business continuity as a key piece of social infrastructure, and preventing the spread of infection in society (including activities to create a society that is less prone to the spread of infection).

As a financial institution that plays an important role in social infrastructure, we will continue to ensure the stable continuation of business operations while maintaining the safety, security, and health of our clients and employees as our top priority.

## Response Policy 1 Ensuring business continuity as a key piece of social infrastructure (response to clients)

In response to client comments such as, "I need to go to the bank, but I want to avoid going out or coming into contact with people because I am worried about getting infected," or "I am worried about the impact on my assets if the market declines due to changes in the economic environment," the Group's branch offices are taking measures to prevent the spread of infection, such as holding

seminars online and installing acrylic panels to prevent droplet infection. In addition, we are working to improve client convenience by shifting various procedures and consultations to be handled through our website, online, and by telephone, as well as by developing new products designed to address COVID-19.

### Banking business

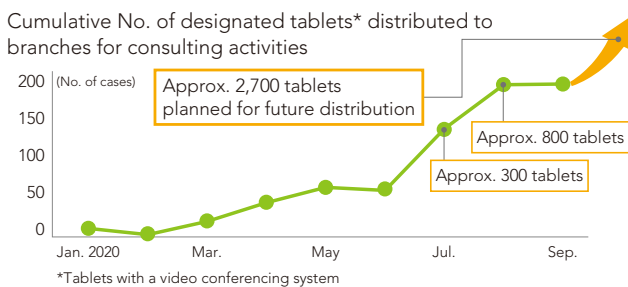
- Provided flexible financing options for individuals and corporations
- Established a ¥100 billion support fund to combat COVID-19 (until the end of September 2020)
- Set up a consultation desk for interest-free and unsecured loans
- Expanded coverage of home loan with special guarantee against eight major diseases; newly added loan repayment guarantee in case of unemployment (see page 143)

### Trust-related business

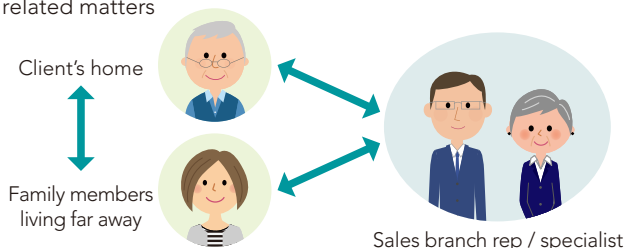
- (Pension) Continued administrative, management, and reporting tasks to ensure reliable delivery of pension and lump-sum payments
- (Stock Transfer Agency Services) Provided support for preparation and operation of General Meeting of Shareholders
- (Asset Management) Continued operations to maintain the flow of capital markets
- (Asset Administration) Continued to settle securities and funds for smooth capital market operations
- (Real Estate) Continued accounting and settlement reporting services for real estate securitization trusts and J-REITs

### Strengthen contactless online client support

- Online consulting for retail services



Respond to needs such as request to have family members living far away attend consultation sessions on inheritance related matters



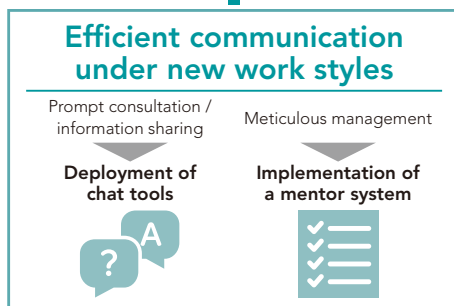
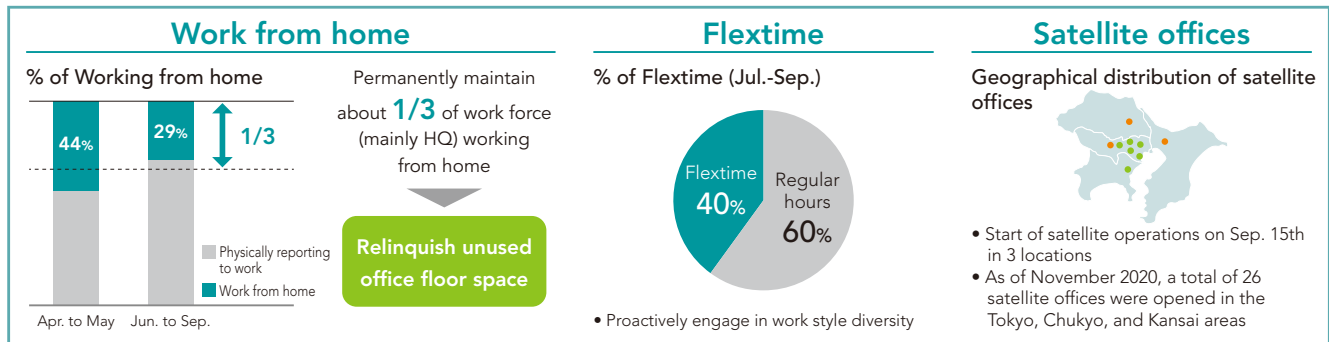
- Opened trust type next generation branch  
In November, SuMi TRUST Bank opened the first trust type next generation branch, which offers online consultation services, in the Chukyo area and is making efforts to further expand services for clients in the COVID-19 era.  
Overview of Online Consultation:
- Online consultation is a service where visual information as well as audio information is shared simultaneously with clients to provide consulting services unique to SuMi TRUST Bank regardless of location, number of participants, or distance.
- The service enables clients who are unable to visit the branch to consult online from their homes, while reviewing the brochure and seeing the staff, making it easier than ever to consult comfortably and safely.
- Furthermore, we can receive consultations from multiple locations at the same time, which enables family members who live far away to also join the session online.

## Response Policy 2 Ensuring the health and safety of employees and their families

Each Group company is focusing on initiatives to avoid the “three Cs” (crowded, close contact, confined) in the workplace and to promote diverse work styles among employees.

We are making efforts to promote telework throughout the entire Group. For example, SuMi TRUST Bank has established a system that enables employees of its headquarters to telecommute, utilizing its branches to open a

total of 26 satellite offices (as of November 2020) in the Tokyo, Chukyo, and Kansai areas so employees can temporarily work at offices near their homes, as well as distributing devices for teleworking. In addition, Sumitomo Mitsui Trust Asset Management and Sumitomo Mitsui Trust Research Institute are distributing devices for teleworking to all their employees.



### Employee feedback on this initiative

- The Company responded quickly and I believe we were able to get ahead despite the difficult situation. Many of my co-workers have expressed their appreciation for the Company, and I feel that this has brought a sense of unity to the workplace.
- I want to contribute to the Company's growth and business development through carrying out my duties. I was reminded once again that our Company is the one that can be trusted in case of emergency.
- Leveraging the Group's strengths in agility and flexible responses as an independent company will help differentiate us from our competitors in times like these.

## Response Policy 3 Preventing the spread of infection in society (including activities to create a society that is less prone to the spread of infection)

SuMi TRUST Bank, with the understanding and cooperation of its clients as well as society, has implemented the following activities and received high marks for them.

- To support various activities, including medical treatment and prevention of COVID-19, the Company donated ¥100 million to the Japanese Red Cross Society. As a result, the Company was awarded the Gold Medal for Merit, which is given to those who make large donations to the Japanese Red Cross Society.
- The Company donated 100,000 medical masks to several medical institutions.
- To support 14 universities and research institutions work-

ing on the development of vaccines and treatments for COVID-19, the Group established an “Account for Donations” to accept donations mainly from individual clients, with the Group itself donating ¥10 million to each university (this account was closed on August 31, 2020, and a total of ¥260 million was donated).

- As part of the Yen Bank Deposit from Home: Special Interest Rate Campaign under the Direct and Internet Banking business, the Company announced that it would donate ¥25 per deposit to organizations that develop and research vaccines and treatments to combat COVID-19 (this campaign ended on August 31, 2020).

In the situation where donation-related malicious scams were rampant, we received many comments from our clients saying they felt comfortable donating because the donation activities were carried out by the SuMi TRUST Group and that they were happy to be able to contribute to society in this way. This gave us an opportunity to reaffirm the strength of everyone's determination to help society.

While carrying out each activity, we also focused on raising client awareness by holding press conferences with the universities we supported and lobby exhibitions at branches located near the universities. As a result, some clients made donations after visiting the lobby exhibitions, and others commented that they were happy to help because their favorite regions and universities were the recipients of the donations.

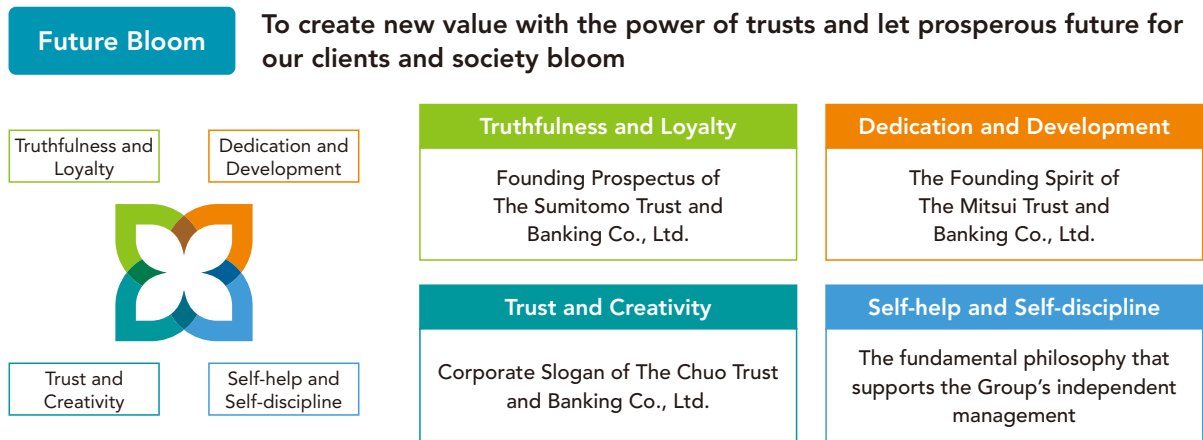


# The Sumitomo Mitsui Trust Group's Reason for Existence (“Purpose”)

## Background of setting the Purpose

The SuMi TRUST Group has recently defined its reason for existence, or Purpose as “To create new value with the power of trusts and let prosperous future for our clients and society bloom,” and has also placed the “balanced creation of both social value and economic value” at the core of its management approach. This is based

on the Group’s “client-oriented” management principles, which have remained unchanged since our founding, and reflects our mission to take responsibility for future generations as the most trusted “Best Partner” of our clients to build a society that is more responsive to change, and to grow sustainably by proactively contributing to solving social issues.



## The SuMi TRUST Group's Purpose

The purpose defines why a company exists, or in other words, it answers the question “How is our company's existence valuable to society?” The Group's Purpose has also been set based on our founding spirit and the unique and essential strengths we have cultivated over the course of our history, as well as what society demands from us.

The “power of trusts” mentioned in our Purpose refers to a broad concept that includes the diverse functions of trusts, its significant expertise and comprehensive capabilities, and its fundamental philosophy of fiduciary duties. We are using the power of trusts to develop new services and solutions by crossing and integrating a wide variety of functions. Furthermore, we will take on the challenge of solving social issues by creating products and services that society demands but are not yet available, and tie it into results and growth. At the same time, we will make a positive impact on our clients and stakeholders to build a sustainable society and pass it on to the next generation.

## The historical background behind the Purpose

The newly defined Purpose reflects the Group's history of contributing to the development of our country by resolving various social issues in response to the needs of the times based on the relationship of trust with our clients.

The Mitsui Trust Company, Limited was established in 1924 and Sumitomo Trust Co., Ltd. was established in 1925 as the first two trust companies in Japan. The

founding prospectus of both companies includes the noble philosophy of contributing to the national economy and becoming an indispensable part of society through providing the best and optimal management and problem-solving capabilities and a spirit of social service, as well as a strong commitment to maintaining independent management, as the trust business is a social service and trust companies are institutions of social public interest.

## Putting our Purpose into practice

The Group's logo, known as the “future bloom,” symbolizes our Purpose and represents our four values.

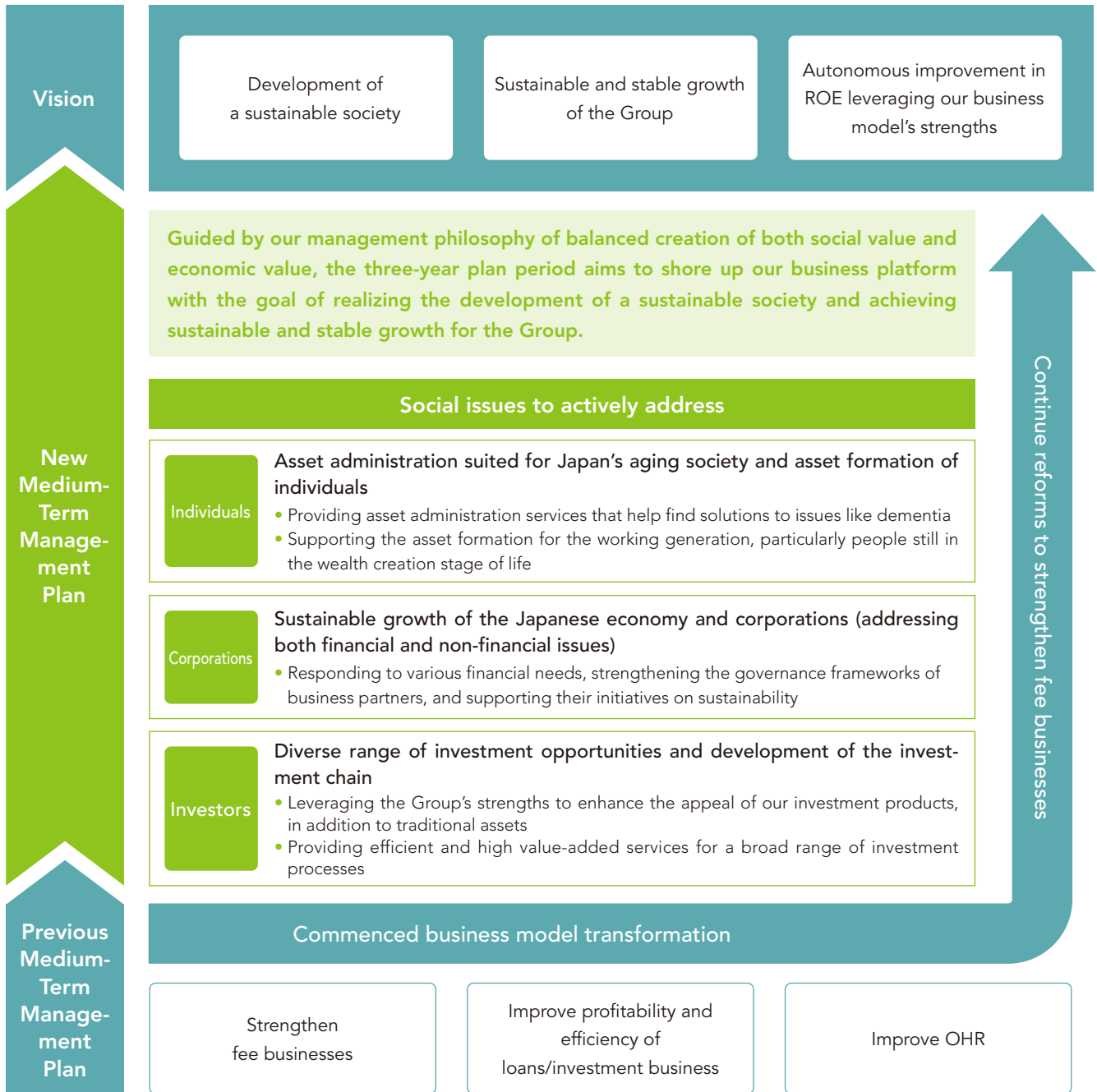
“Truthfulness and Loyalty” has its origins in the founding prospectus of The Sumitomo Trust and Banking Co., Ltd., “Dedication and Development” is the founding spirit of The Mitsui Trust and Banking Co., Ltd., and “Trust and Creativity” comes from the corporate slogan of The Chuo Trust and Banking Co., Ltd. In addition, “Self-help and Self-discipline” is the fundamental philosophy that underpins the Group's independent management as Japan's only financial group specialized in trust banking.

They are also valuable assets that embody an “entrepreneurial spirit” and the “crystallization of passion and diligence towards trusts” inherited in each trust bank that now form the foundation of the Group. We would like to take these assets and spirit that our predecessors have built and pass them on to future generations so that they can bloom in the future.

# Medium-Term Management Plan (FY2020–2022)

We formulated the three-year strategy after reassessing the roles and functions expected of us as a financial group specialized in trust banking, as well as our own reason for existence (Purpose) based on a long-term perspective.

In the previous Medium-Term Management Plan (FY2017-2019), we implemented our business model transformation to meet the diversifying needs of our clients, and in the Medium-Term Management Plan starting in fiscal 2020, we will further promote these initiatives and proactively address the social issues that arise for individuals, corporations, and investors, positioning the next three years as a time to solidify the foundation for the Group’s sustainable and stable growth.



We think the diversification of values in society and the growing number of uncertainties in the environment suggest that now is the right time for the SuMi TRUST Group to take on the mantle of providing trust schemes that can help achieve a safe and secure society. As the “Best Partner” most trusted by our clients, we intend to do everything we possibly can to pass on to the next generation a society that is even more capable of coping with change.

For more information on the Medium-Term Management Plan, please refer to pages 22-27 of the 2020 Integrated Report.

# SuMi TRUST Bank

## Message from the President

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Sumitomo Mitsui Trust Bank, Limited  
President

**Masaru Hashimoto**

The global COVID-19 pandemic continues to spread, showing no signs of slowing down. I would like to express my heartfelt sympathy to those who have been infected while also extending my deepest gratitude to all the medical personnel and others who are working hard to stop the spread of COVID-19.

In a report released in July, the United Nations pointed out that the spread of COVID-19 is partly due to the increased contact between humans and animals carrying unknown viruses, resulting from the ongoing destruction of nature. Since the industrial revolution, humans have become extremely prosperous, but in exchange we have continued to inflict great harm on the global environment. Particularly with regard to climate change, we are on the verge of rapid and irreversible changes to the climate. In other words, we are nearing the point of no return. The idea that we must act decisively before reaching the point of no return is gaining ground around the world, especially in Europe, and the COVID-19 pandemic is further accelerating this movement.

Expectations for the financial industry are also very high. ESG (Environmental, Social and Governance) investment, which started with asset management in 2006, has become mainstream in capital markets. Further, the Principles for Responsible Banking (PRB), launched in 2019, is aimed at playing a proactive role in improving the effectiveness of ESG by focusing on the concept of "Impact," which is the pursuit of both economic and social returns.

We at SuMi TRUST Bank have been boldly taking up the challenge that comes with these changes in the environment as an opportunity. First, regarding the concept of "Impact," in March 2019 we became the first company in the world to offer operating companies Positive Impact Finance (PIF) solutions that do not specify the use of funds. In March 2020, we became the first financial institution in Asia to sign the Poseidon Principles, which is an initiative led by financial institutions to address climate change risks in the shipping industry. In addition, we have substantially strengthened our sustainability management consulting services by leveraging the Group's practical know-how, which has been very well received by our clients.

The Japanese government's Carbon Neutral Declaration has completely shifted the mood of the business world. I feel that the areas where trusts can demonstrate their strengths have expanded even further. We will continue to take the lead in promoting sustainable finance and do our absolute best to build a sustainable society.

## Sumitomo Mitsui Trust Asset Management Message from the President

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Sumitomo Mitsui Trust Asset Management Co., Ltd.  
Representative Director and President

### Yoshio Hishida

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With the spread of COVID-19, there are concerns that social and economic activities will be stagnant for a long time. We would like to express our heartfelt sympathy to those who have been infected, as well as their families, and to all those whose lives and business activities have been severely affected by COVID-19.

Today, both in Japan and around the world, there is a major shift in the way businesses operate, with companies seriously exploring ways to address social issues and achieve business results at the same time. As an asset management company, we will strive to simultaneously address social issues and achieve economic returns by carefully tracking these shifts, and discovering, evaluating, and investing in companies that grow by solving social issues. We are working to strengthen our ESG product lineup, and in 2018 we launched and began managing a Japan Equity Impact Investment fund using our own capital. By investing in companies that contribute to solving social issues in a more concrete way, we aim to generate economic as well as social returns.

Climate change is the ESG theme that we focus on the most, and we believe that it is essential for the survival and growth of companies over the medium- to long-term that investees proactively address this issue. In addition, we will continue to actively contribute to sustainability on a global scale through our activities in international initiatives, such as our participation as the only Asian company in discussions with the Brazilian government on environmental conservation in the Amazon River basin, and our engagement with the Indonesian government, which passed a package of revised legislation that may accelerate deforestation.

## Nikko Asset Management Co., Ltd. Joint Message from Co-CEOs

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Nikko Asset Management Co., Ltd.  
Executive Chairman and Co-CEO

Nikko Asset Management Co., Ltd.  
President and Co-CEO

### Junichi Sayato

### Hideo Abe

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We would like to express our deepest sympathy to all those affected by COVID-19 and their friends and families. We would also like to express our deepest gratitude to all the medical personnel and others who are working every day to stop the spread of COVID-19.

The mission of Nikko Asset Management is to act in the best interests of our clients, which is why we have adopted the Fiduciary and ESG Principles as our corporate philosophy. Over the past year, we have established an unwavering investment management operations structure with each business function dispersed across multiple offices, while at the same time developing a remote work environment and promoting digitalization. The asset management division set up a dedicated contact point for investee companies wishing to engage, and carried out flexible stewardship activities in light of the actual situation of companies affected by the COVID-19 pandemic. As a result of these initiatives, we were able to facilitate smooth communication with our stakeholders without compromising service quality, and successfully created new value despite the pandemic.

In addition, we strengthened the Corporate Sustainability Department in 2020, and voluntary working groups at each business site worked vigorously to achieve a sustainable society despite the restrictions set forth by the COVID-19 pandemic. We believe that the source of innovation that underpins our groundbreaking solutions comes from respecting diversity and inclusion, which is at the core of our corporate culture. We will continue to proactively carry out sustainability-related activities.

# Principles of Governance

—Sustainability as a Management Strategy

012

Governance is foundational for a company in setting purpose and provides oversight for a company's activities that contribute to a prosperous, sustainable society. Without good governance, companies lack the supportive context within which to make progress on the other three pillars: Planet, People, and Prosperity.

From the World Economic Forum White Paper "Measuring Stakeholder Capitalism"

- 013 The Group's Approach to Principles of Governance
- 014 Corporate Governance
- 016 Sustainability Promotion System
- 026 Compliance and Conducting Business Activities Fairly
- 033 Initiatives for Appropriate Tallying Operations of Voting Rights Exercise Forms at General Meetings of Shareholders
- 034 Risk Management and Materiality Management
- 045 Consideration for Borrowers' Environmental and Social Impact



# The Group's Approach to Principles of Governance

In order to adhere to the principles of sound management, based on a high degree of self-discipline with the background of fiduciary spirit, and to establish strong credibility with society, SuMi TRUST Holdings commits itself to enhancing its corporate governance system in line with the following basic philosophy, with the objective of supporting sustainable growth and medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses the SuMi TRUST Group's Reason for Existence ("Purpose"), Management Principles ("Mission"), Ideal Model ("Vision"), and Codes of Conduct ("Value") as the anchor for all of our activities, which is shared by all of the directors, officers, and employees of the Group.

## Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effectively equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees," and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Considering impacts on society and the environment of investees and borrowers	Risk	Clients, communities, NPOs	Minimizing negative impacts through business (e.g., investments and loans in line with sector policies and ESG guidelines, and engagement that takes into account how borrowers and investees impact society and the environment)

### Management Foundation Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Corporate governance	Risk/Opportunity	All stakeholders	Sustainable improvement of the management framework that balances the creation of both social value and economic value and enables us to realize our Purpose (please see Integrated Report for details)
Risk management and resilience	Risk	Shareholders, investors, employees, governments	Response to risks, including event risks such as natural disasters (identifying risks and formulating clear policies, establishing a comprehensive management system, and developing a risk-response culture through employee training)
Systems maintenance and combatting cyber attacks	Risk	Clients, governments	Response to cyber attacks (ransomware, DDoS attacks, information theft), prevention of system development delays and cost increases
Safety of financial products	Risk	Clients	Appropriate management of risks inherent in financial products (including proper sales to customers)
Compliance	Risk	Clients, employees, governments, international organizations	Fostering a corporate culture that does not deviate from corporate ethics and codes of conduct, elimination of transactions with antisocial forces, crime prevention (money laundering, terrorist financing, special frauds such as bank transfer scams, etc.)

### Financial Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Risks (For detailed guidelines, please refer to our Annual Report -Financial Data Section)
Preserving financial capital	Risk	Shareholders, investors, governments	Deterioration in creditworthiness of certain large creditors, unfavorable real estate market conditions, and decline in value of cross-shareholdings
Acquiring sustained earnings	Risk	Shareholders, investors, governments	Decrease in gross business profit in the loan and deposit business

## Highly Relevant SDGs



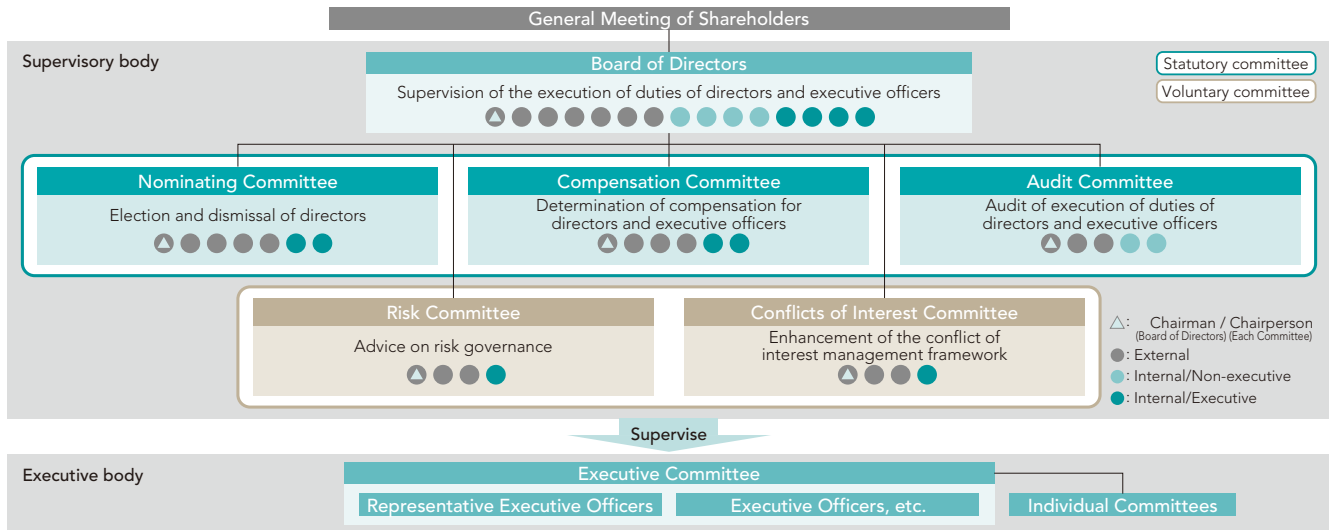
# Corporate Governance

## Perspectives Regarding the Corporate Governance System

SuMi TRUST Holdings is a financial holding company with subsidiaries such as SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management, and aims to be our clients' "Best Partner," by providing "Total Solutions" that combine our banking business, asset management and administration business, and real estate business, based on a fiduciary spirit, and by

making full use of our significant expertise and creativity. To fulfill our principles and meet the expectations of stakeholders, SuMi TRUST Holdings endeavors to ensure the soundness and reliability of its business model and the transparency of the management of the SuMi TRUST Group, and will work to further enhance the Group's corporate governance.

## Corporate Governance System



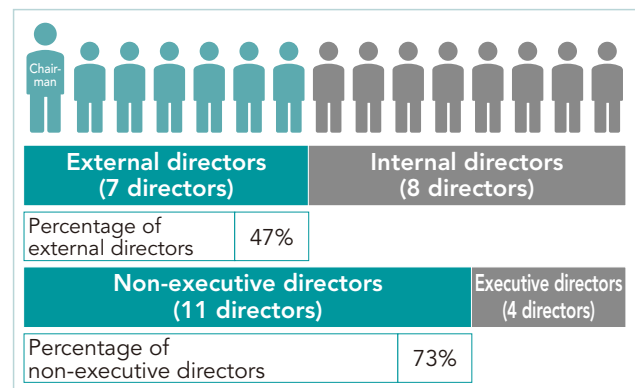
## Board of Directors

The Board of Directors ensures the fairness and transparency of the SuMi TRUST Group's corporate management as its central role, by setting out the basic management policy of the SuMi TRUST Group and supervising the overall management of the Group. In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy on the social responsibility that is to be implemented by each Group company (the "Sustainability Policy"). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of the SuMi TRUST Group.

In light of the importance of the functions of external directors in corporate governance, as a general rule, at least one-third of the directors on the Board of Directors are independent external directors. The Board of Directors establishes and discloses Independence Standards of Independent Directors. In determining candidates for directors, SuMi TRUST Holdings takes into consideration, among other factors, a balance between individuals who are capable of exerting strength in the management of

specific business fields, and individuals who are suitable for corporate management. SuMi TRUST Holdings strives to secure a board that is, as a whole, sufficiently balanced and diverse in terms of knowledge, experience, and capability to properly supervise the wide range of business fields in which SuMi TRUST Holdings has dealings, as a financial group specialized in trust banking.

## Composition of the Board of Directors



- All seven external directors have been registered as independent officers with the relevant financial instruments exchange.
- Breakdown of 15 directors: 14 men, 1 woman
- 16 Board of Directors meetings were convened during the period July 1, 2019 through June 30, 2020. Only on one occasion was one director absent.

Regarding the selection of external directors, the composition of the Board takes into consideration a balance of expertise, which include the areas listed below. In addition, to further improve the effectiveness of our corporate governance, we regularly hold external directors' meetings, which are only attended by external directors. These

external directors engage in discussions that are active and unrestrained, sharing information and awareness from independent and objective positions. These meetings contribute to the greater objectivity and independence of the Board of Directors.

### Skill Map of External Directors

Current positions and responsibilities at the Company				Expertise of Director Candidates		
				Corporate management	Financial accounting	Legal
Takeshi Suzuki	Director	Nominating Committee member	Compensation Committee member	●	●	—
		Risk Committee member	Conflicts of Interest Committee member			
Mikio Araki	Director	Nominating Committee member	Compensation Committee member	●	●	—
		Risk Committee chairperson				
Isao Matsushita	Director	(Chairman of the Board of Directors) Nominating Committee chairperson	Compensation Committee member	●	●	—
Shinichi Saito	Director	Nominating Committee member	Audit Committee chairperson	●	●	—
Takashi Yoshida	Director	Audit Committee member		—	●	—
Hiroko Kawamoto	Director	Nominating Committee member	Compensation Committee chairperson	●	—	—
Mitsuhiro Aso	Director	Audit Committee member		—	—	●

### Committees

To ensure the effectiveness of corporate governance and further enhance the soundness and reliability of the Group's business model, as well as the transparency of management, we have established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors to complement the three committees required under the Companies Act, namely, the Nominating Committee, the Compensation

Committee, and the Audit Committee. As a financial group specialized in trust banking, the Conflicts of Interest Committee possesses supervisory functions unlike at any other financial group. Also, every year each committee conducts a self-evaluation in an effort to improve its autonomous management by considering and adopting measures aimed at improving issues identified in the evaluation.

**Members of Committees** (▲: Chairperson, ●: Member (external), ●: Member (internal/non-executive), ●: Member (internal/executive))

			Nominating	Compensation	Audit	Risk	Conflicts of Interest
External	Directors	Isao Matsushita	▲	●			
		Takeshi Suzuki	●	●		●	●
		Mikio Araki	●	●		▲	
		Shinichi Saito	●		▲		
		Takashi Yoshida			●		
		Hiroko Kawamoto	●	▲			
		Mitsuhiro Aso			●		
	Experts	Hideki Kanda*					▲
		Haruyuki Toyama*				●	
		Akiko Hosokawa*					●
Internal	Tetsuo Ohkubo	●	●				
	Masaru Hashimoto	●	●				
	Yutaka Nishida				●	●	
	Kuniyuki Shudo			●			
	Kouji Tanaka			●			

\*Mr. Hideki Kanda is an external director of SuMi TRUST Bank. Mr. Haruyuki Toyama and Ms. Akiko Hosokawa are external experts.

For more information on corporate governance, including the evaluation of the effectiveness of the Board of Directors, succession plan, and compensation system for directors and executive officers, please refer to pages 68-79 of the 2020 Integrated Report.

# Sustainability Promotion System

In our Medium-Term Management Plan, we have incorporated a basic strategy for generating positive impacts geared towards solving social issues and have placed sustainability at the core of the Group's management. Each SuMi TRUST Bank business and its affiliated companies will independently select the social issues that must be addressed first, and we will strengthen efforts on these issues through our core business. Meanwhile, for climate change and other key sustainability issues in Japan and overseas, our Sustainability Promotion Committee functions as a command center for the entire Group and formulates strategies to swiftly implement initiatives whilst collaborating with mainly international organizations.

## 1. Sustainability Promotion System



### Roles of Sustainability Promotion Committee

<b>Management</b>	<ul style="list-style-type: none"> <li>Promoting materiality management (see pages 18-19)</li> <li>Drawing up and promoting plans for sustainability work (manages the progress of social problem-solving businesses at Group companies)</li> <li>Tackling climate change issues (see TCFD Report 2020/2021)</li> <li>Conducting strategic information disclosure by issuing Sustainability Reports and other publications</li> <li>Earning the trust of investors and other stakeholders and working to improve their assessment of the Group</li> </ul>
<b>Business development</b>	<ul style="list-style-type: none"> <li>Developing innovative financial products and services that help solve key sustainability issues Promoting Eco-Trustution</li> <li>Strategically providing value to the community through "With You" activities</li> </ul>
<b>Employee education</b>	<ul style="list-style-type: none"> <li>Making sure employees understand strategies by mainly distributing the Group's employee integrated report to all directors, officers, and employees</li> <li>Facilitating the acquisition of practical knowledge as quickly as possible by promoting in-house hands-on activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the "With You" activities</li> </ul>
<b>Dialogue</b>	<ul style="list-style-type: none"> <li>Encouraging dialogue with, and ascertaining the needs of, various stakeholders, including shareholders, investors, NPOs and NGOs in Japan and overseas, international organizations, government agencies, and universities</li> <li>Utilizing internal engagement (see page 22) to bring the needs of stakeholders back into the Group and improve initiatives</li> </ul>

### Executive Compensation that Reflects Sustainability Evaluations

As a rule, executive compensation is paid through a combination of monthly compensation (consisting of fixed compensation and individual performance compensation), executive bonuses (performance-linked bonuses), and stock compensation (share delivery trust). One of the KPIs

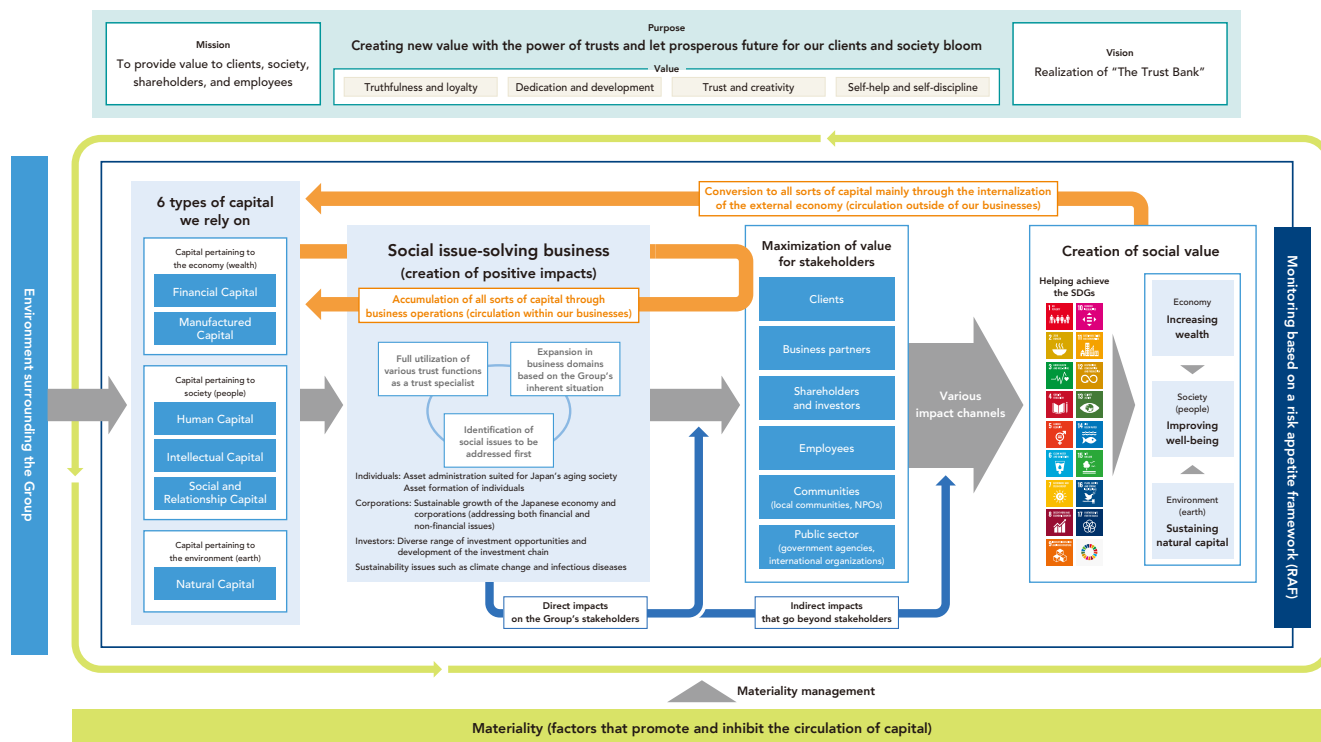
used to determine stock compensation for each officer includes assessments of ESG-related activities and rating agency scores, etc. to promote sustainability as a part of management.

➔ For details, see 2020 Integrated Report, pages 74-75.

## 2. Basic Philosophy of Sustainability Promotion

To achieve the balanced creation of both social value and economic value, we need to organically combine the process of creating positive impact while maximizing stakeholder value based on our Purpose with the process of sustainably strengthening our own financial and

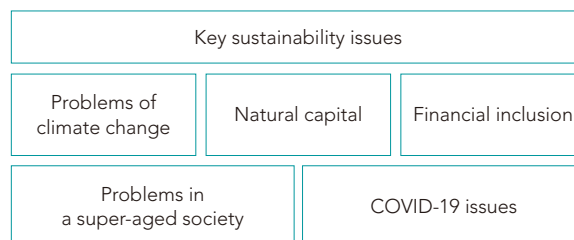
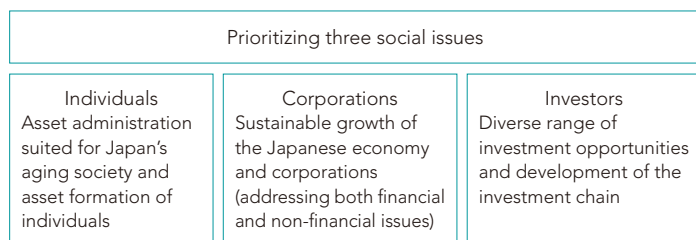
non-financial management foundation (six types of capital). Additionally, we must establish a system to appropriately manage these processes at the management level. We call this system the “value creation process.”



### Creation of Positive Impacts

Balanced creation of both social value and economic value has been placed at the very core of our management philosophy in our Medium-Term Management Plan. In some cases, social value is created by our Group's corporate activities, but in many cases, it is created through the chain of effects from one stakeholder to the next. In other words, our Group's social issue-solving business consists of activities that contribute to the realization of SDGs and ultimately create positive impacts and minimizes negative impacts on the economy (Prosperity), society (People), and the environment (Planet).

In our Medium-Term Management Plan, we identified three priority issues to be addressed in our social issue-solving business. In addition to issues such as climate change and the super-aging society, which we have traditionally focused on, we also plan to address new sustainability issues such as COVID-19 as a business. On the other hand, there is a growing concern about previously unanticipated ESG risks, such as the COVID-19 and climate change issues. As such, it is important not only to pursue business opportunities, but also to strengthen our resilience to these new risks.

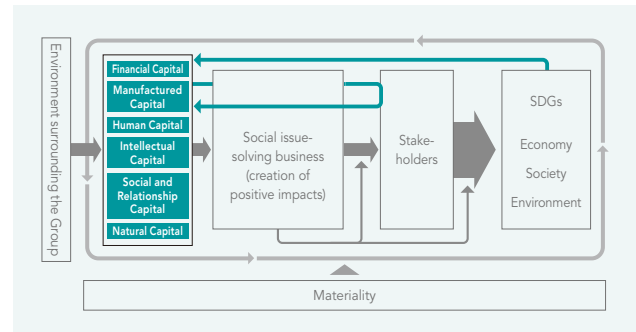




**Circulation of Capitals**

The capital needed to execute business operations usually consists of cash, equipment, and other tangible assets that appear on financial statements, as well as intangible assets that do not convert so easily into money, like human resources, know-how, and networks. We must inject both financial and non-financial capital into our businesses and establish a mechanism through which our launching pad for growth is enhanced in a sustained manner by the (1) circulation of capital within our businesses, for example, the generation of profits and development of human resources through business execution, as well as client base expansion, and the (2) circulation of capital outside of our businesses whereby benefits that extend beyond the Group come back to the Group in the long term owing to the internalization of the external economy.

The SuMi TRUST Group’s value creation process—presented in line with the International Integrated Reporting Framework—is a mechanism that facilitates the circulation of capital through our social problem-solving businesses.



<p>Examples of Circulation Within Our Businesses</p>	<ul style="list-style-type: none"> <li>• Building a business requires collective effort. It requires investing all available capital to grow the business and generate profits to boost financial capital. In the process, people (human capital) are trained, know-how (intellectual capital) is accumulated, and the client base (social and relationship capital) is enhanced to provide a stronger base for further growth in the following fiscal year.</li> <li>• In the area of sustainability, we are focusing on domestic and overseas networks (social and relationship capital). For example, using the knowledge (intellectual capital) gained from participating in a working group of the United Nations Environment Programme Finance Initiative (UNEP FI), we developed the world’s first Positive Impact Finance (PIF, a type of business loan that does not specify the use of funds) solution by applying the Principles for Positive Impact Finance (UNEP FI) to ordinary corporate lending.</li> </ul>
<p>Examples of Circulation Outside of Our Businesses</p>	<ul style="list-style-type: none"> <li>• Initiatives to address social issues such as the asset formation of individuals, which is one of the themes of our social issue-solving business, are aimed at increasing national wealth over the long term and tying this into improving the quality of our client base (social and relationship capital), as well as expanding earnings (strengthening financial capital) through new business opportunities such as asset inheritance services.</li> <li>• We provided case studies of dementia-related problems to industry-government-academia collaboration organizations, and participated in writing and publishing a manual for financial institutions that contributed to the financial exclusion of elderly people with dementia and the resolution of social issues (SDGs 8.10). This has not only provided know-how (intellectual capital) for the entire financial industry, but also improved our reputation (social and relationship capital).</li> </ul>

**Materiality**

**(1) Definition of Materiality**

The circulation of capital is similar to the circulation of blood. If capital is steadily accumulated in the same way blood flows freely around the body, the ability to generate value will continue to increase in a sustained fashion. Too much bad cholesterol in the body causes arteries to harden, which prevents blood flow.

Conversely, good cholesterol in the body helps prevent the arteries from hardening. Applying this analogy to priority issues (materiality) that affect our value creation process over the medium to long term, we consider materiality to be comprised of factors that either inhibit (bad cholesterol) or promote (good cholesterol) the circulation of capital.

**Materiality is an event that has a significant impact on the process of improving the ability to generate value sustainably through the accumulation of financial and non-financial capital**

**(2) Materiality Identification Process**

The Company identified materiality in FY2015 and conducted a materiality review in FY2019. In the FY2015 identification process, the Executive Committee confirmed 17 items which had been selected from a list of 28 items that were considered highly important to a banking group after interviewing external directors, external experts, and relevant internal departments about their medium- to long-term impact on the Group’s enterprise value and the Group’s impact on stakeholders. At the same time, we identified top risks as financial risk events likely to have a significant impact on management,

and managed each of them separately. However, we now believe that integrating these two approaches is indispensable if we are to execute a growth strategy that places the balanced creation of both social value and economic value at the very core of our management philosophy. In October 2019, a new materiality plan determined by the Executive Committee was deliberated on by the Risk Committee and then approved by the Board of Directors. More specifically, we laid out the seven previous top risks and 14 previous materiality items, sorted out duplicate or similar items, renamed them as necessary, and added the latest items.

### (3) The Group's Materiality Issues

The Group's materiality issues can be divided into three categories: impact materiality, which refers to the positive or negative impact of corporate activities on the economy, society, and the environment; management foundation materiality, which affects the foundation of

value creation; and financial materiality, which has a direct impact on financial performance. In addition, the Group also identified which capital circulation each materiality is mainly related to, which helps in understanding and managing the significance of the materiality in the value creation process.

Type	Materiality	Risk	Opportunity	Main relevant capital	Relevant pages
Impact Materiality	Pursuing sustainability-themed business opportunities		●	Intellectual capital	Noted in each section
	Considering impacts on society and the business environment of companies to whom we extend investments and loans	●		Social and Relationship capital	Pages 45-49, 52-53
	Financial inclusion		●	Social and Relationship capital	Pages 142-145
	Population decline and super-aged society issues	●	●	Social and Relationship capital	Pages 113-125
	Climate change	●	●	Natural capital	Pages 58-67, 85-91
	Technological (digital) innovation	●	●	Intellectual capital	—
Management Foundation Materiality	Corporate governance	●	●	All capital	Pages 14-15
	Risk management and resilience	●		Financial capital	Pages 34-44
	Systems maintenance and combatting cyber attacks	●		Manufactured capital	Page 44
	Bolstering human resources and developing workplace environments	●	●	Human capital	Pages 94-112
	Protecting personal information and client data	●		Intellectual capital	Page 140
	Safety of financial instruments	●		Intellectual capital	Page 43
	Compliance	●		Social and Relationship capital	Pages 26-33
	Client-orientated approach / fiduciary duty	●	●	Social and Relationship capital	Pages 130-140
Financial Materiality	Stability of financial system	●		Financial capital	Pages 36-43
	Preserving financial capital	●		Financial capital	Pages 40-42
	Acquiring sustained earnings	●		Financial capital	—

### (4) Management and Administration of Materiality

The management and advancement of each materiality item to facilitate the capital circulation is generally carried out by the department in charge (specific measures are described on pages 13, 57, 93, and 127).

To ensure that each department does not fall into the trap of "inner logic," we have introduced a system called internal engagement to incorporate the perspectives of stakeholders, and the content and status of improvements are reported to the Board of Directors (see page 22). At the same time, the Risk Committee receives consultations from the Board of Directors on matters related to materiality, examines the appropriateness of such matters, and

submits a report.

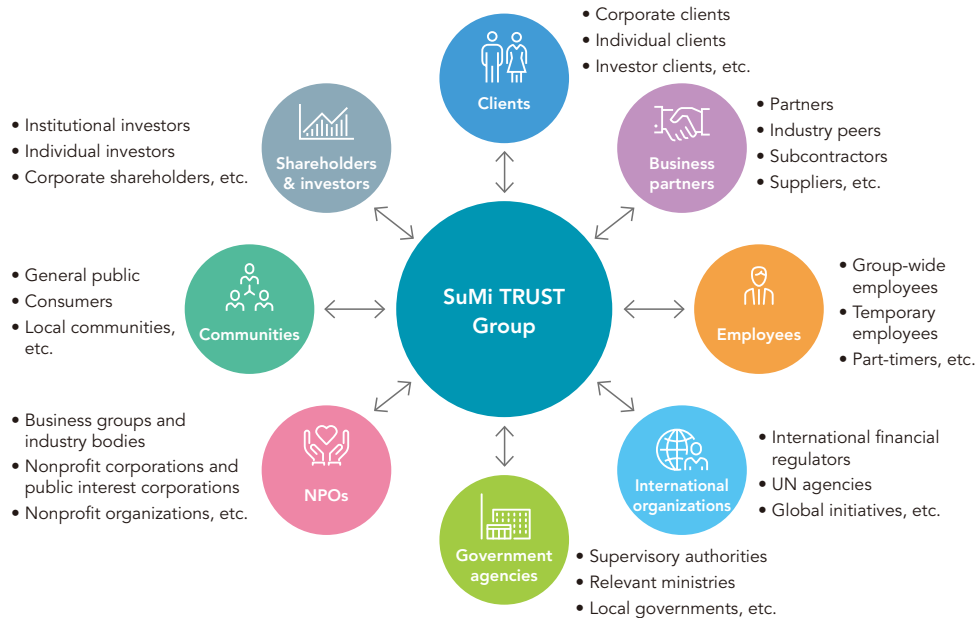
In addition, the Group added five new items including climate change and financial inclusion during its FY2019 materiality review. As sustainability issues constantly change to reflect social developments, the Group has adopted the concept of dynamic materiality to flexibly respond to these changes. It goes without saying that this requires thorough discussions at the management level. At the time of the FY2019 review, the Board of Directors made a resolution after a total of 12 discussions, including with the Executive Committee, the Business Risk Management Committee (an advisory committee to the Executive Committee), the Risk Committee, and top management.

### 3. Stakeholder Engagement

The Company lists clients, shareholders, employees, and society as stakeholders in its Management Principles ("Mission"), and clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities, and international institutions as major stakeholders in its basic policy on the social responsibility

(the "Sustainability Policy"), and has declared that it will respect dialogue and play an active role in building a sustainable society. By identifying its stakeholders in this way, the Company is able to clearly understand how the Group relies on and impacts each stakeholder, providing a strategic foundation for the creation of social value.

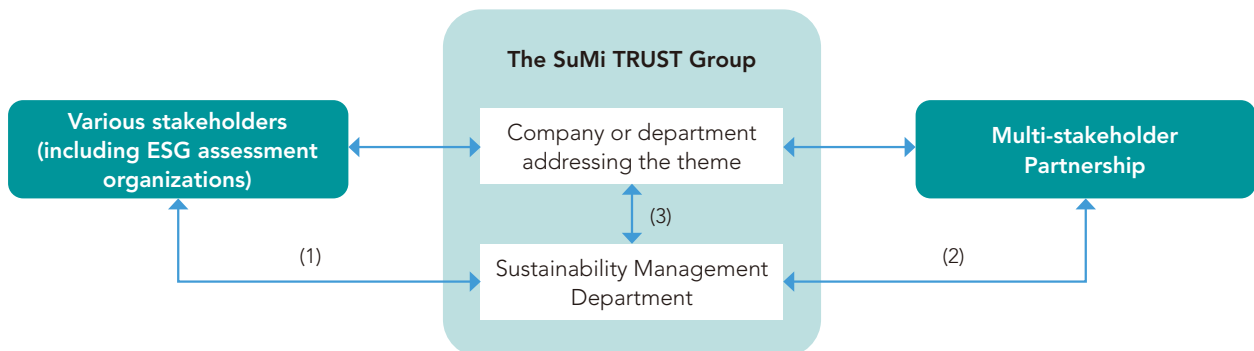
#### Stakeholders of the Group



#### Three Approaches to Stakeholder Engagement

The Group's stakeholder engagement is divided into three approaches: (1) direct engagement by relevant affiliates/relevant departments (in the case of SuMi TRUST Bank) according to the theme (see page 21), (2) direct participation in multi-stakeholder partnerships by relevant affiliates/relevant departments (see page 23), and (3) internal engagement by the Sustainability

Management Department with relevant affiliates/relevant departments based on its own dialogue with stakeholders and information gathered from ESG assessment organizations (see page 22). These approaches are used to diversify dialogue channels and enhance the quality and quantity of inputs.



## Engagement with Major Stakeholders

Clients	<p>The SuMi TRUST Group strives to be our clients' "Best Partner," who provides the maximum value to clients, by accurately capturing their needs through various dialogues with individual and corporate clients, and by offering "Total Solutions" that provide the best highly specialized products and services in a wide range of areas. For example, in SuMi TRUST Bank's Retail Total Solution Services Business, we not only receive feedback from sales branches and sales counters nationwide, but also capture opinions and requests through "Customer Services Promotion Office," "Voice of Customers Questionnaires," and "Sumitomo Mitsui Trust Direct" to improve client satisfaction (see pages 134-135 for details).</p>
Shareholders/ Investors	<ul style="list-style-type: none"> <li>The SuMi TRUST Group strives to disclose corporate information in a timely and appropriate manner, and aims for highly transparent corporate management through proactive IR activities and constructive dialogue with shareholders and investors in Japan and overseas. More specifically, in addition to disclosing corporate information in a timely, appropriate, and accurate manner, we strive to ensure that our shareholders and investors have a deeper understanding of our Group's performance, business conditions, business strategies, and other matters by having our top executives actively participate in information briefings and other events (see page 114 of the 2020 Integrated Report for details).</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>The SuMi TRUST Group's Sustainability Policy 6 states the following: "We aim to revitalize communities and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contributions such as educational and cultural activities." Based on this, our Group companies are engaged in a variety of activities, including the "With You" activities of SuMi TRUST Bank (see pages 149-176 for details).</li> </ul>
NPOs	<ul style="list-style-type: none"> <li>As a member of industry associations such as the Japanese Bankers Association, Trust Companies Association of Japan, and the Japan Business Federation (Keidanren), we engage in discussions with other participating companies on how financial institutions and companies should fulfill social roles, and reflect these discussions in our corporate activities.</li> <li>In the Principles for Financial Action for the 21st Century, where more than 280 financial institutions are members, we chair the Sustainable Community Support Working Group, promoting dialogue with various stakeholders in community finance and working with other signatory financial institutions to promote sustainable finance in local communities (see page 23 for details).</li> <li>The SuMi TRUST Group has built long-term relationships with highly specialized NPOs, working closely with organizations such as the Ecosystem Conservation Society-Japan to make proposals on biodiversity issues from the private sector's perspective, and actively engaging in initiatives aimed at solving social and environmental issues.</li> </ul>
Government authorities	<ul style="list-style-type: none"> <li>The SuMi TRUST Group engages in daily dialogues with supervisory bodies and various government authorities to discuss how we can play a role in stabilizing the financial system and proactively contribute to the creation of a sustainable society.</li> <li>The SuMi TRUST Group is a member of various committees led by various government authorities (the Ministry of the Environment, the Cabinet Office, the Financial Services Agency, the Ministry of Land, Infrastructure, Transport and Tourism, etc.), and makes a wide range of proposals aimed at building a sustainable society from the perspective of a financial institution.</li> </ul>
International institutions	<ul style="list-style-type: none"> <li>The SuMi TRUST Group participates in various international initiatives and plays a proactive role in resolving global issues related to society and the environment (multi-stakeholder partnerships; see pages 23-25 for details).</li> </ul>
Employees	<ul style="list-style-type: none"> <li>To ensure a culture that fosters motivation and job satisfaction, SuMi TRUST Bank takes advantage of events where employees congregate, such as rank-based training, and provides opportunities where the President and other officers talk about topics including management policy and their leadership with a question-and-answer session (see page 106 for details).</li> <li>SuMi TRUST Bank periodically holds management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department consultation meetings, which are attended by representatives of labor and management at individual branches and departments, to discuss working condition for union members and how to maintain the working environment, as well as to reflect employees' views in management. At other Group companies as well, there are initiatives to ensure smooth business operation and maintain and improve the workplace environment through dialogue between the company and the union or representatives of employees (see page 106 for details).</li> <li>SuMi TRUST Bank conducts an "awareness survey" of all employees in order to objectively identify employees' perception of the dissemination of measures taken by the company, the personnel system and its operation, and the workplace environment and engagement (see page 107 for details).</li> <li>In view of the need for appropriate workforce management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk (LGBT Consultation Desk), at which all employees (including course employees, professional employees, associate employees, part-time workers, and temporary employees) can receive consultation without going through the regular reporting line when problems related to personnel and labor affairs management, such as unfair or unjust labor affairs management practices or workplace harassment, occur (see page 110 for details).</li> <li>In order to promptly and appropriately respond to any serious violation of laws/regulations and internal rules, to acts that likely constitute such violation, or to acts that are inappropriate, the SuMi TRUST Group has established a compliance hotline system where all officers and employees, etc. can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels (see page 28 for details).</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>The SuMi TRUST Group established its CSR Procurement Policy to set forth guidelines on the preferential procurement of goods and services that are environmentally friendly and socially acceptable. All Group companies are stepping up their CSR procurement activities based on this Policy. With the cooperation of suppliers we continue to expand the scope of items covered under CSR procurement (see pages 88-89 for details).</li> </ul>

## 4. Internal Engagement

### Basic Philosophy

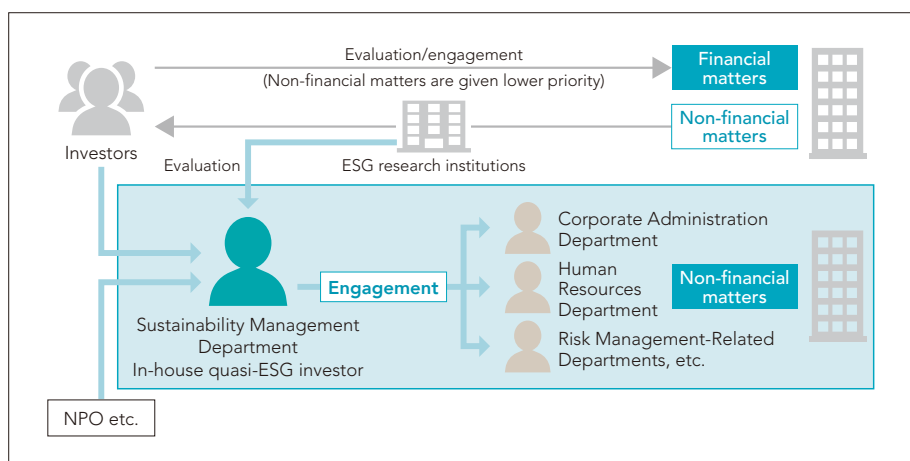
Owing to the introduction of Japan’s Stewardship Code in 2014, active engagement (purposeful dialogue) between institutional investors and investee companies has been commonplace. That said, the topics of such engagement usually revolve around financial matters and there are not many opportunities for parties to engage in dialogue about wide-ranging non-financial topics. Accordingly, our Sustainability Management Department engages in investor-like dialogue with relevant departments with respect to the non-financial materiality items in the finance sector that ESG investors are most interested in and for which the Group’s initiatives may face challenges in order to improve our approaches and enhance information disclosure. We refer to this initiative as internal engagement, and its importance as a check and balance function based on an external perspective on day-to-day

operations, different from the supervisory function of the Board of Directors from a management perspective, has been increasing over the years. The annual plan for internal engagement, results of initiatives, and progress of improvements are reported to the Board of Directors.

### The Internal Engagement Process

The Sustainability Management Department selects themes for internal engagement based on ESG-related letters from investors, the latest assessments and feedback from ESG assessment organizations, and the latest high-profile issues related to ESG and SDGs. In addition, the Sustainability Management Department first engages in direct dialogue with NPOs and other organizations on economic, social, and environmental issues that are material to our stakeholders, and then engages with the relevant departments based on the contents of the dialogue.

Internal Engagement



### FY2020 Initiatives

Theme	Departments covered	Engagement points
Corporate governance	Human Resources Department, Corporate Secretariat	Mainly current issues pointed out by ESG assessment organizations
Human capital	Human Resources Department	The relationship between human capital and corporate value
Data security	IT & Business Process Planning Department	Mainly current disclosure standards pointed out by ESG assessment organizations
Compliance	Compliance Department	Same as above
Risk management	Risk Management Department	Same as above
Climate change	Wholesale Business Planning Department	Current issues surrounding fossil fuels and policies to address them



## 5. Multi-Stakeholder Partnership

Goal 17 of the SDGs promotes a diverse range of partnerships. Given the vital role of finance in the formation of a sustainable society, the Group places a strong emphasis on taking action, in partnership with various stakeholders, including other financial institutions, to tackle solutions to difficult challenges. We participate actively in partnerships within Japan and overseas.

17 PARTNERSHIPS FOR THE GOALS



### Principles for Financial Action for the 21st Century towards a Sustainable Society (The Principles for Financial Action towards the formation of a sustainable society)

We, together with Sumitomo Mitsui Trust Asset Management (SMTAM), Nikko Asset Management (NAM) and Sumitomo Mitsui Trust Panasonic Finance, support the aims of the Principles for Financial Action for the 21st Century (PFA21), an effort in which over 280 financial institutions of all types collaborate towards the formation of a sustainable society. We have had a central role in this work since the Principles were drafted in 2011. Moreover, since 2013 we have been a member of the Financial Principles Steering Committee (the "Steering Committee"), and served as chair of the Sustainable Community Support Working Group (WG), which practices outreach and education in sustainable finance in regional areas. In FY2020, this WG has been holding a series of online seminars entitled "What is a Regional Circulation Symbiotic Sphere?" under the theme of "Considering the Role of Financial Institutions in Regions" jointly with the Bank Deposit, Lending, and Leasing WG.

Regarding the PFA21, we also participate in the Ministry of Environment's High Level Panel on ESG Finance as an observer. At the third meeting held in October 2020, SuMi TRUST Bank's Positive Impact Finance solutions were introduced as a representative example of impact finance in the financial world, and we (observers) explained the advanced nature of the Japanese government's initiatives in a global context.



### United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is an international network to encourage financial institutions to consider sustainability in their behavior. In 2003, we were the first Japanese trust bank to become a signatory. We also participate in the Property Working Group and the Natural Capital Finance Alliance (formerly the Natural Capital Declaration) within UNEP FI. Not only in Japan but we have been contributing to stronger action in the global finance industry. Moreover, we signed the Principles for Responsible Banking (PRB), which came into effect in September 2019, and declared that we do business in conformity with the SDGs and the Paris Agreement.

Since January 2019, we have also affirmed the Principles for Positive Impact Finance (UNEP FI), which provide the theoretical backbone of the Principles for Responsible Banking, and joined the Positive Impact Initiative. We are actively working together with overseas banks towards establishing more advanced measures.



### PRI (The Principles for Responsible Investment)

In May 2006, we, together with SMTAM and NAM, signed the PRI, which were formulated by the United Nations Global Compact and the United Nations Environment Programme Finance Initiative (UNEP FI) as a joint secretariat. The Principles call on institutional investors such as pension funds and asset managers to consider ESG (Environmental, Social, Governance) when making investment decisions. SMTAM is participating in the Water Risk Working Group, and both SMTAM and NAM are participating in the Palm Oil Working Group and other groups to practice engagement with relevant companies.



### The Principles for Responsible Banking (PRB)

The Principles for Responsible Banking were formulated for the purpose of making bank operations conform with social goals, such as the SDGs and action on human rights problems and global warming countermeasures indicated by the Paris Agreement on climate change. In September 2019, SuMi TRUST Holdings announced that it will do its utmost to practice strategic business operations in conformity with the SDGs and the Paris Agreement, becoming the first signatory institution to the Principles for Responsible Banking (see pages 182-187).

Founding Signatory of:



PRINCIPLES FOR RESPONSIBLE BANKING

**United Nations Global Compact (UN Global Compact)**

The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, we became the first Japanese bank to sign the compact, and declared our resolve to act as a good corporate citizen by complying with and promoting the code of conduct. We also became a member of the “Global Company Network Japan (GCNJ),” in which signatory companies of the UN Global Compact participate.



**TCFD**

The FSB (Financial Stability Board), recognizing climate change as a risk affecting finance, announced its Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017, calling for even higher levels of transparency in disclosures related to climate change. We, along with SMTAM and NAM, support the TCFD recommendations, and are working on information disclosures in line with the recommendations (see 2020/2021 TCFD Report).



**UNEP FI Property Working Group (UNEP FI PWG)**

The UNEP FI PWG is one of the working groups formed by signatory institutions of the UNEP FI to promote property finance that facilitates sustainable development, namely Responsible Property Investment (RPI). In addition to joining the working group in June 2007, the Group became a member of the media team that promotes RPI and conducts activities as one of its leading members.

**The Equator Principles**

The Equator Principles are international guidelines for private-sector institutions to ensure that impacts on the environment and regional communities are fully taken into consideration when implementing loans such as project finance loans. SuMi TRUST Bank became a signatory to the Equator Principles in February 2016 (see pages 47-48).



**Business and Biodiversity Initiative “Biodiversity in Good Company” Leadership Declaration**

At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, the Group, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative “Biodiversity in Good Company,” which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue (see page 70).



**The Poseidon Principles**

In March 2020, SuMi TRUST Bank became the first financial institution in Asia to sign the Poseidon Principles, which is an initiative established to help financial institutions address climate change risks in the shipping industry. Financial institutions that are signatories to the Principles will annually evaluate the level of achievement of CO2 emission reduction efforts for ships covered by ship finance, and calculate and announce the contribution of each bank's overall ship finance portfolio to CO2 emission reduction efforts (see page 49).



**Natural Capital Finance Alliance (formerly the Natural Capital Declaration)**

The Group became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) in June 2012. The Natural Capital Declaration will be reorganized as the Natural Capital Finance Alliance to expand its initiatives (see page 69).



**COLTEM**

COLTEM (Collaboration Center of Law, Technology and Medicine for Autonomy of Older Adults) is a social technology development center, supported by the Japan Science and Technology Agency under the Ministry of Education, Culture, Sports, Science and Technology. It integrates law, engineering, and medicine to provide seamless support for older adults to live in the community in conditions ranging from health to cognitive impairment. SuMi TRUST Bank participates in COLTEM, and contributes to the creation of systems for supporting those with dementia in making decisions and smoothly managing their financial transactions and assets (see page 115).



**Climate Action 100+**

"Climate Action 100+" is a program of collaborative engagement with companies believed to have major impacts on global warming, taking place for five years from December 2017. This program is conducted based on the Task Force on Climate-related Financial Disclosures (TCFD), lists over 100 companies around the world that have high emissions of greenhouse gas, then practices engagement with them, in collaboration with PRI, Ceres, and other signatory institutions to call for information disclosures. SMTAM and NAM participate in this initiative.

**CDP**

The Carbon Disclosure Project, founded in 2000 by international NGOs active on environmental issues such as climate change, is the forerunner of the CDP. This project sends annual questionnaires to companies with high market capitalizations in leading countries. The response rate it obtains from companies is rising year after year. Questionnaire responses are basically published, and scores based on action each company takes are published to the world. SMTAM and NAM participate in this initiative.

**AIGCC**

The AIGCC (Asia Investor Group on Climate Change) is a group of Asian investors concerned with climate change. It is an initiative to generate awareness among Asian asset owners and financial institutions of the risks and opportunities associated with climate change and low-carbon investment. SMTAM and NAM participate vigorously in engagement through the AIGCC.

**Ceres**

Ceres (Coalition for Environmentally Responsible Economies) is an NGO that encourages companies to take action on environmental issues, such as global warming. It practices positive engagement through an investor network that includes 150 participating institutional investors, mainly in North America. SMTAM participates in this initiative.

**FAIRR**

SMTAM has joined FAIRR (Farm Animal Investment Risk & Return), an engagement group that mainly targets the fisheries and livestock industries, and participates in the "Sustainable protein supply chains," one of the group's current collaborative engagement programs. It aims to raise awareness among target companies of the large ESG risks and opportunities of products made from fisheries and livestock produce, linking that awareness to improvements in corporate activities. SMTAM aims to globalize its engagement activities, and gain knowledge and presence as a result.

**Access to Medicine**

Access to Medicine is a collaborative body which has major Western asset managers and asset owners as signatories. Its activities address major global pharmaceutical companies to raise their awareness of medical treatment services in developing countries, and to call for improved access to medicines. SMTAM aims to strengthen its engagement with global pharmaceutical companies.

**The 30% Coalition (USA), 30% Club (UK), and 30% Club Japan**

This is an investor network that works to raise diversity in company boards of directors. SMTAM has signed and engaged in the activities of the Thirty Percent Coalition in the USA and the 30% Club Investor Group in the UK. It also became a signatory to the 30% Club Japan Investor Group when it was founded in May 2019, with NAM following suit in July 2019, and both companies began activities in Japan.

**Investor Agenda**

The Investor Agenda was founded in February 2018 by asset managers (around 480 groups and agencies) that had signed the PRI, CDP, and Ceres. It is an initiative of institutional investors promoting low carbon in climate change-related behavior. Its purpose is collaboration and liaison on investment, corporate engagement, information disclosure by investors, and policy proposals. SMTAM and NAM participate in this initiative.



# Compliance and Conducting Business Activities Fairly

## 1. Basic Initiative Policy

The SuMi TRUST Group sees compliance as adhering to laws, regulations, market rules, and internal company rules, etc., in addition to conformity to social norms, so we can fulfill the expectations of the stakeholders (clients, communities and society, shareholders, and employees) and earn their trust as stated in our Management Principles (“Mission”). The Group positions compliance as one of the most important management issues necessary for creating “The Trust Bank (Vision)” we aspire to be.

So that the Group can implement a proper compliance framework at “The Trust Bank,” the Codes of Conduct (“Value”) declare our “strict compliance with applicable laws and regulations” and the Compliance Rules stipulate

what directors, officers, and employees need to comply with.

In addition, the Compliance Manual, a detailed companion guide to the Codes of Conduct, offers (1) explanations of codes of conduct that must be followed regardless of one’s duties and (2) clarification on how to respond when one discovers illegal behavior, while the Compliance Handbook and Company Rules provide specifics of the understanding and awareness directors, officers, and employees need to have according to their duty. We thus implement compliance by following these codes of conduct strictly in our daily business operations.

### Compliance Standards for Directors, Officers, and Employees

1. Earn the Trust of Society	We must establish public trust through awareness of our social responsibilities and public mission, as well as through sound business administration founded on strong self-discipline.
2. Offer Quality Financial Products and Services	We must carry out all the functions of a trust bank group and endeavor to provide clients with quality financial products and services.
3. Be Firm against Antisocial Forces	We must be firm against antisocial forces.
4. Prevent Abuse of Financial Functions by Organized Crime	In accordance with the “Anti-Money Laundering Compliance Policy,” we must make efforts to prevent abuse of our financial services by taking a firm stance against money laundering and terrorist funding, and by strictly complying with relevant laws and regulations.
5. Ensure Management Transparency	We must strive toward appropriate and fair disclosure of how we manage our business and information about SuMi TRUST Holdings to ensure management transparency.
6. Construct Sound and Normal Relationships with Concerned Parties	In accordance with the “Anti-Bribery and Corruption Compliance Policy,” we must strictly comply with applicable laws and regulations on preventing bribery and corruption as we avoid pursuing profits by improper means. With respect to public servants/deemed public servants, as well as shareholders and other concerned parties with a business interest, we shall not offer entertainment, favors, or the like beyond socially accepted courtesies, nor shall we accept such entertainment or favors from concerned parties or other third parties (unless permitted under laws, regulations, internal company rules, or the like).
7. Pursue Comprehensive Fairness	We shall always distinguish between business and personal matters, and in the course of business operations, we shall not take a position contrary to SuMi TRUST Holdings’ interests nor use one’s position to advance personal interests or those of a third party.
8. Pursue Comprehensive Information Management	We shall not release to others any information obtained in the course of business or confidential matters of SuMi TRUST Holdings. We shall not, for any reason, use important unpublicized information, SuMi TRUST Holdings’ business secrets, or the like for illicit gain, to cause harm to SuMi TRUST Holdings or others, or for other illegitimate purposes.
9. Recognize Duties as a Fiduciary	With regard to the trusts offered by the Group, we must recognize our obligation as a fiduciary toward settlors and beneficiaries, and as a fiduciary we must faithfully carry out our trust operations with the care of a good manager.
10. Prohibit Compensation for Losses	In the event that a client or other party suffers a loss originating from a financial product or service provided by the Group, losses shall not be compensated without rational grounds.
11. Improve Workplace Orderliness	We must respect individual people’s personalities and traits without discriminating in any situation. We must also emphasize, and constantly endeavor to sustain and improve, order in the workplace, thus ensuring a pleasant work environment.
12. Uphold our Fiduciary Duties	In accordance with the “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group,” we must endeavor to uphold our fiduciary duties.

### Initiatives to Foster Compliance Awareness

With the approval of the Board of Directors, the SuMi TRUST Group has created a compliance manual which provides an explanation on the background and purpose of the Codes of Conduct and rules concerning laws, regulations, and other conventions to be adhered to, and measures to be taken in the event of any compliance

infractions. The contents of this manual have been made widely known to all directors, officers, and employees across the Group.

Furthermore, the Group is improving training on compliance throughout the entire Group to help foster an awareness of compliance matters. Specifically, support is provided with trainings carried out by supervising departments

responsible for compliance at each Group company, such as by providing training materials, dispatching instructors, and planning and implementing discussion-based study sessions on themes that span the whole Group.

In addition to the above, efforts are being made at each Group company to raise awareness and ensure thorough implementation of compliance matters through training and study sessions tailored to the characteristics of business and products at each company and the aspects of their clients, as well as through e-learning programs on

specific themes and guidance on a daily basis.

Furthermore, in order to accurately ascertain how matters of compliance are being understood, the Group conducts an annual survey on compliance awareness each fiscal year at major subsidiaries and elsewhere, in an effort to understand the actual situation and improve any issues. The survey is an attempt to understand the situation of the entire Group by, for example, setting common questions in order to grasp Group-wide issues and to implement any effective measures.

## 2. Outline of Initiatives

### Compliance System of the Group

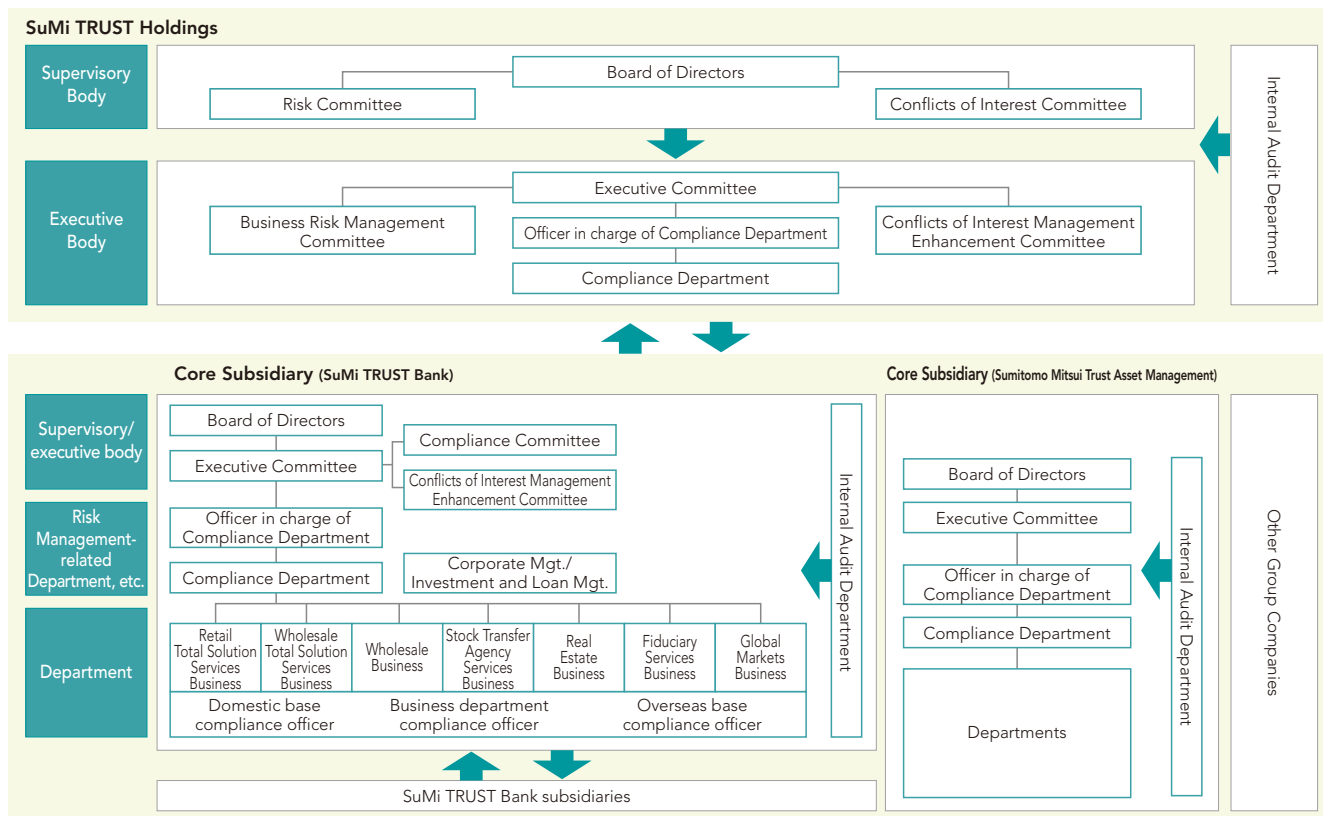
With the approval from the Board of Directors, the Group formulates a compliance program consisting of a detailed implementation plan for compliance each fiscal year, and the Board of Directors regularly monitors and evaluates the program's progress.

Furthermore, in order to maintain an appropriate compliance framework in line with the business characteristics of each Group company, we manage the compliance framework for the entire Group, such as by formulating compliance programs for each company and providing guidance and oversight on the state of progress and achievement of these programs.

Group companies create compliance structures that

are suited to their operations and founded on the compliance policy and other guidelines prescribed by SuMi TRUST Holdings.

For example, the supervising unit for compliance at core subsidiary SuMi TRUST Bank is the Compliance Department. In accordance with SuMi TRUST Holdings' compliance policy, SuMi TRUST Bank formulates its own compliance policy and a Compliance Program, while also monitoring the state of management and administration. In addition, the state of management and administration and other states are reported to the Executive Committee and the Board of Directors upon verification by the Compliance Committee, which is chaired by the officer in charge of the Compliance Department.



## Compliance and Conducting Business Activities Fairly

### The Roles of the Board of Directors, Executive Committee, and Compliance Department Officers

Board of Directors	<ul style="list-style-type: none"> <li>• Establish the Group's compliance framework, supervise execution</li> <li>• Set policy and organizational structure pertaining to compliance</li> <li>• Prepare the compliance manual, assess preparation, progress, etc. of the compliance program</li> </ul>
Executive Committee	<ul style="list-style-type: none"> <li>• In advance examine Board of Directors decisions and reports (decisions on compliance matters and matters on constructing frameworks for supervisory departments)</li> <li>• Matters concerning the approval and publicity of rules and regulations</li> <li>• Analyze the state of compliance, look into problems</li> </ul>
Directors/Executive Officers	<ul style="list-style-type: none"> <li>• Execute compliance-focused management while keeping in mind important points such as compliance's importance and laws and regulations pertaining to assigned duties</li> </ul>
Compliance Department Officers	<ul style="list-style-type: none"> <li>• Review policies and concrete measures that establish and entrench a proper compliance framework based on an accurate understanding on the state of compliance in the Group</li> </ul>
Compliance Department	<ul style="list-style-type: none"> <li>• Generally supervise compliance in the Group</li> <li>• Prepare required rules for our compliance framework, implement action and guidance, address issues, augment the training system</li> <li>• With regard to the compliance program, formulate plans and manage progress, etc., provide guidance by monitoring the state of administration</li> <li>• Bring up and report to the Board of Directors, the Executive Committee, etc. on compliance matters</li> </ul>

#### Compliance Hotline System

In order to promptly and appropriately respond to any serious violation of laws/regulations and internal rules or to acts that likely constitute such violation, SuMi TRUST Group has established a compliance hotline system\* where all officers and employees, etc. (including part-time employees, dispatched employees, retired employees, and officers and employees, etc. of partner business operators, etc.) can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels. This hotline system enforces rigorous control of information and protection of whistleblower privacy to ensure their protection, and prohibits adverse treatment of whistleblowers who utilize the system appropriately and those who cooperate with the investigation. In addition, in order to ensure unified management of the Group, SuMi TRUST Holdings has its subsidiaries establish systems equivalent to this system (as necessary). The reported information is consolidated at SuMi TRUST Holdings, so that the Company can utilize this information to enhance its compliance system going forward.

#### Response at the Time of Compliance Violations

To effect an appropriate response when compliance violations by directors, officers, or employees are discovered, the Group clarifies "How to Respond to the Discovery of Illegal Behavior" in the Compliance Manual, a detailed companion guide to the Codes of Conduct, and obligates directors, officers, and employees to report to the Compliance Department through higher-ups. When the Compliance Department receives a report from a department committing a compliance violation, the Compliance Department will conduct an investigation with the report-

Furthermore, in order to promote the appropriate use of the system, SuMi TRUST Bank, one of the major subsidiaries, has taken the lead in establishing and providing Q&As and training tools for employees and others. Compliance awareness surveys are also implemented at major subsidiaries, etc. in order to gauge their level of awareness. Starting last fiscal year, to improve the accessibility of the hotline system, the company expanded the reporting channels available, introducing options such as telephone reporting to external law firms, as well as a 24-hour online reporting system that enables anonymous and safe communication at SuMi TRUST Bank.

The approach taken for the compliance hotline system is also taken for the accounting hotline system for the reporting of the Group's inappropriate accounting, etc. SuMi TRUST Holdings conducts activities to raise the awareness of subsidiaries, etc. as well as discloses the contact points for whistleblowers on its website.

(See our website for more information:

[https://www.smth.jp/en/about\\_us/management/compliance/index.html](https://www.smth.jp/en/about_us/management/compliance/index.html))

\*For overseas offices, a reporting system in the local language is available.

ing department, coordinate with clients to reach a solution, submit reports in-house and to the authorities, determine whether a public announcement is necessary, and otherwise provide guidance and advice on executing the required response in order to settle the issue. Along with verifying the appropriateness of measures to prevent recurrence by the violating department and its supervising unit, the Compliance Department will improve the report and control framework to deter/curtail accidents and to raise the quality of work.



### 3. Response to Major Compliance Risks

#### Major Compliance Risks

- Leakage of customer information
- Inappropriate acquisition and use of personal information
- Lack of credibility in products and services offered
- Violation of the principle of suitability
- Inadequate explanations to customers
- Insincere responses to customer consultations and complaints
- Relationships with customers that lack moderation
- Transactions with conflicts of interests
- Inappropriate accounting treatment
- Disregard for information disclosure
- Illegal payoffs
- Inhibiting free and fair competition
- Insider trading and other forms of unfair trading
- Violation of Foreign Exchange and Foreign Trade Act
- Infringement of intellectual property rights
- Opaque relationships with government authorities
- Dealings with antisocial forces
- Money laundering
- Financing of terrorism

#### Prevention of Money Laundering\*<sup>1</sup>

With the approval of the Board of Directors, the Group has published its Anti-Money Laundering Compliance Policy, making clear its resoluteness in standing up to money laundering.

In order to prevent abuse of financial services throughout the entire Group including at its overseas offices, the Company has established its global guidelines on AML/CFT\*<sup>2</sup> as guidance across the Group for establishing a preventive framework. The Company oversees the Group's anti-money laundering framework and provides guidance on improvements towards any issues through regular risk assessments of the anti-money laundering framework at each Group company and by checking the implementation status of risk mitigation measures.

Each Group company implements risk mitigation measures for those identified risks. Specifically, in addition to checks based on laws and regulations at the time of opening an account or accepting remittances (Act on Prevention of Transfer of Criminal Proceeds, Foreign Exchange and Foreign Trade Act, etc.), rigorous screening is carried out including the hearings on aspects of the client and the purpose and details of the transaction. Additional hearings are also implemented depending on the degree of risk associated with money laundering.

Moreover, even after the start of a transaction, the system monitors whether there has been any unlawful

account activity, etc., and in the event that any transaction is suspected to be related to money laundering or the financing of terrorism, such activity will be properly reported to authorities in accordance with the reporting standards and procedures set forth in the internal regulations, with reference to the Suspicious Transaction Reference Cases published by the competent authorities. Should the use of financial services for fraudulent purposes become apparent, measures are taken, such as by promptly restricting transactions as necessary, to prevent further abuse of financial services.

Furthermore, in order to enhance the above framework, the Group provides support through in-house training on the prevention of money laundering, etc. in line with the business characteristics of each Group company and provides training materials and advice on obtaining professional qualifications, etc. By doing so, efforts are being made to improve the preventive framework against money laundering and other crime activities throughout the Group.

\*<sup>1</sup> Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments in order to make it appear as if the money had been obtained through legitimate means. Financing of terrorism refers to providing terrorists with the necessary funds to perform terrorist acts, such as bombings and hijacking. The Group terms the prevention of our financial services from being used for financial crime activities, such as money laundering and the financing of terrorism, as anti-money laundering measures.

\*<sup>2</sup> AML: Anti-Money Laundering, CFT: Combating the Financing of Terrorism

**Anti-Money Laundering Compliance Policy**

**1. Organizational structure**

The SuMi TRUST Group has established and developed a comprehensive organizational structure and its Anti-Money Laundering Compliance Program for preventing money laundering and terrorist financing.

**2. Management commitment**

Top-level executives are assigned to be in charge of overseeing the Anti-Money Laundering Compliance Program.

**3. Assessing money laundering risk**

The SuMi TRUST Group conducts a periodic money laundering risk assessment, and based on it, implements and enforces its Anti-Money Laundering Compliance Program.

**4. Customer Due Diligence**

The SuMi TRUST Group has established and maintains risk-based customer due diligence, identification, verification and know your customer (KYC) procedures.

**5. Sanctions list screening**

The SuMi TRUST Group fully complies with applicable sanctions laws and regulations in every jurisdiction in which it operates, including filtering customers and other persons.

**6. Suspicious activity monitoring and reporting**

The SuMi TRUST Group conducts transaction monitoring on an ongoing basis to detect and report suspicious transactions to the appropriate regulatory body.

**7. Training**

All officers and employees are required to take appropriate training regarding anti-money laundering compliance on a regular basis.

**8. Record keeping**

The SuMi TRUST Group maintains appropriate records for the minimum prescribed record-keeping periods.

**9. Disciplinary action**

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

**10. Monitoring and testing**

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Money Laundering Compliance Program through a risk-based approach.

**Response to Antisocial Forces\***

In order to realize the Group’s Management Principles and Ideal Model of “The Trust Bank,” the Group has declared its resolute stance against antisocial forces in its Codes of Conduct (“Value”), taking initiatives to prevent transactions with antisocial forces.

Specifically, in addition to incorporating a clause to exclude the involvement of organized crime group in various products and services as a check against antisocial forces and as a contractual justification to cancel any transactions if they are determined to be antisocial forces after the start of any transaction, a framework has been established to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of Japan, mainly for new loans for individual clients. In addition, we have a framework in place to check whether the counterparty to a transaction is an antisocial force after the commencement of the transaction. In cases where the counterparty is found to be an antisocial force, we have established a framework that allows us to take measures in close coordination with external specialist organizations, such as the police, for the eventual cancellation of the transaction.

Additionally, training for the prevention of transactions with antisocial forces is provided to directors, executive officers, and employees once every fiscal year to improve awareness of preventing such transactions.

\*Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies related to these groups that threaten the order and security of civil life.

**Prevention of Insider Trading**

In order to prevent insider trading, the Group strictly manages and stipulates the reporting obligations, delivery and management practices for insider information that may be obtained during the execution of working duties in its Rules on Insider Information Management.

In 2018, the asset management function of SuMi TRUST

Bank was integrated into Sumitomo Mitsui Trust Asset Management Co., Ltd. (SMTAM) to strengthen the asset management business, which is positioned as the Group’s growth business, thereby establishing a strict information blocking system with other Group companies.

As well as having particularly strict controls and information blocking to prevent insider information from being leaked to departments that handle investments (asset management), SMTAM has established its Guidelines on Contact, etc. with Securities Companies, etc. prohibiting improper contact between our employees in charge of investing and sales persons at securities companies.

In addition, the Group has established a training framework for preventing insider trading in a way that is tailored to each company’s situation. For example, our core subsidiary SuMi TRUST Bank conducted two rounds of training for all employees (in addition to four rounds a year for Fiduciary Services Business), while all directors, officers, and employees submit a vow twice a year (four times a year in the Fiduciary Services Business) that includes a pledge to comply with internal company rules on preventing insider trading.

**Progress in the implementation of the measures to prevent recurrences of insider trading**

We have implemented all the measures to prevent recurrence of insider trading that were announced by the SuMi TRUST Group in March and June 2012.

In addition, while investment services at SuMi TRUST Bank were integrated with Sumitomo Mitsui Trust Asset Management on October 1, 2018, SuMi TRUST Bank is still working to prevent recurrent insider trading as SuMi TRUST Holdings continues to take a lead in conducting regular monitoring of how the preventive measures are being implemented and entrenched.

\*Details of the violation of insider trading regulations that occurred in 2012 are described in the 2012 CSR Report.

URL: [https://www.smth.jp/en/csr/report/2012/2012e\\_04.pdf](https://www.smth.jp/en/csr/report/2012/2012e_04.pdf)

### Initiatives to Prevent Bribery and Corruption\*

In order to prevent the exchange of entertainment and gifts in violation of laws, regulations, social practices, and customs, the Group has published its Anti-Bribery and Corruption Compliance Policy with the approval of the Board of Directors, and is implementing a program against bribery and corruption under the supervision of the management team. The program is reviewed and improved through regular risk assessments on bribery and corruption, and at overseas offices where bribery and corruption risks are particularly high, the Group is working to improve its system for preventing bribery and corruption, such as by building close coordination with local legal offices to allow for swift and proper responses.

In addition, to make sure we abide by anti-bribery initiatives, the Group periodically conducts monitoring to

confirm the state of implementation, and every fiscal year conducts training for directors, officers, and employees. These training sessions are aimed at raising awareness of the Group's stance on bribery and corruption, the necessary pre-approval procedures such as the absence of conflicts of interest with counterparties (e.g., licensing, subsidies, contracts), and acceptable guidelines (e.g., when dealing with public officials who are not stakeholders of the Company). Additionally, departments that are more likely to face bribery risks, such as business management, wholesale, and investment and loan-related departments, are required to undergo additional specialized training and submit a pledge of compliance.

\*The Group defines bribery and corruption as the act of offering, promising, or providing entertainment, gifts of money or goods, or other benefits with the intent to improperly influence the counterparty, and the act of receiving or requesting goods or services with the intent to improperly benefit the provider.

### Example Initiatives in Anti-Bribery and Corruption Programs

Prior authorization system for entertainment, gift-giving, etc.	For corporate action that could lead to bribery or corruption—including of course entertainment and gift-giving, as well as bearing expenses, making donations, or providing aid—we manage this action to require prior authorization, even if the said action is permitted under relevant laws, regulations or other rules
Centralized Hiring and Trainee Acceptance	To prevent illegitimate provision of benefits through hiring or trainee acceptance, we have built mechanisms that are centrally managed by HR departments
Obligatory due diligence before concluding certain contracts, training for directors, officers, and employees	To address the risk of funds being provided through consultants or other third parties, due diligence on the said third parties is obligatory before concluding certain kinds of contracts
Monitoring and testing (including internal audits)	Periodic monitoring and testing verify the state of implementation on an individual basis

### Anti-Bribery and Corruption Compliance Policy

#### 1. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Bribery and Corruption Compliance Program.

#### 2. Assessing bribery and corruption risk

The SuMi TRUST Group conducts a periodic bribery and corruption risk assessment, and based on it, implements and enforces the Anti-Bribery and Corruption Compliance Program.

#### 3. Pre-approval before providing entertainment and gift

All officers and employees are required to obtain pre-approval before providing any form of facilities such as entertainment, gift, or donation to any governmental official or any related persons even where it is specifically permitted by law or regulation.

#### 4. Conducting an appropriate due diligence

When establishing a relationship with a new third party, including an agent or consultant, or merger and acquisition targets, the SuMi TRUST Group conducts a due diligence regarding bribery and corruption risk through a risk-based approach.

#### 5. Overseeing employment and trainee acceptance

The SuMi TRUST Group assesses the appropriateness of hiring employees and accepting trainees to avoid even the appearance of unlawfully offering a benefit to any governmental official or any related persons.

#### 6. Training

All officers and employees are required to take appropriate training regarding anti-bribery and corruption compliance on a regular basis.

#### 7. Whistle-blowing system

If a violation related to bribery or corruption is detected, all officers and employees can use a whistle-blowing system with a prohibition against any retaliation of anyone who makes a report in good faith.

#### 8. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

#### 9. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Bribery and Corruption Compliance Program through a risk-based approach.

### Prevention of “Dango” Bid-Rigging and Cartels

To comply with the Antimonopoly Act, the Group has instituted the Company Code of Conduct for the Antimonopoly Act in the compliance manual. This code of conduct spreads awareness among directors, officers, and employees by providing them with comprehensible and relatable content, which includes specific examples using problems that could occur in the course of business at the Group.

Furthermore, at group companies we have created rules for checking up on prohibited concerted action, abuse of one’s dominant position, false or exaggerated advertising and the like as a means of strict management to remain compliant with the Antimonopoly Act.

### Protection of Intellectual Property Rights

The Group’s compliance manual contains a policy on respecting intellectual property rights. Directors, officers, and employees are strictly prohibited from engaging in the unauthorized duplication or use of other people’s copyrighted materials or the like. To further properly defend intellectual property rights, the Group writes internal rules for the proper use of such rights belonging to group companies.

### Management of Conformity with Legal Revisions

To respond appropriately to legal revisions or the like, the administrative departments of core subsidiary SuMi TRUST Bank lead the collection of information on these revisions, and the Compliance Department plays a central management role while building a framework for instructing affected departments on their response. For group

companies other than SuMi TRUST Bank, SuMi TRUST Holdings shares information it collects on revised laws and regulations so that each company can also respond, thus enabling a proper response to these revisions throughout the Group.

### The SuMi TRUST Group’s Basic Policies on Tax Compliance

The Group recognizes that properly fulfilling tax obligations is an important social responsibility.

The Group has established the basic policy on tax compliance by resolution of the Executive Committee in order to raise the tax awareness of the Group’s officers and employees, appropriately manage taxation, and conduct corporate activities while balancing the interests of all stakeholders, including clients, investors, national governments, and local communities.

Based on this policy, we comply with the tax laws, notices and guidelines of each country, tax treaties, OECD transfer pricing guidelines, BEPS\*<sup>1</sup> action plan, etc., and strive to pay appropriate taxes and prevent tax avoidance activities in violation of these laws\*<sup>2</sup>.

Under the direction of the Chief Financial Officer, who is responsible for taxation, the Group’s tax team and the management of the Group’s domestic and overseas offices work together to carry out tax-related work in line with this basic policy.

In addition, highly important matters are reported to and resolved by the Board of Directors.

\*1 BEPS: Base Erosion and Profit Shifting

\*2 UK tax strategy

[https://www.smth.jp/about\\_us/management/compliance/pdf/UK\\_Tax\\_strategy.pdf](https://www.smth.jp/about_us/management/compliance/pdf/UK_Tax_strategy.pdf)

## Tax Compliance Policy

### Tax Law Compliance

We comply with rules regarding taxes such as national tax laws, directives and tax treaties and properly fulfill our tax obligations.

### Response to Tax-related Risks

The Group recognizes risks relating to taxes as an important issue from a management viewpoint. In a context where we balance the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, we appropriately manage tax-related risks and conduct our corporate activities.

### Relationship with the Tax Authority

We build a relationship of trust with the tax authority by enhancing transparency through information disclosure and other means.

The Group documents transactions that comply with the principle of arms’ length transactions between independent companies for transactions that cross borders but are between Group companies. We have put into place systems we can explain to the tax authority of each country where we operate.

# Initiatives for Appropriate Tallying Operations of Voting Rights Exercise Forms at General Meetings of Shareholders

## Recognition of the Inappropriateness of Tallying Operations of Voting Rights Exercise Forms

The SuMi TRUST Group, in its execution of operations for the tallying for the voting rights exercised at the shareholders' general meetings for each partner company that entrusts it with such operations (said operations, hereinafter, the "tallying operations"), takes receipt of voting rights that are exercised by the company shareholders in written form by postal mail or via website by smartphone devices, etc.

During the busy months of each year when there is a concentration of shareholders' general meetings, Japan Stockholders Data Service Company, Limited (hereinafter "JaSt"), to which the Group entrusts the tallying operations, conducts the tallying of a large volume of Voting Rights Exercise Forms. For this reason, in order to secure time for the tallying operations, JaSt had been coordinating with the post office so that the prescribed postal office tasks relating to said items would be completed and such items would be delivered the day before the actual delivery date in the absence of this special arrangement, and JaSt had then commenced the tallying operations with respect thereto. In the course of this processing, JaSt received a "certificate of delivery" issued by the post office that bears the date that such items would have been delivered in the absence of this special arrangement. Based on this, JaSt had made a determination that these Voting Rights Exercise Forms arrived on the date indicated on the certificate of delivery, and it conducted the tallying operations on the basis of the date that was on the certificate of delivery (the above series of processing operations are hereinafter referred to as "forward processing").

As forward processing had become a long-standing practice, JaSt and SuMi TRUST Bank had not doubted the appropriateness of the handling of the tallying operations. However, upon conducting a review into the appropriateness of the forward processing implemented by JaSt in consultation with external law firms, SuMi TRUST Bank and JaSt have come to the final conclusion that the Voting Rights Exercise Forms received in written form by forward processing on the deadline for the written and electronic exercise of voting rights should have been counted as part of the tallied results, notwithstanding the date on the certificate of delivery, and have come to recognize the inappropriateness of the tallying operations.

## Reform of Operations

Going forward, we will suspend the forward processing that has been conducted as a part of the tallying operations and will introduce a new method for tallying, as well as further strengthen our legal compliance and management systems, and promote the transition to electronic exercise of voting rights. The specifics are as follows.

### (1) Introduction of a New Method for Tallying

We will work on instituting strict and smooth practices for the tallying of voting rights exercised without conducting forward processing by reforming the method for receiving Voting Rights Exercise Forms and striving to improve the capacity for processing the tallying tasks, so as not to interfere with the administration of the general meetings of shareholders of the companies that have entrusted the provision of these operations to us.

### (2) Further Strengthening of Legal Compliance and Management Systems

Based on the lessons learned from this matter, the entire Group will endeavor to prevent its recurrence through the following measures.

#### 1) Framework for Legal Compliance, etc.

In light of the fact that the legal problems with forward processing by JaSt went undetected for many years, we will further strengthen the involvement of the Legal and Compliance divisions in reviewing the legality of rules regarding operations entrusted to Group companies and external business operators.

#### 2) Management of External Parties Entrusted with Operations

With respect to companies that are entrusted with important operations, we will conduct, with exacting detail, management of the status of business operations, in accordance with the degree of legal and other risks involved in the entrusted operations and the degree of impact on stakeholders.

#### 3) Internal Audit System

We will place greater emphasis on the effectiveness of our legal compliance framework and enhance the effectiveness of internal audits, including audits of Group companies.

#### 4) Fiduciary Duties

Our Group will expand and strengthen the education and guidance for employees, including Group company employees, in order to inculcate thorough awareness of the fiduciary duties to clients, shareholders of clients, and other stakeholders in the value chain of the services that we provide.

#### 5) Measures for Stock Transfer Agency Services

SuMi TRUST Bank, in collaboration with JaSt, will take further measures to strengthen the framework for the legal compliance, etc. of JaSt, as well as strengthen the monitoring function vis-à-vis JaSt. We will also strengthen our organizational structure to proactively detect legal issues, etc. in the business processes for stock transfer agency services overall.

### (3) Promotion of Transition to Electronic Exercise of Voting Rights

Part of the background to this matter is the fact that a large number of voting rights are exercised by postal mail in the busy months when the dates of the shareholders' general meetings are concentrated, which results in a massive expansion of the tallying operations during these periods. Our Group will further step up the promotion of initiatives for the widespread use of electronic voting, which is a more accurate and speedy method, and highly convenient for shareholders of the companies that entrust these operations to us.

Specifically, with the cooperation of the companies that entrust these operations to us, we will work to promote the use of electronic exercise of voting rights by expanding the range of companies that employ electronic voting, and by promoting the use of electronic voting by individual shareholders.

In light of these reforms, Our Group, as a financial group specialized in trust banking that plays a central role in corporate governance and that is expected by society to steadily and reliably execute operations, reaffirms our strong recognition of our concomitant responsibilities, and we will continue to contribute to the sound development of the capital markets.

# Risk Management and Materiality Management

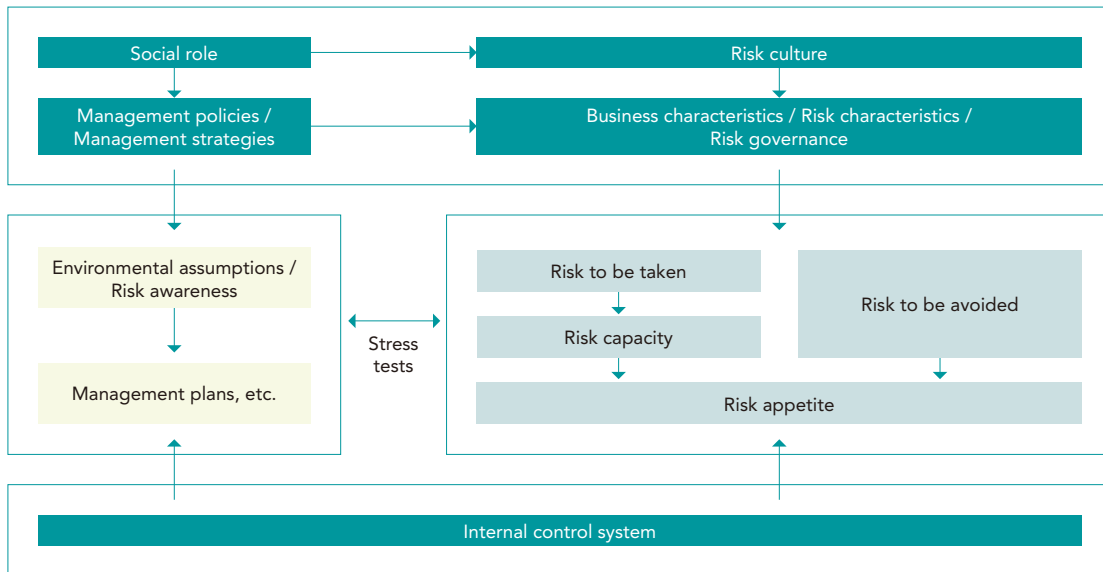
## Risk Appetite Framework

### 1. Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve the management strategies formulated by management based on the Group's social role and management principles, together with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promote the enhancement of the transparency of deliberation and determination process for the overall risk taking policy in capital allocation and profit maximization, etc. through the setting, communication, and oversight of risk appetite, as well as the optimization and speed-up of allocation of management resources and reinforce the monitoring system through the use of RAF as the universal language of the Group.

Outline of the Risk Appetite Framework



### 2. Operation of Risk Appetite

#### (1) Determining Risk Appetite

The Group classifies risks into two categories: (1) risk to be taken (that occurs in relation to activities that generate returns) and (2) risk to be avoided (such as conduct risk that cannot be tolerated by the Group).

Under RAF, the Group establishes a risk-taking policy, which is an overriding management policy based on its Purpose, Mission, Vision, and Value, and takes into account the results of stress tests to set risk appetite indi-

cators, then they are resolved by the Board of Directors. In addition, the Group sets more in-depth risk-taking policy and risk appetite indicators for each business within the scope of policy set by the Board of Directors, which will be then resolved by the Executive Committee.

The risk-taking policy and risk appetite indicators are determined in accordance with the management plan. These are reviewed at any time at least once a year or when necessary.



## (2) Monitoring of Risk Appetite

In order to verify that risk taking is carried out appropriately based on its business model, the Group sets separate risk appetite indicators from the perspective of return, risk, and cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or revises the levels.

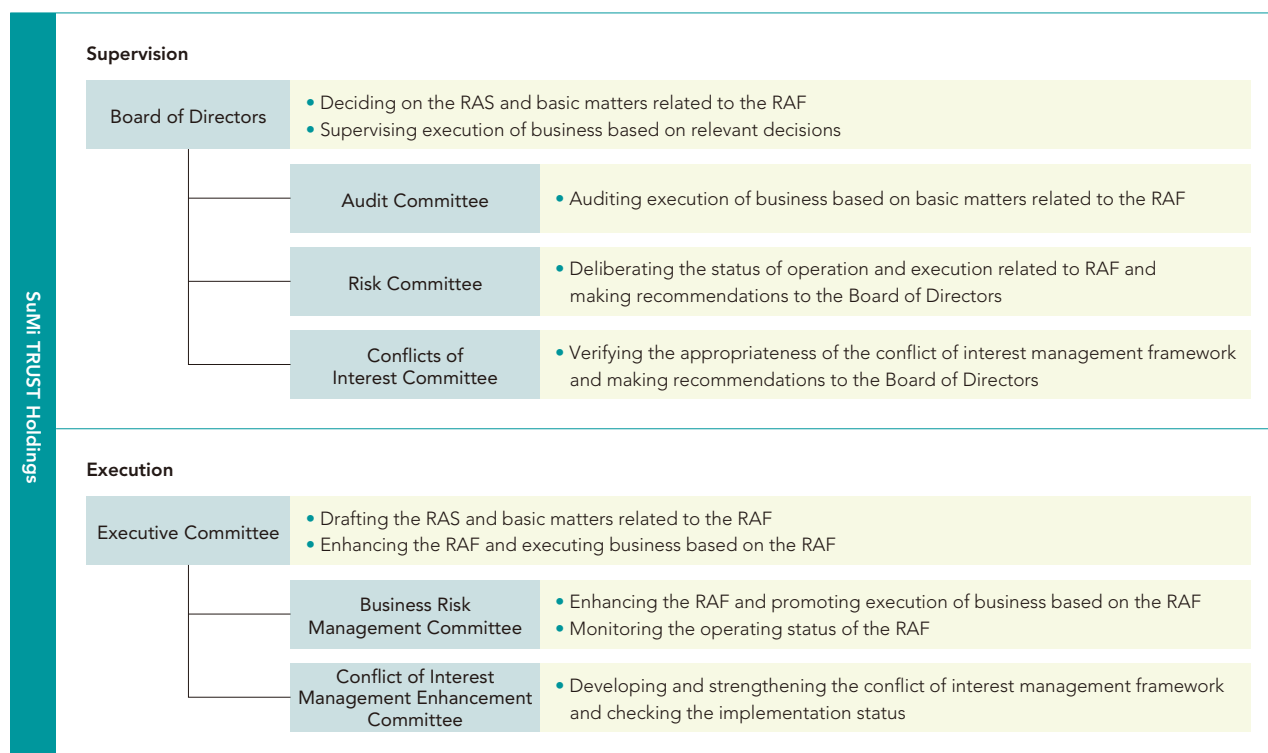
## (3) Risk Governance

Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by clarifying and monitoring risk appetite.

The Group promotes the enhancement of risk governance, with the aim of achieving the sound development of the Group.

SuMi TRUST Holdings strives to enhance the operation of risk appetite through discussions at the Risk Committee and the Conflicts of Interest Committee, etc. as part of its initiatives to enhance corporate governance.

### Risk Appetite Framework Operating System



## 3. Fostering a Risk Culture that Takes Root across the SuMi TRUST Group

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group's organizations, as well as its directors, officers and employees, that flexibly carry out risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture that takes root across

the Group, we have formulated risk-taking policies for each business to clarify management strategies, and are endeavoring to have all its employees secure soundness through appropriate risk taking and develop a sustainable business model. In addition, we have formulated a Risk Appetite Statement clearly stating our RAF, which is used as a universal language in lively discussions concerning risk appetite within the Group.

## Risk Management

### 1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, eval-

uation, monitoring, control and mitigation, validation for advancement, and review, based on the Group's management policy and basic policy on the internal control system.

The Group's risk management framework encompasses the Risk Appetite Framework, and integrates it to function organically within the Group.

### 2. The Group's Risk Characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a financial group specialized in trust banking, strives to create distinct value through a total solution business model

that combines its banking, asset management and administration, real estate businesses and others.

The Group's businesses consist of the Retail Total Solution (TS) Services Business, the Wholesale Total Solution (TS)

#### Businesses and Main Risk Characteristics of the Group

Risk Category	Individual Businesses	Retail TS	Wholesale TS	Wholesale AM	Stock Transfer Agency Services	Real Estate	Fiduciary Services	Global Markets	Private Banking	Asset Formation Advisory (Work Place)	Asset Management	Corporate Management*
Credit Risk		○	○	○				○	○	○		
Market Risk			○	○				○				○
Funding Liquidity Risk								○				
Operational Risk		○	○	○	○	○	○	○	○	○	○	○

\*Strategic shareholdings management, etc.

#### Risk Definition

Risk Category	Definition
Credit Risk	Risk that the Group may incur losses due to a decrease or impairment of the value of assets (including off-balance sheet assets), for reasons such as deterioration of the financial condition of obligors. In this regard, "country risk" in particular refers to the risk that the Group may incur losses on credit provided overseas, due to the foreign exchange, political, or economic conditions in the countries where our clients operate.
Market Risk	Risk that the Group may incur losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. In this regard, "market liquidity risk" in particular refers to the risk that the Group may incur losses due to a situation in which it becomes impossible to conduct transactions in the market, or becomes obligatory to trade at prices that are significantly more disadvantageous than usual, due to market turmoil.
Funding Liquidity Risk	Risk that the Group may incur losses in a situation where it becomes impossible to secure necessary funds, or becomes obligatory to raise funds at interest rates significantly higher than usual.
Operational Risk (Below are "risk sub-categories" within Operational Risk)	Risk that may adversely affect the Group, clients, markets, financial infrastructure, society, or the work environment due to inadequate or failed business processes, the activities of executives or employees, computer systems, or due to external events.
Business Processing Risk	Risk that the Group may incur losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accidents or fraud.
System Risk	Risk that the Group may incur losses due to reasons such as computer system failures, malfunctions, and defects, as well as the risk that the Group may incur losses due to unauthorized computer usage.
Information Security Risk	Risk that the Group may incur losses due to the improper management or maintenance of information assets. This includes information leaks, information errors, and misuse of information, as well as an inability to use the information system.
Legal & Compliance Risk	Risk that the Group may incur losses due to uncertainty regarding the legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
Conduct Risk	Risk that may adversely affect the Group, clients, markets, financial infrastructure, society, or the work environment due to the actions of Group companies, executives, or employees that are unprofessional or do not meet the expectations and trust of stakeholders. *Appropriate service level set by the Group based on an understanding of reasonable expectations
Human Resource Risk	Risk that the Group may incur losses due to personnel and labor management issues, such as unequal or unfair management of personnel, and harassment.
Event Risk	Risk that the Group may incur losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, and the spread of infectious diseases, or due to the inappropriate use or management of tangible assets.
Reputational Risk	Risk that the Group may incur losses as a result of a deterioration of the reputation of SuMi TRUST Holdings or its subsidiaries, due to reasons such as mass media reports, rumors, or speculation.

Services Business, the Wholesale Asset Management (AM) Business, the Stock Transfer Agency Services Business, the Real Estate Business, the Fiduciary Services Business, the Global Markets Business, the Private Banking Business, and the Asset Formation Advisory (Work Place) Business, etc.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group's businesses.

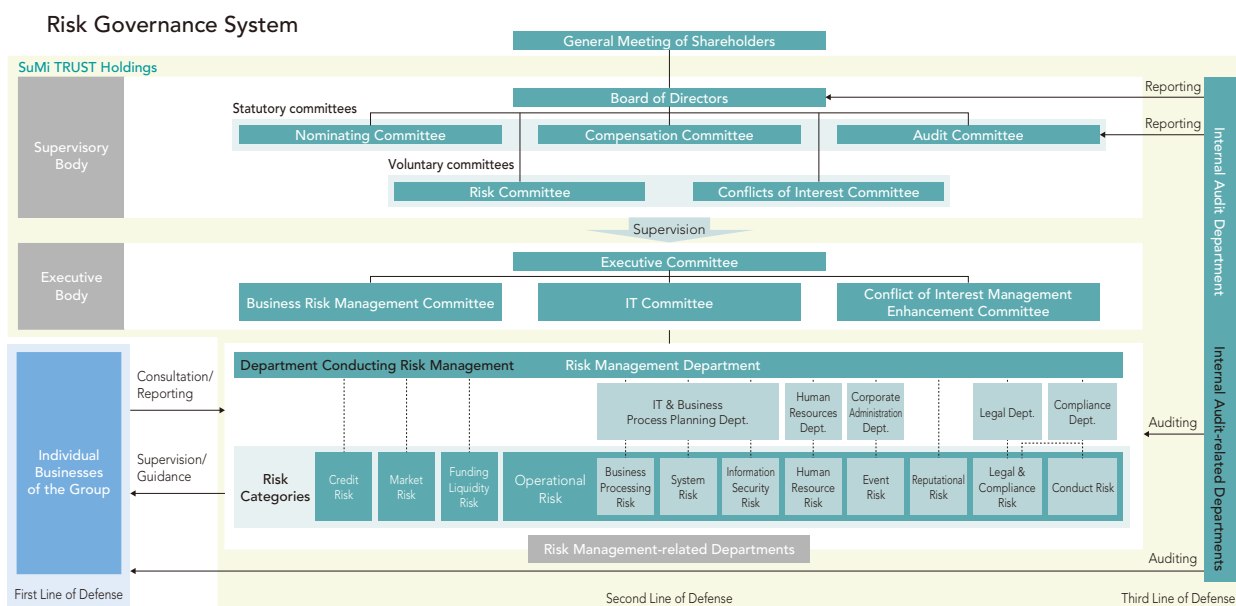
As a basis for improving management of risks related to trust business operations, we have established Group-

wide Trust Business Guidelines to provide information about basic matters that warrant caution. SuMi TRUST Bank primarily manages these risks in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee.

Reporting is regularly performed regarding whether the overall risk of the Group, combining the risks of each business, is within the limits of risk capacity (soundness and liquidity) that have been determined by the Board of Directors.

### 3. Risk Governance System

For the group-wide risk governance system, the Group has developed a Three Lines of Defense system consisting of risk management by individual businesses (first line of defense), risk management by the Risk Management Department and individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).



#### (1) First Line of Defense

Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business.

Each business engages in risk taking within the established range of risk appetite, and, when a risk materializes, promptly implements risk control at the on-site level.

#### (2) Second Line of Defense

The Risk Management Department performs overall risk management, identifies and evaluates group-wide risks, creates a risk management process, and sets risk limits in accordance with the group-wide risk management policy determined by the Board of Directors. In addition, it for-

mulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize.

The Risk Management Department and risk management-related departments act as a restraint function for the risk taking of the first line of defense, and supervise and provide guidance regarding the risk governance system.

The Risk Management Department reports on the status of risk management to the Executive Committee and the Board of Directors.

#### (3) Third Line of Defense

The Internal Audit Department verifies the effectiveness and appropriateness of the group-wide risk governance system and processes from an independent standpoint.

#### (4) Executive Committee

The Executive Committee is composed of representative executive officers and executive officers designated by the President. It makes decisions on matters concerning risk management and undertakes preliminary discussions regarding matters to be resolved by and reported to the Board of Directors.

#### (5) Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group's management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises its implementation. The Board of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies,

based on the business strategies and risk characteristics of the Group.

#### Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on matters concerning the business circumstances surrounding the Group and the effectiveness of its risk management, etc., reviews their appropriateness, and reports its findings.

#### Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on matters concerning the Group's fiduciary duties and conflict of interest management, which are the foundation on which the Group seeks to become the "Best Partner" of its clients based on a fiduciary spirit, reviews their appropriateness, and reports its findings.

### 4. Risk Management Process

In the Group, the Risk Management Department and individual risk management-related departments act as the second line of defense, performing risk management using the following procedure. This risk management process, along with its associated systems, undergoes regular auditing by the Internal Audit Department, which acts as the third line of defense.

#### Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group's operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks. Of note, risks that are particularly important are managed as material risks.

#### Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles. We periodically evaluate material risks in terms of frequency of occurrence, degree of impact, and severity to determine whether they can be classified as top risks or emerging risks. The former are risks that have the potential to significantly affect the Group's capacity to execute business and achieve earnings targets within one year, while the latter are risks that have the potential to have a significant effect over the medium to long term.

When risks cannot be quantified, their impact is assessed to the greatest extent possible, and they are managed through measures such as implementing preventive measures based on the nature of the risks.

#### Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group's internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to each of the Group's businesses based on the risk conditions. Monitoring contents are

reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

#### Risk Control and Mitigation

If any incidents that could have a significant impact on the soundness of management occur, such as the risk amounts exceeding the risk limits, or the existence of concerns that it might do so, appropriate reports are presented to the Board of Directors, the Executive Committee, and other bodies, and the necessary countermeasures are implemented.

#### Risk predictor management for top risks, etc.

Risk appetite indicators are defined for risks resulting from internal factors, based on the features of the Group's business model and risk characteristics, and these management indicators are monitored. Regarding risks resulting from external factors, the top risks are selected, and risk predictors are monitored. Countermeasures are implemented based on the monitoring results for both types of risks. The top risks at present include "the global spread of COVID-19," "falling prices for strategic shareholdings, etc." "concentration of credit to large obligors in the credit portfolio," and "cyber attacks." Along with countermeasures, these risks are reported to the Board of Directors and the Executive Committee.

Emerging risks at present include "climate change," "innovation," and "Japan's declining birthrate and aging population." We are analyzing these risks and considering necessary countermeasures.

For more information on climate change risks, please refer to page 11 of the 2020/2021 TCFD Report.

## 5. Enterprise Risk Management

### (1) Enterprise Risk Management System

We manage risks by comprehensively grasping the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength (enterprise risk management).

Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as VaR, and compare the combined value against our corporate strength (capital position), thereby managing risks (integrated risk management).

### (2) Capital Allocation Operations

For the purpose of the Group's capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category (credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group's risk appetite.

Each business is operated within both the allocated amount of risk capital and its risk appetite. The Risk Management Department measures the risk amount on a monthly basis, and reports regularly on the risk conditions, compared to the allocated capital and risk appetite, to the Board of Directors, and others.

### (3) Stress Tests and Assessment of Capital Adequacy Level

The Risk Management Department performs three types of stress tests (hypothetical scenario stress testing, historical scenario stress testing, and examination of probability of occurrence) each time a capital allocation plan is formulated or reviewed, with the aim of ensuring capital adequacy from the standpoint of depositor protection. Based on the results of these stress tests, it assesses the level of capital adequacy, and reports to the Board of Directors, and others.

#### Stress Tests with Hypothetical Scenarios

We assess capital adequacy level by formulating plausible stress scenarios that are sufficiently strong and realistic to estimate capital adequacy ratio during times of stress.

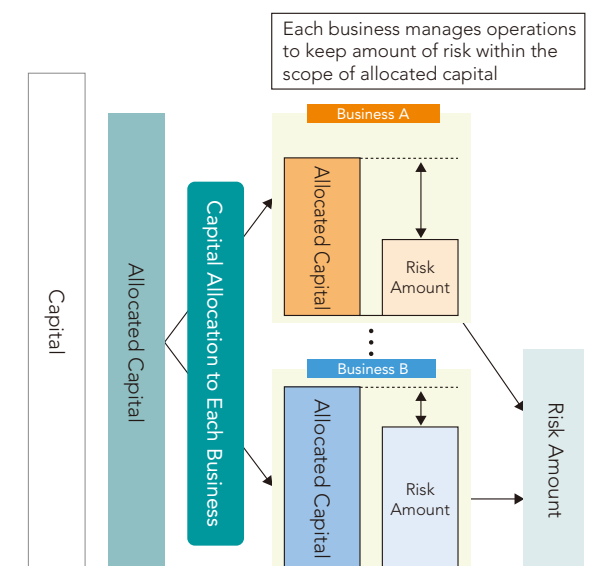
#### Stress Tests with Historical Scenarios

We also assess capital adequacy level by using parameters from previous times of stress to estimate capital adequacy ratio during times of stress.

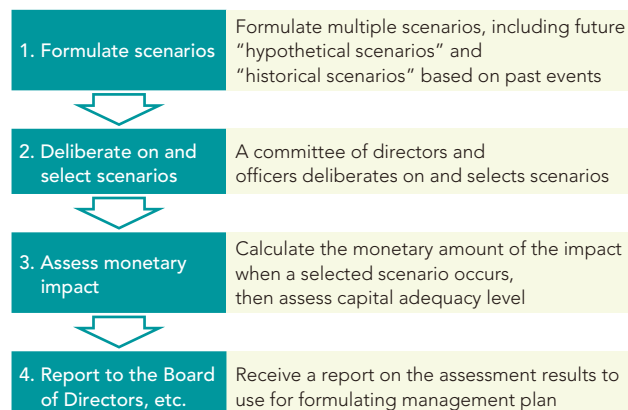
#### Likelihood Validation

We further assess capital adequacy level by calculating the amount of risk (with a confidence interval of 99.9%) to compare those figures with total capital under capital adequacy regulations.

#### Capital Allocation Scheme



#### Stress Test Framework



6. Managing Risk in Each Risk Category

(1) Managing Credit Risk

1) Definition of Credit Risk

Credit risk is “risk that the Group incurs losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing owing to such reasons as deterioration in the financial condition of an obligor.” Of this, country risk in particular means “risk that the Group incurs losses on credit provided to business partners overseas, due to foreign exchange, political, and economic conditions of the country of the obligor.”

2) Characteristics of Credit Risk

Credit risk is the most fundamental risk related to “credit creation,” the primary function of a finance. As the Group manages bank operations, it is also an important risk affecting the Group.

The major credit risk affecting the Group is the risk of sizable bad debt (or the provision of reserves) due to a default or deteriorated credit for a large obligor. To properly control for “concentrated credit risk” arising as the result of concentrated credit at a certain company or company group and “the risk of default chain” reaction arising as the result of concentrated credit to a region or industry, the Group sets credit guideline amounts according to borrower ratings and country ratings and conducts monitoring of loan balances and risk amounts in each industry.

3) Credit Risk Management Policy

The Group’s basic policy on credit risk management consists of two parts: “strict management of individual loans” and “a decentralized credit portfolio.” The first is a meticulous process of managing individual loans by screening and studying deals, self-assessment, internally assigned credit ratings and so forth. The latter involves efforts to mitigate concentrated risk by managing the decentralization of the overall credit portfolio, including

large accounts, by industry and country. In addition, we measure credit risk amounts to quantitatively understand the portfolio’s potential for loss.

Furthermore, to set “appropriate risk-return,” we configure earnings levels that include such factors as anticipated losses and expenses for each credit rating, and we strive to ensure a certain profit margin (i.e. spread) proportionate to the risk by reflecting the terms of each deal.

4) Credit Risk Management System

The Bank supervises group-wide credit risk management while endeavoring to build structures for each group company. SuMi TRUST Bank has built a structure for managing consolidated and global based risk while managing credit risk.

5) Credit Risk Management Method

The Group takes two mutually complementary approaches to properly manage credit risk in our efforts to construct and sustain a sound portfolio. The first is “management of individual loans,” which is done through inspection of new loans and management during the term of a loan. The other approach is “credit portfolio management,” by which we analyze and assess factors such as the state of concentrated risk to particular industries, regions, or company groups via statistical techniques to gain an understanding of all loans as a single portfolio, then manage from a macro perspective.

(2) Managing Market Risk

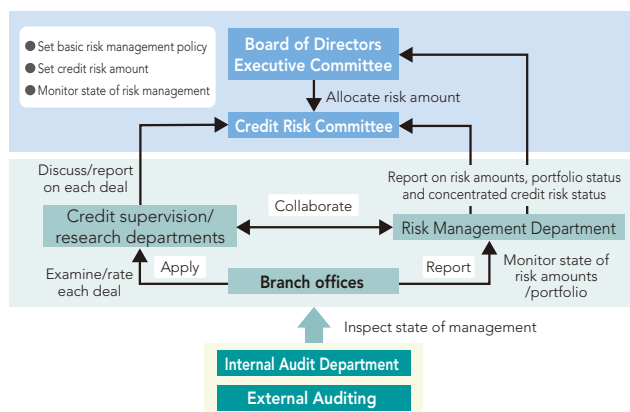
1) Definition of Market Risk

Market risk is “risk that the Group incurs losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads.” Of this, market liquidity risk in particular means “risk that the Group incurs losses caused in a situation where it becomes impossible to conduct transactions in the market or becomes obligatory to trade at prices much more disadvantageous than usual due to market turmoil, etc.” In addition, there is interest rate risk in the banking book (IRRBB), which is risk of harm to a bank’s capital or profit/loss, either in the present or future, due to interest rates fluctuating to the disadvantage of banking book positions.

2) Characteristics of Market Risk

SuMi TRUST Bank engages in banking operations to ensure earnings through interest rate risk control on assets and lia-

Credit Risk Management System





bilities, while also engaging in trading operations to ensure earnings from transactions such as short-term buying and selling to leverage interest rates and foreign exchange rates. We manage market risk by using VaR and other methods in both types of operations. In trading, we seek to secure steady earnings through market-making operations in foreign exchange rates, derivatives and the like.

The major market risk affecting the Group is the risk of losses from price declines in held assets such as strategic shareholdings. The basic policy for the strategic shareholdings held by SuMi TRUST Bank is to reduce balances while we endeavor to properly control risks through hedging and other means.

Additionally, IRRBB may arise in banking book positions due to a maturity mismatch (gap risk), interest rate mismatch (basis risk), optionality accompanying interest rate changes (optionality risk) or the like. Interest rate risks at SuMi TRUST Holdings and SuMi TRUST Bank are low.

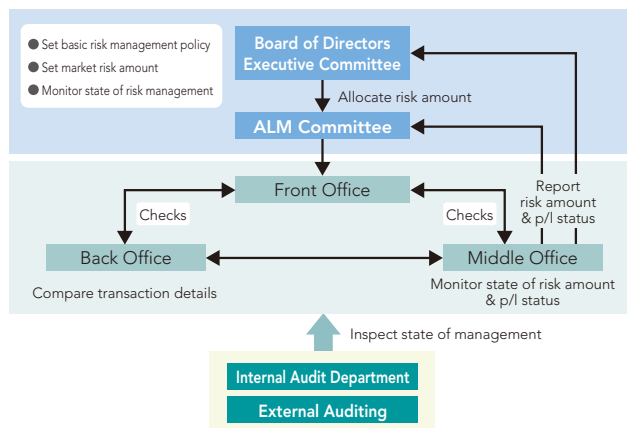
### 3) Market Risk Management Policy

To manage market risk, we seek to guarantee sound operations by properly controlling the risk, while we work to develop more sophisticated management systems, thus ensuring proper earnings in line with the Group's strategic targets as well as the scale and characteristics of our business. Furthermore, when controlling for interest rate risk, we hedge through interest rate swaps and other means, while applying hedge accounting to transactions that fulfill the requirements for doing so.

### 4) Market Risk Management System

The Bank supervises group-wide market and funding liquidity risk management while endeavoring to build structures for each group company. SuMi TRUST Bank has built a structure for managing consolidated and global based risk while managing market and funding liquidity risk.

#### Market Risk and Funding Liquidity Risk Management System



### 5) Market Risk Management Method

The Bank formulates capital allocation plans to allocate capital to group companies within the amount of capital available. SuMi TRUST Bank sets limits based on allocated capital and also sets loss limits, thereby managing to keep amounts of risk and losses within a certain range.

In addition, for interest rate risks we set alarm points to monitor changes in the economic value of positions.

### (3) Managing Funding Liquidity Risk

#### 1) Definition of Funding Liquidity Risk

Funding liquidity risk is "risk that the Group incurs losses in a situation where it becomes impossible to secure necessary funds or becomes obligatory to raise funds at interest rates significantly higher than usual."

#### 2) Characteristics of Funding Liquidity Risk

The major funding liquidity risk affecting the Group is an intensified risk pertaining to the procurement of foreign currency if credit ratings for Japan or for Japan's financial institutions are lowered. SuMi TRUST Bank formulates medium- to long-term procurement policies tailored to the characteristics of each currency, such as market liquidity and the state of assets and liabilities, to manage stable foreign currency liquidity that can withstand market tumult and financial outflows like those that have occurred in the past.

#### 3) Funding Liquidity Risk Management Policy

In the course of managing funding liquidity risk, our basic policy is to execute proper funding liquidity risk management based on two principles, as we have a thorough understanding that, when a risk manifests itself, the threat could directly ruin the Group's business. One of the two principles is "to seek a balance between procurement costs and stability" by various means of procurement. The other is "to prepare for emergencies" by examining procurement capabilities in a stressed environment and reviewing countermeasures in advance.

We are continuously enhancing our funding liquidity risk management system by adapting to Basel III and other international standards pertaining to bank capital and liquidity.

#### 4) Funding Liquidity Risk Management System

Our funding liquidity risk management system operates under the same framework as the "market risk management system."

### 5) Funding Liquidity Risk Management Method

Limits on funding liquidity mismatches for the entire group, individual offices, and each currency act as indicators for funding liquidity risk management. We pre-define our response to when a limit is reached and conduct daily monitoring on the state of compliance. In addition, we perform stress tests for multiple scenarios, including dramatic changes in the market environment and changes in the procurement environment specific to the Group, so that we understand the amount of funds we must procure when a funding liquidity risk arises.

## (4) Operational Risk Management

### 1) Definition of Operational Risk

Operational risk is “risk that the Group incurs losses resulting from an inadequate operational process, action of a director, officer, or employee, or system, or from an external event.” The Group manages the risk by separating it into the following categories: business processing risk, system risk, information security risk, legal/compliance risk, conduct risk, human resource risk, event risk, and reputational risk.

### 2) Characteristics of Operational Risk

One of the major operational risks to the Group is impaired business operations caused by a cyberattack (ransomware or a DDoS attack\*), followed by the attackers stealing and publicly releasing client information or other data belonging to the Group. By ensuring the safety of information systems, the Group takes countermeasures to prevent unauthorized access or use via cyberattacks.

\*DDoS attack: Refers to a distributed denial-of-service attack. This is a method of forcing a service to cease functioning by using multiple machines to impose a massive computing load on targeted computers.

Additionally, due to inadequate measures against money laundering and terrorist financing, there are risks which include administrative penalties such as business suspension orders, payments of very large fines, and a tarnishing of the Group’s reputation. The Group promotes improvements to measures for eliminating money laundering, etc. based on a gap analysis with the regulations (including overseas regulations) and a clarification of the issues involved, limits and controls risks using a risk-based approach.

### 3) Operational Risk Management Policy

When building the operational risk management system, the Group recognizes that some operational risk will inevitably

accompany business operations. Therefore, our basic policy is to properly manage risk according to the scale and nature of the operations and particular risk, thus working to ensure that operations are sound and proper.

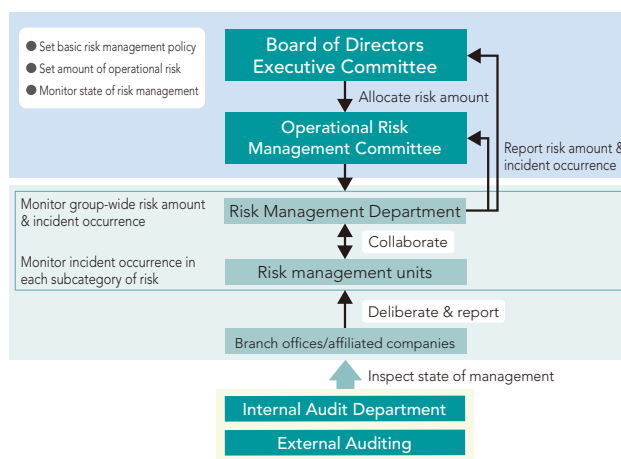
The Group is further upgrading our operational risk management system in preparation for the improvement of our operations and the products and services we offer, as well as the manifestation of new risks accompanying changes in society and the business environment, such as advances in information technology and diversifying client needs.

### 4) Operational Risk Management System

The Group works hard to build systems for operational risk management at group companies in line with the basic policy on group-wide operational risk management.

SuMi TRUST Bank has created a risk management department for operational risk in general, as well as risk management units for each subcategory of operational risk. The general risk management department collaborates with each operational risk management unit to form and upgrade our operational risk management system.

#### Operational Risk Management System



### 5) Operational Risk Management Method

The Group works to curtail operational risk by managing operational risk in all our business operations, including those of contractors, and properly assessing and identifying risk in both qualitative and quantitative terms, while also taking preventive measures against risks and formulating response, causal analysis procedures, and measures to prevent recurrence in the event a risk does manifest itself.

## 7. Crisis Management and Business Continuity Plan (BCP) in Disasters

### (1) The Group's Initiatives

SuMi TRUST Holdings and SuMi TRUST Bank have developed contingency plans in order to quickly implement emergency response measures in the event of emergencies, such as natural disasters, computer system breakdowns and outbreaks of new infectious diseases.

Moreover, regarding important business operations, such as financial settlement, SuMi TRUST Holdings and SuMi TRUST Bank have developed systems to continue business, including BCPs (business continuity plans) and backup offices. In order to ensure the effectiveness of such systems, they periodically conduct exercises and revise BCPs.

When the crisis is serious and its impact is extensive, causing serious disruptions to the normal business operations of SuMi TRUST Bank and the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish an emergency response headquarters as a company-wide response organization and will quickly implement emergency response measures.

In particular, in preparation for the possible occurrence of a major earthquake, SuMi TRUST Bank, which has branches across Japan, periodically conducts exercises in

order to make a response that gives consideration to the safety of clients and employees and to business continuity and ensure the effectiveness of the response.

As for company-wide response, in order to enhance the effectiveness of the functions of the emergency response headquarters, the Group is strengthening systems for information gathering and information coordination, in addition to periodically conducting exercises, and it is also promoting the enhancement of emergency response systems in the Osaka area on the assumption of a disaster in the Tokyo area.

Meanwhile, branches are striving to strengthen response capability through periodic exercises and are promoting disaster countermeasures in light of individual branches' specific circumstances such as the location condition and the status of principal facilities. Branches are also developing a system for mutual support among them.

### (2) Response to Threat of Cyberattack

SuMi TRUST Holdings has implemented various measures in order to protect its clients' precious assets from the ever-increasing threat of cyberattack in Japan and overseas (see page 44 for details).

### Code of Conduct for Executives and Employees

1. Executives and employees must fully recognize and understand the importance of crisis management and prepare for emergencies. At the same time, they must strive to develop their knowledge in normal times so that they can quickly and appropriately respond in the event of an emergency.
2. In the event of an emergency, executives and employees must make judgments and take actions based on the following principles:

#### (1) Securing the Safety of Life

In the event of an emergency, the top priority must be placed on securing the safety of customers, executives and employees, and their families. Executives and employees must also always give priority to humanitarian considerations when taking various emergency response measures.

#### (2) Protection of Sumitomo Mitsui Trust Bank's Corporate Assets

By taking disaster prevention and mitigation measures in preparation for the possible occurrence of emergencies, executives and employees must protect Sumitomo Mitsui Trust Bank's corporate assets in the event of an emergency. They must also do their utmost to take risk mitigation measures to guard against adverse effects that may disrupt business activities.

#### (3) Business Continuity and Early Restoration

In the event of an emergency, executives and employees must strive to quickly restore and continue priority business operations.

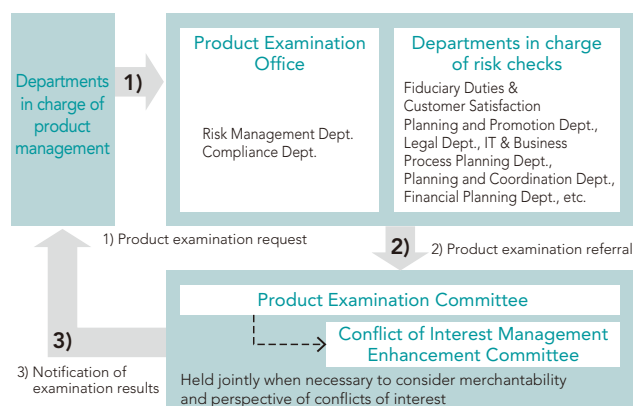
#### (4) Cooperation with Local Communities

In the event of an emergency, executives and employees must strive to cooperate with local communities in rescue and other local activities.

## 8. Examination System in Introducing New Products and New Operations

When introducing new products or new operations, it is necessary to develop various systems in order to continue offering products and services, including determining in advance whether there are any inherent risks and identifying their type, evaluating and managing such risks, providing explanatory materials to clients, and determining a way to explain. To that end, we have in place a system for examining the introduction of new products and new operations. In the product examination process, multiple departments carry out verification from various angles, with emphasis on introducing products and operations that will earn the trust of clients. We also conduct verification through regular monitoring after new products or new operations have been introduced.

### Product Examination Process



## Systems Maintenance and Combatting Cyber Attacks

SuMi Trust Holdings has set systems maintenance and combatting cyber attacks as one of its management foundation materialities, and considers it an important management issue. Information assets are one of the most important management resources and pose risks that may undermine the foundation of corporate management. The Group, therefore, appropriately maintains and manages all information assets it holds.

### Information Security Responsibilities

SuMi TRUST Holdings clearly states, in the Information Security Management Rules under the Risk Management Rules on which directors have the authority to amend and approve, that the head of overall information security risk management is the officer in charge of the IT & Business Process Planning Department, and that the supervising department conducting overall information security risk management is the IT & Business Process Planning Department.

### Response to Threat of Cyberattack

The threat of cyberattacks and the damage they can inflict are growing both in Japan and overseas. Under such circumstances, SuMi TRUST Holdings is engaged in the following activities to protect the precious assets of its clients from the attacks.

### Improvement of Internal Response Systems in Preparation for Cyberattacks

The Group has formulated its Cyber Security Management Declaration against cyberattacks, working to strengthen security measures led by management.

To respond to cyberattacks, SuMi TRUST Holdings monitors computer systems of SuMi TRUST Bank around the clock. In addition, SuMi TRUST Holdings has established SuMiTRUST-CSIRT as an internal organization for gathering information, conducting analysis, and implementing measures relating to cyberattacks, and coordinates with outside expert organizations to strengthen its management system.

\*For details of the Cyber Security Management Declaration please see: [https://www.smth.jp/en/about\\_us/management/risk/pdf/CSMD.pdf](https://www.smth.jp/en/about_us/management/risk/pdf/CSMD.pdf)

### Enhancement of Internet Banking Transaction Security

In terms of internet banking, SuMi TRUST Bank offers “Rapport,” a type of security software specifically for internet banking, free of charge to help shield clients’ precious deposits and other assets from fraudulent transactions. Furthermore, the Bank has introduced a telephone authentication service\*1. It is strongly recommended that all internet banking clients register for telephone authentication in order to prevent any unauthorized payments.

In addition, to combat DDoS attacks\*2 in the internet banking service, the Bank has introduced an attack mitigation service designed to handle large-scale attacks, thereby reducing the risk of service interruptions caused by DDoS attacks.

SuMi TRUST Holdings will continue to keep abreast of other companies’ moves and new technologies and implement thoroughgoing security measures so that clients’ transactions remain safe. The measures include the early detection and prevention of unauthorized remittances.

\*1 An authentication service using a client’s mobile phone, smart phone, or home phone number in addition to the Sumitomo Mitsui Trust Direct card’s confirmation number when making first transfer to a new account.

\*2 A Distributed Denial of Service (DDoS) attack is a type of cyber attack that causes system disruption through malicious, high-volume communication traffic.

### Risk Assessment

For the Group’s overall systems, self-evaluations are carried out every year using the System Risk Evaluation Table of the System Risk Management Guidelines established in line with the Center for Financial Industry Information Systems’ (FISC) security measures, and the results are reported to the officer in charge. Furthermore, with regard to cyber security, we conduct regular assessments in Japan and overseas.

### Security Training

The Group conducts the following training every year to train management, disseminate knowledge of information security risk management, strengthen the cyber security response department, and raise awareness within the Group.

Training	Cyber security training for management (once a year)
e-learning*	Information security training, including data privacy management (once every six months)
	Countermeasures training on e-mail cyberattacks (targeted attacks) (twice a year)
Training	Response to suspicious e-mails that simulate targeted e-mail attacks on random people (monthly)
Exercise	Participation in external exercises involving cyber attack scenarios (twice a year)

\*Training is available not only for full-time employees but also for some employees of outsourcing contractors.

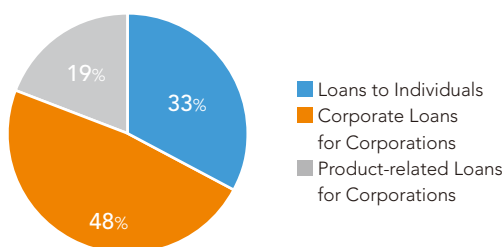
# Consideration for Borrowers' Environmental and Social Impact

## 1. Initiatives for Loans (Banking Business)

### Sector Exposure

Outstanding loans account for approximately 1/2 of the Group's total assets of ¥59.8 trillion. Of the total loan balance, about 33% is for individuals, centered on home mortgages, and the remaining 67% is for corporations. The balance of loans for corporations is divided into corporate and product-related loans, with the corporate loan balance accounting for nearly 1/2 of the total loan balance.

#### Breakdown of Loan Balance

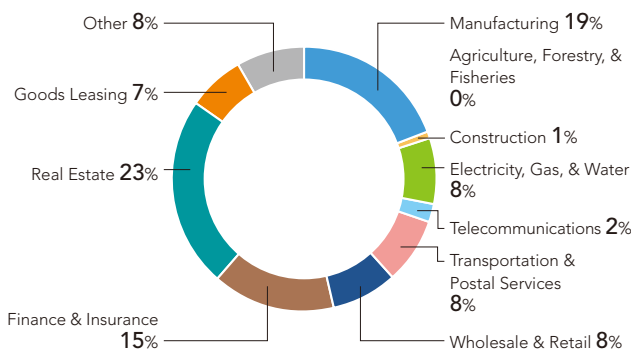


The table on the right shows the loan balance of approximately ¥30 trillion categorized by industry. The figure below shows exposure by sector, with approximately ¥15 trillion in loan balance for corporations at domestic branches as the denominator. This excludes the loan balance in the Overseas Branches category and loan balance for individuals which is included in the Other category. The Real Estate sector accounts for the largest share, followed by Manufacturing, and Finance and Insurance. The top three sectors account for approximately 60% of the total. Second tier sectors include Electricity & Gas, Transportation & Postal Services, and Wholesale & Retail, with a combined share of about 24%.

#### Loans by Industry

(Unit: trillion yen)

Manufacturing	3.0
Agriculture, Forestry, & Fisheries	0.1
Construction	0.2
Electricity, Gas, & Water	1.2
Telecommunications	0.4
Transportation & Postal Services	1.2
Wholesale & Retail	1.3
Finance & Insurance	2.3
Real Estate	3.6
Goods Leasing	1.1
Other	11.8
Overseas Branches	4.0
<b>Total</b>	<b>30.2</b>



(Note) Share ratio calculated based on the assumption that the balance of loans for corporations at domestic branches is 100%.

Sector exposure is managed by the Wholesale Business Planning Department, and the credit portfolio is reported quarterly to the Credit Risk Committee, the highest decision-making body for investments and loans. From the viewpoint of environmental and social considerations in investments and loans, the Sustainability Management Department fulfills the check function for projects that have a risk of violating SuMi TRUST Bank's policy on investments and loans. In April 2020, the company established the Sustainable Business Promotion Office under the Wholesale Business Planning Department, and began consolidating ESG information for the Wholesale Total Solution Services Business and collaborating with the Sustainability Management Department.

In addition, with regard to climate change, members of the Wholesale Business Planning Department are also participating in the Banking WG of the TCFD Project Team, and are involved in conducting scenario analysis for high-risk sectors. The following figure outlines the transition risks, physical risks, and business opportunities for the sectors belong to the four non-financial groups (energy, transportation, materials and buildings, and agriculture, food, and forest products) that are considered high-risk sectors in the TCFD recommendations.

#### Heat Map

Sector	Transition risk	Physical risk	Opportunity	Exposure
Petroleum, gas, and coal	High	Medium	Medium	Medium
Electric power	High	Medium	Medium	High
Marine transportation	Medium	Medium	Medium	High
Railway transportation	Low	Low	Low	Medium
Automotive and parts	Medium	Medium	Medium	Medium
Property management and development*	Low	High	Medium	High
Chemicals	Medium	Medium	Medium	Medium
Paper and forest products	Medium	High	Medium	Low
Personal mortgage loans	Low	High	Medium	High

\*Personal mortgage loans not included

Taking into account the results of the qualitative assessment and SuMi TRUST Bank's exposure, we conducted a transition risk scenario analysis for the electric utilities sector and a physical risk scenario analysis for individual home mortgages in FY2019. Similarly, in FY2020, we have established priorities based on the level of importance to SuMi TRUST Bank, and are carrying out scenario analysis accordingly.

\*Please refer to the 2020/2021 TCFD Report for details.

## Policies for Specific Sectors

SuMi TRUST Bank has established policies for specific sectors that promote businesses with a large impact on society, and prohibits or restricts investments and loans to companies and projects that have a negative impact

on society, while sharing awareness of environmental and social issues and contributing to building a sustainable society through engagement with loan clients.

### 1. Prohibited Transactions

- Transactions that are considered immoral
- Transactions that involve anti-social forces
- Transactions where the use of funds is speculative
- Transactions that involve cluster munitions manufacturers as well as credit transactions with companies that have material involvement in the manufacturing process through lending and other activities with cluster munitions manufacturers.

### 2. Transactions Warranting Special Attention

- Coal-fired power generation (recently revised)  
SuMi TRUST Bank, in principle, will not engage in new projects for the construction of coal-fired power plants.
- Weapons manufacturing  
SuMi TRUST Bank will avoid lending and other activities where funds will be used for manufacturing weapons of mass destruction such as nuclear weapons, chemical weapons, biological weapons, or for manufacturing inhumane weapons such as antipersonnel landmines.

- Forestry

The rapidly developing global deforestation is creating various problems such as reduction in biodiversity, decline in the stability of ecosystems, lower watershed protection, lower fixation of carbon dioxide and other items. SuMi TRUST Bank engages with timber manufacturers and manufacturers using timbers as raw materials only after careful consideration such as checking their international forest certification status\*<sup>1</sup> as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.

\*1 FMC (Forest Management Certification) issued by FSC (the Forest Stewardship Council) for forestry management and forestry business operations; CoC (Chain of Custody Certification) for processing and distribution management of certified forest products, and others.

- Palm oil

Palm oil is derived from "oil palms" grown on plantations. While palm oil demand is rapidly growing owing to its convenience and rising preference for wholesome foods, environmentally destructive developments are the main causes for the devastation of tropical rainforests and the decline in biodiversity. SuMi TRUST Bank engages with producers of palm oil and manufacturers using palm oil as a raw material only after careful consideration such as checking their international/local sustainable palm oil certification status\*<sup>2</sup> as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.

\*2 RSPO (Roundtable on Sustainable Palm Oil) and others that aim to observe NDPE (No-deforestation, No-peat and No-exploitation) and the preservation of HCS (High Carbon Stock) forests

### 3. Review of Sector Policies

SuMi TRUST Bank regularly reviews the suitability of established sector policies and the status of how transactions are being addressed at Sustainability Promotion Committee in our Executive Committee, etc., to reconsider the policies as well as make improvements to our operations as necessary.

### 4. Education and Training

As a member of a responsible trust bank group, to ensure that SuMi TRUST Bank's directors and employees deepen their understanding of ways to reduce environmental impact, policies for human rights, and sector policies, the Bank continually conducts educational training. The company also spares no effort to ensure that directors and employees comply with all relevant regulations and procedures.

### 5. Communication with Stakeholders

SuMi TRUST Bank continues to engage in dialogues and collaborations with various stakeholders on themes that are relevant to the sector policies that it has established. The Bank trusts that dialogues and collaborations with these stakeholders will prove useful when considering reviews to improve the sector policies to stay in line with the changing social environment and to continue improving their effectiveness.

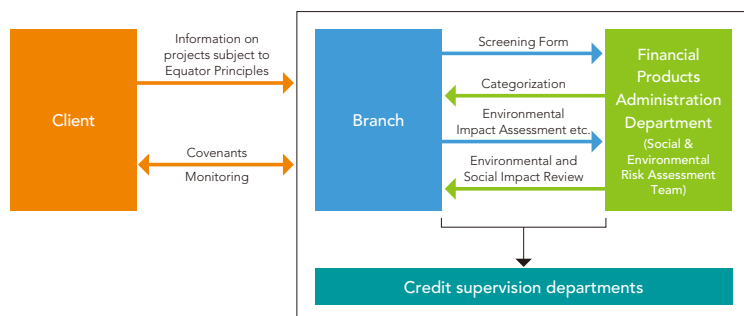


## Project Finance Initiatives

SuMi TRUST Bank is a signatory to the Equator Principles. These international guidelines for private-sector financial institutions in approving loans for project finance etc. are to ensure project implementers give sufficient consideration to impacts on the natural environment and regional communities.

In the decision-making process for lending, banks review the environmental and social risks of projects, the country where projects are located, and impacts on the environment and society according to sector in arriving at a comprehensive risk assessment.

### Systems and Processes for Evaluating Environmental and Social Considerations



**Application processes:** Following internal policies based on procedures for evaluating social and environmental considerations, the Equator Principles Department carries out assessments of environmental and social impacts relating to individual projects.

**Implementing environmental and social impact reviews:** Reviews of the environmental and social impacts of a project proposed by developers take into account its industry, the country where it is sited, and whether it meets the standards called for by the Equator Principles, and from there, a comprehensive risk is judged.

**Monitoring compliance:** Compliance with important items concerning environmental and social impacts have been reflected into loan agreements, and compliance with these is regularly confirmed through such methods as reports on project compliance status on these fronts.

**Company training programs:** Regular training sessions are provided for employees in departments and sections relating to sales, assessment, and screening to foster a thorough understanding of internal operations supporting environmental and social impact reviews and raise their awareness about related concepts.

### The Equator Principles

The Equator Principles are standards that enable private-sector financial institutions approving loans for a large-scale project to confirm the project pays sufficient care to impacts on the natural environment and regional communities. Regardless of the country where the project is sited or industry, the Principles apply to project finance, project-related corporate loans (PRCL), and bridge loans that are intended to be re-financed by a project finance or PRCL.

The Equator Principles are based on guidelines and standards concerning environmental and social risk management established by International Finance Corporation, a member of the World Bank Group. These standards and guidelines span many fields from implementation processes for assessing environmental and social risks and/or impacts, pollution prevention, and consideration for regional communities to environmental protections.

The Equator Principles Association Annual Meeting in

November 2019 adopted EP4, the fourth version of the Equator Principles. Other than stronger consideration of indigenous peoples in developed countries and partial expansion of applicable transactions to include refinancing and the like, EP4 reinforced action on climate change by adding to the due diligence items. The added items were implementation of physical risk analysis in cases likely to cause substantial or greater impact, and, for projects with annual greenhouse gas emissions in excess of 100,000t-CO<sub>2</sub>, the implementation of transition risk analysis in TCFD in addition to consideration of alternative proposals.

As of December 2020, 111 banks (including export credit agencies) from around the world have signed the Equator Principles. Signatories require project proponents to comply with the Equator Principles. The signatories can refrain from providing financing if requirements are not met, particularly in the case of large-scale projects in developing countries.

### Types of Financial Instruments and Other Criteria Including Financing Size for the Application of the Equator Principles

Type	Application criteria including financing size
Project finance	All projects with total project capital costs equivalent to USD 10 million or more
FA services*1	Same as the above
Project-Related Corporate Loans (PRCL)*2	If all four of the following criteria are met: 1. The majority of the borrowing amount is intended for a single project in which the borrower has effective control (either direct or indirect) of the project; 2. The total borrowing amount is equivalent to USD 100 million or more; 3. The commitment amounts (at syndication or prior to sell-down) of the individual signatories are equivalent to USD 50 million or more; and 4. The loan term is two years or more.
Bridge loans	Bridge loans with a loan term of less than two years that are intended to be re-financed by a project finance meeting the above criteria or PRCL

\*1 Project finance advisory services

\*2 PRCL includes the buyer's credit-type export financing but does not include the supplier's credit-type export financing. Furthermore, it does not include asset financing, M&A financing, hedging transactions, leases, L/C transactions, general funds and general working capital to maintain operations of a company.

### Implementing Environmental and Social Impact Reviews

In our processes for assessing project finance for projects subject to the Equator Principles, we conduct environmental and social impact reviews to confirm whether the response of project implementers in taking into account environmental and social impacts satisfies the standards set by the Equator Principles.

In environmental and social risk/impact reviews based on screening forms, the relevant project is categorized into one of three categories—A, B, and C as shown below—reflecting its environmental and social risks and/or impacts. The Structured Finance Department conducts detailed reviews based on environmental impact assessment reports that take into account the risk/impact category, the status of the country (designated\* or non-designated country) where the project is sited, and industry. The results of the environmental and social risk/impact reviews are sent to a credit supervision department, where it devises a comprehensive risk assessment based on the review results.

\*Designated countries are those countries deemed to have built robust environmental and social governance, legal systems, and institutional capacity to protect their people and the natural environment. Specifics can be viewed at the Equator Principles Association's website.

<https://equator-principles.com/designated-countries/>

### Company Training Programs

In adopting the Equator Principles in February 2016, we provide multiple training sessions for the employees of sales, assessment, screening and other departments and sections involved to foster a thorough understanding of Equator Principles concepts as well as implementation processes for environmental and social risk/impact reviews. Through regular training programs, we strive to go further to raise awareness regarding environmental and social impacts among our employees and deepen their understanding of Equator Principles concepts and implementation processes for environmental and social risk/impact reviews.

### Monitoring Compliance with Equator Principles

As a rule, projects subject to the Equator Principles are engaged to submit regular reports in the loan agreement stipulating compliance with important items concerning environmental and social laws, regulations and rules as well as approvals and permits. Based on regular reports submitted by the borrower of the projects, we monitor compliance with rules relating to the environment and communities.

### Number of Projects Subject to Equator Principles

26 projects were subject to the Equator Principles in fiscal 2019. Projects featuring the mark have received thirdparty certification from PwC Sustainability LLC.

#### Project Finance Cases

	FY2019			
	A	B	C	Total
<b>Sector</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Mining	3 ✓	19 ✓	2 ✓	24 ✓
Infrastructure	0 ✓	4 ✓	2 ✓	6 ✓
Oil & Gas	0 ✓	0 ✓	0 ✓	0 ✓
Power	3 ✓	15 ✓	0 ✓	18 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	0 ✓	0 ✓	0 ✓
<b>Region</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Americas	0 ✓	0 ✓	0 ✓	0 ✓
Europe, Middle East, and Africa	0 ✓	3 ✓	0 ✓	3 ✓
Asia and Pacific	3 ✓	16 ✓	2 ✓	21 ✓
<b>Country Classification</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Designated Country	1	16	2	19
Non-Designated Country	2	3	0	5
<b>Independent Review</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Implemented	3	17	0	20
Not implemented	0	2	2	4

#### Corporate Loans Tied to Projects

	FY2019			
	A	B	C	Total
<b>Sector</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Mining	1 ✓	1 ✓	0 ✓	2 ✓
Infrastructure	0 ✓	0 ✓	0 ✓	0 ✓
Oil & Gas	1 ✓	0 ✓	0 ✓	1 ✓
Power	0 ✓	0 ✓	0 ✓	0 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	1 ✓	0 ✓	1 ✓
<b>Region</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Americas	0 ✓	1 ✓	0 ✓	1 ✓
Europe, Middle East, and Africa	0 ✓	0 ✓	0 ✓	0 ✓
Asia and Pacific	1 ✓	0 ✓	0 ✓	1 ✓
<b>Country Classification</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Designated Country	0	0	0	0
Non-Designated Country	1	1	0	2
<b>Independent Review</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Implemented	1	1	0	2
Not implemented	0	0	0	0

## Ship Finance Initiatives

For more than 50 years the Group has given top priority to steadily providing financing to the shipping sector to meet the varied needs of its clients. The shipping market is heavily influenced by mainly global economic fundamentals and supply and demand for vessels, but strengthening environmental regulations and addressing climate change risks have become pressing issues. In addition to strengthening our financing of environmentally sound investments and environmental initiatives by client companies in response to stricter environmental regulations, we have signed on to the Poseidon Principles to support, from a financial perspective, the reduction of greenhouse gas emissions in the global shipping industry. Not only are companies incorporating environmental measures into their basic philosophy on corporate administration, but even government administrations in Europe and the US are doing the same by focusing on the idea of “Build Back Better.” This is an area that is rapidly growing in importance even in the shipping industry, which is why we intend to ramp up our initiatives going forward.

### Signatory to the Poseidon Principles

In March 2020, SuMi TRUST Bank became the first

financial institution in Asian countries to sign on to the Poseidon Principles, an initiative launched by financial institutions to address climate change risks in the marine transportation industry.

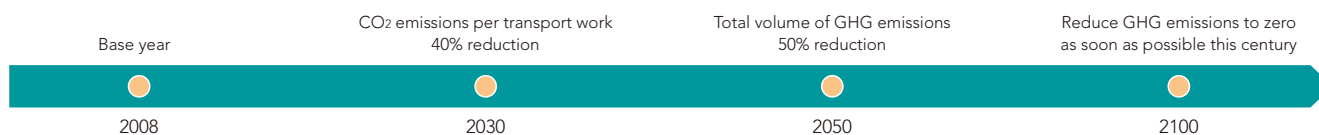
As an initiative spearheaded by private financial institutions to align with the greenhouse gas (GHG) reduction targets adopted by the International Maritime Organization (IMO)\*<sup>1</sup> for global shipping, as well as the IMO’s comprehensive GHG reduction strategy\*<sup>2</sup>, the Poseidon Principles were established in June 2019 by 11 major global banks that provide ship finance. The management and administration of the Poseidon Principles is carried out by the Poseidon Principles Association, which comprises all signatory financial institutions. There are four principles—Principle 1: Assessment of climate alignment; Principle 2: Accountability; Principle 3: Enforcement; and Principle 4: Transparency.

\*1 The IMO is a United Nations’ specialized agency responsible for shipping safety, preventing marine pollution by ships, and promoting international cooperation on marine affairs.

\*2 GHG reduction strategy: This strategy was adopted by the IMO in April 2018 with a vision to reduce GHG emissions from international shipping to zero as soon as possible in this century. Specifically, the strategy aims to reduce total annual GHG emissions by at least 50% by 2050 compared to 2008.

### IMO’s GHG reduction strategy

International shipping accounts for around 3% of global CO<sub>2</sub> emissions



Signatories to the Poseidon Principles will, on an annual basis, assess the CO<sub>2</sub> emission reduction efforts of each ship subject to finance and calculate and publish the overall climate alignment of its ship finance portfolio. SuMi TRUST Bank plans to start calculating CO<sub>2</sub> emission reduction efforts (climate alignment) based on the Principles in fiscal 2021.

By becoming a signatory to the Poseidon Principles, and as a member of the maritime cluster of Japan, SuMi TRUST Bank will continue to support the business activities of its clients as a financial institution that offers ship finance worldwide, and will aim to contribute to mitigating climate change risks in the marine transportation industry.

#### Financial institutions publish climate alignment of ship finance portfolios

- Every year, signatory financial institutions calculate CO<sub>2</sub> emissions for vessels in their portfolio.
- Every year, each financial institution calculates and publishes the climate alignment of their overall ship finance portfolio based on the CO<sub>2</sub> emissions of each aforementioned vessel.
- SMTB plans to publish climate alignment calculation results from fiscal 2021.

#### Scope of the Poseidon Principles

- 1 Vessels with at least 5,000 gross tonnage
- 2 Vessels that trade on international voyages
- 3 Vessels secured with a loan

Vessels that satisfy the three conditions above are included in the scope of the Poseidon Principles

#### Example of disclosure

Total loan balance of ship finance	\$1,000m
Climate alignment	-1%

Note: Actual format of disclosure may differ

#### Climate alignment

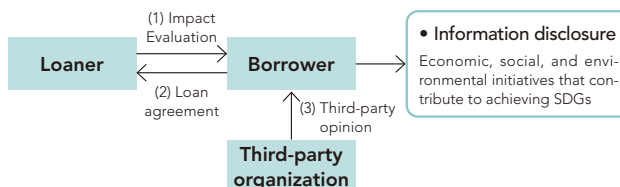
- In order to reduce CO<sub>2</sub> emissions by 50% by fiscal 2050, the secretariat of the Poseidon Principles determines the amount of CO<sub>2</sub> emissions considered currently fair for each ship type and size class (decarbonization trajectory).
- The actual volume of carbon emissions for each single vessel is compared with the aforementioned decarbonization trajectory and the difference represents the vessel’s climate alignment.
- A positive climate alignment score means a vessel is misaligned (above the decarbonization trajectory), whereas a negative or zero score means a vessel is aligned.

## Sustainable Loan Initiatives

### Positive Impact Finance

In March 2019, SuMi TRUST Bank 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.



### The Principles for Positive Impact Finance (UNEP FI)

#### Principle 1 (Definition):

Positive Impact Finance serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental, and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated.

#### Principle 2 (Frameworks):

To promote the delivery of Positive Impact Finance, banks and investors need adequate processes, methodologies, and tools to identify and monitor the positive impact of the entities to be financed or invested in.

#### Principle 3 (Transparency):

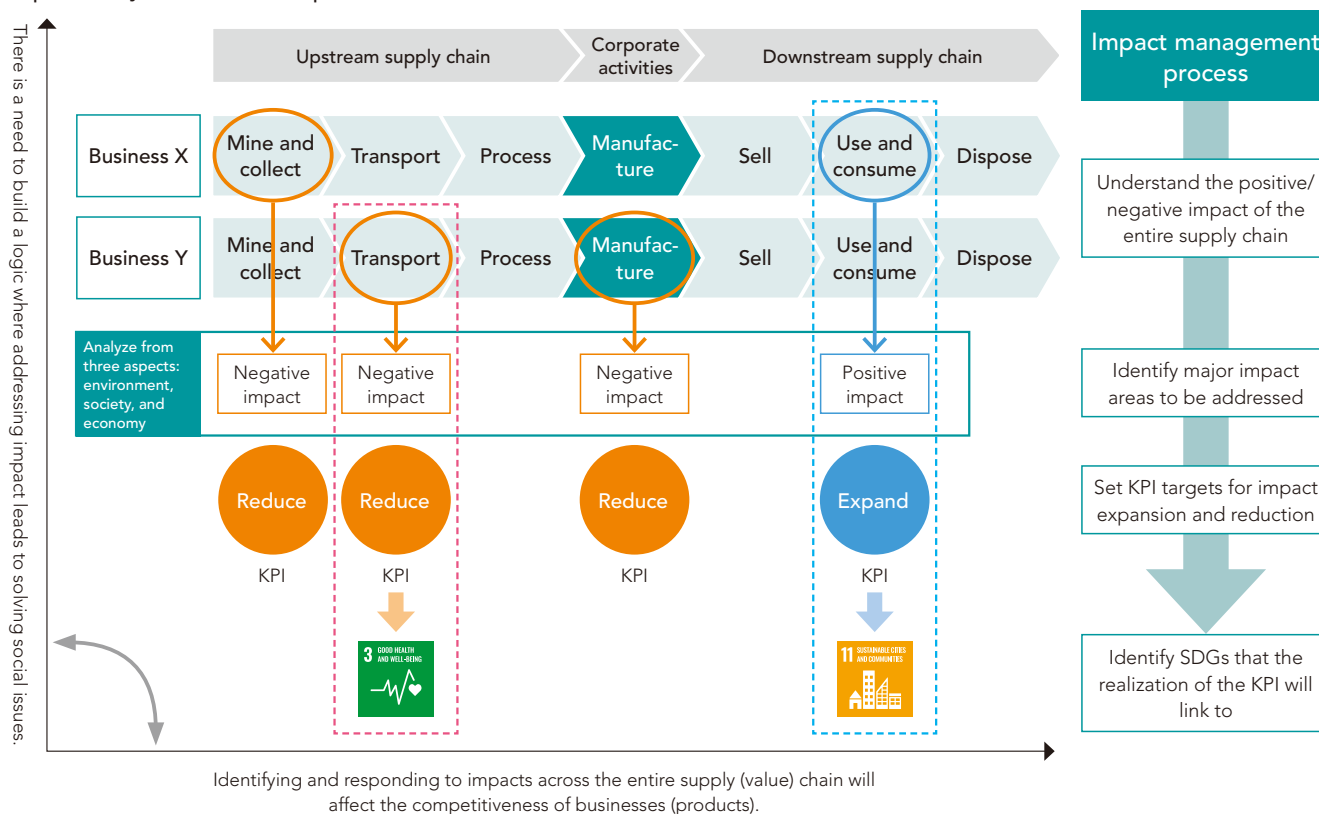
Banks and investors are required to ensure transparency and disclosure on:

- The positive impacts intended by the entities financed or invested in (as per Principle 1);
- The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
- The impacts achieved by the entities financed or invested in (as per Principle 4).

#### Principle 4 (Assessment):

The assessment of Positive Impact Finance delivered by banks and investors should be based on the actual impacts achieved.

### Impact Analysis of Positive Impact Finance



## Receiving Gold Prize at the ESG Finance Awards Japan and Efforts to Promote ESG Finance

This product won the Gold Prize in the finance category of the Ministry of the Environment's first ESG Finance Awards Japan event in February 2020, not only for the advanced nature of its initiatives, but also for its efforts to promote the product to the banking industry in Japan and overseas. Subsequently, the product has played an active role in putting together the "Basic Approach to Impact Finance" (announced in July 2020) of the Positive Impact Finance Task Force established by the Ministry

of the Environment's High Level Panel on ESG Finance, and in developing regional finance that contributes to regional revitalization.



President Ohkubo and Environment Minister Mr. Koizumi

(Reason for the award)

SuMi TRUST Bank is focusing on sustainable finance by promoting businesses that pursue sustainability as the pillar of its initiatives. In addition, it was one of the first to endorse the various principles established by UNEP FI, and created the world's first PIF for loans to operating companies without specifying the use of funds. The selection committee highly praised SuMi Trust Bank's stance to continue promoting PIF-related initiatives such as impact evaluation and KPI setting through dialogue with clients, as well as its efforts to promote PIF to the banking industry in Japan and overseas.

## Results of PIF Initiatives

After signing the world's first loan agreement for PIF (unspecified use of funds) with Fuji Oil Group in March 2019, SuMi TRUST Bank has moved forward and successfully concluded 14 agreements as of the end of December

2020. As for the monitoring status of the positive impact expansion/negative impact reduction KPI targets set with our clients, we have opened a dedicated disclosure page on the SuMi TRUST Bank website.

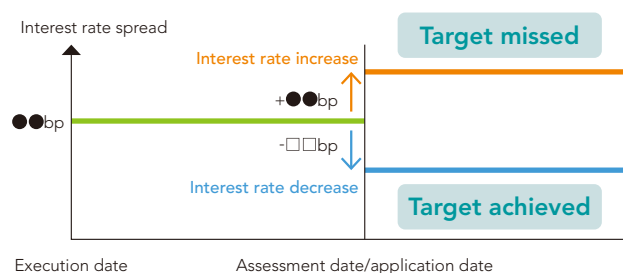
Initiative Period	Borrower	Loan Type	Initiative Period	Borrower	Loan Type
March 2019	Fuji Oil Holdings Inc.	Direct	May 2020	Sumitomo Rubber Industries, Ltd.	Direct
December 2019	J.Front Retailing Co., Ltd.	Direct	June 2020	Mitsui Chemical, Inc.	Syndicated
March 2020	Sumitomo Metal Mining Co., Ltd.	Syndicated	August 2020	Toray Industries, Inc.	Syndicated
March 2020	Nippon Paper Industries Co., Ltd.	Direct	September 2020	DIC Corporation	Direct
March 2020	Subaru Corporation	Syndicated	September 2020	Rengo Co., Ltd.	Syndicated
March 2020	Sumitomo Forestry Co., Ltd.	Direct	December 2020	Ricoh Leasing Company, Ltd.	Direct
March 2020	Toyo Aluminum K. K.	Direct	December 2020	Sumitomo Dainippon Pharma Co., Ltd.	Direct

## Sustainability Linked Loan

SuMi TRUST Bank is also working on sustainability linked loans, which are not based on comprehensive KPIs like Positive Impact Finance, but rather on a mechanism that enables SuMi TRUST Bank to set ambitious Sustainability Performance Targets (SPTs) on specific themes with the borrower company, and to vary the interest rate depending on the achievement of the targets.

The SPTs are selected after thorough consultation with clients from the following categories: energy efficiency (energy conservation and renewable energy), water consumption, sustainable procurement, circular economy (recycling rate), biodiversity, and global ESG evaluation. Then, a third-party organization such as a rating agency

evaluates the appropriateness of the established SPTs in light of the overall corporate CSR strategies of the borrower company.



## 2. Initiatives in the Asset Management Business

### (1) Initiatives of Sumitomo Mitsui Trust Asset Management

Principles for Responsible Investment sign date	May 2006
Total assets under management	¥70 trillion (as of end-September 2020)
ESG initiative asset balance	¥22.4 trillion (as of end-September 2020) * Asset under management for funds conducting ESG integration
Approach to ESG	ESG issues reside in non-financial domains and do not manifest themselves in financial reporting, but they can have a considerable impact on corporate value over time. Based on this thinking, SMTAM considers the actions taken to address such issues to be integral to stewardship activities, alongside engagement and the exercise of voting rights. Through these activities, SMTAM aims to maximize returns for its clients and contribute to the achievement of the SDGs by actively fulfilling its role as an asset manager in the investment chain.
Specific ESG initiatives	Through engagement, the exercise of voting rights, and other activities, SMTAM encourages investee companies to grow sustainably by addressing ESG issues. Its main ESG activities currently revolve around four topics: (1) climate change; (2) water resources and marine pollution; (3) backing governance reforms; and (4) promoting ESG information disclosure. SMTAM shares its awareness of these ESG issues with companies and promotes efforts that contribute to their improvement by encouraging companies to draw up and disclose time horizon-based measures. It also applies ESG integration (incorporation of ESG factors) to all of its actively managed products for domestic and foreign stocks and bonds. This maximizes medium- to long-term investment returns for clients, minimizes downside risks, and encourages the realization of a sustainable society.
ESG guideline	As a signatory to the PRI, SMTAM engages investee companies to help resolve ESG issues and enhance their corporate value over the medium to long term based on the values expressed in the UN Global Compact and the SDGs, while at the same time focusing on ESG investment activities. In carrying out these activities, SMTAM has established 12 materialities to systematize the evaluation items. In addition, for in-house managed active products, fixed-income passive products, and individually designated passive products, SMTAM will suspend new and additional purchases of securities issued by companies involved in the manufacture of inhumane weapons, as listed below, and may sell existing holdings depending on the results of engagement. * Inhumane weapons: Cluster bombs, anti-personnel landmines, biological weapons, chemical weapons
ESG engagement policy	SMTAM will engage in dialogue and express opinions that will contribute to the enhancement of corporate value over the medium to long term through the resolution of ESG issues of investee companies, positioning it as an opportunity to call for best practices from companies. In addition to top-down activities based on four important themes, such as climate change and encouraging governance reform, SMTAM will also conduct systematic, bottom-up activities based on the 12 materialities. On top of SMTAM's own engagement activities, the company will also participate in and collaborate with global initiatives for agendas related to greenhouse gases, palm oil, forest conservation, healthcare access, and diversity (promotion of women).
PRI assessment status (2020)	Strategy and governance (comprehensive assessment): A+ (six years in a row), Integration status of listed equity into responsible investment: A+, Active ownership in listed equity: A+, Engagement: A+, Exercise of voting rights: A+, Fixed income investment (e.g., government bonds): A+, Fixed income investment (e.g., corporate bonds): A+

For details, please refer to the 2020/2021 Stewardship Report.  
URL: [https://www.sumitrust-am.com/file/02/ss\\_report.pdf](https://www.sumitrust-am.com/file/02/ss_report.pdf)

Stewardship Report





## (2) Initiatives of Nikko Asset Management

Principles for Responsible Investment sign date	October 2007
Total assets under management	¥26 trillion (as of end-September 2020)
ESG initiative asset balance	¥10 trillion (as of end-September 2020) * Balance of investment products and accounts where ESG principles are integrated into the investment decision-making process
Approach to ESG	As an asset management company, Nikko AM's mission is to always act in the best interests of its clients. For that reason, it places utmost importance on fiduciary and ESG principles in its corporate philosophy and corporate activities. Guided by the belief that reflecting ESG in investment practices enhances the long-term value of corporations and contributes to sustainable economic growth, Nikko AM strives to incorporate ESG principles into numerous investment decision-making processes so that it can fulfill its fiduciary duties.
Specific ESG initiatives	Nikko AM's ESG Global Steering Committee meets quarterly to discuss the incorporation of ESG investment, methods for implementation, and new approaches. The Committee comprises leaders from investment teams worldwide, while multiple observers also attend the Committee meetings, which are run by Nikko AM's ESG specialists. The ESG specialists mainly support the investment teams in their ESG activities, formulate ESG policies, examine and assist the company's participation in various ESG-related initiatives, and coordinate joint engagements. Nikko AM believes that appropriately incorporating ESG into investment processes is key to achieving excess returns over the medium to long term. All of its active domestic equity investment strategies incorporate Creating Shared Value (CSV) evaluations, which also take ESG factors into consideration. The evaluation score is based on the application of the CSV theory and assesses how companies balance their engagement of ESG issues with the pursuit of profitability and competitiveness, in order to create value for both society and shareholders. Through continuous engagement with companies, Nikko AM's analysts actively evaluate how proactive they are in addressing ESG issues.
ESG guideline	Principle 1: Nikko AM will incorporate ESG issues into investment analysis and decision-making processes. Principle 2: Nikko AM will be active owners and incorporate ESG issues into ownership policies and practices. Principle 3: Nikko AM will seek appropriate disclosures on ESG issues by the entities in which it invests. Principle 4: Nikko AM will promote acceptance and implementation of the Principles within the asset management industry. Principle 5: Nikko AM will work together to enhance effectiveness in implementing the Principles. Principle 6: Nikko AM will report on activities and progress towards implementing the Principles.
ESG engagement policy	Nikko AM's engagement involves exchanging opinions not only on the business continuity and financial strategies of investee companies, but also on management policies, business strategies, shareholder returns, ESG issues, and other matters referred to in disclosed non-financial information, from a long-term perspective and in line with the company's growth phase. Nikko AM's engagement activities cover a wide range of stakeholders, from senior management to finance, corporate planning, and business managers. In addition, for companies that are particularly reluctant to provide information, Nikko AM proposes meetings with senior management to increase the effectiveness of engagement. Nikko AM is working to achieve closer engagement with investee companies, with the aim of sharing the exact situation in which the companies find themselves and supporting the creation of corporate value over the medium to long term.
PRI assessment status (2020)	Comprehensive assessment: A+ (seven years in a row), (Integration status into responsible investment: A+, Active ownership: A+, (Engagement: A+, Exercise of voting rights: A+), Fixed income investment: A+)

For details, please refer to the 2019 Sustainability Report and the 2019 Nikko Asset Management TCFD Report.

2019 Sustainability Report

URL: [https://sustainability.nikkoam.com/files/pdf/annual-report/nikko\\_am\\_2019\\_sustainability\\_report\\_en.pdf](https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf)

Nikko Asset Management TCFD Report

URL: [https://sustainability.nikkoam.com/files/pdf/esg/tcfd\\_eng.pdf](https://sustainability.nikkoam.com/files/pdf/esg/tcfd_eng.pdf)

Sustainability Report



TCFD Report



### 3. Consulting Business Initiatives

#### Sustainability Management Consulting

There is no shortage of economic, social, and environmental problems that affect us, such as the spread of COVID-19, the escalation of climate change, and the widening disparity of wealth. As such, there is a growing call for companies, which play a leading role in the economy, to incorporate sustainability-conscious management and play a proactive role in solving issues.

SuMi TRUST Bank defines sustainability management as “the establishment of a value creation process that balances the creation of value for stakeholders and the creation of value for oneself in the three aspects of economy, society, and environment, and the complete integration

of such process into management.” In line with this, we are promoting sustainability management consulting by leveraging our strength in combining the perspectives of ESG institutional investors, which we have accumulated over many years through our Asset Management Operations, with those of leading sustainability management practitioners. More specifically, we have assembled a project team of experienced ESG consultants, governance specialists, and environmental specialists with expertise to meet the needs of each client and provide deeply informed advice.

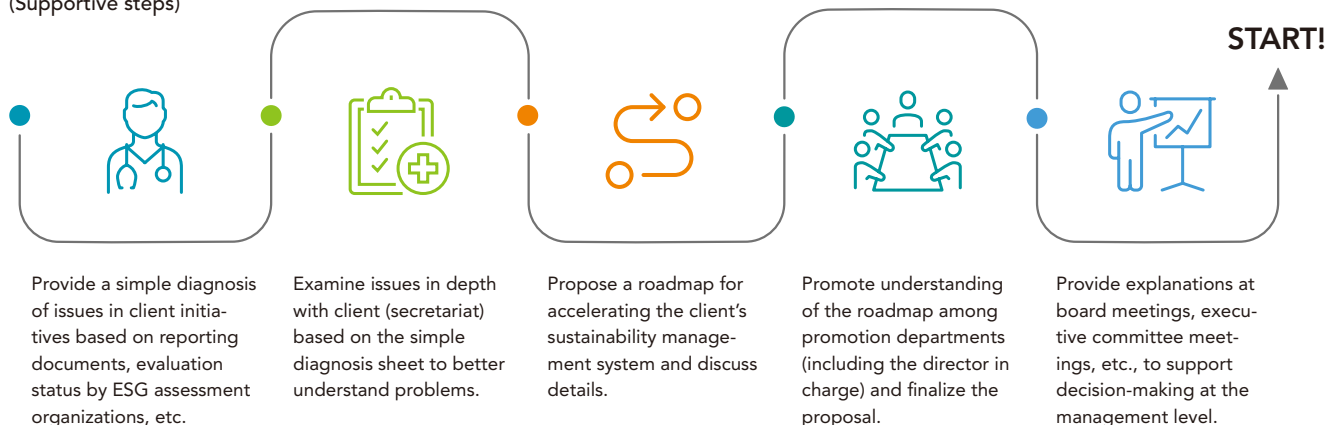
Sustainability Management Implementation Support	The Sustainability Management Implementation Support service is designed to support clients in creating a roadmap for accelerating sustainability management based on the existing implementation system, status of initiatives, and information disclosure, as well as solidifying the internal mindset.
Sustainability Policy Promotion Support	The Sustainability Policy Promotion Support service helps clients develop their value creation process and enhance their impact management and materiality management, which are an essential part of promoting sustainability management.
Sustainability Management Disclosure Support	The Sustainability Management Disclosure Support service aids clients in improving information disclosure with a focus on integrated reports as a means of communicating sustainability management to stakeholders in an easy-to-understand and concrete manner.
Sustainability Management Dialogue Support	The Sustainability Management Dialogue Support service assists clients in enhancing dialogue with investors, who have become increasingly interested in sustainability management and are beginning to incorporate ESG factors into their engagement and exercise of voting rights.

#### Sustainability Management Implementation Support

**SuMi TRUST Bank's view of obstacles to sustainability management**

- Insufficient understanding of global trends (assuming sustainability does not suit Japanese culture).
- Sustainability being viewed as “corporate social responsibility” and not integrated into core strategic issues.
- Incomplete instructions and information sharing with employees caused by vague motives for promotion of sustainability. Lack of a sense of conviction among employees preventing the progress of initiatives in the field.
- Insufficient involvement of the board of directors and lack of awareness among management. Department in charge not given enough authority to promote sustainability.
- Lack of balanced dialogue with a variety of stakeholders, including NGOs (inadequate response to negative external criticism).

(Supportive steps)

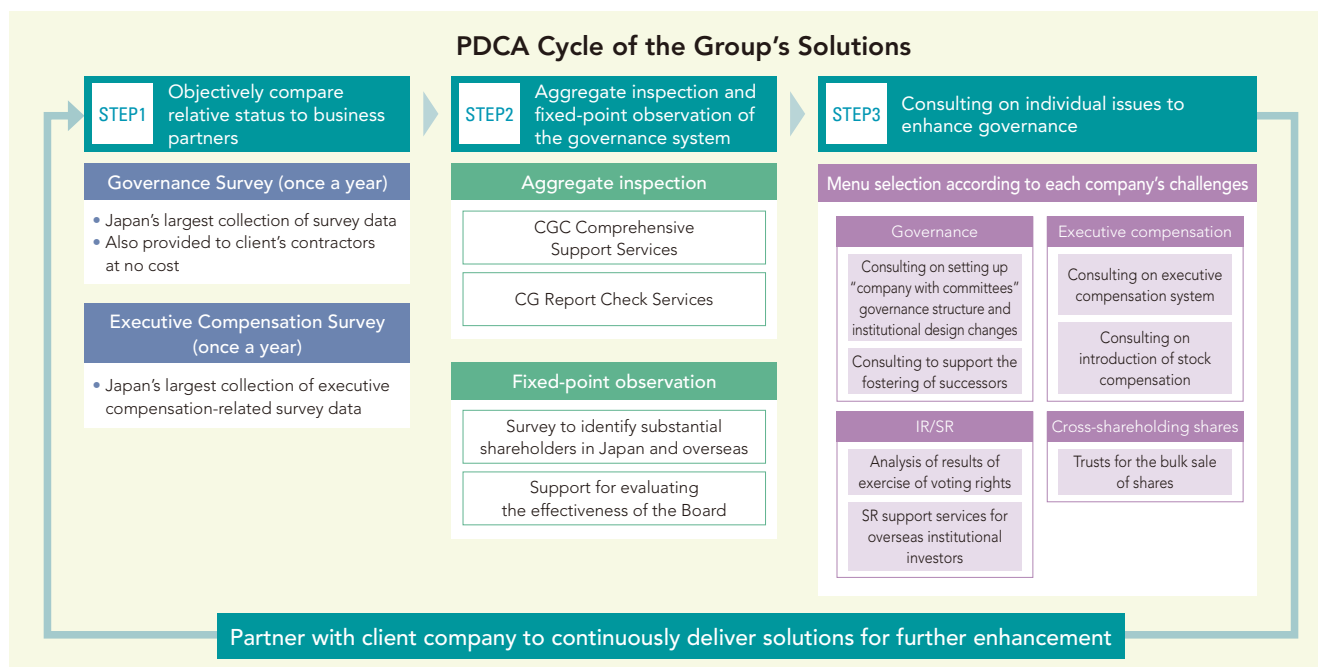
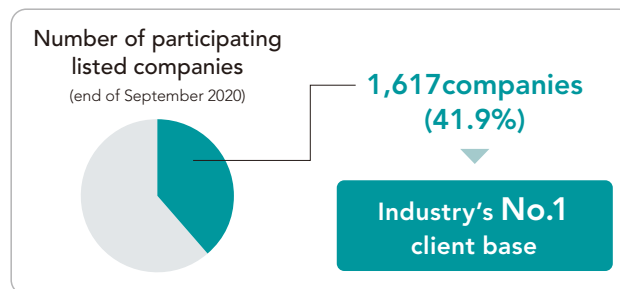


## Governance Consulting

Corporate governance reforms in Japan have strengthened governance by both companies and investors through the introduction and revision of the Stewardship Code and the Corporate Governance Code. Based on the revised Codes and various guidelines and guidance, companies are now expected to implement more advanced initiatives to strengthen governance. The Group's Stock Transfer Agency Services Business offers solutions for strengthening governance based on our Governance Survey and Executive Compensation Survey, which leverage the industry's leading client base.

The Governance Survey, now in its fourth year, received the participation of approximately 1,650 companies, which makes it Japan's largest. More than 40% of all listed companies in Japan participated in the Governance Survey, and the distribution of the participating companies is similar to the distribution of all listed companies. The Survey is supervised by Professor Kunio Ito and provides data that is compared to governance INDEX data, which is indexed to substantive progress. The Executive Compensation Survey, conducted in collaboration with Deloitte Tohmatsu Consulting, is also in its fourth year and is also the largest in the Group views governance consulting as an opportunity for close communication and interaction with the management of client companies, and thus continues active dialogues with them. This enables us to capture a wide range of management challenges that go

beyond the governance challenges facing the management team and provide further solutions. Examples of the kinds of total solutions that benefit from Group strengths include M&A advice, business succession support, real estate brokerage and effective utilization, support for introducing and changing corporate pension schemes, and wealth management. Japan in terms of company participation, with approximately 18,000 executive compensation data points broken down by company attribute. In addition to compensation levels, the Survey intensively reviews compensation decision policies and the practical operation of the compensation system and compensation committee. Building on the data in the Governance Survey and the Executive Compensation Survey, the Group is able to partner with client companies to identify their specific challenges, deliver optimal solutions, and provide continuous and multifaceted support aimed at enhancing governance.



The Group views governance consulting as an opportunity for close communication and interaction with the management of client companies, and thus continues active dialogues with them. This enables us to capture a wide range of management challenges that go beyond the governance challenges facing the management team and provide fur-

ther solutions.

Examples of the kinds of total solutions that benefit from Group strengths include M&A advice, business succession support, real estate brokerage and effective utilization, support for introducing and changing corporate pension schemes, and wealth management.



# Planet

—Consideration for  
the Environment

056

Without a healthy planet to provide the clean air, fresh water, agriculture, forests and fisheries on which human life depends, societies cannot succeed and companies cannot create long-term value.

From the World Economic Forum White Paper “Measuring Stakeholder Capitalism”

- 057** The Group’s Approach to Planet (Environmental Issues)
- 058** Climate Change
- 068** Natural Capital (Biodiversity Issues)
- 077** Environmentally Friendly Property
- 085** Environmental Burden Reduction Measures



# The Group's Approach to Planet (Environmental Issues)

With regard to the three elements of a sustainable society, namely the economy, society, and the environment, the spread of COVID-19 demonstrated how social dysfunction can cause immeasurable damage to the economy, while also highlighting how global environmental issues such as climate change can undermine the very foundation of society's existence. This implies that an economy can function only in a healthy society, and that society must stay within the limits of the environment. Based on this perspective, we have established an environmental policy that considers global environmental issues in relation to the economy, and we are accelerating our various environmental initiatives.

## Sumitomo Mitsui Trust Holdings Environmental Policy

### 1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

### 2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

### 3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

### 4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

### 5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

### 6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

### 7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

\*The Action Guidelines for Mitigating Climate Change (see page 58) and the Action Guidelines for Preserving Biodiversity (see page 69) are specific guidelines that were drawn up based on this Environmental Policy.

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Pursuing sustainability-themed business opportunities	Opportunity	Clients, communities	Maximization of positive impact through business (e.g., development of innovative financial products that contribute to solving environmental issues, and engagement that encourages positive behavioral change among borrowers and investees)
Considering impacts on society and the business environment of companies to whom we extend investments and loans	Risk	Clients, communities, NPOs	Minimization of negative impact through business (e.g., investment and loan operations in line with policies for specific sectors and ESG guidelines, engagement that encourages the reduction of negative environmental impacts of borrowers and investees)
Climate change	Risk/Opportunity	Clients, shareholders/investors, governments, international organizations, employees, NPOs	Development of climate-conscious governance, finalization of strategies, enhancement of risk management, establishment of metrics and goals, information disclosure in line with TCFD, and pursuit of business opportunities

## Highly Relevant SDGs



# Climate Change

For more information on our initiatives to comply with TCFD (Task Force on Climate-related Financial Disclosures) recommendations, please see the 2020/2021 TCFD Report URL: <https://www.smth.jp/en/csr/report/2020/TCFD-E-all.pdf>



Climate change is the most serious environmental issue in the world today—it is already affecting people’s lives and economic activity in a number of ways as a result of abnormal weather, rising sea levels, and other phenomena. Moreover, the negative impacts of climate change are affecting developing countries and vulnerable people the most, which in turn is creating additional problems for societies, such as inequality and poverty.

At the same time, measures taken to ease or adapt to

climate change are leading to improvements in ecosystem services through the enrichment of natural capital, while the migration of social systems driven by investment promotion and technological innovation is generating economic growth. Global sustainability now hinges on how quickly societies can achieve net zero CO<sub>2</sub> emissions.

The pursuit of societies resilient to climate change will likely lead to the construction of sustainable societies through the eradication of poverty and reduction of inequality.

## Action Guidelines for Mitigating Climate Change

### 1. Implementation of Measures and Support to Help Mitigate Climate Change

In addition to actively taking measures to reduce greenhouse gas emissions in our own business operations, we are making efforts, as a corporate citizen, to support activities that mitigate and adapt to climate change.

### 2. Provision of Products and Services

We are working on developing and providing products and services that help mitigate climate change. Our financial functions are being leveraged to promote energy conservation and encourage the use of renewable energy.

### 3. Collaboration with Stakeholders

We engage in dialogue and cooperation with our stakeholders as we work to mitigate climate change.

### 4. Education and Training

We will ensure that these guidelines are fully implemented at Group companies, and will actively conduct education and training to mitigate climate change.

### 5. Information Disclosure

We will actively disclose information related to our efforts to mitigate climate change.

## Challenges for Achieving the Goals

- Constructing carbon-free societies well before 2050 by realizing net zero CO<sub>2</sub> emissions
- Visualizing risks and opportunities arising from the rapid migration of social systems
- Constructing business models that transcend sectors to combat climate change
- Expanding financial transactions that contribute to climate change adaptation and mitigation

## Initiatives for Solving the Challenges

- Provide solutions for the construction of societies with net zero carbon emissions by leveraging banking, trust, and real estate functions.
- Provide capital through investments and loans to promote renewable energy and energy conservation.
- Provide financial products that meet the investment needs of investors with a strong interest in climate change.
- Promote climate change measures in real estate markets and cities with financial and environmental performance evaluations.
- Promote the dissemination of finance that takes its impact on climate change seriously in accordance with the Principles for Responsible Banking.
- As a responsible institutional investor, promote stewardship activities related to climate change.
- Make improvements to the disclosure of information related to climate change.

## Target SDGs for Climate Change Initiatives



## KPIs for Solving the Challenges

	2019/2020 results		2020/2021 targets
Promotion of impact finance	12 “positive impact finance” projects*1	Long-term sustainable finance target*3	• Take on a total of ¥5 trillion in projects over the 10 year period from FY2021 to FY2030 (including ¥3 trillion in the environmental field).
Climate change mitigation	179 renewable energy finance projects (+34 projects)*2 totaling 17,321 MW (+2,181 MW)*2	Climate change mitigation	• Further build up renewable energy finance portfolio • Reduce CO <sub>2</sub> emissions by 50% from FY2019 levels by FY2030*3
Disclosure of climate-related information	Published the 2020 TCFD Report	Disclosure of climate-related information	• Enhance TCFD report

\*1 From the first project in March 2019 until September 2020

\*2 Increase over the last year

\*3 Target for SuMi Trust Bank



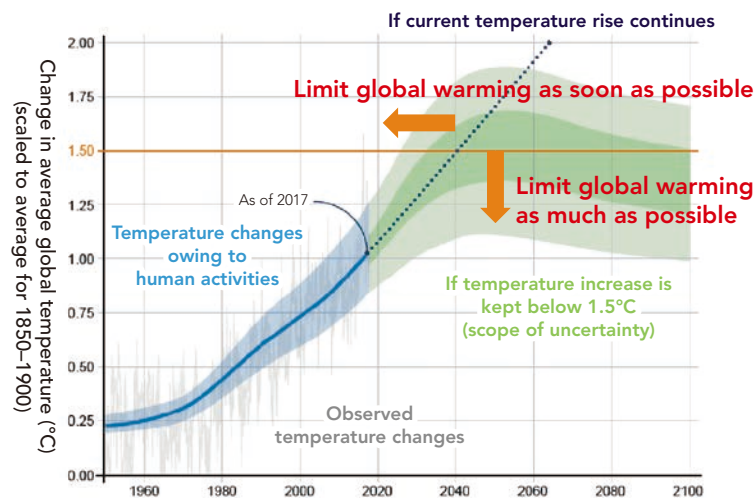
## Aiming to Limit Temperature Increase to 1.5°C

### Paris Agreement and Special Report on Global Warming of 1.5°C

Under the Paris Agreement that came into force in November 2016, signatory nations aim to “hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels,” in order to ensure sustainability. The world is

now taking further steps in an attempt to transition from a low-carbon society to one with net zero carbon emissions.

In October 2018, the Intergovernmental Panel on Climate Change (IPCC) published its Special Report on Global Warming of 1.5°C. The report highlights the need to reduce greenhouse gas emissions to net zero as soon as possible in order to secure sustainability and eradicate poverty.



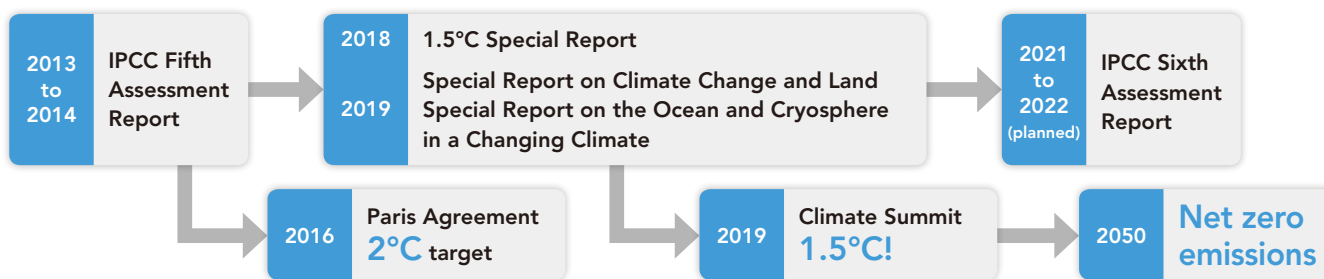
Source: IPCC Special Report on Global Warming of 1.5°C; corrections to frequently asked questions

#### Key points in Special Report

- The global average temperature has already increased by 1°C when compared to pre-industrial levels, and at the current pace of emissions, global warming is likely to reach 1.5°C by 2040.
- The harmful effects of the current 1°C temperature increase are serious, but will increase in severity when the temperature increase reaches 1.5°C and become significantly harmful at 2°C.
- Global warming is significantly affecting ecosystems and humans owing to abnormal weather conditions, rising sea levels, and other phenomena.
- Many more countermeasures will be required if our response to global warming is slow.
- Aiming to limit the temperature increase to 1.5°C will also have a positive impact on meeting the objectives of the SDGs.

In 2019, following the publication of the Special Report on Global Warming of 1.5°C, the IPCC published its Special Report on Climate Change and Land and Special Report on the Ocean and Cryosphere in a Changing Climate, which indicate that the impacts of climate change are even more serious than previously thought. In response,

at the UN Climate Summit held in September 2019, the Secretary-General of the UN called on member countries to commit to limiting the temperature increase to 1.5°C, and 65 countries vowed to achieve net zero greenhouse gas emissions by 2050.



#### Special Report on Climate Change and Land

- Compared to before the Industrial Revolution, global temperatures rose by an average of 0.87°C and land temperatures by an average of 1.53°C between 2006 and 2015.
- Climate change is affecting livelihoods, biodiversity, human health, infrastructure, food systems and more, exacerbating existing risks in those areas.
- The land-related climate adaptation and mitigation response options face barriers and can make only limited contributions.
- Sustainable land and forest management can reverse the negative impact of climate change on land degradation.

#### IPCC Special Report on the Ocean and Cryosphere in a Changing Climate

- The global ocean has warmed unabated since 1970, the rate of ocean warming has more than doubled since 1993, and marine heatwaves have doubled in frequency since 1982 and are increasing in intensity.
- By absorbing more CO<sub>2</sub>, the ocean has undergone increasing surface acidification, which is adversely affecting ecosystems.
- Due to a combination of the disappearance of the Greenland and Antarctic ice sheets and the thermal expansion of the ocean, historically rare (once-per-century) extreme sea level rises are expected to start occurring more than once a year in the tropics.

### Sustainable Finance

SuMi TRUST Bank has set a new long-term target for sustainable finance in the banking sector (loans to corporate clients): ¥5.0 trillion in cumulative loans over the 10-year period from fiscal 2021 through 2030, including ¥3.0 tril-

lion in environment-related fields. The Bank will aim to solve climate change and other environmental and social issues and help realize a sustainable society together with clients by actively supplying funds to environmental and social fields.

Category		Type	Examples of sustainable finance
Sustainable finance	Environmental (green) fields	Green finance	✓ Businesses that adapt to, or mitigate, climate change. For example, renewable energy, energy efficiency improvement, and green buildings.
		Social finance	✓ Employment creation, poverty reduction, nurturing of startup firms, regional revitalization, basic infrastructure like public transport and water supply, and essential services such as hospitals and schools.
		Finance based on assessments of ESG/SDGs	✓ Positive impact finance ✓ Sustainability-linked loans
		Transition finance	✓ Businesses that help society transition to net-zero carbon emissions. ✓ Businesses that help society adapt to a rapidly aging population.
		Other	✓ Other businesses that help solve environmental problems and social issues.

### Positive Impact Finance

SuMi TRUST Bank is working on Positive Impact Finance (PIF), which considers not only the relationship with clients but also the relationship between clients and society, and helps transition to a sustainable society by ensuring an optimal relationship (see pages 50-51). In addition to reducing CO<sub>2</sub> emissions from their own activities, many

companies are aiming to contribute to climate change mitigation and adaptation throughout the supply chain, for example in their product procurement and use. SuMi TRUST Bank supports client initiatives by identifying these impacts, setting KPIs for reducing negative impacts and increasing positive impacts, and monitoring them.

#### Example of Climate Change-Related KPIs in Positive Impact Finance

Client	Theme	Content	KPI metrics and goals
Fuji Oil Holdings Inc.	<ul style="list-style-type: none"> <li>• Employment, Climate, Biodiversity and Ecosystem Services, and Inclusive and Healthy Economy</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain improvement activities and RSPO initiatives aimed at NDPE (No Deforestation, No Peatland development, No Exploitation) in the sourcing process</li> <li>• Energy used and CO<sub>2</sub> emitted in the manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>• Traceability scores for palm oil all the way back to the oil extraction plant (target: 100%)</li> <li>• Number of incidents registered in the grievance mechanism</li> </ul> <p>Environmental Vision 2030 (reviewed CO<sub>2</sub> emission reduction targets in April 2020)</p> <ul style="list-style-type: none"> <li>• Scope 1 &amp; 2: 40% reduction by 2030 (compared to 2016)</li> <li>• Scope 3 (Category 1): 18% reduction by 2030 (compared to 2016)</li> </ul>
J.Front Retailing Co., Ltd.	<ul style="list-style-type: none"> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce Scope 1 &amp; 2 greenhouse gas emissions resulting from company activities</li> <li>• Reduce Scope 3 emissions by promoting the Supplier Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• 40% reduction in CO<sub>2</sub> emissions by 2030 (compared to 2017)</li> <li>• Zero CO<sub>2</sub> emissions by 2050 (compared to 2017)</li> <li>• 100% adoption of Supplier Code of Conduct by 2030</li> <li>• 40% reduction in Scope 3 emissions by 2030 compared to FY2017</li> </ul>
Sumitomo Metal Mining Co., Ltd.	<ul style="list-style-type: none"> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of copper mining projects, promotion of nickel mining projects and improvement in productivity</li> <li>• Recovery and stable supply of nonferrous metals through the development of technologies to separate, fix, and transform impurities extracted from the mines and produced in the smelting processes into useful materials</li> <li>• Demonstration and commercialization of recycling technology for automotive secondary batteries</li> <li>• Creation of new products and businesses that contribute to society by utilizing the company's strengths</li> <li>• Aim for zero greenhouse gas (GHG) emissions (Scope 1, 2)</li> </ul>	<ul style="list-style-type: none"> <li>• Aim for early achievement of 300,000 tons/year of copper and 150,000 tons/year of nickel production as a world leader in non-ferrous metals</li> <li>• Commercialize recycling technology for automotive lithium-ion batteries by 2022</li> <li>• R&amp;D and commercialization of new functional materials in the energy, automotive, and information and communications fields, commercialization of NiO for fuel cells, and maintain leading global market share in the expanding cathode electrode materials market</li> <li>• (KPI for the anticipated impact of achieving the above KPIs) GHG reduction contribution from low-carbon footprint products by 2030: over 600 kilotons-CO<sub>2</sub></li> <li>• Formulate a plan for achieving zero emissions in the second half of this century by 2030</li> <li>• Total GHG emissions in 2030 ≦ Total GHG emissions in FY2013</li> <li>• Reduce GHG emissions per unit of production by over 26% in 2030 (compared to FY2013)</li> </ul>

Client	Theme	Content	KPI metrics and goals
Ricoh Leasing Company, Ltd.	• Mitigation of climate change	<ul style="list-style-type: none"> <li>• Curb global warming by reducing CO<sub>2</sub> emissions from business activities</li> <li>• Reduce environmental impact by expanding environment-related business areas</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions from business activities (Scope 1 &amp; 2) to 774 t-CO<sub>2</sub> in FY2022 (30% reduction from FY2015), 410 t-CO<sub>2</sub> in FY2030 (63% reduction from FY2015), and zero in 2050</li> <li>• Realize a decarbonized society through promoting energy creation and energy conservation</li> </ul>
Sumitomo Dainippon Pharma Co., Ltd.	• Environmental initiatives	<ul style="list-style-type: none"> <li>• Reduce greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>• 35% reduction in greenhouse gas (GHG) emissions (Scope 1 &amp; 2) by FY2030 (compared to FY2017)</li> </ul>
Nippon Paper Industries Co., Ltd.	• Initiatives to address climate change	<ul style="list-style-type: none"> <li>• Transition to non-fossil fuels</li> <li>• Promote energy conservation in manufacturing and distribution processes</li> <li>• CO<sub>2</sub> absorption and stabilization through appropriate management of company-owned forests</li> </ul>	<ul style="list-style-type: none"> <li>• 10% reduction in greenhouse gas emissions by FY2020 (compared to FY2013)</li> <li>• Long-term targets are under consideration and are expected to be disclosed by May 2021</li> </ul>
Toyo Aluminum K. K.	• Climate change	<ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions across the entire Group by developing initiatives such as energy visualization and rolling it out horizontally in a way that meets the requirements of each facility</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of CO<sub>2</sub> emissions from business activities</li> <li>• 30% reduction in CO<sub>2</sub> emissions in FY2031 (compared to FY2013)</li> </ul>
Sumitomo Forestry Co., Ltd.	• Sustainability and biodiversity-conscious sourcing	<ul style="list-style-type: none"> <li>• Forest management that balances global warming countermeasures and biodiversity conservation</li> <li>• Expand the use of sustainable forest resources and create a biodiversity-conscious environment</li> </ul>	<ul style="list-style-type: none"> <li>• Raise domestic and overseas forest certified area to 221,467 ha by FY2021</li> <li>• Reach company-made tree sapling planted area of 7,920 ha and supplied volume of 7.26 million trees by FY2021</li> <li>• Achieve chips and pellets for main fuel use handling volume of 1,363,930 tons by FY2021</li> <li>• Raise percentage of sustainable timber and timber products handled to 100% by FY2021</li> <li>• Achieve company-made seedling unit sales of 500,000 in FY2021</li> </ul>
Subaru Corporation	• Mitigation of climate change	<ul style="list-style-type: none"> <li>• Reduce Scope 1 and 2 greenhouse gas emissions resulting from company activities</li> <li>• Improve fuel efficiency, incorporate electric technology and switch to electric and hybrid vehicles, and reduce CO<sub>2</sub> emissions from vehicles manufactured and sold</li> </ul>	<p>Based on the Environmental Action Plan, consider and implement all possible measures from a company-wide perspective, including energy conservation and the introduction of renewable energy sources, while taking into account external factors such as technological innovation, markets, and regulations</p> <ul style="list-style-type: none"> <li>• 30% reduction of CO<sub>2</sub> emissions in FY2030 (compared to FY2016)</li> <li>• Raise electric and hybrid vehicle sales to over 40% of global sales by 2030</li> </ul>
Sumitomo Rubber Industries, Ltd.	<ul style="list-style-type: none"> <li>• Greening</li> <li>• Mitigation of climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Global warming prevention and biodiversity conservation</li> <li>• Development of environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a method for calculating the amount of CO<sub>2</sub> absorbed by tree planting as a KPI, then set a target</li> <li>• Reduce global lifecycle CO<sub>2</sub> emissions per tire by at least 14% in FY2022 compared to FY2005</li> </ul>
Mitsui Chemical, Inc.	• Realization of a symbiotic society in harmony with the environment	<ul style="list-style-type: none"> <li>• Reduction of greenhouse gas emissions and conservation of energy and resources through the use of natural energy and non-fossil raw materials, and by making products lighter and more durable</li> <li>• Reduction of greenhouse gas emissions and chemical emissions through promotion of energy conservation, fuel conversion, and creation of innovative process technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Raise sales ratio of Blue Value<sup>®</sup> products to at least 30% in FY2025</li> <li>• Number of Blue Value<sup>®</sup> RoseValue<sup>®</sup> products newly certified</li> <li>• Blue Value<sup>®</sup> product-related investment, R&amp;D expenses</li> <li>• Greenhouse gas emissions reduction rate by FY2030: at least 25.4% (compared to FY2005)</li> <li>• Energy consumption rate reduction target: Maintain a five-year average reduction rate of at least 1%</li> </ul>
Toray Industries, Inc.	• Acceleration of climate change measures	<ul style="list-style-type: none"> <li>• Realization of a world where global greenhouse gas emissions and absorption are equal</li> </ul>	<ul style="list-style-type: none"> <li>• Increase CO<sub>2</sub> emissions reduction contribution to the value chain by 8 times by FY2030 (compared to FY2013) through expanding the supply of Green Innovation products</li> <li>• Reduce GHG emissions per unit of operating revenue by 30% by FY2030 (compared to FY2013)</li> </ul>
Rengo Co., Ltd.	• Climate change	<ul style="list-style-type: none"> <li>• Promote the Green New Deal to save energy and utilize new energy sources to reduce CO<sub>2</sub> emissions</li> <li>• Expand the use of renewable energies by proactively introducing solar power generation, biomass boilers, and other equipment to diversify energy sources, effectively use resources, and prevent global warming</li> </ul>	<ul style="list-style-type: none"> <li>• 26% reduction in CO<sub>2</sub> emissions (Scope 1 &amp; 2) by FY2030 (compared to FY2013)</li> <li>• Increase the ratio of renewable energy sources to 25% by FY2030</li> </ul>
DIC Corporation	• Climate change response	<ul style="list-style-type: none"> <li>• Achieve CO<sub>2</sub> emission reduction targets through production activities by promoting energy conservation and low carbon emissions (Scope 1, 2)</li> </ul>	<ul style="list-style-type: none"> <li>• 30% reduction in CO<sub>2</sub> emissions in FY2030 (compared to FY2013)</li> </ul>

## Climate-Related Green Finance

### Utilizing Trust Functions to Provide Green Finance Investment Opportunities to Investors

SuMi TRUST Bank has been promoting initiatives to connect the investment needs of investors managing environmentally friendly funds with the demand for funds for projects that contribute to the mitigation of climate change through trusts. In 2018, we launched the Green Trust, a jointly operated designated money trust that is used to raise funds for the new acquisition of green buildings\*<sup>1</sup> and the refinancing of existing debts. In the same year, we also started issuing and selling the trust beneficiary rights backed by project finance receivables of renewable energy power generation projects. From then on, we have continued to provide high quality investment opportunities by facilitating investor access to green projects.

The Green Trusts we have launched to date comply with the Green Bond Principles and received the highest possible rating of "Green 1" in the Japan Credit Rating Agency

### Green Bonds

In September 2018, SuMi TRUST Bank issued its first euro-denominated green bond for overseas markets. The 2-year floating-rate green bond targeting mainly ESG investors and asset managers in Europe raised €500 million. The proceeds from the green bond have been fully allocated to loans for 16 renewable energy projects involving wind power and solar power, contributing to a reduction of 169,595 tons\*<sup>3</sup> of CO<sub>2</sub> per year (as of the end

(JCR) Green Bond Evaluation. Loans from the Green Trust also comply with the Green Loan Principles and received the highest possible rating of "Green 1" in JCR Green Loan Evaluation. As for the Green Trust launched in October 2019, the funds are used to fund green buildings that have been awarded the CASBEE S rank, with SuMi Trust Bank supporting the acquisition of certification.

SuMi TRUST Bank has set a new long-term target for sustainable finance\*<sup>2</sup> to be achieved by FY2030, and will actively provide funding for green projects from its banking account and further promote financial intermediation utilizing its trust function.

\*1 Eco friendly real estate with good environmental performance and good management that has acquired external certification by CASBEE for Real Estate or a similar rating system

\*2 For more information on long-term targets for sustainable finance, please refer to page 60

of March 2020). The status of the appropriation of funds from the proceeds of the green bond issuance and the environmental improvement results are disclosed on the website of SuMi TRUST Holdings\*<sup>4</sup> and have been certified by a third-party certification body.

\*3 Figure calculated by multiplying the CO<sub>2</sub> reduction effects of the projects by SuMi TRUST Bank's loan ratio

\*4 For details, <https://www.smth.jp/en/csr/greenbond/index.html>

### Environmental Improvement Impact of Projects Financed with Proceeds from the Green Bond Issuance

Category	Subcategory	Country	Number of projects	Annual power output (MWh)	Annual CO <sub>2</sub> reduction (metric tons)	
						Company contribution
Renewable energy	Wind power generation	Canada, Belgium	3	2,665,500	494,988	51,929
	Solar power generation	Japan	13	314,011	145,499	117,666
Total			16	2,979,511	640,487	169,595

### Solar Power Generation Project Loans for Infrastructure Investment Corporations

In November 2019, Sumitomo Mitsui Trust Bank, Limited (SMTB) originated a loan of approximately ¥27.9 billion to an infrastructure fund that mainly invests in renewable energy power generation facilities, and the funds will be used to finance the acquisition of a large-scale solar power generation plant. Through this acquisition, the infrastructure fund is expected to become one of the largest listed infrastructure funds in Japan with total assets of approximately ¥58.8 billion. This loan is a syndicated loan involving a total of 13 financial institutions, including regional

financial institutions, and is the largest loan that a listed infrastructure fund has ever received in Japan. The land (superficies) and power generation equipment included in the large-scale solar power plant acquisition funded by this loan is under a trust beneficiary right scheme with SuMi TRUST Bank as the trustee. This is the first time for SuMi TRUST Bank to be the trustee of a property with superficies. SuMi TRUST Bank will actively support the listed infrastructure fund market, mainly through financing, for the development and expansion of renewable energy.

## Renewable Energy Finance

SuMi TRUST Bank promotes the adoption of largescale projects such as wind and solar power generation through project finance and it has set up renewable energy funds and manages for the purpose of investing exclusively in large-scale renewable energy projects.

In project finance, both offshore and onshore wind power generation projects overseas are increasingly largescale endeavors. In Japan, the number of mega-solar projects to which we provide project finance has further increased. The total potential generation capacity of projects where SuMi TRUST Bank has been involved in supplying project finance comes to 17,321MW. These projects, with annual power output of 45,294GWh, reduced annual CO<sub>2</sub> emissions by 20.47

million metric tons.

Total potential generation capacity of projects supported by renewable energy funds came to 341MW, with annual power output of 390GWh and annual CO<sub>2</sub> emission reductions of 210,000 metric tons.

In financing for installations, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. mainly provides support for mega-solar projects. Since the feed-in-tariff (FIT) system was introduced, it has supported 30 mega-solar installations with total potential generation capacity of 52MW.

### Contributions to CO<sub>2</sub> Reduction via Renewable Energy Finance Subtotals may not Add up to Totals due to Rounding

Category of power generation	Number of projects	Potential capacity (MW)	Annual output (GWh/year)	CO <sub>2</sub> reduction effect (10,000t/year)
Solar	118	4,664	7,550	386
Wind	30	5,213	11,054	463
Offshore wind	21	6,832	22,991	1,007
Biomass	9	492	3,655	190
Other	1	120	44	2
Total	179	17,321	45,294	2,047

Eligibility inclusion: Project financing involving SuMi TRUST Bank (inside and outside Japan)  
Capacity calculations: Numerical values of potential generation capacity, gigawatt hours of output per year, and CO<sub>2</sub> reduction effect cover all projects in each category.

#### Calculation Method for CO<sub>2</sub> Reduction Effect

Annual CO<sub>2</sub> reduction (CO<sub>2</sub> metric tons per year)  
= annual power output (kWh/year) x  
emission coefficient (CO<sub>2</sub> metric tons/kWh)

- As a general rule, we use the forecast value for annual power output.
- As a general rule for domestic projects, we use the most recently calculated emission coefficient of each electricity supplier in the electricity supply system of the region where each project is located.
- As a general rule for overseas projects, we use the International Energy Agency (IEA) calculation tools provided at the GHG protocol website to calculate reduction equivalents.

### Renewable Energy Funds and Investment Products for Investors

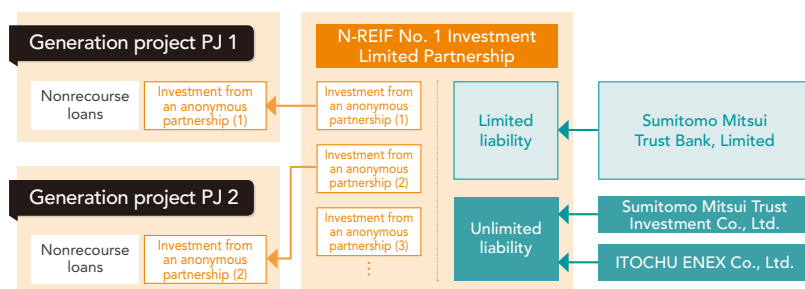
SuMi TRUST Bank established and operates funds that invest in renewable energy power generation projects. In addition, SuMi TRUST Bank launched a domestic renewable energy business investment fund for institutional investors.

As of September 2020, these funds have supplied equity funding for 26 mega-solar power generation projects and 1 wind power generation projects with total potential gener-

ation capacity of 341MW. Of the ¥132.8 billion in aggregate equity investment directed into these projects, our funds supplied total equity investment of ¥21.6 billion. These projects generate annual power output of 390GWh, commensurate to CO<sub>2</sub> emission reduction of over 210,000 metric tons.

\*For CO<sub>2</sub> emission reduction calculations, we use the emission coefficient of each electricity supplier in the electricity supply system of the region where each project is located.

#### Renewable Energy Fund Scheme



- We contribute by providing equity-like funding for the spread of renewable energy projects.
- We are building up an investment track record in solar and wind power generation, and plan to broaden the scope of our renewable energy investments.

The first fund of the Domestic Renewable Energy Business Investment Fund for Institutional Investors was established as a trust in April 2018 with an AUM of ¥12.7 billion (¥11.5 billion from external investors). The fund completed its investment phase in April 2020 following investment in seven projects and has moved into the management phase. The total

power generation capacity of all the projects included in the first fund is 119 MW, with annual power output reaching 138 GW, commensurate to CO<sub>2</sub> emission reduction of over 820,000 metric tons. We are currently considering the establishment of a second fund.

#### Characteristics of Trust Account Renewable Energy Brown No. 1

- Managed assets include anonymous partnership investments in already-operating domestic solar power generation projects (no development risks)
- Benefits from stable cash flow based on the feed-in tariff (FIT) system whereby renewable energy is purchased at a fixed price
- Projects that take steps to address global warming also contribute to the SDGs, ESG, and regional revitalization



## Micro-Power Generation in Water Supply Systems

Sumitomo Mitsui Trust Panasonic Finance proposes ideas for adopting micro-power generation systems in water supply systems across Japan, and promotes global warming mitigation measures and the use of natural energy in the regions.

In Japan's water supply systems, there is an enormous amount of energy that can be used from unutilized vertical drops in non-pressure flow pipes, surplus pressure in pumped supply pipes, and reduced pressure from pressure-reducing valves. The Group borrows water facilities

from local governments to deliver a business financing scheme with no upfront investment costs by installing power generation systems under a leasing system.

As of November 2020, the highly efficient power generation systems used in this scheme have been installed at 32 water facilities (including those scheduled to be installed) across Japan to produce a total 1,009kW of power. We expect annual power generation to reach 7,113MWh and annual CO<sub>2</sub> emissions to be reduced by 3,912t-CO<sub>2</sub>.

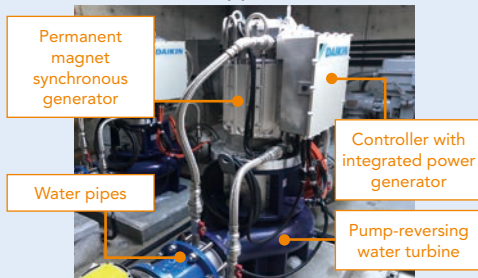
### Characteristics of micro-power generation systems

- High efficiency:** Efficient power generation system developed with inverter controls
- Low cost:** System configuration uses general-purpose pumps, low-cost magnets, and standardized parts
- Compactness:** Power generator and control device are stacked on top of each other to minimize installation space

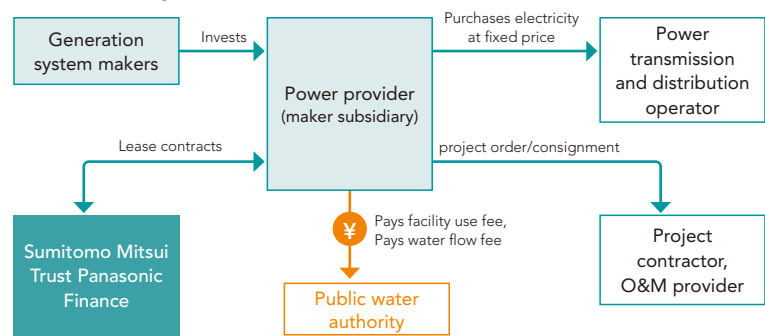
### Characteristics of leasing system (advantages for local governments)

- No upfront investment costs on project launch
- Power provider manages and maintains the system
- Stable lease revenue and receipt of property tax

### Newly developed micro-power generation system for water supply systems



### Schematic Diagram

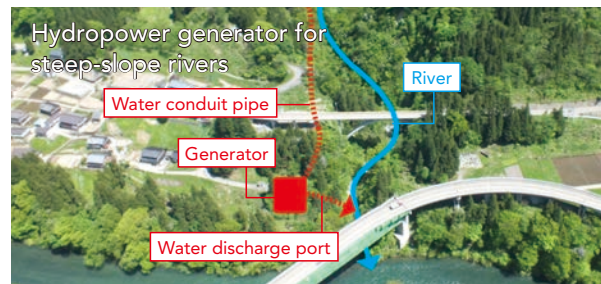
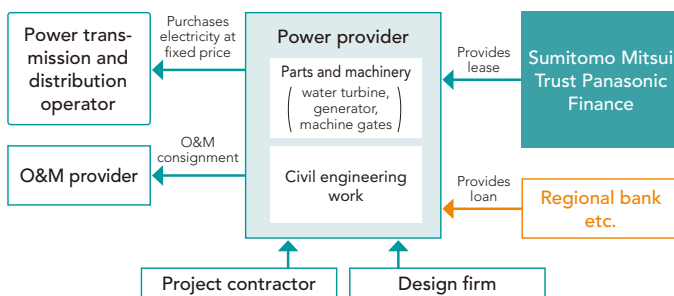


## Small and Mid-Sized Power Generation in Rivers

Japan's river systems have the potential to generate 8.9 million kW of electricity through the installation of small or mid-sized generators according to the results of a Ministry of the Environment survey. Sumitomo Mitsui Trust Panasonic

Finance is helping to revitalize regional communities through joint initiatives with regional banks aiming to use each region's untapped hydropower potential.

### Schematic Diagram of Collaboration with Regional Banks



Hydropower generation could be a source of renewable energy for Japan, which is blessed with many high-flow, steep-slope rivers. In cases where the feed-in-tariff (FIT) system is used, the maximum aggregate potential from installing small and mid-sized hydropower generators is estimated at 4,320MW.

Small and mid-sized power generators approved for installation since the FIT system's introduction have total output of 1.3GW, and of those, the ones in use have 500MW, indicating there is still scope for new installations.

It is possible to install hydropower generators that factor in the environment such as run-of-the-river small and mid-sized hydropower generators that use the shape of rivers or existing agricultural water supply channels and do not require building large dams.

### Small and Mid-Sized Hydropower Potential, Actual Adoption Capacity

	Potential aggregate output
Maximum aggregate potential in Japan*1	8.9GW
Potential with FIT system*1	4.32GW
Approved for installation post-FIT adoption*2	1.3GW
Installations post-FIT adoption*2	500MW

\*1 Ministry of the Environment: FY2019 Report on the Commissioned Work for the Development and Publication of Basic Zoning Information on Renewable Energy

\*2 Agency for Natural Resources and Energy Procurement Price Estimation Committee Materials



## Biomass Gas Generation

We support adoption of biomass gas generation facilities that convert food waste and other organic waste into biogas for electricity generation.

At a biomass gas power generator, organic waste—such as food waste, livestock urine and manure, and organic sludge from sewage and wastewater—is fermented and combustible gases, mainly methane, are extracted and used

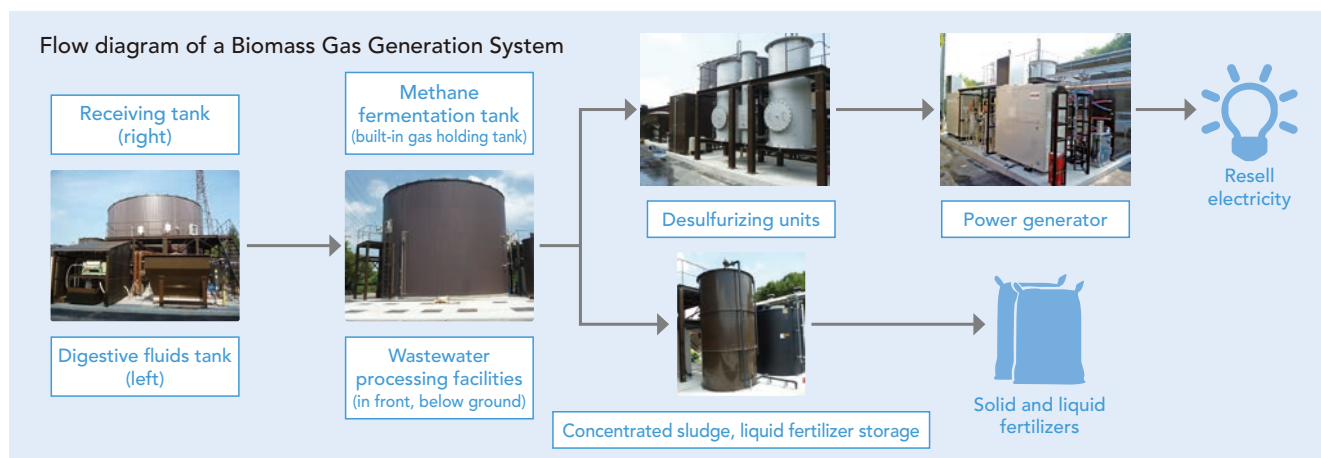
as fuel to generate electricity. Under the Food Recycling Law, the recovery of heat from food waste is recognized as a form of recycling provided certain conditions are met, and the power generated can be resold at a fixed price using the FIT scheme. The value of biomass gas systems is in improving overall energy efficiency through the effective use of both electricity and heat.

### Merits

- Curtails volume of waste produced, reduces waste disposal costs
- Earns income from reselling electricity via the FIT system
- Curtails putrid odors due to fermentation, reduces release of bad smells to nearby areas
- Byproducts like post-fermentation, digested slurry can be recycled as a liquid fertilizer

### Wastes eligible for usage

- Food waste, food residues
- Livestock urine and manure
- Organic sludge, etc. from sewage and wastewater



## Mega-Solar Projects Using Leases

Using leases to fund solar facility installations keeps the upfront investment costs for mega-solar project construction at zero, and projects can earn stable income by using the feed-in-tariff (FIT) system to wholesale at a fixed price the electricity it generates to the power supply grid. Leases are thus an effective method of financing for mega-solar projects that ensures business plan soundness.

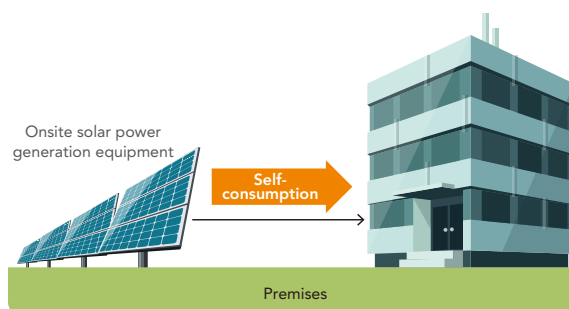
In addition to new projects, Sumitomo Mitsui Trust Panasonic Finance also provides lease-based financing options for fully operational projects that have been put up for sale to investors (secondary transactions). And it also started a leasing and installment plan support service for offshore floating mega-solar power plants.

The Group will continue to fuse its extensive know-how honed thus far with financial services to offer schemes that best meet the needs of increasingly sophisticated renewable energy projects.

## Onsite Self-Consumption Solar Power Generation

We launched a service to supply renewable energy for self-consumption through solar power equipment installed on-site (on grounds or roof).

Sumitomo Mitsui Trust Panasonic Finance formed a partnership with an experienced solar power equipment manufacturer to help companies develop an optimal investment plan based on their power utilization performance and to reduce their initial costs through subsidies. This venture helps companies reduce their own CO<sub>2</sub> emissions and their "scope 3" greenhouse gas emissions, meets the needs of those participating in the SBT and RE100 initiatives, and contributes to the Japanese government's Low Carbon and Decarbonization initiatives.



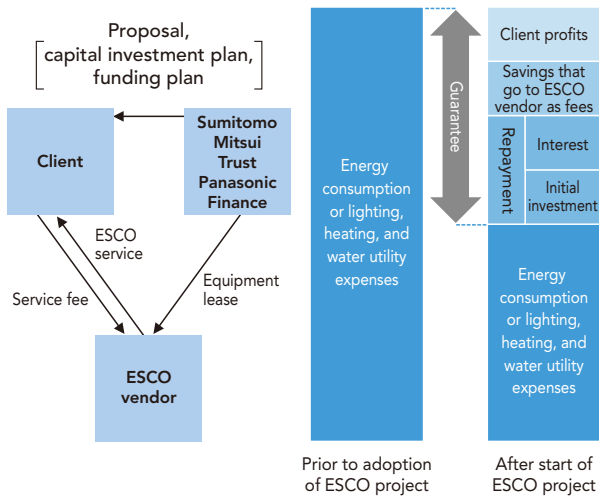
## Financing for ESCO Service Adoption

Sumitomo Mitsui Trust Panasonic Finance collaborates with energy service companies (ESCOs) to provide comprehensive energy conservation services from installation of energy-saving equipment to maintenance and management.

ESCOs provide comprehensive services for energy saving and guarantee a level of energy savings. Through the use of

leases, aging facilities can be replaced at zero upfront cost and, in cases where certain conditions are met, subsidies can be utilized. ESCOs propose ideas that both help preserve the environment via energy conservation while reducing the costs of utilities such as water, lighting, and heating as well as operating and maintenance costs.

### Outline of ESCO Concept



\*Case where a client adopts a shared model, one form of an ESCO project

### Example: ESCO Proposal for a General Hospital

#### Energy conservation menu

- Heat source: Construct hybrid heat source system, install high-efficiency steam boiler
- Air conditioning: Improve air conditioning control system, install variable air volume controls, install inverters
- Lighting: Install LED lighting
- Monitoring: Add energy management functions

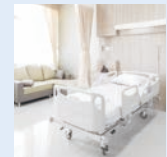
Energy conservation subsidy (initial) ¥176,591,000

#### Projected boost to earnings (annual)

Lower water, lighting, and heating costs	¥80,468,000
Fees paid for ESCO project	¥77,598,000
<b>Annual boost to earnings</b>	<b>¥2,870,000</b>

#### Reduction to environmental impacts (annual)

- CO<sub>2</sub> reductions: 1,459t-CO<sub>2</sub> (down 19.0%)
- Electricity use reductions: 172,473kWh (down 7.7%)
- Gas use reductions: 598,102ℓ (down 44.7%)
- Water use reductions: 9,892m<sup>3</sup> (down 41.9%) (environmental impacts are estimates)



## One-Stop Services for Energy-Saving Investment: Subsidy-Eligible Leases

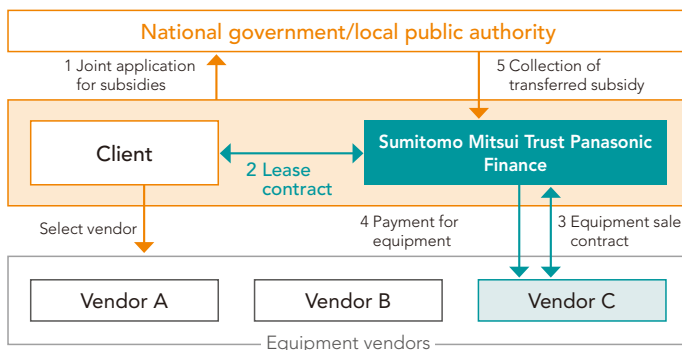
We offer one-stop services that support all processes from planning for energy-saving investments to asset operation.

- Our one-stop service menu ranges from energy-saving assessments, examinations to identify energy-saving measures, equipment selection, subsidy applications, and securing financing to maintenance services.
- The use of leasing means energy-saving equipment can be

installed with no upfront investment costs.

- Securing subsidies lowers upfront investment costs, enabling recipients to benefit even more from energy savings and cost reductions.
- We offer tailored proposals through partnerships with manufacturers and installers.

### Flow Chart Mapping Out the Use of Subsidies



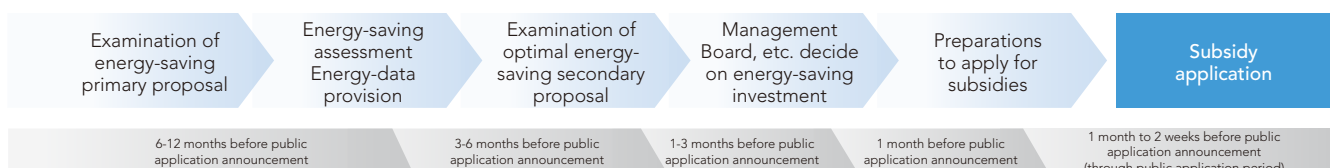
#### Main subsidy systems

- Subsidy for businesses that promote net zero energy buildings (ZEB) and decarbonization at institutional facilities
- Subsidy for businesses accelerating the introduction of energy-efficient natural refrigerant equipment for the purpose of eliminating harmful CFCs and enabling the early realization of a low-carbon society
- Eco-Lease promotion project

\*Certain conditions must be met to be eligible to apply for subsidies

\*Subsidy systems are subject to change

### Stages in the Subsidy Application Process



## Support for CO<sub>2</sub> Reduction of Buildings

### Consulting to Support Applications for "CASBEE for Real Estate" Certification

CASBEE for Real Estate is an environmental performance evaluation system developed with the aim of increasing the stock of buildings with superior environmental performance in real estate market and promoting its use among investors for investment decision-making. There is extensive use of

the system, especially among REITs and real estate companies, and SuMi TRUST Bank has consulting businesses that support property owners applying for the CASBEE for Real Estate certification.

#### Evaluation Categories in CASBEE for Real Estate



### Construction-Phase Support for Environmental Considerations

Improving energy efficiency is the most important theme in the environmental performance of buildings. SuMi TRUST Bank in its construction consulting business provides advisory services on how to improve in a comprehensive manner the environmental performance of buildings in ways such as installing energy-saving systems, taking into account landscapes and ecosystems, extending building life spans, and adopting recycling systems.

There are some projects we advised that have been recognized and awarded subsidies by the "leading projects" program for sustainable buildings (formerly known as "leading projects for promoting CO<sub>2</sub> reduction" program for housing and buildings), sponsored by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and the "net zero energy building" experimental pilot program, sponsored by the Ministry of Economy, Trade, and Industry (METI).

An example of a building where we provide construction-phase support for environmental considerations  
 HIROSHIMA ORIZURU TOWER (major renovation)  
 (Selected as a "leading project for promoting CO<sub>2</sub> reduction" for housing and buildings by the Japanese Ministry of Land, Infrastructure and Transport)



## Home Renovation Loans for Smart Houses

Homes have advanced so that they can wisely use electricity generated onsite; through our home renovation loans, we support remodeling homes into "smart houses."

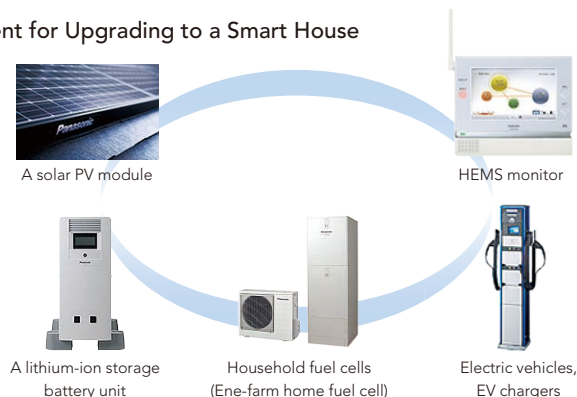
A smart house can efficiently generate and store its own power supplies by combining solar PV panels, storage battery units, and household fuel cells. Energy-saving functions that enable dwellers to control electricity consumption to match their lifestyles and weather conditions have improved. From 2019 there will be a huge influx of household solar power generation equipment for which the surplus electricity purchasing scheme has ended, therefore the conversion of existing homes into "smart houses" will become a key topic in addressing global warming.

With the liberalization of retail sales of electricity and gas

to households in Japan, energy and telecommunication sector companies are increasingly partnering to provide bundled services such as combined sales of telecom or broadcast with electricity generated from various sources. There has also been progress in developing products that have multiple functions of housing, home appliances, and vehicles.

Since the system for purchasing surplus electricity from solar panels was established, Sumitomo Mitsui Trust Panasonic Finance has contributed to the adoption and spread of household solar panels with its solar loans. The cumulative sum of solar loans it has executed as of September 2019 is ¥74 billion. Through our partnerships with equipment vendors and installers, we support remodeling homes into "smart houses" with our renovation loans.

#### Equipment for Upgrading to a Smart House



A smart house

# Natural Capital (Biodiversity Issues)

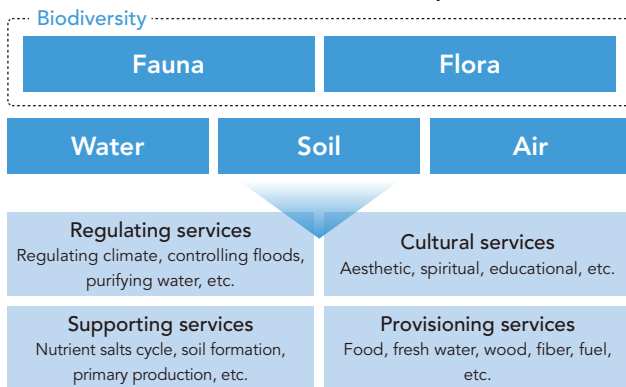
The global environment is the foundation for sustaining the life of various living creatures. It comprises of natural capital, such as water, air, soil, as well as marine and terrestrial fauna and flora that are grown in such resources under the blessings of the sun. Humans also depend on natural capital and have utilized it to build social systems and develop the economy. In this process, however, humans have also caused significant consequences.

Natural capital is not inexhaustible. Supplies may be exhausted sooner or later unless we accurately track and manage our dependence and impacts on natural capital. This is closely interlinked with humans' day-to-day activities. For this reason, all SDGs are connected with natural capital. Primarily from the perspective of corporate activities, the Group focuses on natural capital in Japan, where we lay our business foundation, as well as natural capital outside Japan, where we rely on highly for the procurement of raw materials and parts. We have selected goals that contribute to proper dependence on and management of such natural capital.

## What is Natural Capital?

Natural capital is made up of diverse living creatures and the water, soil, and air that sustain them. These are the foundation sustaining life on earth and conserving them needs to be prioritized ahead of everything else. The way we live depends on natural capital and the ecosystem services they provide. We thus feel continued wise use of natural resources which constitute natural capital over the long run goes beyond mere environmental conservation. It must extend to putting communities on a solid social foundation to enable sustainable economic development.

### Five elements of natural capital



### Four categories of ecosystem services

## Challenges for Achieving the Goals

- Deepening understanding of the importance of natural capital
- Establishing approaches for tracking companies' dependence and impact on natural capital
- Visualization of natural capital risks that lead to damaging corporate value
- Expanding financial transactions that contribute to solving companies' challenges related to natural capital

## Initiatives for Solving the Challenges

- Appeal the importance of natural capital through various opportunities, such as through proposals and seminars for clients and education programs for schools.
- Contribute to establishing methodologies for appropriately managing dependence and impacts on natural capital, such as natural capital protocols.
- Identify natural capital risks that have serious impacts on the continuation of overseas procurement, businesses, and projects, and incorporate them into investment and loan processes from the ESG perspective.
- Taking into account that land is the foundation of natural capital in terrestrial ecosystems, strive to restore ecosystems that are suitable for various areas, ranging from mountainous regions to cities, and contribute to the formation of ecological networks.
- Promote investments, loans, and trusts related to natural capital.

## KPIs for Solving the Challenges

2019/2020	Target	Result	2020/2021	Target
Promotion of activities through proposals and seminars for clients	At least 20 times a year	21 times	Promotion of activities through proposals and seminars for clients	At least 21 times
Examination of green infrastructure finance	Submission of proposals to clients	Proposed SDG bonds	Enhancement of information disclosure	Publish TNFD Report
Promotion of forestry trust	Expansion of forestry trust business assessments	Promoted fiduciary services	Enhancement of policies for specific sectors	Implement in FY2021

## Target SDGs for Natural Capital Initiatives



Also refer to Natural Capital, a separately published version of this report.  
URL: <https://www.smth.jp/en/csr/report/2020/NC-E-all.pdf>





## Natural Capital Finance Alliance (formerly the Natural Capital Declaration)

SuMi TRUST Holdings became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development “Rio+20” held in Rio de Janeiro in June 2012. SuMi TRUST Holdings is the only financial institution in Japan to have

signed the declaration when it originally promulgated. The initiatives of NCD signatories have been expanded through NCD’s reorganization into Natural Capital Finance Alliance (NCFA).



### Commitment of Financial Institutions under the Natural Capital Finance Alliance (Excerpt)



We will support the development of methodologies that can integrate natural capital considerations into the decision-making processes for all financial products and services including loans, investment, and insurance policies.

- (a) We will apply a holistic approach to the evaluation of bonds and stocks by integrating natural capital considerations in environmental, social, and governance (ESG) risk analysis in short-, medium-, and long-term growth forecasts of investee companies.
- (b) We will systematically incorporate the consideration of evaluating natural capital into the credit policies of specific sectors, including commodities, that have a major impact on natural capital, either directly or indirectly through the supply chain.

## Sumitomo Mitsui Trust Holdings Action Guidelines for Preserving Biodiversity

### 1. Implementing Measures and Providing Support for Biodiversity Preservation

We will strive to actively protect rare and native species. In our role as a corporate citizen, we will work to support activities for the preservation of biodiversity.

### 2. Providing Products and Services

We will endeavor to develop and provide products and services that contribute to the preservation of biodiversity, by conducting appropriate economic and social evaluations of the ecosystem and encouraging the sustainable use of living resources through our financial functions.

### 3. Collaboration with Stakeholders

We will engage in dialogue and cooperation with our stakeholders while working to preserve biodiversity.

### 4. Education and Training

We will ensure thorough implementation of these action guidelines at all Group companies and will work to provide education and training aimed at the preservation of biodiversity.

### 5. Information Disclosure

We will actively disclose information about our efforts to preserve biodiversity.

## Major Initiatives in the Group’s Business to Date

- 2000** SuMi TRUST Bank is entrusted with the Keidanren Nature Conservation Fund, a charitable trust from the Keidanren Nature Conservation Council
- 2008** SuMi TRUST Holdings signs the Leadership Declaration of the Business and Biodiversity Initiative  
SuMi TRUST Holdings establishes the Basic Policy for Addressing Biodiversity Issues (currently Action Guidelines for Preserving Biodiversity)  
SuMi TRUST Bank translates the TEEB (The Economics of Ecosystems and Biodiversity) Interim Report
- 2010** Asset management company develops Ikimonogatari, a Japanese equity investment trust specializing in biodiversity
- 2012** SuMi TRUST Holdings signs the Natural Capital Declaration (now the Natural Capital Finance Alliance) proposed by UNEP FI at the United Nations Conference on Sustainable Development (Rio+20)
- 2013** SuMi TRUST Bank develops environmental rating loans with natural capital evaluation; SuMi TRUST Bank forms the the Natural Capital Study Group
- 2016** SuMi TRUST Bank signs the Equator Principles
- 2018** Asset management company joins Farm Animal Investment Risk & Return, an engagement organization working primarily with the fisheries and livestock industries
- 2019** SuMi TRUST Bank develops Positive Impact Finance (PIF)
- 2020** SuMi TRUST Bank establishes financing policies for specific sectors; SuMi TRUST Bank is entrusted with a forestry trust by Okayama Prefecture’s Nishiawakura Village; Asset management company participates in working group TNFD (Task force for Nature-related Financial Disclosures)

**Business and Biodiversity Initiative: Our Initiatives as a Leadership Declaration Signatory**

SuMi TRUST Holdings signed a leadership declaration under the Business and Biodiversity Initiative “Biodiversity in Good Company” at the ninth meeting of the Conference of the Parties (COP 9) to the Convention on Biological Diversity held in May 2008 in Germany. Since then, we have continued to carry out activities in line with the principles of the declaration, which was led by the German government.



Declaration	Initiatives in 2019-2020
1. Analyzing corporate activities with regard to their impacts on biological diversity	We provided environmental rating loans with natural capital evaluation and Positive Impact Finance (PIF) solutions that comprehensively analyzes economic, social, and environmental impact of corporate activities, and also analyzed investee initiatives during our asset management company engagements.
2. Including the protection of biological diversity within their environmental management system	In our Sustainability promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually.
3. Appointing a person in the company responsible for steering all activities in the biodiversity sector and reporting to the Management Board	The head of the Sustainability Management Department steers all activities and reports to the Executive Committee.
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years	We set targets based on the challenges for achieving SDG goals (see page 68)
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report	We published the Natural Capital Report (this report)
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step	We continue to pay attention to procurement of copier paper and office supplies linked to illegal logging in tropical rain forests, which has large detrimental impacts on biodiversity. In the asset management business, we also engaged as an investor in tropical rainforests. In the PIF solutions business, we continued to set and monitor nature-related KPIs with our borrowers.
7. Exploring the potential for cooperation with scientific institutions, nongovernmental organizations (NGOs) and/ or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-a-vis the biodiversity domain	We became a signatory to the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI) and actively participated in initiatives aimed at establishing and enhancing methods for evaluating natural capital impacts.

**Stakeholder Comments**

**As an excellent company in the Business and Biodiversity Initiative “Biodiversity in Good Company”**



Dr. Katrin Reuter  
CEO 'Biodiversity  
in Good Company'  
Initiative, Germany

As a founding member of the Business and Biodiversity Initiative “Biodiversity in Good Company,” Sumitomo Mitsui Trust Holdings, Inc. has been an early advocate of the importance of biodiversity in the economy. Especially recently, the importance of nature is becoming more recognized by the financial sector. When the Action Guidelines for the Conservation of Biodiversity were formulated in 2011, Sumitomo Mitsui Trust Holdings, Inc. was one of the first financial institutions in Japan to incorporate biodiversity into its business activities. Since then, they have continued to work tirelessly to develop products and services that help conserve biodiversity and business activities that are linked to the Sustainable Development Goals (SDGs). This kind of integrated thinking is essential for sustainable economic transformation and tangible improvements in the financial sector. We are proud that Sumitomo Mitsui Trust Holdings, Inc. is a member of the Business and Biodiversity Initiative “Biodiversity in Good Company.”



## Natural Capital Products and Services

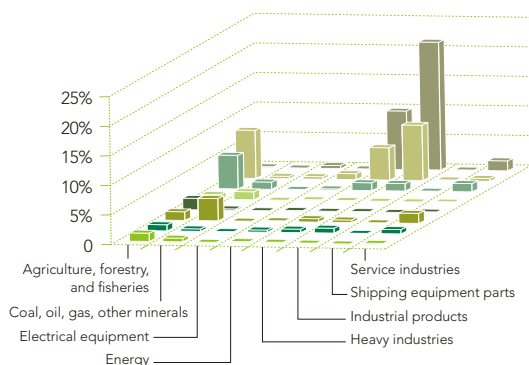
### Evaluating Supply Chain Impacts on Natural Capital

#### Natural Capital Evaluation

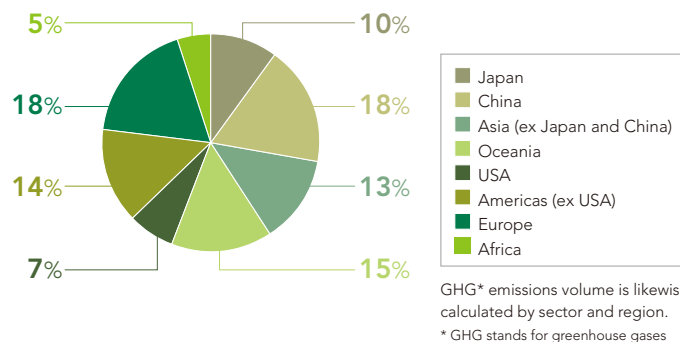
Natural capital evaluation is a service that calculates natural capital dependence arising from corporate activities and estimates the degree of impact for each procured item and for each country and region, tracing back through supply chain.

#### Example of output from a Natural Capital Evaluation Tool

Breakdown of water usage volume in each region by sector



Ratio of land usage area by region



#### Benefits of Natural Capital Evaluation

##### (1) Gaining quantitative risk data related to the supply chain that can be used for management judgments

Can obtain previously hidden risk data related to environmental impacts and the use of resources that are essential to global supply chain management

##### (2) Obtaining quantitative data on environmental impacts that can be used for information disclosure

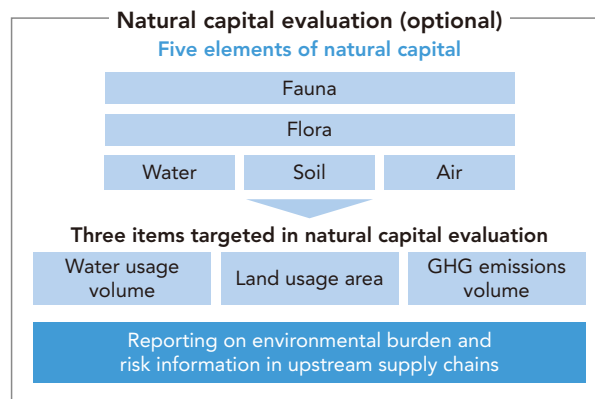
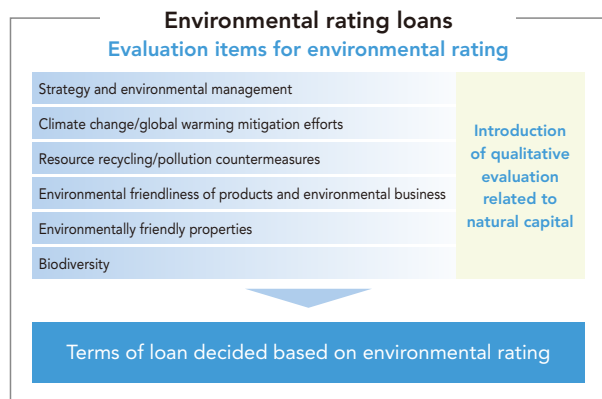
Can use the data for scope 3 responses to surveys such as the Carbon Disclosure Project (CDP) survey and for disclosures in integrated corporate reports

### Initiatives for Loans

#### Environmental Rating Loans with Evaluation of Natural Capital Preservation

The sustainable use of natural capital as resources is vital for a company to continue its business. There is a growing awareness that natural capital-related procurement risk management across the global supply chain is an indispensable part of management strategy. In April 2013, SuMi TRUST Bank launched its Environmental Rating Loans with Evaluation of

Natural Capital Preservation, which embeds the concept of evaluating impacts on natural capital and a company's initiatives into the environmental-rating evaluation process that assesses its environmental measures. This is the world's first attempt to incorporate natural capital evaluation into loan criteria, and the Bank's efforts have been cited in Japanese government environmental white papers and European Commission reports as an example of leading-edge practice.



Note: "Optional" refers to ESCHER calculations provided by PwC Sustainability LLC that are not available without loan products.

## Natural Capital (Biodiversity Issues)

### Establish Policies for Specific Sectors

SuMi TRUST Bank has established policies for specific sectors that promote businesses that have a large impact on society, and prohibits or restricts investments and loans to companies and projects that have a negative impact on society, while sharing awareness of environmental

and social issues and contributing to building a sustainable society through engagement with loan clients. With regard to natural capital, we have developed policies relating to forests and palm oil (see page 46).

### Positive Impact Finance

SuMi TRUST Bank is working on Positive Impact Finance (PIF), which considers not only the relationship with clients but also the relationship between clients and society, and helps transition to a sustainable society by ensuring an optimal relationship (see pages 50-51). Many companies

have some level of exposure to natural capital in their supply chain. SuMi TRUST Bank supports client initiatives by identifying these impacts, setting KPIs for reducing negative impacts and increasing positive impacts, and monitoring them.

### Examples of Natural Capital-related KPIs set as a part of PIF

Client	Theme	Description	KPI (metrics and goals)
Fuji Oil Group headquarters	Biodiversity and ecosystem services	<ul style="list-style-type: none"> <li>Sustainable sourcing that considers the environment and human rights</li> <li>Supply chain improvement activities and RSPO initiatives aimed at NDPE (No Deforestation, No Peatland development, No Exploitation) in the sourcing process</li> </ul>	<ul style="list-style-type: none"> <li>Traceability scores all the way back to the oil extraction plant</li> </ul>
Sumitomo Forestry Co., Ltd.	Sourcing that considers sustainability and biodiversity	<ul style="list-style-type: none"> <li>Forest management that balances global warming prevention and biodiversity conservation</li> <li>Expansion of sustainable use of forest resources</li> <li>Environment creation that considers biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Raise domestic and overseas forest certified area to 221,467 ha by FY2021</li> <li>Reach company-made tree sapling planted area of 7,920 ha and supplied volume of 7.26 million trees by FY2021</li> <li>Achieve chips and pellets for main fuel use handling volume of 1,363,930 tons by FY2021</li> <li>Raise percentage of sustainable timber and timber products handled to 100% by FY2021</li> <li>Achieve company-made seedling unit sales of 500,000 in FY2021</li> </ul>
Nippon Paper Industries Co., Ltd.	Sourcing that considers sustainability and biodiversity	<ul style="list-style-type: none"> <li>Sustainable raw material sourcing</li> <li>Conservation of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Maintain 100% forest certification rate for company-owned forests</li> <li>Use materials approved by the forest certification system for 100% of paper manufacturing materials</li> <li>Achieve 100% survey completion rate for overseas wood chip and pulp suppliers</li> <li>Maintain domestic timber utilization rate higher than the domestic timber self-sufficiency rate</li> <li>Achieve 100% forest certification rate for company-owned forests</li> <li>100% implementation of rare species checks prior to logging in company-owned forests</li> </ul>
Sumitomo Rubber Industries, Ltd.	Greening	<ul style="list-style-type: none"> <li>Global warming prevention and biodiversity conservation</li> </ul>	<ul style="list-style-type: none"> <li>Establish a method for calculating the amount of CO<sub>2</sub> absorbed by tree planting as a KPI, then set a target</li> </ul>
Toray Industries, Inc.	Providing clean water and air	Realizing a world where everyone has access to clean water and air and the natural environment is restored.	<ul style="list-style-type: none"> <li>Quadruple supply of green innovation products by FY2030 (compared to FY2013)</li> <li>Reduce groupwide water consumption per unit of operating revenue by 30% by FY2030 (compared to FY2013)</li> </ul>
Sumitomo Dainippon Pharma Co., Ltd.	Biodiversity conservation	<ul style="list-style-type: none"> <li>Efficient use of water resources</li> </ul>	<ul style="list-style-type: none"> <li>Reduce water consumption by 12% by FY2030 (compared to FY2018)</li> </ul>

### Adoption of the Equator Principles in Project Finance

SuMi TRUST Bank has adopted the Equator Principles, a guideline for private-sector financial institutions, in its decision-making process for risk management in loans such as project financing. SuMi TRUST Bank understands that financing for large-scale projects such as mining development, oil and gas development, power plants, petrochemical plants, and infrastructure development

may indirectly have a negative impact on natural capital. In addition, we believe that it is our responsibility as a sound financial institution to avoid or reduce the risk of deterioration in the value of our loan portfolio in the event that a project is discontinued due to environmental or social issues (see pages 47-48).

## Initiatives for Loans

Sumitomo Mitsui Trust Asset Management (SMTAM) established its ESG investment policy in September 2019 and identified ESG materiality in the policy. Based on this policy, we have established 12 new ESG themes with the aim of further advancing our top-down engagement activities.

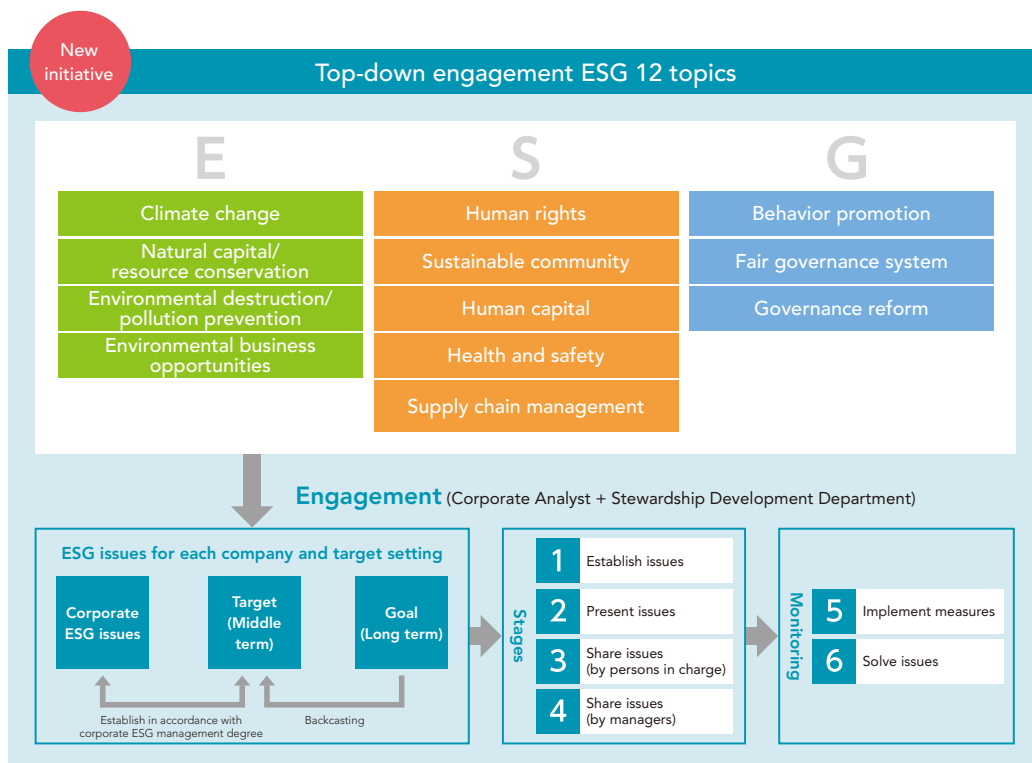
### Themes Closely Related to Natural Capital

Natural Capital and Resource Conservation	The expansion of corporate economic activities is linked to negative impacts on natural capital and biodiversity, and the challenge is to shift to economic activities that take natural capital and biodiversity into consideration. In particular, food shortages, water shortages, and the biodiversity crisis are global issues, and reducing food waste, securing water resources, and protecting nature are material issues for corporate sustainability.
Environmental Destruction and Pollution Prevention	Among the various forms of environmental destruction and pollution, deforestation and marine plastic waste issues are as material as climate change. Deforestation caused by illegal logging and agricultural land development for food reduces CO <sub>2</sub> absorption, raising concerns over the negative effects on climate change and biodiversity. In addition, the marine plastic waste issue is a material issue with wide ranging significance, affecting efforts such as marine pollution prevention, biodiversity, and the realization of a recycling-oriented economy. We believe that it is essential to strengthen initiatives in all industries with supply chain exposure.

SMTAM selects target companies for each ESG theme from its investee companies using a top-down approach. It then sets long-term targets by ESG theme as well as interim targets by backcasting in accordance with the ESG issues and the level of ESG management of each company, and promotes engagement activities. In addition, we manage the progress of engagement in four stages by ESG theme, and monitor the implementation of measures all the way through to issue resolution. By combining this top-down engagement approach with a business-oriented bottom-up engagement approach, we carry out constructive engagement activities that are unique to

SMTAM and promote medium- to long-term sustainable growth that balances corporate value with social and environmental value for investee companies.

To make this engagement more efficient, SMTAM participates as a lead manager in three major working groups (palm oil, water resources, and forest resources) organized by the Principles for Responsible Investment (PRI). Additionally, we participate in the Sustainable Protein Supply Chains program, a joint engagement program developed by fishery and livestock industry-focused engagement organization FAIRR.



See page 19 of SMTAM's "Stewardship Report 2020/2021" for details.

Topic

## Discussions with the Brazilian government and the Central Bank of Brazil on the development and management of rainforests in the Amazon basin

In June 2020, as part of the activities of the Forest Conservation Engagement Working Group of the PRI (Principles for Responsible Investment), to which asset management company Sumitomo Mitsui Trust Asset Management (SMTAM) is a signatory, and CERES, an environmental NGO, we submitted an open letter to the Brazilian government requesting that it effectively disclose information on the conservation and management of the Amazon forest and its development status, and began engagement activities with the Brazilian government. As an asset manager, SuMi TRUST Asset Management is the only company in Japan that has supported the project from the beginning, and is working as one of the lead managers of the project. In July 2020, we held a total of four meetings with the Vice President of Brazil and the Governor of the Central Bank of Brazil. In addition to the meetings held through the working group, we also had individual discussions with the Governor of the Central Bank of Brazil as well as the Brazilian Ambassador to Japan. At this meeting, SuMi TRUST Asset Management President Hishida conveyed our unique approach, which differs from European companies that have suggested the possibility of suspending investments and loans, and we had a meaningful exchange of opinions based on the history of economic exchange between Japan and Brazil.

The Amazon and Amazon biome, which covers 60% of the country's land area, is a prominent tropical rainforest area, and environmental conservation in this region is required to address climate change and maintain biodiversity. Currently, investors are increasingly concerned about the rapid progress of deforestation due to the administration's policy of promoting liberalization of development in the Amazon basin, specifically advocating liberalization and deregulation of agricultural development. Through this discussion, SuMi TRUST Asset Management argued that increasing the transparency and verifiability of the country's policies will enhance the effectiveness and credibility of its policies, and received a positive response from Brazil.

SuMi TRUST Asset Management will continue discussions with the Brazilian government and its ambassador to Japan, and will support and monitor the efforts of the government to balance environmental conservation and economic development in the Amazon basin while carefully considering the government's initiatives. In addition, a new PRI working group will be formed to continue discussions with the Brazilian government, and SuMi TRUST Asset Management will continue its discussions with the Brazilian government as a core member of the group.

### Initiatives in the Real Estate Business

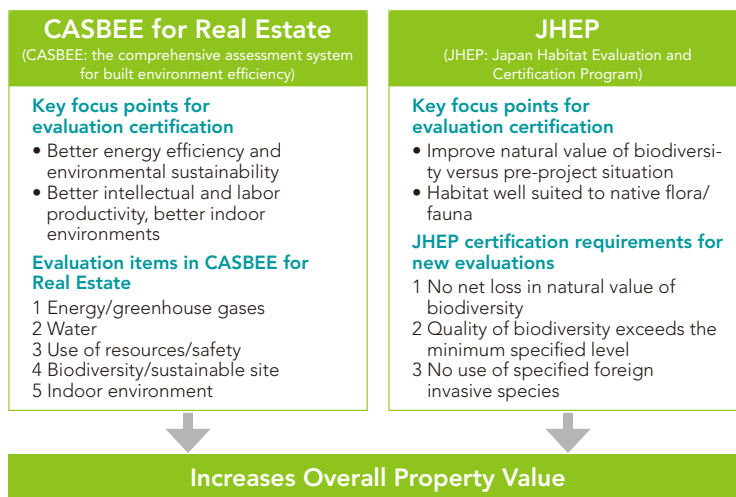
#### Construction Consulting on How to Foster Biodiversity and Ecosystems

Through the use of CASBEE for Real Estate\*1 and JHEP\*2 together, the environmental performance of properties can be improved across many dimensions, helping to increase overall property value.

At SuMi TRUST Bank, biodiversity considerations are included in our menu of construction consulting services.

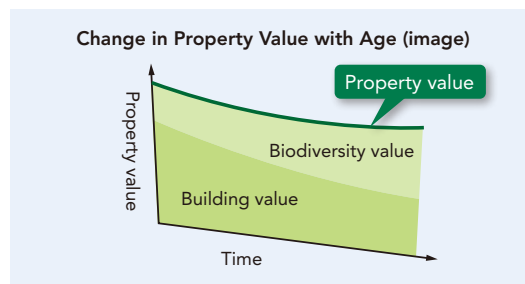
\*1 CASBEE for Real Estate: The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). SuMi TRUST Bank is involved in the establishment of criteria.

\*2 JHEP: Japan Habitat Evaluation and Certification Program is a system that is a system developed by the Ecosystem Conservation Society-Japan to quantitatively evaluate and certify efforts to contribute to the conservation and restoration of biodiversity.



A building's environmental performance is evaluated on many dimensions such as energy savings, global warming mitigation measures, biodiversity, durability, and resource efficiency.

The value of buildings decline with age but the biodiversity value increases every year as the ecosystem surrounding it forms. These offsetting lifecycle patterns can maintain the combined value of the building and site together as a whole. Ecological networks can be created through the connection of local communities, neighboring buildings and green nature reserves.



## Forestry Trust

SuMi TRUST Bank developed a forestry trust scheme as a means to solve social problems in forestry management and maintenance—such as the lack of personnel, inheritance issues, abandonment, and forests with unknown owners—and was entrusted to manage an individually owned forest in Okayama Prefecture’s Nishiwakura Village as the first commercial trust in Japan in August 2020. We will entrust management activities to forestry entities on behalf of the owner, manage revenues, and distribute dividends from earnings gained through the periodic thinning of forests and other sources.

The forestry trust is an SDG initiative unique to trust banks that promotes the restoration of forestry and the revitalization of local communities.

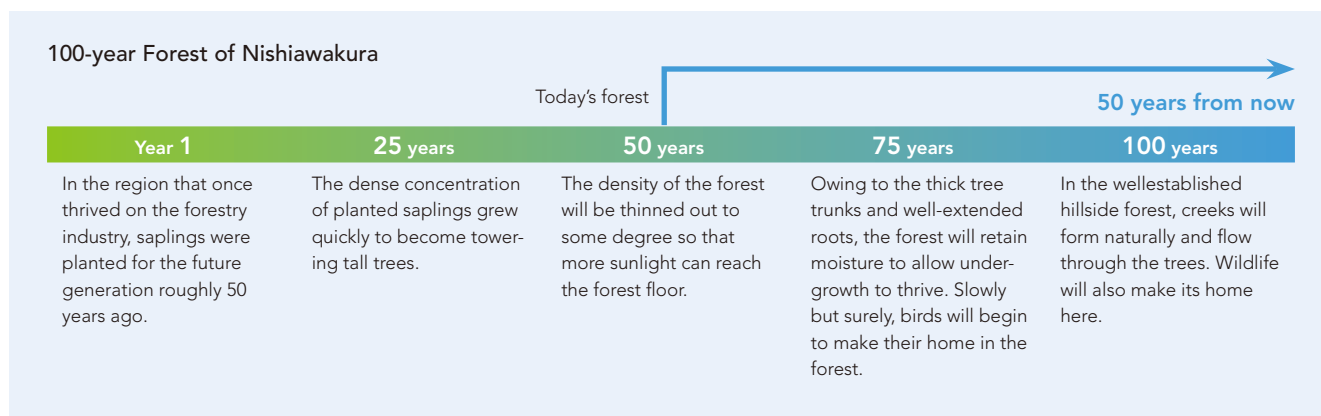


### Initiatives in Okayama Prefecture’s Nishiwakura Village

#### The 100-year Vision of Forest Initiative

Approximately 95% of Nishiwakura Village is forest, of which 85% is planted cedar and cypress. Based on the understanding that revitalization of the forestry industry is necessary for the creation of a sustainable village,

Nishiwakura Village launched the 100-year Vision of Forest initiative to pass on the trees planted by predecessors 50 years ago to future generations 100 years from now.

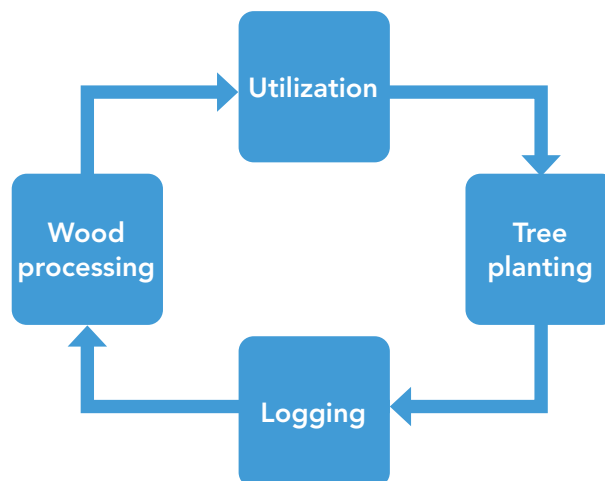


Source: 100-year Vision of Forest, Nishiwakura village office website

#### Building a Supply Chain for Wood

We have established a system whereby the village takes custody of the forest from the owner and carries out thinning and work road maintenance. With the help of local ventures, we are building a supply chain spanning production to sales by creating an environment where thinned wood can be processed and turned into products.

In addition, we are promoting the introduction of renewable energy that utilizes forest resources, such as biomass boilers and small hydroelectric power generators, to encourage the circulation of local resources and the economy.

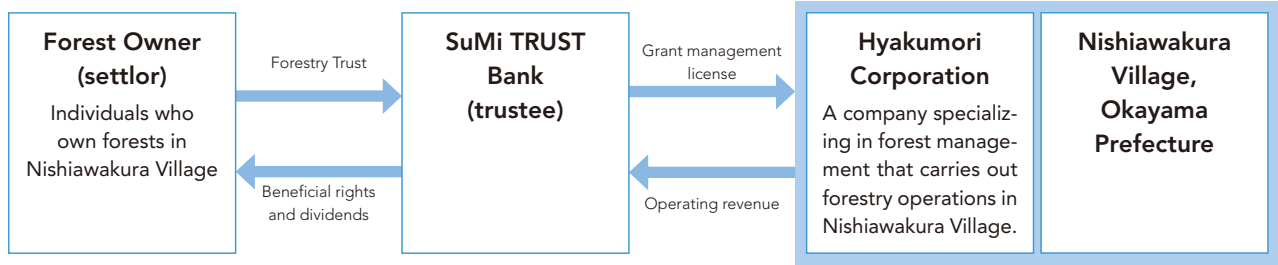


**Forestry Trust Business**

To address the presence of landowners who live in urban areas but own forests in Nishiawakura Village, as well as forests whose owners are unknown, we have developed a forestry trust scheme that consolidates and enhances the efficiency of forestry operations.

Under the forestry trust, the forest owner (settlor) entrusts SuMi TRUST Bank (trustee) with all aspects of forest business management and administration, including forest planning and operation, management of business revenue, and distribution of dividends to the forest owner.

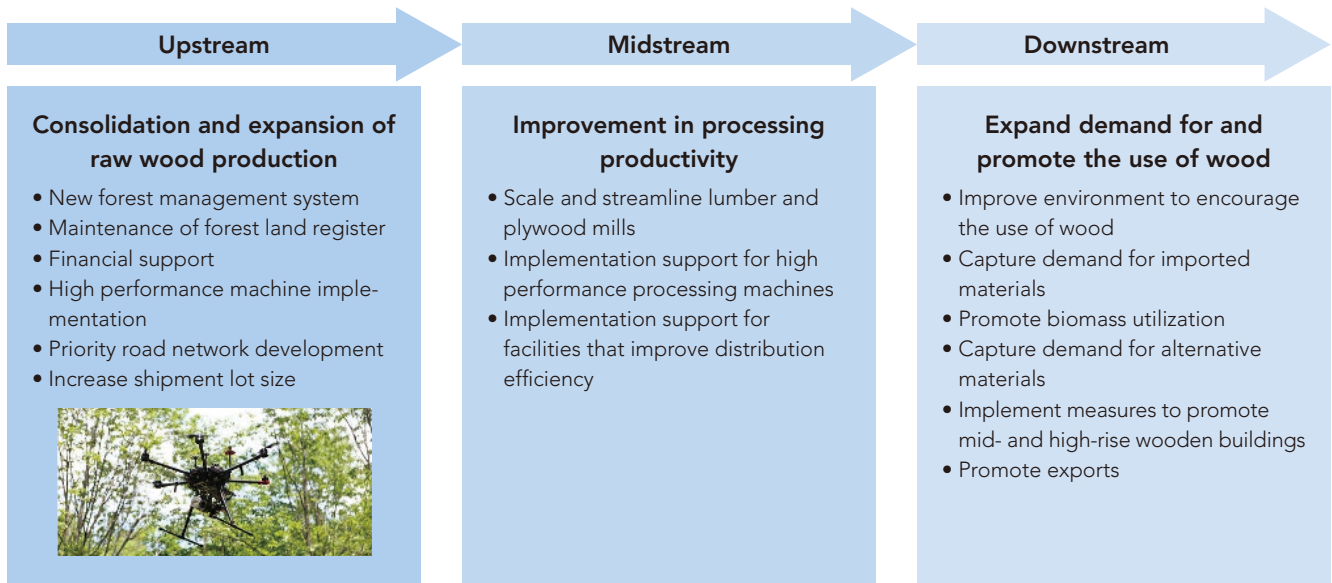
Forestry Trust Scheme



**Smart Precision Forestry Initiatives**

To further improve the productivity of the forestry industry, SuMi TRUST Bank is supporting the realization of smart precision forestry utilizing drones and ICT in collaboration with Shinshu University and other organizations. In addition,

to revitalize the forestry industry, we are working with related parties to improve the entire supply chain in order to boost efficiency and add value not only upstream, but also midstream and downstream.



**ICT-driven Smart Precision Forestry**



Also refer to Environmentally Friendly Property, a separately published version of this report.  
URL: XXXXXXXXXXXXX



# Environmentally Friendly Property

The amount of CO<sub>2</sub> emitted from the construction and operation of buildings is said to account for approximately 40% of all CO<sub>2</sub> emissions in Japan, including indirect emissions. In addition, as humans spend a long time indoors, the indoor environment affects the health and productivity of the occupants. Given the significant impact of real estate property on the three aspects of the environment, society, and the economy, integrated initiatives for achieving the SDGs are thought to be highly beneficial for improving the sustainability of the three aspects.

The Group aims to promote and increase properties that give consideration to the environment, such as cities and buildings with high energy and resource efficiency and buildings that contribute to improving production efficiency. We will advance initiatives that contribute to increasing property values through features such as high environmental performance that reduce risk and enhance income.

## Challenges for Achieving the goals

- Making the environmental performance of properties visible
- Making the added value of environmentally friendly properties visible
- Increasing awareness in the real estate market about the added value of environmentally friendly properties
- Expanding corporate initiatives toward creating added value

## Initiatives for Solving the Challenges

- Support acquisition of environmental performance certifications, such as CASBEE for Real Estate and CASBEE for Urban Development.
- Support the realization of environmentally friendly construction through construction consulting and assistance to help subsidy applicants qualify.
- Promote and raise awareness of environmentally friendly properties through committees and lectures.
- Create businesses that contribute to promoting environmentally friendly properties, including green finance and environmentally friendly property funds.

## KPIs for Solving the Challenges (Aggregate total so far: 200 certifications)

Support acquisition of environmental performance certifications

At least **20** certifications a year

Support environmentally friendly construction

At least **2** cases a year

Promotion and awareness-raising of environmentally friendly properties (Articles, lectures, etc.)

At least **10** activities a year

## Target SDGs for Environmentally Friendly Property Initiatives



## Main Initiatives as a Pioneer in Environmentally Friendly Property

### [Inception]

A commemorative paper entitled "A Note on Environmental Value Added for Real Estate" for the 10th anniversary of Tokyo Association of Real Estate Appraisers received grand prize in 2005 (see page 83)

### [Organizing Study Groups]

- Lead organizer of a sustainable real estate study group since 2007; released results of studies in 2009 and 2016
- Lead organizer of a smart city study group in 2013; released results of studies in 2016

### [Initiatives linked to UNEP]

- Member of a property working group organized as part of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2007; released a collection of case studies and a handbook for Responsible Property Investment (RPI) in sequence

### [Initiatives related to CASBEE]

- Lead organizer of subcommittee examining CASBEE property appraisal since 2007; Vice Chairperson of subcommittee examining CASBEE property appraisal since 2020; launched "CASBEE for Real Estate" certification system in 2013 (see page 78)

### [Initiatives related to Real Estate Appraisal and Evaluation]

- Chair of a working group on environmental added value, organized by Japan Association of Real Estate Appraisers (JAREA), since 2007
- Member of office building performance evaluation and display manual committee; released a manual on office building performance evaluation and display in 2017

### [Initiatives with National and Local Authorities]

- Member of a MLIT-sponsored study committee on the promotion and spread of environmentally friendly property; the committee launched in 2008
- Member of Tokyo metro government's low carbon partnership committee for small and medium-sized buildings; the committee launched in 2012 by the Tokyo Bureau of Environment
- Member of Smart Wellness Office Research Committee, sponsored by Japan Sustainable Building Consortium; announced results of a study on economic impact of buildings with CASBEE evaluations in 2015 (see page 84); discussed CASBEE-Wellness Office system, which started offering certifications in 2019 (see page 80)

## Business Lineup for Environmentally Friendly Property

### 1. Consulting to Support Applications for “CASBEE for Real Estate” Certification

#### Initiatives Related to CASBEE for Real Estate

CASBEE for Real Estate is a system developed in 2012 for the purpose of promoting widespread use of environmental building performance evaluations in the real estate market. While maintaining consistency with CASBEE® certifications for buildings (new construction and existing buildings), CASBEE for Real Estate sharply narrows down evaluation items and takes into account consistency with environmental performance items that are focused on overseas.

CASBEE for Real Estate can be also used for GRESB assessment (see page 77), so use of this track is spreading,

especially among REITs and real estate companies that are sensitive to sustainability concerns.

It consists of evaluation items that help show initiatives related to the SDGs (Sustainable Development Goals) and ESG (environmental, social, and governance) issues.

SuMi TRUST Bank is a participant in developing CASBEE for Real Estate as an organizer of the subcommittee for CASBEE property appraisal, which is sponsored by the Institute for Building Environment and Energy Conservation.

Table Evaluation Items in CASBEE for Real Estate (In the Case of Office Buildings)

Energy/ greenhouse gases	<u>Target setting and monitoring/energy saving standards/O&amp;M*3 system, usage and emissions intensity (calculated values), usage and emissions intensity (actual values), natural energy forms</u>
Water	<u>Target setting and monitoring/O&amp;M system, water usage volume (calculated values), water usage volume (results)</u>
Use of resources/ safety	<u>Conforms to new earthquake resistance standards, high earthquake resistance/seismic isolation and vibration damping, etc., usage of recycled materials, service life of structure materials, necessary renewal interval for main equipment functions, higher self-sufficiency ratio (electricity, etc.), operation and maintenance</u>
Biodiversity/ sustainable site	<u>No use of invasive alien species, enhancement of biodiversity, soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks</u>
Indoor environment	<u>Attainment of building sanitation and environmental management standards, use of daylight, natural ventilation function, view</u>

\*1 Underlined items are prerequisites (they must be met to pass an evaluation).

\*2 Items in red are related to universal metrics the United Nations Environment Programme’s Sustainable Buildings and Climate Initiative (UNEP SBCI) is studying.

\*3 O&M: operation and maintenance

#### Consulting to Support Applications for CASBEE for Real Estate Certification

SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification.

CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

#### Problem Discovery and Proposals for Improvement via CASBEE for Real Estate

SuMi TRUST Bank offers proposals on initiatives that work in concert with CASBEE for Real Estate evaluations to identify problems and suggest improvements aimed at bolstering environmental performance.

We will continue to provide services that use the CASBEE system in our business promoting environmentally friendly property.



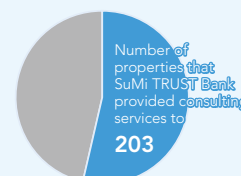
A CASBEE evaluation sheet

To help with corporate initiatives aimed at solving sustainability issues, SuMi TRUST Bank offers consulting to support applications for CASBEE for Real Estate certification.

Number of CASBEE for Real Estate certified properties (as of end-September 2020): 377

Of these, the number of properties that SuMi TRUST Bank provided consulting services to: 203 (Of these, 182 are listed real estate investment corporations (J-REITs), 11 are private J-REITs, 4 are corporations, 4 are special purpose companies, etc., and 2 are life insurance companies.)

Number of CASBEE for Real Estate certified properties (as of end-September 2020)



## Examples: Consulting to Support Applications for CASBEE for Real Estate Certification

Owners	Property	Rank	Certification date
Isetan Mitsukoshi Holdings	Isetan Shinjuku Main Store	S	2016/3/4
Invesco Office J-REIT, Inc.	Aqua Dojima East	S	2020/1/31
Japan Retail Fund Investment Corporation	mozo wonder city	S	2020/2/28
Daiwa House REIT Investment Corporation	ACROSSMALL Shinkamagaya	S	2020/2/28
ORIX JREIT Inc.	Felicita Sanjo Kiyamachi	S	2020/3/4
Activia Properties Inc.	A-FLAG BIJUTSUKAN DORI	S	2020/3/19
Industrial & Infrastructure Fund Investment Corporation	IIF Noda Logistics Center	S	2020/3/26
Heiwa Real Estate REIT, Inc.	HF SAKURADORI BUILDING	S	2020/5/29
Premier Investment Corporation	Granpark	S	2020/6/30
Japan Prime Realty Investment Corporation	JPR Musashikosugi Bldg.	S	2020/6/30
AEON REIT Investment Corporation	AEON MALL Tamadaira woods	S	2020/7/31
GLP J-REIT	GLP Yokohama	S	2020/8/31
Global One Real Estate Investment Corp.	Shinagawa Seaside West Tower	S	2020/9/30



Isetan Shinjuku Main Store



Aqua Dojima East

Felicita Sanjo Kiyamachi



mozo wonder city



HF SAKURADORI BUILDING



Granpark



A-FLAG BIJUTSUKAN DORI



ACROSSMALL Shinkamagaya



Shinagawa Seaside West Tower



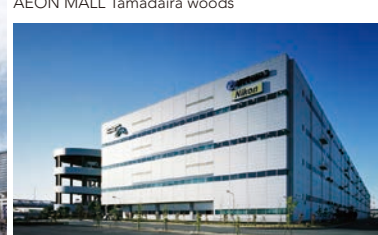
JPR Musashikosugi Bldg.



AEON MALL Tamadaira woods



IIF Noda Logistics Center



GLP Yokohama



## 2. Consulting Services to Support Applications for CASBEE-Wellness Office Certification

### What is CASBEE-Wellness Office?

Given the spread of ESG investment in the real estate market and the needs for health & productivity management and reforms aimed at improving intellectual productivity, a new office model assessment system was launched in June 2019.

SuMi TRUST Bank has been involved in the development of CASBEE-Wellness Office through an MLIT study group tasked with promoting ESG investment and the Smart Wellness Office Research Committee. The Bank carries out evaluations using CASBEE-Wellness Office, and offers support services such as evaluation, certification application advisory and review handling services.

### Assessment Components under CASBEE-WO

Category		Assessment component
Basic performance	Health, comfort	Space, interior, sound, light, air & ventilation, refreshment, exercise
	User-friendliness	Mobility & communication, telecommunications
	Safety	Disaster readiness, countermeasures for harmful substances, water quality, security
Operational management	Maintenance	Maintenance
	Satisfaction	Satisfaction
Program		Exercise program

### Case Study A

#### Round-Cross Roppongi

Round-Cross Roppongi is an office building owned by ORIX JREIT Inc. The fourth and fifth floors are serviced offices operated by ORIX. For this project, a CASBEE-Wellness Office evaluation was conducted for the entire building's common areas and facilities, along with the sections dedicated to the serviced offices, and was successfully certified. In addition to the wide variety of seating arrangements and meeting spaces to meet the demands of different work situations, the building was recognized for its careful management regarding disinfection and air quality control, which have become increasingly important recently.



## 3. Consulting to Support Applications for "CASBEE for Urban Development" Certification

CASBEE® (Comprehensive Assessment System for Built Environment Efficiency) is a system for evaluating the environmental performance of buildings and urban development, which is being developed and promoted in Japan under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism. It is comprised of tools, such as CASBEE for Buildings and CASBEE for Real Estate.

Among CASBEE®'s various tools, CASBEE for Urban Development is an environmental performance evaluation for assessing the overall development of housing and commercial areas (urban development).

It evaluates environmental quality from the three aspects of the environment, society, and the economy as well as reduction in the environmental footprint.

It consists of evaluation items that help show initiatives related to the SDGs (Sustainable Development Goals) and ESG (environmental, social, and governance) issues.

SuMi TRUST Bank carries out environmental performance evaluations using CASBEE for Urban Development, and offers support services such as certification application advisory and review handling services.

### Case Study B

#### LIST GARDEN nococo-town

In July 2018, LIST GARDEN nococo-town, a large eco-town in Totsuka, Yokohama City, became the first ever recipient of the highest rank certification ("S" rank) for CASBEE for Urban Development.

CASBEE for Urban Development's certification results are made public. They are introduced in mediums such as magazines and exhibited in model rooms, and help show that the eco-town offers quality housing, promotes the neighborhood's vitalization, and proactively contributes to the local community.



## 4. Construction-Phase Support for Environmental Considerations

The first bank in Japan to develop a land trust product in the 1980s, SuMi TRUST Bank has been involved in managing and developing many buildings and condominiums, and it provides construction consulting services based on knowhow from such projects.

We offer advice relating to factoring in environmental

considerations in our menu of construction consulting services such as on the installation of energy-saving systems in buildings, ways to take into account landscapes and ecosystems, extension of building life spans, and adoption of recycling systems.

### Examples: Construction-Phase Support for Environmental Considerations

Company Name	Location	Use	Number of Floors	Floor Area	Target Rank
Clarion	Saitama Prefecture	Headquarters office and research center	10 floors above ground, 1 rooftop floor	Approx. 19,000 m <sup>2</sup>	A (certification completed)
Chuo Labour Bank	Tokyo	Central branch	1 basement floor, 9 floors above ground, 2 rooftop floors	Approx. 6,000 m <sup>2</sup>	A (self-evaluation)
	Kanagawa Prefecture	Office	1 basement floor, 7 floors above ground, 1 rooftop floor	Approx. 10,000 m <sup>2</sup>	B+ (notification)
AEON MALL	Tokyo	Commercial facility	5 floors above ground	Approx. 150,000 m <sup>2</sup>	A (certification completed)
FUJI	Ehime Prefecture	Commercial facility	3 floors above ground	Approx. 140,000 m <sup>2</sup>	B+ (certification completed)
Ito-Yokado	Kanagawa Prefecture	Commercial facility	4 floors above ground	Approx. 29,000 m <sup>2</sup>	B+ (notification)
Toyo Seikan Group Holdings	Tokyo	Office*1	2 basement floors, 21 floors above ground, 1 rooftop floor	Approx. 72,400 m <sup>2</sup>	S (certification completed)
Daikin Industries	Osaka Prefecture	Office, R&D facility*1	1 basement floor, 6 floors above ground	Approx. 48,000 m <sup>2</sup>	S (self-evaluation)
Hiroshima Mazda	Hiroshima Prefecture	Office, observation deck, product sales and dining facilities*1	2 basement floors, 14 floors above ground	Approx. 11,500 m <sup>2</sup>	A (notification)
Anritsu	Kanagawa Prefecture	Office*2	7 floors above ground	Approx. 28,000 m <sup>2</sup>	S (self-evaluation)
Shimane Bank	Shimane Prefecture	Central branch*1	1 basement floor, 13 floors above ground	Approx. 12,000 m <sup>2</sup>	S (self-evaluation)

\*1 Selected for the MLIT-led "leading projects" program for sustainable buildings.

\*2 Selected for the METI-led "net zero energy building" experimental pilot program.

As interest in environmental issues has grown, so has the number of properties applying for CASBEE® certification or providing notification of self-evaluation in the past several years. In addition, some projects have been selected by the Ministry of Land, Infrastructure, Transport and

Tourism (MLIT) for the "leading projects" program for sustainable buildings and by the Ministry of Economy, Trade, and Industry (METI) for the "net zero energy building" experimental pilot program.

### Case Study C

#### HIROSHIMA ORIZURU TOWER

Situated adjacent to the Atomic Bomb Dome (Hiroshima Peace Memorial), this office building underwent full-scale renovations. The existing framework was reused and the building enlarged to accommodate a higher level of earthquake resistance. A large canopy, louvers, and a "spiral slope" walking ramp were also built into the newly expanded sections. The building reduces its CO<sub>2</sub> footprint by utilizing various energy-saving features, including solar shading and cross ventilation. Visitors to the building can access the HIROSHIMA HILL observation deck under the giant canopy on the roof, enjoy numerous activities in ORIZURU Square, and learn about its CO<sub>2</sub> reduction initiatives.

The ORIZURU TOWER was selected for the MLIT's leading projects program for promoting CO<sub>2</sub> reduction in housing and buildings.



5. Making the Value of Smart Towns and Cities Visible, Supporting Concept Formulation

Developing smart towns and cities that adopt next-generation “smart community\*” social systems at the local level is an important step from the standpoint of regional development. In the past few years, these towns and cities have combined a series of complex reforms from changes to citizen lifestyles and local transportation systems to the introduction of area energy networks, including the recapture of heat and unused energy, to go together with effective use of electricity.

\*See METI’s website for details.

To realize smart towns and cities, it is necessary to create economic value added commensurate with higher costs while establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues for the city or town.

SuMi TRUST Bank supports projects for smart towns and cities on many fronts such as devising frameworks that link various initiatives on environmental contributions etc. to economic value added and formulating project concepts. Through our provision of financial functions such as home mortgages, we also help projects get executed.

Concept Diagram for Making the Value of Smart Towns Visible



Case Study D

Fujisawa Sustainable Smart Town

The “Fujisawa Sustainable Smart Town” is a project currently being carried out by Panasonic Corporation at the former site of Panasonic’s Fujisawa factory.

Panasonic Corporation, Fujisawa City, and eleven partner companies, including SuMi TRUST Bank, are collaborating to promote the project, which marked the town’s opening in spring 2014.

SuMi TRUST Bank is participating in various ways, such as designing smart town evaluation indicators (environmentally friendly property values) and creating project-specific product plans for environmentally friendly housing loans.

This project is also praised for its community-wide comprehensive CO2 reduction efforts together with town management. It was selected for subsidies under the MLIT-led “leading projects” program for sustainable buildings (formerly known as the 2013 No.1 “leading projects for promoting CO2 reduction” program for housing and buildings).





## Delivering Value

### Added Value of Environmentally Friendly Property <sup>1</sup> —Added Value Derives from Property Profitability

It is often said environmental friendly property “costs more than usual and is difficult to invest in,” but price theory in real estate investment suggests such buildings are able to generate added value equal to or greater than their additional cost.

From the perspective of profitability (how much and how long do properties generate steady profits), a property’s price derives from net income (revenue minus costs) divided by the real estate capitalization rate. The greater gross income including rents is, and the lower the costs of utilities, maintenance, and building management are, the higher net income is, and so the higher the valuation of a property. In addition, stable properties with less income fluctuation risk are awarded higher valuations as investors require a lower yield from them.

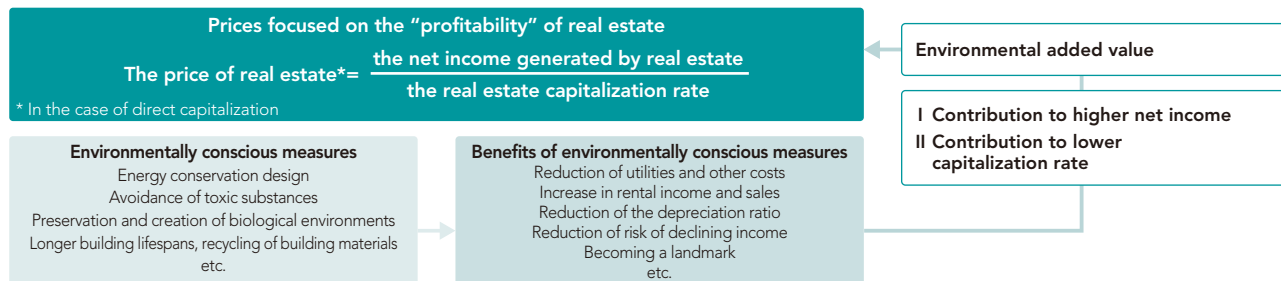
Environmentally friendly property can earn higher

net income by reducing utility expenses via energy savings and maintenance and operating expenses via the enhanced durability of parts and materials. Furthermore, such buildings can also generate higher gross income on higher rents stemming from higher productivity enabled by their enhanced office environments and the cachet boost from their environmental credentials.

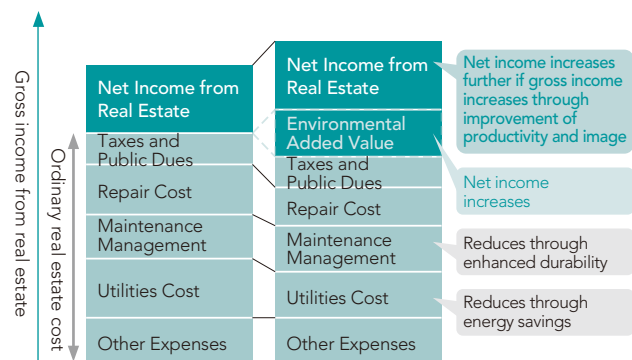
Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.

For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

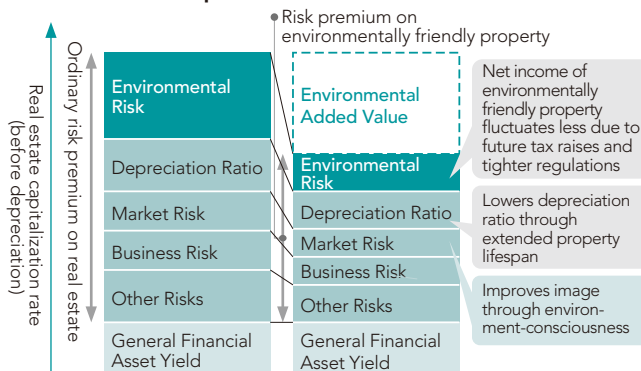
#### Conceptual Diagram of Environmental Added Value (1) Prices Focused on the “Profitability” of Real Estate



#### Conceptual Diagram of Environmental Added Value (2) Reflection in Net Income



#### Conceptual Diagram of Environmental Added Value (3) Reflection in Capitalization Rate



Source: Partial revision of “A Note on Environmental Value Added for Real Estate,” a commemorative paper written by Masato Ito in 2005 for the 10th anniversary of Tokyo Association of Real Estate Appraisers

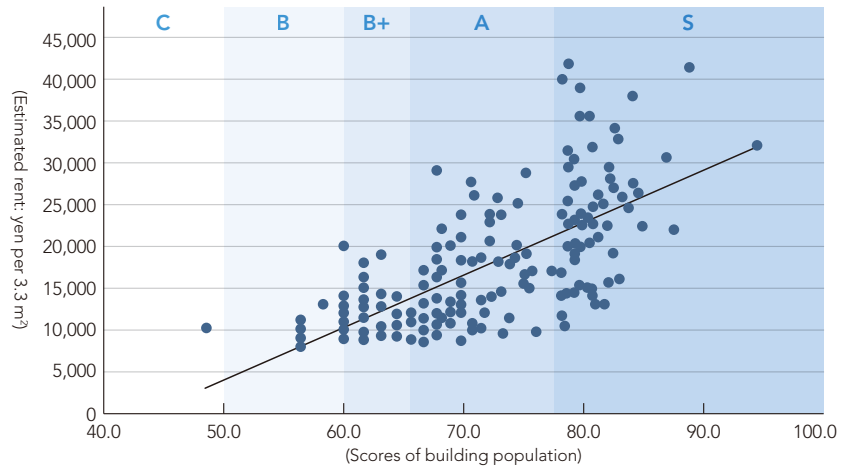
Added Value of Environmentally Friendly Property **2** —Helping to Make Added Value Visible

**Study on Economic Impact of Buildings with CASBEE Evaluations**

Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium’s Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE® certification and non-evaluated buildings and found average market rents in buildings with CASBEE certifications or applications were about 3.6% higher. This sug-

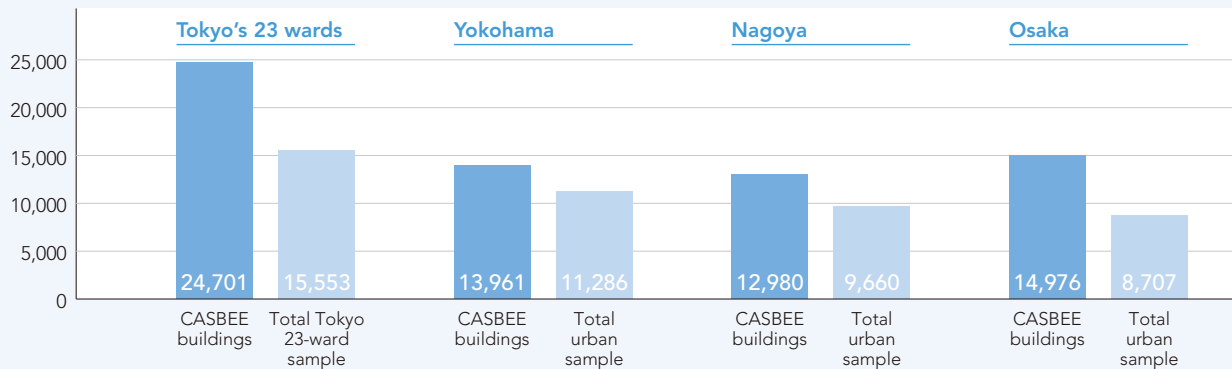
gests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

Correlation between CASBEE Score and Market Rents (Single Regression Analysis)



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium’s Smart Wellness Office Research Committee.

Comparison of Average Rents: Yen per 3.3 m²



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium’s Smart Wellness Office Research Committee.

**Summary of Multiple Regression Analysis Results for CASBEE Buildings**

CASBEE evaluations, etc.	Sample size	Coefficients	Differential in average rent
CASBEE flag (whether or not buildings have CASBEE evaluations)	517	564.160	+3.64%
CASBEE rank (five-level evaluation rankings)	517	263.525	+1.70%
CASBEE score (evaluation score with a maximum score of 100)	183	78.974	+0.46%
Service performance (Q2) score	183	1702.667	+9.9%
Intellectual productivity evaluation	180	319.318	+1.86%

Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium’s Smart Wellness Office Research Committee.

# Environmental Burden Reduction Measures

Through its natural resources, CO<sub>2</sub> emissions, waste generation from the use of energy, paper and the like in its business activities, the Group impacts natural capital and the environment, and it works to reduce environmental impacts that arise from its business activities and recognizes reducing negative impacts on society is an important matter. The Group also factors in environmental and social consideration by investee and lendee companies into its decision-making processes for loans and investment. With the aim of realizing smaller environmental impacts on social as a whole, we promote both initiatives to reduce direct environmental impacts from our business activities and initiatives to reduce indirect environmental impacts from investee and lendee companies in our portfolios.

SDGs have established goals and targets relating to a host of environmental issues. Our initiatives aimed at

responding to environmental issues arising from the Group's business activities are linked to the 17 SDG goals: reduction of waste, including chemical substances such as PCBs, CFCs, and generic waste such as paper waste, and properly managing, recycling and disposing of waste (Goal 3); efficient use of water (Goal 6); use of renewable energy generated by solar panels newly installed on four branch offices since 2013 (Goal 7); certification of the head office building under the "CASBEE\* for Real Estate" system (Goal 11); CSR procurement that guards against buying paper from sources deemed at risk for human rights and environmental abuses from tropical rainforest logging (Goal 12, Goal 15); and energy conservation activities aimed mainly at reducing electricity use (Goal 13). Every year, SuMi TRUST Bank provides e-learning on environmental management for all employees to deepen their understanding.

## 1. Initiatives to Reduce Environment Impacts

### EMS Integrated with Framework for Operational Efficiencies

The Group operates environmental management systems (EMS) based on a framework that promotes operational efficiencies via initiatives for reducing the environmental impacts of its business activities. Through common activities relating to time (labor productivity), materials (resource productivity), and costs (efficiency), our aim is the simultaneous attainment of the goals of operational efficiency, environmental burden reduction, and cost reduction. For each activity aimed at achieving gains in operational efficiency mainly via reforms to operational flows and reorganizing shifts to reduce overtime hours, we seek to operate systems to harvest benefits from those activities such as lower paper consumption and less electricity consumption from the use of lighting and air-conditioning during overtime hours.

We target the following to reduce our environmental impacts: (1) reducing electricity consumption (CO<sub>2</sub> emissions), (2) reducing paper consumption, (3) reducing waste disposal volume, and (4) promoting green procurement (CSR procurement). We implement the promotion of operational efficiency at all branches, which are all working to promote awareness on reducing environmental impacts. All branches and departments are currently promoting operational efficiency and making every effort to raise awareness about reducing environmental impacts. For problems that our stand-alone initiatives are unlikely to deliver a solution, we are stepping up our supply chain management efforts in the area of CSR procurement, for example by requesting suppliers to change their materials.

### Examples of Initiatives Aimed at Concurrent Achievement of Greater Operational Efficiency, Lower Environmental Burden, and Lower Costs

Initiative example	Effects from greater efficiency	Effects from lower costs	Effects from lower eco-burden
Paperless meetings	Lighter work load (e.g. preparing copies, replacing materials) and fewer work hours; prevent information leaks	Spend less on purchasing paper, reduce waste disposal costs	Conserve environment on lower paper use, less waste disposal
Even out work allocation and manage time to reduce overtime (encourage people to leave work at a set time, create leave-work-early days)	Less overtime means more self-initiated activities during off hours	Less overtime trims personnel costs and lowers electricity costs (reduced use of lighting and air-conditioning)	Help mitigate global warming via reduced electricity use

2. Initiatives to Achieve Zero CO<sub>2</sub> Emissions

Targeting 50% reduction in CO<sub>2</sub> emissions at SuMi TRUST Bank by FY2030 and zero emissions by FY2050

Establishment of Medium- and Long-Term Targets for CO<sub>2</sub> Emissions Reduction

With the aim of contributing to the mitigation of climate change, the Group has established medium- to long-term reduction targets for CO<sub>2</sub> emissions generated from the head office, computer centers, branch offices, and other office buildings due to the business activities of the Group's core company, SuMi TRUST Bank.

The aim of the Paris Agreement is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. In Japan and elsewhere, global initiatives are currently being implemented in an effort to achieve this goal mainly by aiming to realize net-zero CO<sub>2</sub> emissions by fiscal 2050.

As a signatory to the PRB and PRI, the SuMi TRUST Group engages in sustainable finance and ESG investment practices and we therefore have a responsibility to help solve environmental problems through business activities and reduce our environmental footprint as stated in our Sustainability Policy.

As for our medium- and long-term targets, not only will we aim to achieve the global common goal of zero emissions by fiscal 2050, we have also set our sights on a 50% reduction in emissions by the milestone year of fiscal 2030 (compared to 2019). In setting this goal, we reference the Science Based Targets initiative—the global standard of reduction targets for working towards the goal of the Paris Agreement—which calls for companies to reduce their emissions by at least 4.2% per year in order to limit global warming to 1.5°C.

Initiatives for Achieving FY2030 Target

Around 80% of SuMi TRUST Bank's CO<sub>2</sub> emissions derive from purchased electricity, while some 10% is generated by the combustion of utility gas through in-house power generation. Accordingly, it aims to halve its emissions mainly by adopting electricity-related measures.

The Bank will aim to reach this goal through its own independent efforts to conserve energy use and by contributing to the initiatives of broader society; for example, by promoting the use of renewable energy.

(1) Saving Energy by Streamlining Operations and Using More Efficient Equipment

SuMi TRUST Bank expects to achieve a reduction of roughly 10% by streamlining operations (mainly by curbing overtime), installing more efficient equipment (upgrading servers and air conditioners, switching to cloud computing, etc.) at its computer center, and reducing floor space in the Head Office building and branches. When deciding on equipment upgrades, we will also evaluate the degree of improvement in energy efficiency in terms of CO<sub>2</sub> emissions reduction and promote systematic reduction measures.

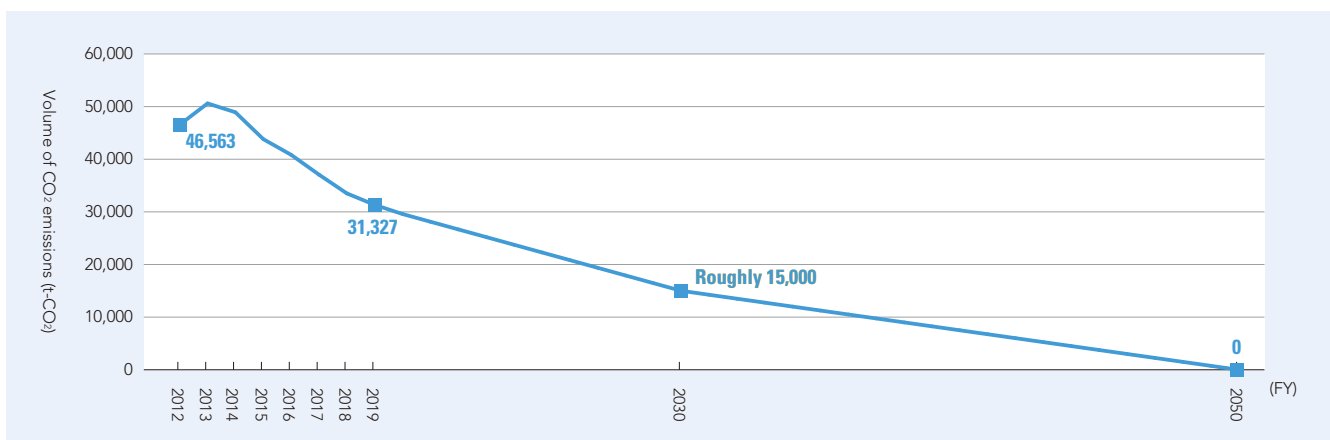
(2) Contributing to a Lower Electric Power Emission Coefficient through Increased Uptake of Renewable Energy

The greater uptake of renewable energy for Japan's electric power encourages the decarbonization of electricity and can therefore lower the country's overall electric power emission coefficient. The SuMi TRUST Group contributes to the greater adoption of renewable energy by leveraging its trust and finance functions, which ultimately leads to a reduction in CO<sub>2</sub> emissions at SuMi TRUST Bank. The implementation of this initiative in society at large will likely cut emissions by around 10%.

(3) Adoption of Renewable Energy by SuMi TRUST Bank

By switching the power we purchase to renewable energy sources, we expect to reduce CO<sub>2</sub> emissions by at least 30%.

CO<sub>2</sub> Emissions since SuMi TRUST Bank's Establishment and Future Targets



## SuMi TRUST Bank's Approach to Reducing CO<sub>2</sub> Emissions

The Group is striving to reduce its environmental impacts in the form of both inputs such as electricity and gas used for business activities and outputs like CO<sub>2</sub> emitted as a result of those activities. As SuMi TRUST Bank is subject to the Act on the Rational Use of Energy, we calculate the volume of energy consumption and CO<sub>2</sub> emissions at all of our offices across Japan using a common system. Since fiscal 2015 our total energy consumption for business activities has steadily declined every year, representing a 20.0% reduction over the last five years. In fiscal 2019, total electricity consumption at all sites in Japan came to 54 million kWh, down 2.2% from 56 million kWh the previous year. City gas consumption was 1.8 million m<sup>3</sup>, almost unchanged from the previous year. The reduction in electricity consumption is due to the promotion of energy saving at our large office buildings and the impact of branch mergers. At the Fuchu Building, where energy consumption is the highest among the Group's facilities, we achieved significant results by diligently switching off air conditioners when employees left the building and by raising awareness about such efforts by providing feedback to each department in the form of data on electricity use.

As for CO<sub>2</sub> emissions—the driver of global warming—we succeeded in lowering our annual emissions to 31,327 t-CO<sub>2</sub>

in fiscal 2019, a 38.1% reduction compared to the peak of 50,605 t-CO<sub>2</sub> recorded in fiscal 2013. Both scope 1 and scope 2 emissions have decreased significantly, declining 11.6% and 30.7%, respectively, from fiscal 2015. Even though total floor area has decreased due to the discontinued use of some large buildings and the merger of branches, emissions intensity per floor space in fiscal 2019 came to 0.085 t-CO<sub>2</sub>/m<sup>2</sup>, which represents a 17.5% reduction compared to fiscal 2015.

The three large buildings in the Tokyo metropolitan area—namely the head office, Fuchu, and Shiba buildings—are subject to the mandatory reductions in CO<sub>2</sub> emissions prescribed under the Tokyo Metropolitan Government's Environmental Preservation Ordinance. We continue to steadily reduce our emissions, and over the five years of the second plan period (FY2015 to FY2019), we reduced emissions by 91,726 t-CO<sub>2</sub>, a substantial excess reduction of 60,348 t-CO<sub>2</sub> over the mandatory reduction level of 31,378 t-CO<sub>2</sub>. We achieved the target for the second plan period without using our 47,540 t-CO<sub>2</sub> worth of emission credits gained from overachieving targets in the first plan period (FY2010 to FY2014). For the third plan period (FY2020 to FY2024), the mandatory reduction targets will be stricter, but we will promote initiatives to achieve them.

### Energy Consumption and CO<sub>2</sub> Emissions (Domestic Offices)

Energy use		FY2015	FY2016	FY2017	FY2018	FY2019
Total energy consumption (heat amount)	GJ	846,829	801,370	736,011	688,949	677,157
Total energy consumption (crude oil equivalent)	kℓ	21,848	20,675	18,989	17,774	17,470
Energy consumption intensity	kℓ/m <sup>2</sup>	0.051	0.049	0.047	0.048	0.047
Electric power	thousand kWh	71,206	66,742	60,444	56,003	54,753
Utility gas	thousand m <sup>3</sup>	2,153	2,107	1,996	1,869	1,893
CO <sub>2</sub> emissions		FY2015	FY2016	FY2017	FY2018	FY2019
Greenhouse gas emissions	t-CO <sub>2</sub>	43,816	40,833	37,068	33,504	31,327
Adjusted greenhouse gas emissions	t-CO <sub>2</sub>	43,470	40,393	36,240	32,864	30,840
Emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.103	0.098	0.093	0.090	0.085
Adjusted emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.102	0.097	0.091	0.088	0.084
Scope 1 emissions	t-CO <sub>2</sub>	5,002	4,907	4,575	4,362	4,421
Scope 2 emissions	t-CO <sub>2</sub>	38,813	35,925	32,493	29,142	26,906

Scope of calculations: Offices of SuMi TRUST Bank in Japan subject to the Act on the Rational Use of Energy. Group companies, including Sumitomo Mitsui Trust Asset Management, are tenants in some office buildings.

### CO<sub>2</sub> Emissions at Buildings Subject to Tokyo Metropolitan Ordinance on Environmental Preservation

		Second Plan Period					Total
		FY2015	FY2016	FY2017	FY2018	FY2019	
Base emissions	t-CO <sub>2</sub>	51,733	52,511	41,123	41,123	41,123	227,613
Emissions upper limit	t-CO <sub>2</sub>	44,402	45,048	35,595	35,595	35,595	196,235
Mandatory reductions	t-CO <sub>2</sub>	7,331	7,463	5,528	5,528	5,528	31,378
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	31,735	30,550	24,926	24,806	23,870	135,887
Emission reductions	t-CO <sub>2</sub>	19,998	21,961	16,197	16,317	17,253	91,726
Excess reductions	t-CO <sub>2</sub>	12,667	14,498	10,669	10,789	11,725	60,348

The figures in the table show emission reductions at SuMi TRUST Bank's four office buildings (Fuchu Building, Shiba Building, Chofu Building, and Meguro Building), along with the head office building, all of which are subject to mandatory emission reductions under the Tokyo Cap-and-Trade Program prescribed in the Tokyo Metropolitan Ordinance on Environmental Preservation.

The Chofu Building and Meguro Building were excluded from these results starting in fiscal year 2017.

The mandatory reduction ratio is 6% for the head office and 17% for other buildings.

The head office is a multi-tenant building and reduction ratios for each tenant have not been set.

The Group carried over emission credits (from excess emission reductions in the first plan period) worth 47,540 t-CO<sub>2</sub> to the second plan period.

Emissions have been verified by a third-party assessment body.

## Environmental Burden Reduction Measures

### Achievement Status of Medium- to Long-Term Targets through FY2020

Our Group has been promoting initiatives to reduce electricity consumption in accordance with the medium- to long-term targets for FY2020 set by the Japanese Bankers Association as part of its initiatives for the banking industry.

As for the reduction target for electricity use per total floor area called for by the Japanese Bankers Association, as of FY2019 we have achieved a considerable decrease of 29.7% compared to FY2009.

#### Medium- to Long-Term Environmental Targets for SuMi TRUST Bank

CO <sub>2</sub> reduction (reduction of electricity consumption)	Reduce electricity consumption rate (electricity consumption/total floor area) in fiscal year 2020 by 10.5% compared to fiscal year 2009. (Sumitomo Mitsui Trust Bank)
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#### Attainment Status of Medium- to Long-Term Environmental Targets Related to Electricity Use Intensity

		FY2009	FY2016	FY2017	FY2018	FY2019
Electricity use intensity	kWh/m <sup>2</sup>	213.31	161.06	152.60	151.32	149.93
	Compared to FY2009	—	Down 24.5%	Down 28.5%	Down 29.1%	Down 29.7%
CO <sub>2</sub> emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.087	0.081	0.076	0.072	0.067
	Compared to FY2009	—	Down 6.9%	Down 12.7%	Down 17.1%	Down 22.9%

Fiscal year 2009 figures were calculated from each intensity's pre-merger total.

### 3. Other Initiatives to Reduce Our Environmental Impacts

We reduced the amount of paper we used in FY2019 by 30 tons year on year (-4.2%) to 676 tons. We will continue to work on reducing our paper usage by promoting activities that improve operational efficiency. The volume of waste paper output was reduced by 90 tons year on year and we continue to maintain a 100% waste paper recycling rate. Other waste output rose 16.3% year on year to 336 tons, but the recycling rate increased to 62%, the highest level in the last five years. We will continue purchasing 100%

recycled paper for copier machines and make every effort to reduce our total waste output and make efficient use of recycling to promote the establishment of a recycling-oriented society. Additionally, we will endeavor to carry out proper management and disposal of equipment and chemical substances imposed on business operators under laws such as the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and the Act on Rational Use and Proper Management of Fluorocarbons.

#### Performance in Paper Use, Water Use, Waste Output and Recycling

		FY2015	FY2016	FY2017	FY2018	FY2019
Paper use	t	726	712	738	706	676
Recycled paper	t	526	596	566	568	531
Water use	thousand m <sup>3</sup>	166	166	139	127	122
Total waste output	t	1,347	1,756	1,332	1,304	1,268
Paper output	t	946	1,280	1,050	1,025	933
Recycled volume	t	930	1,280	1,050	1,025	933
Recycled rate	%	98	100	100	100	100
Other waste output	t	401	477	282	289	336
Recycled volume	t	124	132	115	137	207
Recycle rate	%	31	28	41	47	62

Tabulation scope: Base buildings (excludes some branches in the case of water use)

### 4. CSR Procurement

Goal 12 of the SDGs, "Responsible Consumption and Production," aims to ensure sustainable manufacturing and consumption patterns, and calls on consumers to engage in activities that lead to sustainable management and efficient use of natural resources, prevention of soil, air and water pollution, and waste reduction.

The Sumitomo Mitsui Trust Group strives to give procurement priority to goods and services that factor in

consideration for the environment and society based on its Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy). Through its cooperation with suppliers who care about the environment and society and efforts to spread CSR procurement, the Group seeks to contribute to sustainable social development as a corporate group trusted by the public.



## CSR Procurement Policy

Papers, stationery goods, fixtures and equipment used by SuMi TRUST Holdings in its businesses have been procured through a long supply chain that begins with the mining of resources and extends to its processing, manufacturing and sales. Throughout this process, it is a duty of con-

sumers to procure products and services that have been designed not to pollute the environment or cause human rights issues. SuMi TRUST Group has formulated a CSR procurement policy to promote procurement that gives consideration to the environment and society.

### 1. Fair Transactions

We select suppliers through a fair and transparent method by taking comprehensive account of economic rationality, appropriate quality, delivery punctuality, compliance with social norms, consideration for social challenges and consideration for the environment.

We do not provide profits to or impose undue disadvantages on specific clients without due reason.

### 2. Compliance with Laws, Regulations, etc.

We respect laws and social norms in procurement and never violate them in any case. We are not involved with antisocial forces in any way and reject unjust demands.

### 3. Consideration for Social Challenges

We strive to conduct transactions with and procure products and services from suppliers who respect basic human rights, give consid-

eration to industrial safety and health and avoid violations of human rights, such as unjust discrimination, forced labor and child labor.

### 4. Consideration for the Environment

We strive to conduct transactions with and procure products and services from suppliers who promote efforts to reduce the environmental burden and contribute to mitigating and easing environmental problems, including climate change and biodiversity problems.

### 5. Cooperation with Suppliers

We seek cooperation from and promote cooperative initiatives with suppliers in order to give consideration to social challenges and the environment across supply chains in our procurement activities.

## Measures to Address Plastic Garbage

Ocean pollution caused by "marine plastic garbage" washed into from rivers and elsewhere is a global problem which has an enormous impact on marine ecosystems, and on industries such as fisheries and tourism. Waste materials have only increased with the pursuit of economic growth and lifestyle convenience. Our Group has established the "SuMi TRUST Group Zero Plastic Waste Declaration" as concrete action against this global marine pollution problem. SuMi TRUST Bank does not provide items such as shopping bags and straws with purchases at the convenience stores operated for employees in our large office buildings. We also display posters about garbage sorting in our office buildings, in a concerted effort to send a heads-up message for better garbage sorting.

In addition, to reduce the amount of plastic garbage generated by our clients, the entire Group is promoting the use of graphan, a pulp material that can be disposed of without separation, as the material for the window portion of window envelopes used in business operations and for sending mail to clients.



## Sustainable Use of Paper

SuMi TRUST Bank regards destruction of ecosystems and logging in tropical rainforests to supply raw materials for paper as a serious issue. Along with other corporate paper users that share its concern and the World Wide Fund for Nature Japan (WWF Japan), the Bank has established the Consortium for Sustainable Paper Use. With the aim of promoting the spread of sustainable paper use throughout society, member companies share how their initiatives are progressing and ask their suppliers to supply them paper products that are environmentally and socially sound. The consortium launched in 2013 with five member companies has grown to ten companies as of October 2019.

### Consortium for the Sustainable Use of Paper

Rather than a group of companies that manufacture or sell paper, the consortium's members are companies and organizations that purchase and use printed material for product packaging or promotional materials, as well as copier paper, envelopes and other paper products. Participating companies are urged to formulate and carry out responsible procurement policies. By responsibly managing procurement of paper, companies whose position is nearer to consumers' seek to encourage more sustainable use of paper not only among consumers and consuming companies farther down the supply chain, but also among upstream businesses.

### Consortium for Sustainable Paper Use Policies on Paper Procurement

- Prioritize use of recycled paper and reliable verification systems
- Do not use paper from sources that destroy forests with high protection value
- Use paper that has been produced through appropriate procedures, from logging of raw wood in compliance with laws in the country of origin
- Do not procure products from business operators connected to significant environmental or social problems



5. Initiatives at Group Companies

Nikko Asset Management calculated the company's CO<sub>2</sub> emissions based on data on electricity, transportation, and business travel at its offices around the world, and confirmed that the company's total CO<sub>2</sub> emissions for FY2019 were 6,274.1 metric tons, 6.75 metric tons per employee, and 62.07 metric tons per billion yen in sales.

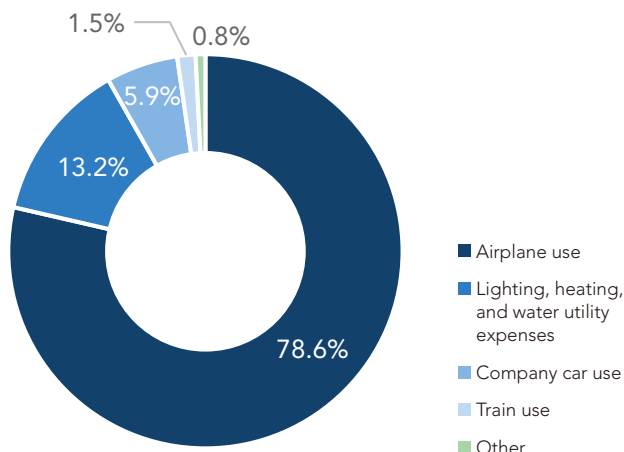
Based on these results, the company decided to participate in a carbon offset project to offset CO<sub>2</sub> emissions. The funds that Nikko AM provided for offsetting CO<sub>2</sub> emissions were used for solar power generation projects in India and wind power generation projects in China to enhance the energy mix. As a result, Nikko AM received a certification for achieving carbon neutrality in FY2019, as it did in FY2018. By participating in these projects, Nikko AM has been able to contribute to three of its priority areas: environment and climate, reducing inequalities, and diversity and inclusion, not only by providing stable energy, but also by creating sustainable jobs in the region, improving healthcare and sanitation, and enhancing educational opportunities for local communities.



Furthermore, upon calculating CO<sub>2</sub> emissions, the company confirmed that over 70% of the CO<sub>2</sub> emissions from its business operations were attributable to domestic and international air travel, as shown in the graph below. Taking this into consideration, Nikko AM introduced the carbon offset programs operated by each airline to its employees and suggested ways to reduce CO<sub>2</sub> emissions during business trips, including by raising awareness of the fact that the amount of CO<sub>2</sub> emitted varies depending on cabin class, as the amount of space allocated varies for each passenger.

In addition, 100% of the electricity used in Nikko AM's London and Edinburgh offices have come from renewable sources since 2019. Although Nikko AM plans to continue offsetting its greenhouse gas emissions in FY2021 and beyond by participating in carbon offset projects, it believes that engaging in internally driven initiatives to reduce emissions is paramount.

Nikko Asset Group  
Breakdown of CO<sub>2</sub> emissions



Nikko Asset Management's Three Environmental Policies

**Increase green investors**

As flows of funds through socially responsible funds (SRIs) are very significant for preservation of the environment, Nikko Asset Management strives to increase green investors.

**Promote office activities such as energy and resource conservation**

Nikko Asset Management strives to promote energy and resource conservation and recycling of waste and expand green procurement in offices. Nikko Asset Management also strives to prevent environmental pollution by complying with laws, regulations and other requirements related to the environment.

**Develop information disclosure**

Based on the recognition that it is extremely important from the perspective of the preservation of the environment that information disclosure related to the environment takes hold and develops as a social system, Nikko Asset Management develops information disclosure by actively disclosing information concerning its environment-related initiatives, including the environmental policies.

The Tokyo Head Office has been recording and analyzing environment-related indices for several years. In addition to recycling rainwater and wastewater, the building

facilities at the Tokyo Head Office are actively monitored and energy use minimized through the use of natural lighting, energy-efficient lighting, and solar power generation.

#### Environmental Performance of Nikko AM (Tokyo Head Office)

		FY2015	FY2016	FY2017	FY2018	FY2019	YoY Change
Electricity consumption	thousand kWh	1,071	1,029	1,057	1,092	1,007	Down 7.8%
Total energy consumption	GJ	14,022	13,441	13,807	15,191	13,710	Down 9.8%
CO <sub>2</sub> emissions*	t-CO <sub>2</sub>	671	643	670	723	654	Down 9.5%
Copy paper procurement amount per employee	Piece	672	614	548	496	457	Down 7.9%
Stationery goods green procurement ratio	%	50.6	65.0	58.8	54.5	13.6	Down 75.0%

Scope: Head Office Building (Tokyo Midtown Tower)

Period covered: Each fiscal year (From April to March of the following year)

\*CO<sub>2</sub> emissions: Calculated using the formula for measuring specific greenhouse gas emissions provided by the Tokyo Metropolitan Government's Ordinance on Environmental Preservation.

Meanwhile, Sumitomo Mitsui Trust Panasonic Finance is taking steps to reduce power usage, copier paper, and gasoline. The company has achieved a more compact office by introducing open-plan workspaces where computers and projects are all networked and is reducing electricity consumption and copier paper volume by drawing on the benefits of paperless meetings, online approval forms for workflow, and less overtime work. In FY2018, the company reduced electricity consumption by 4.7% year on year. Copier paper usage increased by 5.3% year on year, but this was due to the transfer of subsidiary operations, which accounted for 4.2% of the increase, and excluding that, the increase was limited to 1.2%. The company started digitizing the processing of internal approval documents in FY2020 and will continue its initiatives to reduce copier paper usage.

Sumitomo Mitsui Trust Panasonic Finance has also been working to reduce its CO<sub>2</sub> emissions from sales activities by encouraging its employees to switch from private company cars to public transport. In April 2018 it drafted internal guidelines on using vehicles for work with the aim of managing the health of its employees, ensuring safety, and streamlining sales activities. Not only does this initiative make effective use of traveling time, it aims to simultaneously achieve the social (health, safety) and environmental objectives of reducing CO<sub>2</sub> emissions from cars used for sales by alleviating driver fatigue and preventing traffic accidents as a result of cutting out long-distance driving. By strictly observing a rail & rent-a-car policy, the company was able to slash its company car gasoline consumption by 19,000 kl (-21.3%) year on year. This equates to an CO<sub>2</sub> emissions reduction of roughly 44.1 t-CO<sub>2</sub>.

#### Environmental Performance of Sumitomo Mitsui Trust Panasonic Finance

		FY2015	FY2016	FY2017	FY2018	FY2019	YoY Change
Electricity consumption	thousand kWh	1,007	1,008	982	984	938	Down 4.7%
Gasoline consumption	kl	127	118	117	89	70	Down 21.3%
Copier paper consumption	thousand sheets	16,590	17,464	17,508	17,567	18,499	Up 5.3%



# People

## —Social Considerations

092

People are at the center of global economic prosperity, driving wealth creation, developing innovative products and services, and supporting the communities in which they live and work.

From the World Economic Forum White Paper “Measuring Stakeholder Capitalism”

**093** The Group’s Approach to People (Social Issues)

**094** Respect the Individual

**113** Addressing Issues of a Super-Aged Society

# The Group's Approach to People (Social Issues)

The sustainable society envisioned under the SDGs is based on the assumption that humans will play a central role. Thus, the 17 goals ultimately aim to achieve human happiness. In 1948 the World Health Organization (WHO) described the state of human happiness as "well-being" (a state of complete physical, mental, and social well-being) and the Organisation for Economic Co-operation and Development (OECD) has defined the conditions of well-being to be comprised of material components such as income, employment, and housing, as well as immaterial components that contribute to quality of life (QOL), including health, education, and social connections. Our initiatives on pursuing prosperity and those related to global environmental considerations are also sorted into those that create positive impacts that ultimately lead to the well-being of people from all walks of life, not just our clients and employees.

## Definition of Well-Being by the OECD

Material conditions	Immaterial conditions (QOL)	
<ul style="list-style-type: none"> <li>Income and wealth</li> <li>Jobs and earnings</li> <li>Housing</li> </ul>	<ul style="list-style-type: none"> <li>Health status</li> <li>Work and life balance</li> <li>Education and skills</li> <li>Civic engagement and governance</li> </ul>	<ul style="list-style-type: none"> <li>Social connections</li> <li>Environmental quality</li> <li>Personal security</li> <li>Subjective well-being</li> </ul>

## Related Materiality

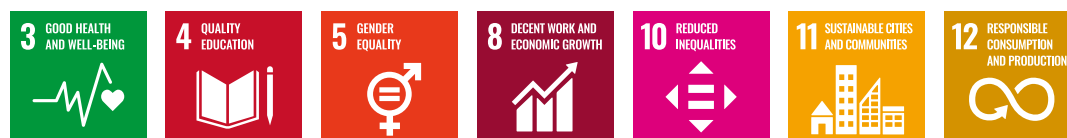
### Impact Materiality

Materiality	Risk/Opportunity	Main stakeholders	Key measures
Pursuing sustainability-themed business opportunities	Opportunity	Clients, communities	Maximizing the positive impacts through business (e.g. development of innovative financial products that help solve social issues and engagement with companies to whom we extend investments and loans to actively encourage behavioral change)
Considering impacts on society and the business environment of companies to whom we extend investments and loans	Risk	Clients, communities, NPOs	Minimizing the negative impacts through business (e.g. investments and loans in line with policies for specific sectors and ESG guidelines, and engagement with companies to whom we extend investments and loans to encourage the control of negative impacts, such as human rights issues)
Population decline and issues of a super-aged society	Risk/Opportunity	Clients, communities, business partners	Reviewing business operations from the perspective of the impact on the well-being of elderly clients, addressing dementia-related problems, and transferring assets between generations taking into account the viewpoint of child-rearing support

### Management Foundation Materiality

Materiality	Risk/Opportunity	Main stakeholders	Key measures
Bolstering human resources and developing workplace environments	Risk/Opportunity	Employees	Hiring and appointing diverse human resources, adopting appropriate performance evaluation and compensation packages, nurturing human resources, improving employee satisfaction levels, promoting employee health, and preserving employment and worker rights

## Relevant SDGs



# Respect the Individual

## Enhancing Human Capital to Increase Corporate Value

### Human Resources Strategy

The Group's Codes of Conduct ("Value") state: "We will realize our organizational capabilities full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust." It is essential that we create more sophisticated human capital to raise corporate value and maximize the value we provide to stakeholders.

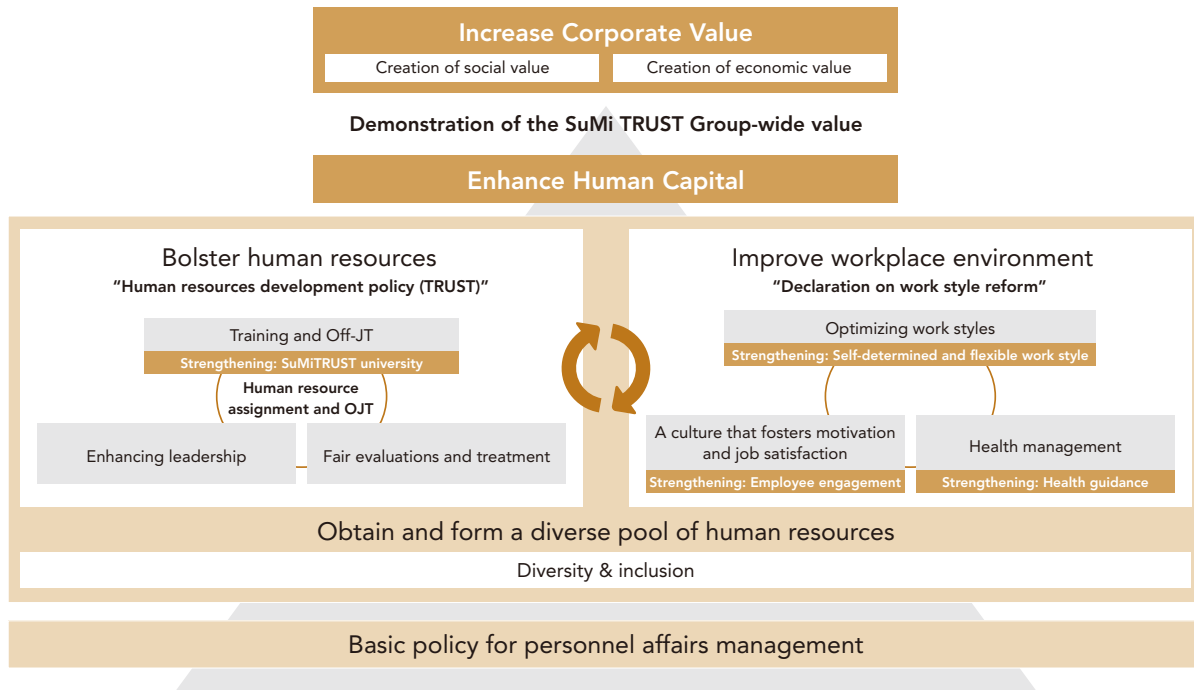
The Group categorizes individual human resources measures by function. We then apply a long-term investor's perspective to processes that create more sophisti-

cated human capital while activating synergies between each function. This approach is also conducive to the enhancement of information disclosure.

By enhancing our engagement with employees, the organization and individual employees can draw upon diversity and continue to contribute to mutual growth with the same expectations as a foundation for activity. In this way, we will seek to create new value even despite significant changes in the structure of Japanese society.

#### Personnel System and Management Principles

1. SuMi TRUST Bank respects individuals' diversity and promotes voluntary initiatives so as to exercise creativity and create value added in a broad range of fields.
2. SuMi TRUST Bank promotes friendly rivalry among employees to improve themselves as well as their autonomous growth in order to enhance its expertise and comprehensive capabilities as a trust bank.
3. SuMi TRUST Bank assigns the right person to the right job according to job capability in order to make the most of individuals' potential.
4. SuMi TRUST Bank gives fair and just evaluation and treatment to individuals according to their capability, role and achievement so that they can have motivation and feel a sense of satisfaction at achieving self-fulfillment and contributing to the Company.



#### Basic Policy for Personnel Affairs Management

The SuMi TRUST Group provides a workplace in which individuals' diversity and creativity are fully utilized as value-added to the organization and they can have dreams and pride and feel motivation when working. It also forms a group of personnel capable of providing comprehensive solutions by making full use of their advanced expertise and comprehensive capabilities and helps them to make successful achievements.



# Diversity & Inclusion

## Promoting Diversity & Inclusion

The Group has various functions and a diverse business portfolio, which is one of our strengths. Our human resources basic policy therefore calls for a workplace in which individuals' diversity and creativity are fully utilized to add value to the organization. As diversity promotion becomes a more widely recognized concept in society, SuMi TRUST Bank established the Diversity & Inclusion Office (D&I Office) within its Human Resources Department in October 2016 to accelerate the efforts to promote diversity and inclusion by correlating diversity promotion with a corporate culture that emphasizes diversity. The D&I Office comprises specialists from the Human Resources Department and members from business supervision departments. The Office promotes diversi-

fied work styles for individual employees and implements measures that increase corporate value in a way that is tailored to each business unit's circumstances.

In addition, promoting diversity has become a major business trend and long-term investors emphasizing ESG are taking a greater interest. In response, SuMi TRUST Holdings also established the D&I Office within its Human Resources Department in October 2017 to promote diversity and inclusion throughout the Group.

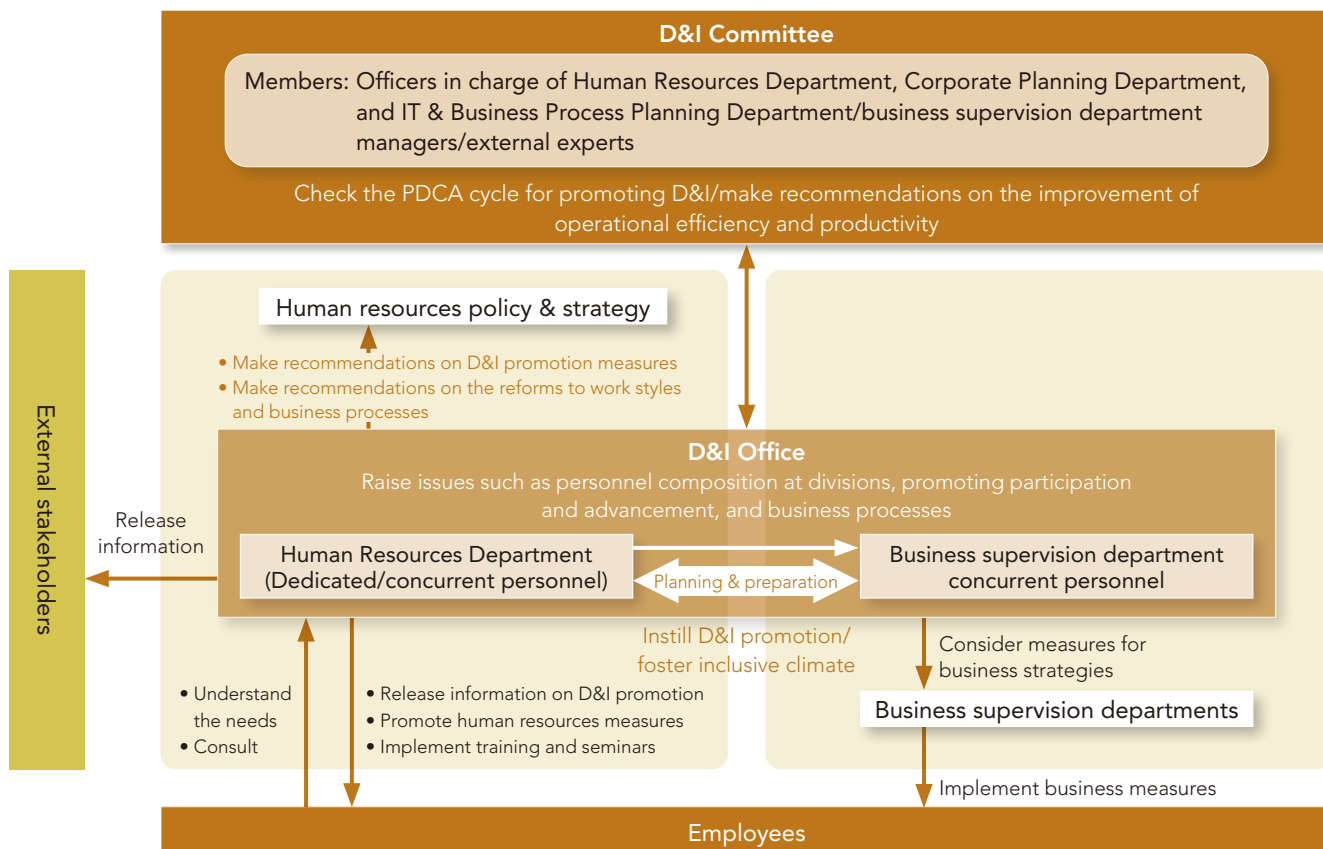
\*The SuMi TRUST Group's initiatives on diversity and inclusion  
 URL: [https://www.smth.jp/en/about\\_us/management/human\\_resources/diversity\\_inclusion/index.html](https://www.smth.jp/en/about_us/management/human_resources/diversity_inclusion/index.html)  
 Diversity & Inclusion Report No. 3 (published May 29, 2020)  
 URL: [https://www.smth.jp/en/about\\_us/management/human\\_resources/pdf/E200529.pdf](https://www.smth.jp/en/about_us/management/human_resources/pdf/E200529.pdf)

## 1. Diversity & Inclusion Promotion Framework at SuMi TRUST Bank

SuMi TRUST Bank's initiatives for promoting diversity and inclusion focus on the empowerment of women, persons with disabilities, and global workforce, enhancement of

work-life balance, and encouragement of understanding human rights and the LGBTQ community.

Organizational Chart for D&I Promotion at SuMi TRUST Bank



D&I: Diversity & Inclusion

## 2. Initiatives for Promoting Women's Active Participation and Advancement

As the Group ensures "the right people are placed in the right positions based on their capabilities in order that all of our employees can realize their full potential," we place people in managerial positions based on their abilities regardless of gender.

Guided by its general business owner action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, SuMi TRUST Bank aimed to have 300 female employees in managerial positions (section manager or higher) by the end of March 2020. This target was achieved ahead of schedule in October 2019 with 357 female employees appointed to such positions. And from April 2020, with the goal of increasing the number of women in decision-making positions, SuMi TRUST Bank formulated a new action plan to have more than 12% of female employees appointed to section manager or higher and more than 30% in charge of management operations by the end of March 2023.

Pipeline models have been formulated to facilitate the planned nurturing of employees in each business, while various types of training are being conducted with a view to future appointments of female employees to management positions as we set our sights on being the number one financial institution for both HR development and HR participation. Such training measures include seminars for women in leadership positions and training aimed at facilitating self-determined career planning. Furthermore, we are widening the scope of activities for female employees by offering a broad range of appointments through which they can take up the challenge of working in different roles. In addition to training, we provide growth opportunities through job relocation and reassignment.

### Human Resource Development in Consideration of Placing Female Employees in Managerial Positions Support for Women's Solid Career Formation

SuMi TRUST Bank carefully runs training sessions for female employees to coincide with the turning points of their careers so as to provide them with opportunities to independently consider their career development and build networks. In fiscal 2019 the Bank significantly overhauled its training program in order to further expand its support on career development for A-course employees who are hired as non-transferable workers. It ran a career design training course for employees who had been with the Bank for five years to help them chart a course for their own careers over the medium to long term with advice from external lecturers and senior employees. SuMi TRUST Bank is also undertaking initiatives to earnestly listen to the concerns of female employees—who are susceptible to the impacts of major life events—and to provide them with opportunities as early as possible so they can design their own career as part of their life planning. The Bank also organized a leadership training session with a female director as the keynote speaker for A-course employees one step away from being appointed a section manager. SuMi TRUST Bank supports the growth of female employees so they can set their sights on even higher management positions by sweeping away the concerns and pressures associated with becoming a manager

and allowing them to demonstrate their capabilities in their own management style (see page 98 for information on the career course system).

### Female Executives and Managers at SuMi TRUST Bank

	End of March 2018	End of March 2019	End of March 2020
(1) Directors and executive officers	2 (2.8%)	2 (2.9%)	4 (5.7%)
(2) Women in general manager level positions	6 (2.4%)	9 (3.7%)	12 (4.8%)
(3) Women in section manager level positions	130 (11.3%)	134 (11.8%)	135 (11.7%)
(4) Women in section manager or higher positions ((2) + (3))	136 (9.7%)	143 (10.3%)	147 (10.5%)
(5) Women responsible for management operations	1,369 (22.6%)	1,423 (23.9%)	1,570 (25.8%)

\*The number inside the parenthesis is the female employee ratio. Executive officers included in (1). Women in assistant manager or higher positions shown in (5), which also includes (4).

### Use of Outside Networks and Dialogue with Directors and Officers

We send female employees to joint events with other companies to provide opportunities for them to broaden their perspectives through interaction with people from other businesses, as well as to make an objective reassessment of their careers. In addition to Company-hosted events and training, at branch offices and departments too, we adopt a bottom-up approach to furthering the participation of female employees by providing them with opportunities to think about their own careers through interaction with women from business affiliates.

Our executive officers are also actively involved in the nurturing of female employees. To that end, we organize executive seminars so that female employees can talk directly with executives, gain insights into management, and hear what executives expect of female employees. Some of the executive seminars are held at lunchtime so as to make it easier for female employees raising young children to attend, whilst various opportunities are provided to aid their professional development.

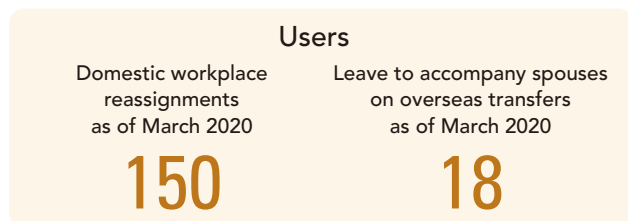
### Training for Directors, Officers, and Management

To promote a change in mindset throughout the management team—a key element in developing an environment in which women can thrive—SuMi TRUST Bank incorporates topics concerning unconscious bias and female health issues into manager training. In addition, the D&I Committee—which comprises the officers in charge of the Corporate Planning Department, Human Resources Department, and the IT & Business Process Planning Department—takes steps to deepen the understanding of executive officers regarding diversity and inclusion by, for example, organizing meetings at which young employees, female managers at Group companies, and external experts with experience of promoting diversity at other firms, have the chance to offer their own advice about the empowerment of women in the workplace.

### 3. Initiatives to Support Work-Life Balance

#### Career-Building Support to Weather Life Events A System of Workplace Reassignments and Leave to Accompany Spouses on Overseas Transfers

In fiscal 2016, SuMi TRUST Bank instituted a system so that A-course employees (who are not subject to new workplace assignments accompanied by relocation) can change their workplace location in the event of spouse's relocation. Furthermore, since July 2017, employees have been allowed a leave of absence to accompany a spouse on an overseas transfer, regardless of whether that spouse works for the same company or a different company. Both male and female employees can apply to take advantage of the system. When a spouse is transferred overseas, it imposes a heavy burden on the family environment. This system came about from a desire to help our employees independently build their careers by offering them more than just a choice between career and family. Both domestic workplace reassignments and leave to accompany spouses on overseas transfers are used as ways for employees to continue their careers despite life events.



#### Work-Life Balance

SuMi TRUST Bank targets a 100% paternity leave ratio for male employees as an initiative for achieving diverse working styles and a healthy work-life balance, one of the topics in its Declaration on Work Style Reform (see page 103). This initiative is being promoted throughout the Group for the purpose of fostering a culture in which male employees assuming responsibility for some household duties is considered normal and so they can make new discoveries outside of the workplace and get a feel for how society is changing. The 100% target was achieved again in fiscal 2019 (it was last achieved in fiscal 2017). We are continuing to undertake activities geared towards entrenching the practice of taking paternity leave as part of company culture; for instance, even after the 100% target has been attained, we are encouraging employees to take more days off work.

Also, as part of an action plan launched in April 2020 focusing on how employees can balance work with nursing care—a trend expected to increase in the future—we set a goal of achieving at least 60 evaluation points (considered a positive assessment) in an annual awareness survey on nursing care schemes and corporate culture. To further deepen employee understanding of nursing care, together with the employees' union we jointly hosted an online nursing care seminar so employees all over Japan could easily participate, and we also organized a seminar just for management so they could learn how to more smoothly communicate with subordinates that need to take time off to look after their loved ones.

### 4. Empowerment of Global Employees

SuMi TRUST Bank offers training every year to local-country employees working at its overseas branches and overseas subsidiaries and affiliates. Training is focused on deepening employees' understanding of the SuMi TRUST Group and its operations, and strengthening networks among participants and business lines. The training includes a management strategy briefing with an accompanying discussion as well as lectures on Japanese business culture and history, and business overviews.

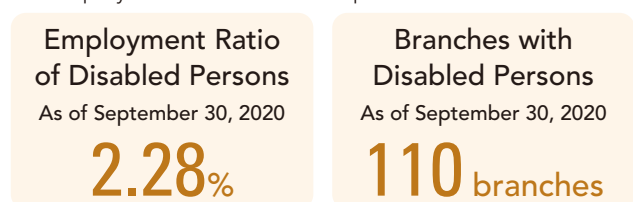
In addition, to encourage smooth communication with newly hired overseas recruits assigned to Japan, we've conducted cross-cultural communication training for managers in departments where those new employees are placed. By comparing the difference in culture and custom between Japan and other countries, trainees learn about cultural diversity, such as values and customs. This is an initiative to spread an approach to communication that avoids the intercultural misunderstandings and trouble that may occur on the job.

### 5. Promoting Advancement of Disabled Persons

We aim to have even employees with disabilities thrive at work and find their jobs rewarding as members of the SuMi TRUST Group. Nikko Asset Management has been running the Athlete Employee Programme since 2013 and therefore focuses on hiring wheelchair athletes. The employees that joined Nikko AM through this program established a working group for disabled employees and some of those employees are involved in creating a more comfortable working environment for all employees—one of the missions of the SuMi TRUST Group.

Moreover, the number of places at SuMi TRUST Bank where disabled employees can work alongside their colleagues is growing. Such positions include customer service at branch offices or administrative duties in the head

office. We also make sure to sit down for a discussion with such employees after they have started working in order to address any concerns or requests they might have. The issues raised from these meetings prove useful when developing a more comfortable workplace environment, in terms of both physical and mental perspectives. As of September 30, 2020, the employment rate of disabled persons stood at 2.28%.



## Gaining & Shaping a Population of Diverse Human Resources

### Bolstering Human Resource

#### The SuMi TRUST Group Human Resources Development Policy

The SuMi TRUST Group will maintain its workplace environment and bolster its human resources based on a development spirit consisting of "TRUST," for the growth and career development of the employees who will create our future.

- Talent** .....Talent (individuality) can blossom
- Respect** .....Respect each individual
- Uniqueness** .....Develop true professionals
- Support** .....Make mutual teaching and support our motto
- Try** .....Praise small, daily challenges

Based on the "fiduciary spirit of TRUST," the SuMi TRUST Group aims to contribute to our clients and the continuous development of society through the growth of our employees, thereby maximizing the creation of shared value and becoming the corporate group that is chosen by society.



We have been advancing measures to be the "No. 1 financial group for human resource development" with the aim of "bolstering human resources," which is one of the two wheels for raising the level of our group of personnel that provides comprehensive solutions (see p. 94). Today, however, as digitization and other advances are transforming business models at an ever-accelerating pace, we need to share more concrete guidelines within the Group and accelerate their promotion. It was for this reason that, in April 2018, we created our "Human Resources Development Policy" as the shared human resource development slogan within the SuMi TRUST Group.

Through our Human Resources Development Policy, we have initiated various measures in fiscal 2019 aimed at becoming the "No. 1 financial group for human resource success," where all kinds of people, from young to senior, regardless of gender or course, can flourish.

#### Career Course System Enabling Proactive Choice

SuMi TRUST Bank has implemented a course-based system that promotes employee career formation. Employees are streamed into three courses, the G Course, the R Course, or the A Course, depending on their likelihood of being transferred and the nature of their work duties. There is also a system, applied to all courses, that places employees into four work groups based on their demonstrated capabilities. By adopting this system, we encourage personnel management based on ability, rather than age or gender. All employees regularly talk with their superiors on the status of career formation to be evaluated and receive feedback.

Course name	Residence and workplace relocation	Eligible business operations	Primary role
<b>G Course</b> (General & Global)	Nationwide relocation type	Possible	All operations <ul style="list-style-type: none"> <li>• Leaders of department- and branch-level organizations, or</li> <li>• High-level professionals regarding various specific operations</li> </ul>
<b>R Course</b> (Retail & Region)	Operation- and region-specific type	Possible within the specified area*	Operations for retail total solutions <ul style="list-style-type: none"> <li>• Leaders of department- and branch-level organizations engaged in operations for retail total solutions, or</li> <li>• High-level professionals that undertake operations for retail total solutions</li> </ul>
<b>A Course</b> (Area)	Region-specific type	None	All operations <ul style="list-style-type: none"> <li>• General managers of departments and branches, or</li> <li>• Professions regarding various specific operations</li> </ul>

\*Nationwide- and regional-types (Tokyo, Kinki and Chukyo areas)

### Skill-Raising Human Resource Assignment and OJT\*

The SuMi TRUST Group views OJT as the foundation for human resource development. We also focus on assigning employees to roles that awaken their passion for growth and allow them to display their abilities to the maximum extent. SuMi TRUST Bank has introduced a program that enables new employees to experience multiple work domains within a fixed period after joining the Bank, which helps them ascertain their own job aptitude through their own work experiences. We are also advancing initiatives such as a trust internship program, in which employees spend a fixed period of time learning the trust business in a section that is responsible for planning and development of trust operations, products and services. The program is aimed at developing human resources who possess a “high degree of expert knowledge in trust operations” and a “deep understanding of the fiduciary spirit.”

\*On-the-Job Training (OJT) is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via daily tasks.

Communication tool among new employees, development personnel, and branch managers



### Recruiting Highly Capable Human Resources

It is indisputable that employing capable human resources is the starting point for developing a robust corporate foundation. The recruitment section of SuMi TRUST Bank website provides clear explanations of the characteristics of its personnel system, the mechanism of trusts and their

#### Number of New Recruits

	Total (total of male and female)	Male	Female
FY2016	412	168	244
FY2017	433	179	254
FY2018	402	178	224
FY2019	396	153	243
FY2020	402	140	262



Online training in progress

significance, and the overview of its businesses. The website is also carefully designed to give visitors an idea of what working at a Group company is really like with features such as employee interviews. In addition, human resources likely to demonstrate expertise as trust bank employees are strategically acquired by setting aside the recruitment quotas for experts in law and other fields, as well as assigning them to digital-related operations or asset management operations at the initial stage of job assignment.

More than 23,000 recent graduates applied via the website during the recruitment period for new entrants to join the Group in April 2021. We will go through a rigorous selection process to make hiring decisions.

### Respect for Employees' Will in Job Assignment

SuMi TRUST Bank determines new hires' job assignments after examining their aptitude through interviews with each of them before they formally join the Bank. On the other hand, SuMi TRUST Bank attaches importance to new hires' will and motivation and provides them with opportunities to try acquiring qualifications new hires themselves desire (pension actuary, real estate appraiser) and to challenge work at their first assignment (Global business, digital transformation, asset management and administration, market-related operations, etc.). SuMi TRUST Bank makes an effort to encourage an early acquirement of the expertise trust bank employees should have, as well as to continuously bring out specialized talent.

### Internal Job Posting System

With regard to employees' assigned positions, SuMi TRUST Bank has initiated an internal job posting system to encourage its employees to independently and voluntarily form their own careers. Under this system, employees applying for job quotas various departments set can actually move to the departments where they have applied if they clear the Human Resources Department's selection process.

#### Internal Job Posting System Users

FY2018 → FY2019  
**538** → **680**

\*From fiscal 2020 we changed the way we calculate the number of users and retroactively adjusted the figures going back to fiscal 2018

### Personnel Exchanges among Group Companies

To bolster consolidated management and create stronger human resources group-wide, the SuMi TRUST Group encourages mutual exchanges of human resources on temporary assignments. To ensure smooth human resource exchanges, Sumitomo Mitsui Trust Career Partners offers training to Group companies.



**Enhanced Off-JT\*, Including Training Programs**

The Group’s nurturing of human resources and development of capabilities is mostly carried out through OJT, but we also partner with educational institutions to offer training aimed at improving business skills and many self-development programs that encourage employees to continue enhancing their capabilities.

Collectively, these learning programs are known as the SuMiTRUST University, which aims to nurture human resources capable of demonstrating added value that is unique to a trust bank and distinctive of the SuMi TRUST Group. Having been relaunched in fiscal 2020, SuMiTRUST University seeks to evolve as a place of learning where any employee, driven by their appetite for knowledge, can freely enroll in one of its many programs from any location and at any given time.

All content is now provided entirely online; for example, new employee training previously conducted in groups, rank-based training sessions, and seminars featuring lecturers from outside the Group. A system has also been put in place that allows for the participation of employees from anywhere in Japan and even from Group offices overseas. And so that employees can engage in learning more freely without being constrained by their work, we are also focusing on a number of new initiatives. For instance, we have a program under which employees can attend university lectures for a short period of time, learning services that facilitate free study with the use of numerous video recordings, and in-house seminar activities that focus on specific topics of research.

As for the infrastructure that underpins employee learning, we are pushing ahead with the building of a learning platform that all Group employees can use regardless of Group company or employment contract type. Accordingly, we are aiming to develop a course management system that each person can use to freely design their own learning, as well as communication tools that support interactive learning between employees.

**Various Training Programs**

- Training for new employees, rank-based training, business process-based training, language training (English and Chinese); carefully tailored trainings are provided according to the levels of experience and skill.

**Web Campus**

- Learning system using the Internet, including e-learning
- All employees can learn compliance rules, operational knowledge, business skills, etc.

**Self-Development Support**

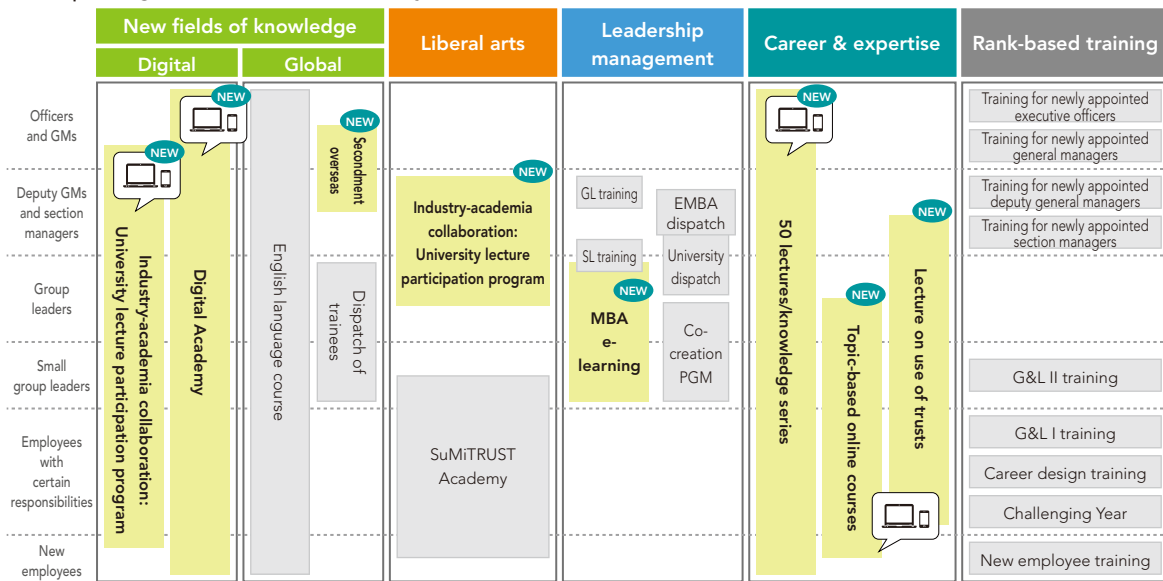
- Financial assistance to cover the cost of various qualification and certification tests, grants to support obtaining credentials, provision of books for the disabled

**Various Trainee Programs**

- Capability development training programs, including training for acquiring qualifications and language trainee programs, are implemented
- Overseas training and language trainee programs (English, Chinese, and Thai), business process trainee program (New York, London, Shanghai, Singapore, etc.)

\*Off-JT: Off-the-Job Training. Through programs such as lectures and training sessions, Off-JT provides knowledge and skills employees cannot obtain in OJT.

Concept Image of SuMiTRUST University



**Strengthening Leadership**

**Developing Next-Generation Leaders**

In cooperation with Hitotsubashi University’s Graduate School, SuMi TRUST Bank offers GL training to nurture the next generation of executive Global Leaders (deputy general managers, associate general managers, and equivalents) and SL training to nurture the next generation of Strategic Leaders (section managers, operational chiefs, and equivalents). Candidates learn the values, general knowl-

edge (liberal arts), and MBA elements they need for management, and through sessions and courses, they complete the program by presenting a proposal to senior executives. Furthermore, to develop leaders among our female employees and provide them a path to management, we run training for them at the three career stages where the role of female employees changes most dramatically (see page 96).



After these training sessions, employees receive opportunities to put their learnings at the sessions into practice in a variety of settings through their assigned duties and replacement.

In addition, through exploring the history of the Mitsui and Sumitomo corporate groups and communication with outside lecturers and foreign students, the program aims to reaffirm the SuMi TRUST Group's origins and business spirit, broaden horizons, instill global awareness, and enable participants to build networks within and outside the Company.

### Strategy for Global Human Resources

To foster a global mindset and produce a continuous stream of human resources who can succeed in business sectors both in Japan and overseas, the SuMi TRUST Group has increased the number of employees sent from Japan to work overseas to 213 as of March 31, 2020, up from 115 as of March 31, 2012. We have also increased the number of employees with foreign citizenship working in Japan to 65 as of March 31, 2020, up from 22 as of March 31, 2012. Employees hired overseas are eligible for transfers to other overseas locations and their training at the Head Office is also considered to be undertaken.



### Rank-Based Training Enhancement

In addition to training to develop next-generation leaders to aggressively pursue strategic business development, SuMi TRUST Bank conducts rank-based training to maintain its talent pipeline and further strengthen its trust services as a social infrastructure. Young employees are provided with a variety of training aimed at acquiring business skills as well as a mindset that embraces autonomy in their domain of responsibility. Section managers and team leaders undergo team building to help them defend the administration of their branches and departments while responding to demands from management as well as training to gain management awareness. The training is designed and conducted in partnership with an external educational institution based on their integrated leadership training curriculum (the 7 Habits of Highly Effective People). Human resources development requires not only classroom learning but also practical training through hands-on experience. Therefore, in order to build a more balanced talent pipeline, we not only encourage learning through group discussions at the training site but also support post-training assignments and other out-of-class activities. We actively promote the human resource development through our efforts which include recurrent education that looks ahead to an age of 100-year-life and, starting in fiscal 2019, the training provided to newly appointed executive officers inviting external instructors (former managers, university professors, etc.).

The training is based on a flexible management approach suited to a variety of work styles and is intended to promote human resource growth.



Data Concerning Training for Human Resources Development (FY2019)

Total number of trainees	Number of selected and nominated trainees	Total training hours	Training costs	No. of training days
10,628	98	5,785	¥540 million	192

## Respect the Individual

### Bolstering Digital Human Resources

SuMi TRUST Bank is working to strengthen its digital human resources capable of providing value to clients and employees by way of a technology-driven business transformation and is therefore offering employees numerous ways and opportunities to undertake learning. It organizes lectures by external experts and well-known figures in the digital field and has also launched a Digital Academy to communicate information online about topics of focus. Furthermore, the Bank has introduced a university lecture participation program through which employees can study leading-edge technologies like AI and blockchain, as well as analysis techniques leveraging probability factors and statistics. SuMi TRUST Bank is also embracing the challenge of sparking innovation with more capable digital human resources by, for example, teaming up with IT firms to run joint training sessions for the purpose of examining new business models.

### Fair Evaluations and Treatment

In order to fairly evaluate and treat diverse human resources, it is necessary for all employees to share and practice the goals of the evaluation system, and in practice, objectivity is essential. For this reason, roughly every three years, SuMi TRUST Bank sends members of the Human Resources Department to each branch and department to interview employees. Additionally, as a means of obtaining a multifaceted view of our personnel, we have introduced an anonymous survey for subordinates and others to rate the day-to-day management actions of line managers in the branch management ranks (general managers, deputy general managers, section managers, etc.). Further, we also promote management action reform and encourage the cultivation of a climate of bi-directional dialogue.

#### Purpose of Personnel Evaluation System

- To maximize our performance as an organization by aligning the vectors of the Company and individual employees in the same direction
- To ensure goal setting and issue identification, daily communication, and face-to-face meetings to review performance, etc. lead to changes in behavior and capacity development
- To fairly evaluate the various achievements of employees and the diverse capabilities they have demonstrated to ensure they are assigned to appropriate jobs and treated justly

### Personnel Evaluation Systems with Individual Employee Participation

SuMi TRUST Bank's personnel evaluation system enables individual employees to participate in the evaluation process. At the beginning of each business term, SuMi TRUST Bank's employees consult with their supervisors and determine specific business execution tasks. After the end of the term, supervisors meet face to face with employees and review their attainment level versus issues identified and the process they went through to deliver results, provide them with assessments they find convincing, and afford them capability evaluations across the process they followed to achieve results. Those capabilities demonstrated and evaluated include the state of their ethics and compliance and their degree of involvement in developing human resources.

Starting in fiscal 2019, Sumi TRUST Bank changed its performance evaluation cycle from six months to one year to make it easier to tackle medium- and long-term issues as well as short-term initiatives. Although the evaluation period is longer, we still intend to meet at least once a quarter for timely sharing and resolution of day-to-day issues and to conduct interim process checks.

### Bonus System Reflecting Business Performance

From the perspective of encouraging individual employees to fully exercise their capabilities, SuMi TRUST Bank has introduced a system to appropriately reflect the business

performance of the entire Group and individual's performance and achievement in the bonus amount with a view to realizing "incentives for building up earnings for the entire Group as well as for contributing to business unit, branch, or department the individual belongs to" and "fair and highly transparent system management through clarification of the process of reflecting business performance."

Through appropriate evaluation of personnel and the payment of bonuses reflecting performance, the Group has developed an environment that enables capable personnel to fully exercise their capabilities.

To further support our employees' accumulation of financial assets, we sponsor an employee stock ownership plan that regularly purchases shares of SuMi TRUST Holdings.

#### Employees to be evaluated

12,973 employees (as of end of March 2020)

#### Business performance indicators used to determine performance-linked bonuses

Achievement ratio of the consolidated net business profit before credit costs

Achievement ratio of the consolidated net income

#### Evaluation method used to measure individuals' performance

Decided through relative distribution among employees belonging to the same business unit based on the results of performance evaluation specified under the personnel evaluation system

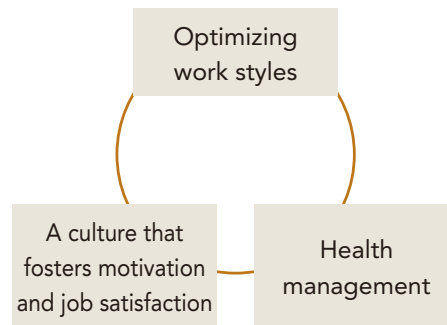
## Upholding Positive Workplace Environments

### Declaration on Work Style Reform

The SuMi TRUST Group hereby declares it a top commitment to offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions. The Group as a whole will work towards the following goals.

1. **Achieving diverse work styles and work-life balance**
2. **Supporting health improvement through measures such as boosting health awareness and appropriately managing work hours**
3. **Providing opportunities for all employees to grow while participating actively with motivation**

Through the enthusiastic work of each individual employee, we will continue to be a corporate group that contributes to the benefit of clients and is useful to society.



To “improve the workplace environment” the other side of our action to raise the level of the Group’s workforce (see page 94), in May 2017, we created the Work Style Reform Headquarters, led by the presidents of SuMi Trust Holdings and SuMi TRUST Bank, and instituted the “Declaration on Work Style Reform” to demonstrate the commitment from the top of the Group.

At SuMi TRUST Bank, the initiatives implemented in accordance with this declaration are helping to generally improve the scores for the questions regarding workplace environment and work-life balance in the annual employee awareness survey.

### Support for the International Labour Principles

The SuMi TRUST Group supports the ILO Declaration on the Fundamental Principles and Rights at Work as a signatory to the UN Global Compact.

We also make sure that employees can read about our guidelines concerning labor standards by posting them on the Company’s intranet. This same information is also shared with our overseas offices.

Specific Initiatives
<ul style="list-style-type: none"> <li>Set and enforce a nine-hour interval rule (the minimum number of hours between the end of a work day and the start of the next work day)</li> <li>Ascertain working hours of all Group employees, including those at affiliated companies, and take thorough measures to prevent overwork</li> <li>Discuss overtime work status and the management status of systems to promote employee health for the entire Group four times per year at meetings of the Board of Directors. Utilize the opinions of attendees, including those of external directors and external auditors, in drawing up and executing proposals</li> <li>Upload to our internal intranet successful management examples of efficient work operation execution</li> <li>Ban smoking in all buildings</li> <li>Shift to business casual attire year-round</li> <li>Data is processed and returned with the use of RPA</li> </ul>

### Optimizing Work Styles

#### Improving the Workplace Environment

The Group is conducting a broad range of initiatives to improve the workplace environment. Specifically, we have been working on reducing the level of overtime work by carrying out thorough work-efficiency and time-management measures. We aim to achieve a goal of cutting clerical work at branches by 70% in around five years by implementing business process reforms and promoting branch strategies. We are also steadily improving efficiency in headquarters operations, for example by automating routine tasks.

The manpower created from these changes will be shifted to the on-site sales force, IT operations, and other specialized areas in order to enhance client support and improve services.

Furthermore, the Group has been working to reduce overall work hours by encouraging employees to take paid leaves and setting months for leaving work early and weeks for leaving work on time.

#### Status of Paid Holiday Use among SuMi TRUST Bank Employees (FY2019 Results)

Average number of days of paid holiday use	16.2days
Average paid holiday usage rate	60%

#### Status of Overtime Hours among SuMi TRUST Bank Employees (FY2019 Results)

Average overtime hours per month (outside of mandatory work hours)	20hours
Ratio of career-course employees exceeding 60 hours of overtime per month (outside of mandatory work hours)	0%

## Respect the Individual

### Initiatives to Realize Work-Life Balance

The Group actively strives to create working environments that enable employees to work at ease and maintain a good balance between work and home lives. As one plank in this effort, the Group is a member of the “Iku-boss Corporate Alliance” established by specified non-profit organization Fathering Japan, which develops businesses to support fathers and promote work-life balance for men. Through the activities of the alliance, we will again spread within the Group a message that “realizing diverse work styles and work-life balance” for employees is crucial for sustainable growth of the Group, and promote the development and reform of awareness among senior executives.

As for childbirth and childcare, SuMi TRUST Bank has created an environment where employees can raise their children with peace of mind by implementing a variety of measures. For example, in addition to offering childcare

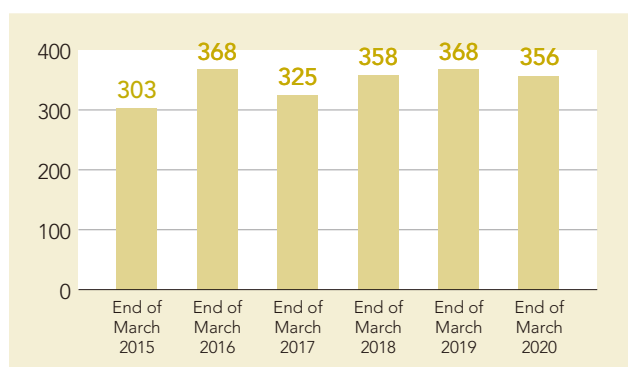
leave until children reach the age of two, SuMi TRUST Bank promotes childcare leave for male employees, and has established a nursing care leave system where employees with two or more children requiring care can apply for up to 10 days of leave per year. Furthermore, employees who are pregnant or who live with and raise children of or below the third grade of elementary school are eligible for a system of shorter working hours and an exemption from working overtime or at night. As of the end of March 2020, 356 employees had used this system to take childcare leave. We are also developing a childcare handbook so as to provide information to pregnant employees and their managers mainly regarding how the leave system works and key points to be mindful of. In addition, we have a website that can be accessed by employees on childcare leave and an email newsletter that provides useful information on child-rearing, as well as company information. We also run seminars led



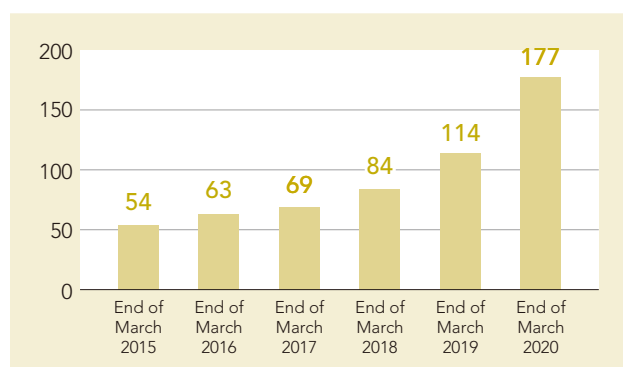
### Usage Status of Flexible Employment System (Fiscal Year 2019 Results)

Number of employees using shorter working hours system for childcare or nursing care	636
Number of employees using staggered work starts, overtime work exemptions for childcare or nursing care	240
Number of employees telecommuting	323

### Number of Employees Taking Childcare Leave



### Number of Employees Taking Nursing Care Leave



### SuMi TRUST Bank's System for Childbirth and Childcare (as of End of March 2020)

Item	Pregnancy	Before childbirth	After childbirth	Under 1 year of age	Until the child's second birthday	To under elementary school age	Until third grade of elementary school
Staggered working hours	○	○	○	○	○	○	○
Secure time for hospital visits, ease the burden of commuting, etc.	○	○	○	○			
Prenatal and postnatal leave (8 weeks before and after childbirth/paid)		○	○				
Maternity and childcare leave (first week is paid leave)	○	○	○	○	○		
Childcare time (1 hour a day or two 30 minute periods a day/paid)				○			
Exemption from overtime work	○	○	○	○	○	○	○
Exemption from late-night work	○	○	○	○	○	○	○
Shortened workday system (shorten working hours by no more than 2 hours a day)	○	○	○	○	○	○	○
Nursing care leave				○	○	○	

by external lecturers for employees returning to work, and in addition to creating networks between female colleagues that might harbor the same concerns about balancing work with child-rearing and supporting their smooth transition back to the workplace, we also hold training for section managers with subordinates that face time constraints due to childcare responsibilities by using case studies to examine organizational management methods.

We are developing a nursing care handbook containing basic information about nursing care and we regularly hold seminars on this topic. We have in place a nursing care leave system that offers employees up to 10 days off per year (if there are two or more family members requiring care), a leave-of-absence system for nursing care that can be taken for up to 12 months, and a system of shorter working hours that can be utilized over a maximum of three years (for every family member requiring care). Also, in preparing for the sudden need to take care of a loved one and with the goal of improving the nursing care literacy of employees, twice a year we have employees undertake an e-learning module so they can learn about the characteristics of nursing care and Japan's nursing care systems.

### Supporting Work-Life Balance for Employees Undergoing Cancer Treatment

In fiscal 2019 we introduced flexible working arrangements to support the balance between cancer treatment and work, including a leave program that can be taken in hourly units. SuMi TRUST Bank has also joined the "Corporate Action to Combat Cancer" initiative promoted by the Ministry of Health, Labour and Welfare.

### Promotion of Flexible Working Styles

From fiscal 2018, SuMi TRUST Bank started offering its employees the option of teleworking in order to boost productivity and support a work-life balance. From fiscal 2019 it started trialing a satellite office-based working style from the viewpoint of more effectively utilizing branches and reducing the burden of commuting. Since fiscal 2020, the number of users and branches in this setup have increased. The Bank is also encouraging staggered working hours in an effort to develop an environment whereby employees can flexibly choose when and where they want to work.

Also from fiscal 2019, the SuMi TRUST Bank adopted a business casual working attire for the whole 12 months of the year. This initiative heightens the autonomy of employees who sometimes need to choose for themselves suitable clothing to wear depending on what kind of work they are doing or which clients they are meeting with. It will also further the development of comfortable workplaces because employees can more easily adapt to colder or hotter days.

### Employee Health Management

With regards to "assistance to advance health by raising health awareness in the workplace and properly managing working hours," we seek to promote both the physical and mental health of all Group employees. In addition to promoting the aforementioned optimized work styles, the Group has appointed medical and hygiene supervisors (hygiene promoters) at each of our business locations to provide detailed health management guidance, and through

### Specific Initiatives

- To bolster employee health management, we thoroughly inform employees of their duty to manage their own health, and we encourage independent and voluntary health management.
- We ensure a flexible approach is in place for employees working long hours by encouraging them to take half-day paid leave or come to work later in the day.
- We have commenced a program, in coordination with branches and departments, to make sure that those employees who have not taken a necessary health checkup, re-examination, or medical treatment will take the one they have missed.
- We put into place a framework for ascertaining the health status of each employee through daily communication within branches, meetings with Human Resources Department personnel, and the filing of job condition declaration (once a year), in addition to regular health checkups.
- We offer influenza vaccinations (at the main office buildings and some branches) and issue warnings aimed at preventing the spread of the seasonal flu, the norovirus, and other contagious viruses.
- We encourage employees to participate in radio gymnastics at the start of the work day.
- We report the status of overtime work hours and the management status of health promotion systems to meetings of the Board of Directors four times per year, and utilize a broad range of opinions, including those from external directors and external corporate auditors, in drawing up and executing measures.

e-learning courses, we seek to raise employee awareness about the importance of health. We also conduct activities such as training to raise the awareness of line managers about the importance of managing their own mental and physical health and that of their subordinates.

In recognition of these initiatives, the Group has been selected in METI's White 500 as an organization having outstanding health and productivity management for three years in a row since 2018.

Moreover, we are endeavoring to respond swiftly and appropriately to the spread of the COVID-19 pandemic by setting up a coronavirus hotline in order to deal with any psychological anxiety felt by employees.

### Physical Health

Obligatory health examinations are provided every year to all employees. The Human Resources Department or other responsible department takes an individual measure to ensure that all employees who require medical treatment receive a checkup. We also support health examinations such as complete medical checkups for employees' family members through health insurance associations.

### Mental Health

Once a year we have all employees undergo a stress check, and in addition to individuals providing feedback, an occupational physician provides guidance so that line managers can provide the right care. We also have in place user-friendly consultation systems—for example, our in-house health promotion centers set up mental counselling times and the health insurance association provides free health counselling over the telephone. When conducting the annual stress check, group analysis results are provided to the employees' union so that improvements in the workplace environment can be discussed.



### A Motivating, Fulfilling Work Culture

To “provide all employees with motivating opportunities to succeed and grow,” we endeavor to build a work culture that encourages employees to challenge themselves and learn, and stimulate mutual communication.

Managers are expected to meet with their employees at least quarterly. These meetings allow the manager to get to know the employees’ day-to-day concerns and challenges, help them grow and contribute in a timely manner, and think through their career plans together.

As previously mentioned, we have recommended employees enlist their colleagues beyond each branch or department to create such learning opportunities as seminars and learning circles, and hosted lectures inviting outside lecturers on a regular basis. In addition, SuMi TRUST Bank encourages employees to independently and voluntarily form their own careers by switching the relocation type from region-specific type to nationwide type, and through internal job posting system by which employees can apply for transfers to different duties or business units as they desire.

At the same time, in order to connect the positive motivation of Group employees to new solutions in the form of new products and innovations, we are promoting employees’ future-oriented activities for the creation of new businesses and operations, which will in turn boost employees’ motivation even more.



Next-generation leaders discuss the Group’s mission during training

Through open discussion on specific topics between fellow employees, regardless of their position or team, SuMi TRUST Bank puts into practice the concept of “shaping workplaces to be highly motivating.”

SuMi TRUST Bank recognizes the freedom of association and respects the right to organize and the rights of collective bargaining. It also guarantees employees the right to openly engage in communication with management. As of end-September 2020, the employees’ union has 11,650 members, which accounts for 87.5% of all employees. The new inclusion of associates to the employees’ union in July 2018 greatly boosted the percentage of unionization among all employees compared to March 2017, when only 8,537 employees were members of the union. The Bank regularly holds management consultation meetings attended by the management team that reports directly to the president alongside the representative of the employees’ union, as well as branch and department consultation meetings attended by labor and management representatives for each branch office. During these meetings, discussions focus on working conditions for union members and how workplace environments can be maintained. In this way, the opinions of employees are reflected into management.

At other Group companies as well, there are initiatives to ensure smooth business operation and maintain and improve the workplace environment through dialogue between the company and the union or representatives of employees.

### Encouraging Senior Employees to Thrive

SuMi TRUST Bank has in place a program to continuously re-employ retirees who meet certain criteria until they reach the age of 65 (the Elder Partner Program), but from April 2021 it will extend the mandatory retirement age to 65 so that senior employees can remain at the Company for longer.

Also, employees that demonstrate a high level of expertise are certified as Fellows and a framework that reflects their skills in the employment benefits they receive has been introduced.



Business briefing held prior to open recruitment

### Dialogue with Employees

To ensure that both the Company and employees are heading in the same direction and in an effort to encourage employee understanding of the Group’s business model and value creation story, we publish an easy-to-understand Employee Integrated Report.

In addition, to make sure our desired corporate culture continues to spread, good mutual communication between officers and employees, as well as between co-workers, is essential. SuMi TRUST Bank takes advantage of events where employees congregate, such as rank-based training, and provides opportunities where the President and other officers talk about topics including management policy and their leadership with a question-and-answer session.

“The Trust Bank discussion” is also held at the workplace to foster the awareness of fiduciary spirit and improve teamwork.



## A Handbook for Overseas Employees, Domestic Employees Posted Overseas

SuMi TRUST Bank has prepared a guide, the “Overseas Application Handbook,” on all the social and cultural custom risks that overseas employees and domestic employees sent overseas ought to be aware of. In drafting the handbook, we referenced reports by Business for Social Responsibility (BSR), a nonprofit that originated in the United States that works with companies on sustainability issues, and research materials released by the Industrial Federation for Human Rights, Tokyo.



Understanding the customs and taboos emanating from the culture, religion, national identity, and unique attributes of each country enable our employees to obtain a deeper understanding of the behavior and sentiments of people in other countries and thus build a foundation for smooth communication and mutual trust. The handbook covers a wide array of bases from summary data on each country such as Transparency International’s Corruption Perception Index\* (country rankings), manners for various scenarios such as when doing business or sharing a meal, widely shared sensibilities and basic knowledge as well as taboos, differences between Japanese culture, customs, and lifestyles and those of the relevant country to the human rights of women in each country and customs and rules arising from religion. With our Global Business Planning and Coordination Department and Human Resources Departments at the fore, we publicize the handbook to encourage employees to look through it as a reference before going overseas.

\*Transparency International is an international NGO dedicated to fighting corruption, especially corruptions among public-sector authorities. The handbook’s country ranking is based on Transparency International’s Corruption Perception Index that covers 175 countries and territories.

## Distribution of Harassment Prevention Handbook

Given the number of cases reported to the Group’s consultation line and the greater focus on harassment issues in society, we have distributed a harassment prevention handbook to all Group employees in order to prevent harassment from occurring and to stop situations from worsening further, and so all Group employees can be sure to take appropriate action as members of the organization. In addition, every year SuMi TRUST Bank runs a harassment prevention training course through its e-learning platform for all employees to

complete. Through proper understanding, we aim to eliminate harassment, foster a culture of mutual respect, and create a comfortable and rewarding workplace environment.

## System to Respond to Complaints Related to Labor Practices, etc.

In view of the need for appropriate workforce management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk (LGBTQ Consultation Desk), at which all employees (including course employees, professional employees, associate employees, part-time workers, and temporary employees) can receive consultation without going through the regular reporting line when problems related to personnel and labor affairs management, such as unfair or unjust labor affairs management practices or workplace harassment, occur. As a safety net to guard against labor affairs problems, the Personnel Consultation Desk strives to appropriately handle consultation cases—also received anonymously—while promptly cooperating with relevant persons.

With respect to associate employees, in addition to personnel management at workplaces, SuMi TRUST Bank has started “personnel affairs support services,” including rotation interviews with employees, through an affiliated company (Sumitomo Mitsui Trust Business Service).

SuMi TRUST Bank strives to prevent labor affairs problems by trying to grasp the circumstances of individual employees and collecting opinions and views which maybe difficult to express in the workplace (see page 110).

## Number of Consultations Concerning Labor Practices, etc. at SuMi TRUST Bank

Fiscal Year	Number of Consultations
FY2015	42
FY2016	78
FY2017	65
FY2018	76
FY2019	68

## Results of the Employee Satisfaction Survey

SuMi TRUST Bank conducts an “attitude survey” of all employees in order to objectively identify employees’ perception of the dissemination of measures taken by the company, the personnel system and its operation, and the workplace environment and engagement. Note that due to a review of the timing of the survey it was not conducted in fiscal 2018. Also, the survey was conducted in fiscal 2020, but as of January 2021, the results were still being collected.

	FY2014	FY2015	FY2016	FY2017	FY2019
Vitality level	62.1	61.5	60.9	62.1	59.1
Satisfaction level	61.4	61.1	60.8	59.8	60.4

Vitality level: Indicator of the level of expectations for the future, forward-looking thinking, willingness to contribute to the organization, work motivation.  
Satisfaction level: Indicator of how much satisfaction employees get from the contents of their job duties, the working environment and personal relationships.

## Employee Breakdown (Sumitomo Mitsui Trust Bank)

	As of end of March 2019	As of end of March 2020
Number of employees	13,469 (5,956 men) (7,513 women)	13,527 (5,950 men) (7,577 women)
Hong Kong	62	63
Japan	12,744	12,737
China	131	131
Korea	4	4
Singapore	144	142
Indonesia	8	6
UK	176	237
USA	200	204
Sydney	—	3
Average age	42.4 (Male: 43.5) (Female: 41.4)	41.4 (Male: 43.5) (Female: 39.6)
Average continuous years of employment	13.4 (Male: 16.0) (Female: 11.0)	14.1 (Male: 16.3) (Female: 11.8)
Average annual salary <small>*Guaranteed minimum wage by region as prescribed by the MHLW</small>	7,198 thousand yen	7,349 thousand yen
Number of temporary staff	402	446
Number of part-timers	45	49
Number of disabled persons employed	289 (Disabled person employment ratio: 2.21%)	301 (Disabled person employment ratio: 2.28%)
Number of employees using the Elder Partner Program	424	455
Number of employee turnover (annual)	301 (134 men) (167 women)	285 (128 men) (157 women)
Number of work-related accidents (annual)	93 (accidents during work: 45; accidents during commuting: 48)	125

## Initiatives Concerning Human Rights

### 1. Human Rights Management

#### Establishment of Human Rights Policy

Under the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” the Group upholds respect for individuals’ human rights and diverse values and rejects unjustifiable acts of discrimination in all its activities. Moreover, in December 2013, to ensure the execution of the aforementioned basic policy, the Group formulated its human rights policy, which serves as a stan-

dard for acts and judgments concerning human rights, and on November 1, 2016, we amended this policy to add text prohibiting discrimination against LGBTQ and disabled people. Based on this policy, the Group respects the human rights of all stakeholders with whom we are involved when conducting routine business activities and providing products and services.

#### Human Rights Policy

At the Group, based on the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” we strive to foster a corporate culture and workplace environment that respects the basic human rights of clients and all stakeholders, always act with a strong sense of ethics and social conscience in all aspects of our corporate activities, and achieve sustainable development as a corporate group that is trusted by society.

##### 1. Respect International Standards

We respect international standards on human rights, such as The Universal Declaration of Human Rights and corporate codes of conduct based on the United Nations Global Compact.

##### 2. Prohibit Discrimination

We reject, in all our corporate activities, discrimination and infringement of human rights based on race, nationality, gender, sexual orientation, gender identify, origin, social status, beliefs, religion, disability, physical characteristics, and the like.

##### 3. Foster a Corporate Culture that Respects Human Rights

We regard every kind of human rights issue as one facing us and encourage our employees to think from the other person’s point of view so as to foster a corporate culture that respects human rights.

##### 4. Establish a Pleasant Workplace Environment

We establish a pleasant workplace environment by encouraging all executives and employees to treat each other as business partners and build equal relationships that allow a free

exchange of opinions.

We acknowledge that such behavior as sexual harassment and power harassment impair human dignity; therefore, we do not allow such behavior.

##### 5. Ensure Fair Recruitment

We implement strict and fair screening in the recruitment of employees and others, solely based on individual capability and suitability.

##### 6. Implement Human Rights Education Training

With the aim of resolving all kinds of actual or potential issues related to human rights and encouraging all executives and employees to develop a deep appreciation of human rights that appropriately reflects relevant and accurate facts and information, we work on a wide range of human rights education activities, including one addressing discrimination against the Dowry caste, a specifically Japanese social minority, through every kind of opportunity, mainly annual workplace-based human rights education training.

The above-mentioned policy also applies to our overseas network, and the Group gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies that we invest in or lend to, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

#### Basic Philosophy

The Group’s human rights management is based on the “Guiding Principles for Business and Human Rights,” which was adopted by the United Nations Human Rights Council in June 2011.

#### Human Rights Management System Based on the Guiding Principles for Business and Human Rights

Commitment	Establishment of the Human Rights Policy
Implementation of human rights due diligence*1	Once a year, the Human Rights Due Diligence Self-check List*2 is distributed to all branches, departments, and affiliates both at home and abroad as a tool to check the status of respect for human rights at each unit.
Access to redress	The Personnel Consultation Desk (LGBTQ consultation desk) in the Human Resources Department serves as a contact point.

\*1 Human rights due diligence refers to a series of initiatives to identify actual or potential impact on human rights, resulting from the activities of the Group or related outside parties, to develop measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

\*2 A check list serves to verify the progress in each department concerned with the Human Rights Management System, such as the status of implementation of human rights due diligence, compliance with the Human Rights Policy, and occurrence of human rights violations.

**Outline of the Human Rights Management System**

The Human Rights Due Diligence Liaison Committee, chaired by the head of the Sustainability Management Department, was established in December 2013 as a joint organization by SuMi TRUST Holdings and SuMi TRUST Bank. The roles of each relevant department are shown below.

**Human Rights Due Diligence Liaison Committee**

- Chaired by the head of the Sustainability Management Department, the Liaison Committee investigates how human rights are being addressed at all Group companies, including overseas entities, identifies issues that need to be addressed, and discusses and implements measures for improvement.
- This committee conducts annual investigations into the status of addressing human rights by using the Human Rights Due Diligence Self-check List.

**Departments Forming Human Rights Due Diligence Liaison Committee**

<b>Sumitomo Mitsui Trust Holdings</b>
Sustainability Management Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department
<b>Sumitomo Mitsui Trust Bank</b>
Sustainability Management Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department, Fiduciary Duties & Customer Satisfaction Planning and Promotion Department, Global Business Planning and Coordination Department, Fiduciary Business Planning Department, and Wholesale Business Planning Department

**Sustainability Management Department**

This department formulates objectives and plans for the development and reinforcement of the framework to address human rights issues within the Group, based on discussions at the Human Rights Due Diligence Liaison Committee.

**Human Resources Department and Human Rights Education Committee**

These organizations engage in the planning and implementation of measures including human rights education training, based on discussions at the Human Rights Due Diligence Liaison Committee. Specifically, the Human Rights Education Committee, chaired by the executive in charge of the Human Resources Department, plays the central role in implementing various training programs and conducting education activities concerning human rights issues.

**Organizational Structure of the Human Rights Education Committee**

<b>Chairman</b>	Executive in charge of the Human Resources Department
<b>Vice Chairman</b>	General Manager of the Human Resources Department
<b>Members</b>	General Managers and employees responsible for personnel affairs at branches and departments
<b>Secretariat</b>	Human Resources Department

**All Branches, Departments, and Affiliates at Home and Abroad**

Each unit verifies the status of compliance with Human Rights Policy, based on the Human Rights Due Diligence Self-check List.

**Main Items on the Human Rights Due Diligence Self-check List**

<input checked="" type="checkbox"/>	Consideration for Human Rights Issues in Management
<input checked="" type="checkbox"/>	System to Promote Human Rights Awareness (system administration, response when human rights issues occur, etc.)
<input checked="" type="checkbox"/>	Human Rights Education (implementation of human rights awareness training, etc.)
<input checked="" type="checkbox"/>	Response to Human Rights Issues by Category
<input checked="" type="checkbox"/>	Understanding and awareness of the Dowry Issue
<input checked="" type="checkbox"/>	Whether recruitment and hiring are implemented fairly
<input checked="" type="checkbox"/>	Companies and society (ending discriminatory expressions, understanding of universal design, etc.)
<input checked="" type="checkbox"/>	Human rights in the workplace (harassment prevention, consideration for the elderly, consideration for the disabled, understanding for those with contagious diseases such as HIV, etc., understanding for LGBTQ community)
<input checked="" type="checkbox"/>	Balancing work and family (consideration for employment diversity in personnel system, consideration for maiden name use, understanding for childbirth & childrearing support and for nursing case leave, etc.)
<input checked="" type="checkbox"/>	Pursuit of job satisfaction (fairness in personnel evaluation and treatment, equality of opportunity, respect for the individual, safety and crisis management that take into account disabled and pregnant workers, etc.)
<input checked="" type="checkbox"/>	Awareness activities about various human rights issues (discrimination on the basis of nationality, discrimination against the elderly, child labor; discrimination against lepers, those identifying as LGBTQ, and ex-convicts, etc.)
<input checked="" type="checkbox"/>	Consideration for human rights issues in loans & investments and supply chain (racial discrimination, child labor, human health, environmental destruction that affects people's livelihoods, weapons and armament manufacture contrary to humanitarian concerns, fairness in hiring activities, consideration for employee human rights, etc.)
<input checked="" type="checkbox"/>	Activities of those responsible for human rights awareness in Human Resources Department

**Personnel Consultation Desk (LGBTQ Consultation Desk)**

While responding to various claims and inquiries concerning human rights, the Consultation Desk works together with the relevant departments and units to swiftly take necessary steps in cases where it becomes evident human rights have been infringed. The Consultation Desk also offers anonymous consultation in cases where privacy needs to be protected.

The Personnel Consultation Desk received 68 cases in fiscal 2019, of which 27 were cases potentially infringing upon human rights including harassment.

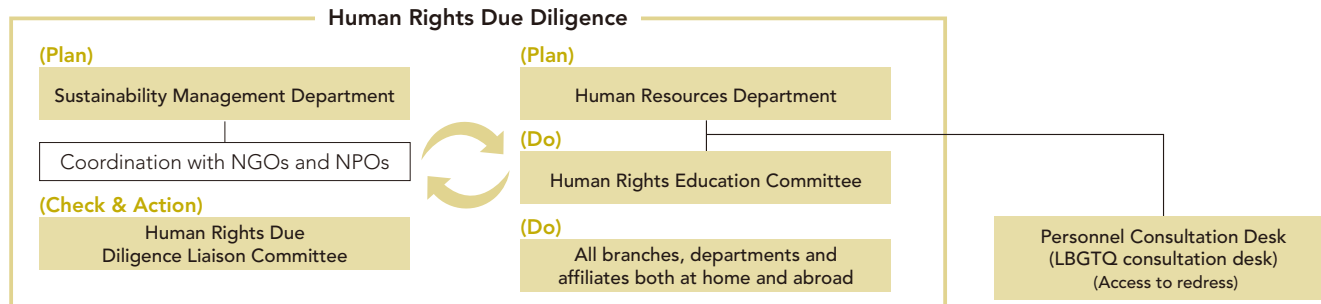
If requested by the employee bringing the case, the Personnel Consultation Desk may approach the workplace, conduct interviews with parties involved and other relevant third parties, and recognize the fact. Furthermore, the Personnel Consultation Desk may take action to transfer parties involved so as to improve the working environment of the consuler, or may discipline the perpetrator in accordance with company rules. All cases the Personnel Consultation Desk received in fiscal 2019 have been resolved, with the exception of 5 cases.

### Human Rights Management Based on PDCA Cycle

Through the PDCA cycle, the Group strives to improve the quality of its human rights management so as to cultivate a workplace environment and corporate culture where the

basic human rights of all stakeholders are respected, unjustified acts of discrimination are rejected, and individual rights and diverse values are respected.

### Human Rights Management System Based on PDCA Cycle



## 2. Education Concerning Respect for Human Rights

The Human Rights Education Committee informs all employees via email once a month about its human rights awareness tool, which highlights positive case examples of respecting human rights. In addition, various training sessions concerning human rights issues are held at all Group companies and branches and departments. Training aimed at raising awareness about human rights was held at 261 departments in fis-

cal 2019. Together with lectures delivered during rank-based training sessions, 403 hours in total were dedicated to human rights, reaching 24,177 participants.

If further education is deemed necessary for some issues as a result of human rights due diligence, these topics are brought up for discussion as themes of the annual workplace-based human rights training.

## 3. Protecting Various Human Rights

### Initiatives for Diversity & Inclusion

The Group disseminates information to employees to share the ideals and objectives of and steadily promote “diversity and inclusion” for the entire Group.

### Initiatives to Address Dowa and Foreign Residents Issues

The Group regards tackling discrimination against the Dowa caste as a particularly important theme in the promotion of human rights education. The origins of our Group’s efforts to be more active in human rights education goes back to the Dowa issue. The Group has continued to draw on insights from external bodies, such as the Industrial Federation for Human Rights, Tokyo, and at the same time, we have worked to completely eliminate prejudiced or discriminatory views against the Dowa caste through various training programs and education activities, including new employee training.

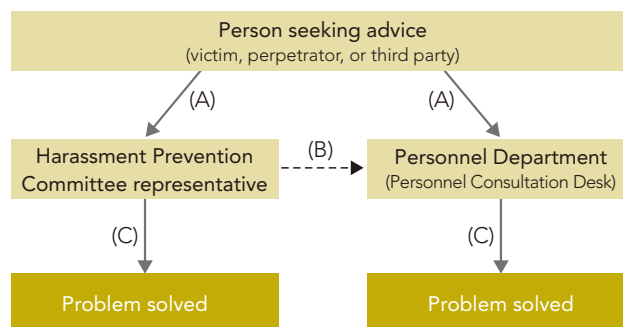
With regard to foreign residents issues, we discuss the residency management system, which was launched on July 9, 2012. Rank-based training was provided on giving consideration to the human rights of foreign residents, including the handling of personal authentication documents and respecting privacy, envisioning such situations as identifying oneself at service counters.

### Prevention of Sexual Harassment and Power Harassment

Sexual harassment and power harassment are actions that infringe on the human rights and personal dignity of indi-

viduals and are prohibited. In particular, we strictly prohibit sexual harassment. Such behavior can both damage the character of an individual and infringe upon his or her human rights. We have taken a particularly strict stance on prohibiting sexual harassment within the workplace. In terms

### Structure for Advice/Complaints and Response Relating to Harassment



- (A) Advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch or department, or directly by the Personnel Consultation Desk within the Human Resources Department.
- (B) The Harassment Prevention Committee representative will, where necessary, consult the Personnel Consultation Desk within the Human Resources Department and request advice or measures to address the case.
- (C) The Harassment Prevention Committee representative or the Personnel Consultation Desk within the Human Resources Department will, once they understand the details of the complaint being registered by the complainant, interview the party accused of harassment, as well as other related parties as necessary, in order to accurately understand the situation, and attempt to solve the issue via advice or other measures.



## Respect the Individual

of power harassment, we are working toward the elimination of all forms of this problem. This problem is based on advantageous positions in the workplace. It is not limited to harassment by superiors of subordinates, but also includes harassment between senior employees and junior employees, colleagues, and even harassment by subordinates of their superiors. In the event harassment does occur, advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk within the Human Resources Department. When advice is sought by a victim, a person in charge conducts an overall investigation that includes interviews with relevant parties on the specific behavior indicated, the relationship of the people involved, the response of the victim, etc. Either stringent corrective measures or punishment—or both—are implemented against the perpetrators.

Furthermore, we discuss on the prevention of harassment in workplace-based human rights training, new employee training, and a range of rank-based training in our ongoing efforts to raise awareness.

In addition, in step with the consultation cases coming to the Consultation Desk and recent social trends, in fiscal 2018 we created the Harassment Prevention Handbook, which is distributed to all employees to further raise awareness.

The Consultation Desk also offers anonymous consultation in cases where privacy needs to be protected.

### Addressing LGBTQ Issues

As already mentioned, when we amended our Human Rights Policy in November 2016, we added a clause prohib-

iting the discrimination against any person who identifies as LGBTQ. To establish a workplace environment in which sexual minorities can simply be themselves (including people who consider themselves to be part of the LGBTQ community), SuMi

TRUST Bank continues to work on educating its workforce through the establishment of a consultation hotline, reviewing its employee benefit schemes, and running training sessions. We have also announced, internally and externally, our stance on supporting the LGBTQ community. For example, same-sex partners can now take out a SuMi TRUST Bank mortgage loan because the Bank recognizes same-sex partners as spouses, and the SuMi TRUST Group has thrown its support behind the Tokyo Rainbow Pride festival. In recognition of these initiatives regarding sexual minorities and the LGBTQ community, wwP (work with Pride), a voluntary organization that supports the promotion and establishment of diversity management regarding LGBTQ issues, awarded its Gold rating in the Pride Index to SuMi TRUST Bank for two consecutive years through fiscal 2018. Having expanded its initiatives throughout the Group, in fiscal 2019 SuMi TRUST Holdings, SuMi TRUST Bank, and Sumitomo Mitsui Trust Asset Management all collected a Gold rating, and then in fiscal 2020, with the addition of Sumitomo Mitsui Trust Business Service, the initiatives of SuMi TRUST Holdings and three Group companies\* were awarded a Gold rating.

\*SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Sumitomo Mitsui Trust Business Service. Nikko Asset Management was also awarded a Gold rating for its stand-alone initiatives in fiscal 2019 and 2020.



## 4. Factoring Human Rights Issues into Lending and Investment Decisions

### Basic Policy

The Group collects information on whether the business activities of the companies in our loan and investment portfolios, including those based overseas, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

### Engagement Activities Related to Human Rights Issues

As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management (SMTAM) actively works with investee companies on a global scale and encourages them to address issues through engagement and the exercise of

voting rights.

As an example of engagement related to human rights issues, we engaged with an Israeli military and defense company over concerns about the production of cluster bombs. Manufacturers of cluster bombs expose themselves to reputational risk from a humanitarian perspective, since international treaties such as the Oslo Convention have declared these weapons inhumane and banned their production and use. SMTAM advised the company that it should not start manufacturing cluster bombs, and should at least clarify and disclose the risks and future policies related to the production of cluster bombs. As a result, the company responded promptly and disclosed its policy not to engage in business activities that contravene international treaties.

## 5. Human Rights in Supply Chain Management

Based on the CSR procurement policy we have formulated, we strive to conduct transactions with and procure products and services from suppliers who respect basic human rights,

give consideration to industrial safety and health, and avoid violations of human rights, such as unjust discrimination, forced labor and child labor (Page 89).

# Addressing the Issues of a Super-Aged Society



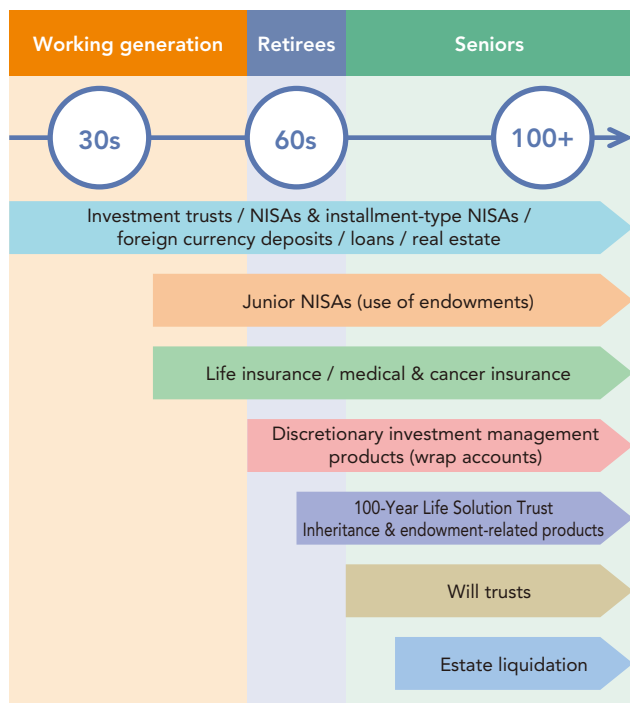
Please refer to the SuMi TRUST Bank website for a discussion between Dr. Kazuo Hasegawa and Mr. Koichi Sato.  
<https://www.smtb.jp/special/specialtalk1.html>

## 1. Being Our Clients' "Best Partner" in an Age of 100-Year Life

In an era when more and more people will likely live to the age of 100, a different kind of life planning is required—in other words, people need to take steps to save, prepare, and set aside their wealth and assets.

At the SuMi TRUST Group, we aim to be our clients' "best partner" in this so-called age of 100-year life. Based

on our systematic consulting plans that cater to the issues and needs of clients in different age brackets, we have put together a set of comprehensive consulting tools with which we implement client-oriented consulting so as to provide the most suitable trust products at the right time in a person's life.



Client needs	Examples of main products to meet needs
Save	Investment trusts & foreign currency deposits
	NISAs & installment-type NISAs
	Junior NISAs
Prepare	Discretionary investment management products (wrap accounts)
	• SMTB Fund Wrap
	Life insurance
Prepare	• Various types of individual annuity insurance
	• Various types of whole life insurance
	Medical & cancer insurance
Prepare	Life insurance
	Inheritance & endowment-related products
	• Annual Donation Support Trust
Set aside	• Family Consideration Trust (Lump Sum)
	• 100-Year Life Solution Trust
	• Trust for Single Old Age (Solitary Trust)
Set aside	• Tuition Fund Endowment Trust
	• Wedding and Child-Rearing Support Trust
	Real estate brokerage and effective utilization
Live & borrow	Will trusts
	Estate liquidation
	Real estate & loans

Japan's life expectancy is among the world's longest and the country is lauded for its ever-improving standard of living, including that of the elderly, as well as social stability even after the emergence of a super-aged society. As a front-runner in this age of 100-year life, Japan's initiatives up ahead will certainly be in the spotlight, including expectations that a precedent will be set for enhancing

prosperity in a super-aged society.

With the power of trusts at its core, the SuMi TRUST Group is ramping up initiatives geared towards realizing a prosperous aging society in which all Japanese senior citizens—the front-runners in this age of 100-year life—can feel at ease and lead a happy life based on their own free will.

### 100-Year Life Solution Department

Given the advent of an age in which more and more people will likely live to be 100 years old, SuMi TRUST Bank established a 100-Year Life Solution Department with the goal of providing suitable solutions to address the various issues faced by our individual clients.

The 100-Year Life Solution Department will aim to identify the increasingly diverse and complex needs of clients caused by changes in time horizons as a result of longer living and develop and successively roll out a whole host of solutions by harnessing the Group's unique know-how cultivated over many years in an effort to deliver security, safety, and enjoyment to our clients.

### Establishment of Anshin Support Corporation to Provide Estate Management and Inheritance-Related Services

The Anshin Support Corporation was established by SuMi TRUST Bank in November 2018 and having become part of the Bank\*, it now offers estate management services to elderly clients. For example, guarantor services for seniors moving in to a new facility, nursing care and other contract execution services, discretionary guardianship services, and post-mortem services.

\*Providing peace-of-mind solutions for client assets, or solutions to be carried out in accordance with the wishes of the client, by combining various trusts (such as Trust for Single Old Age (Solitary Trust) and Anshin Support Trust) with segregated management and other functions, including SuMi TRUST Bank's money trusts, will execution trusts, and life insurance trusts.



## 2. Addressing Decreased Decision-Making Capacity Due to Dementia or Other Illnesses

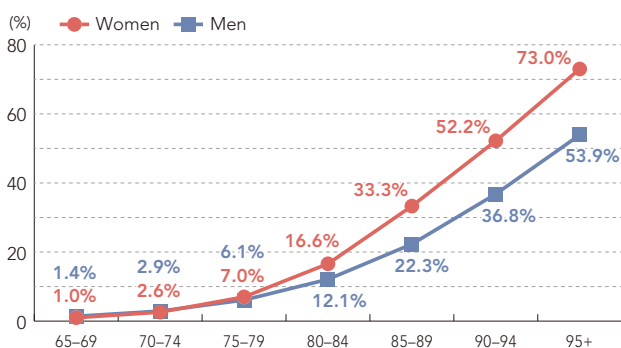
In the past, most people would expect to live to around 80, but with society now transitioning to an era of more centenarians, we can now expect to keep on living. We therefore must make preparations for the future based on the assumption that during the latter part of our lives we might suffer from dementia or require nursing care. From the viewpoint of normalization, SuMi TRUST Bank undertakes various initiatives with the aim of creating a society in which clients with dementia can still lead a life that is more or less the same as before.

tia sufferers and their families. In the Retail Total Solution (TS) Services Business, all section managers (supervisors) at branch offices are required to obtain "Gerontology Concierge" accreditation by passing an exam run by the Society for Applied Gerontology Japan.

Furthermore, we have sent all branch offices in the Retail TS Services Business copies of the booklet entitled Guide for Dementia Friendly Financial Services and the Bank is strengthening its practical approach to dealing with dementia issues by, for example, holding study sessions during which employees can read through the content of the booklet together. In addition, as a qualification that proves an employee has obtained customer service skills concerning elderly clients, we plan to have all branch office employees in the Retail TS Services Business acquire "Bank Gerontologist" accreditation under a new certification program that was set up in January 2021.



Dementia Incidence Rate by Age



Source: Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology (2012 comprehensive assessment of dementia)

### Improving Customer Service and Literacy at Branch Offices

Based on the Japanese government's New Orange Plan, a policy to build friendly communities for elderly persons with dementia, SuMi TRUST Bank is promoting the training of dementia supporters to provide support to demen-

No. of dementia supporter training participants	3,973
No. of Gerontology Concierge-accredited employees	924 (From 2014 all branch and general managers were required to sit the test. This requirement was expanded to also include section managers and above from 2020)
Bank Gerontologist certification exam	This certification took effect from January 2021 and all branch offices are scheduled to undertake this exam

\*Numbers are as of end-September 2020

### Collaborating with COLTEM on Decision-Making Support

SuMi TRUST Bank is implementing dementia-related initiatives by collaborating with COLTEM (collaboration center of law, technology, and medicine for autonomy of older adults), which receives assistance from MEXT's Japan Science and Technology Agency, as well as the post-graduate school of Kyoto Prefectural University of Medicine, a leader in dementia research (in particular, Professor Jin Narumoto). The publication of our Guide for Dementia Friendly Financial Services in September 2017 is one accomplishment of this initiative. We have also contributed to improving the entire financial industry's response to dementia issues by taking the lead in hosting symposiums with a focus on finance and dementia. The knowledge gained from these alliances have greatly helped SuMi TRUST Bank develop its own products and services.

Also, the Bank has focused its efforts on improving the entire financial industry's response to dementia issues by hosting a working group to discuss issues on responding to elderly clients at financial institutions. SuMi TRUST Bank also helped establish the Decision-Making Support Organization Japan, the succeeding organization to COLTEM, and contributed to the creation of the Bank Gerontologist certification exam in January 2021.

### Asset Management for Clients with Dementia

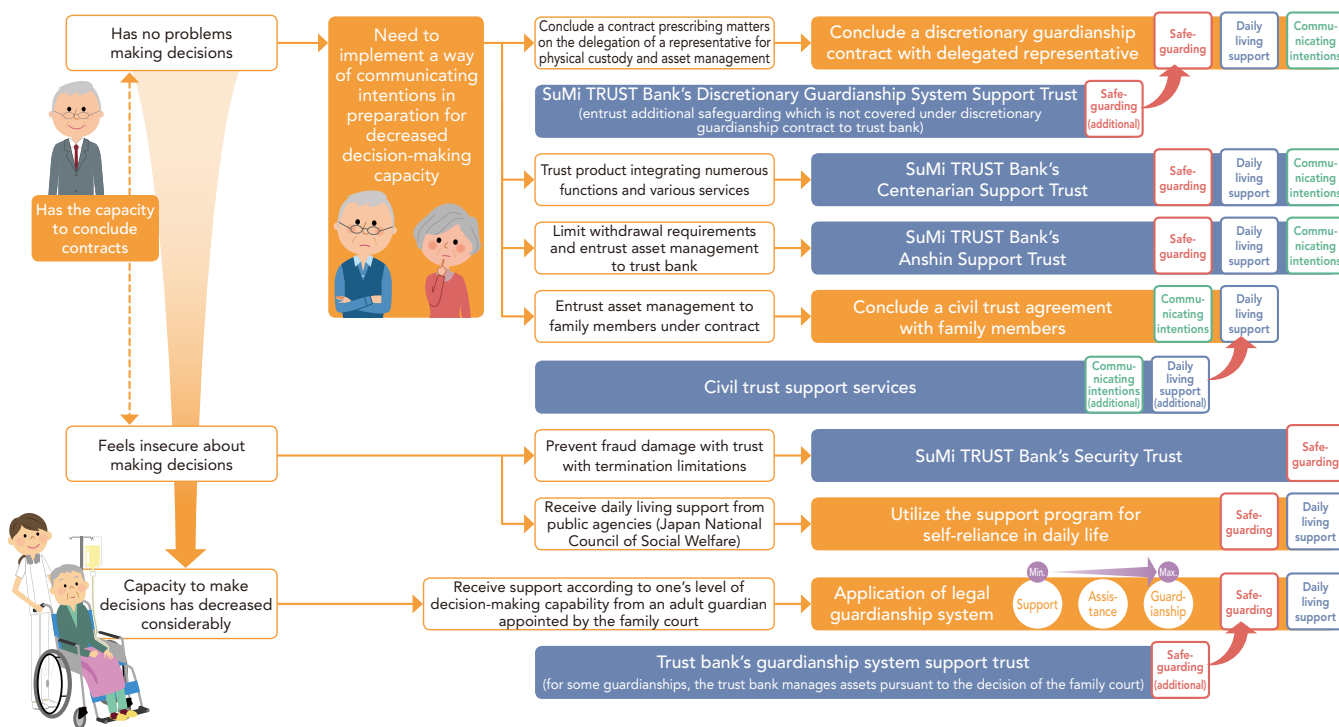
Once a person loses his or her ability to make decisions because of dementia or some other reason, they struggle to manage their deposits and savings or stay on top of various financial agreements. This makes them easy targets for bank-transfer scams or unscrupulous business practices. In asset management, needless to say, the safeguarding of finances must be prioritized before anything else. Next required is daily living support in asset management. They may require help in managing their day-to-day finances, for example, collecting pension payments, paying taxes and utility bills, or paying money when they go shopping. And offering support to help them communicate their intentions is also key. Even though someone with dementia may find it difficult to communicate their thoughts, what they want to do or what they want done remains the same. However, there is a limit to how much

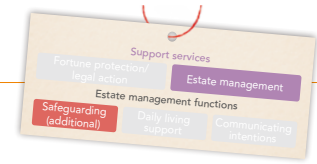
they can rely on the considerations of their supporters, so particularly with regard to legal procedures, such as contracts, they will need a way to communicate their intentions under a private contract while they are still capable of making decisions. In our digest report for seniors (Considering the Problems of Dementia), we provide easy-to-understand explanations of the adult guardianship system and other public support schemes, as well as our financial products and services that complement those schemes.



<https://www.smth.jp/csr/report/2019/all5.pdf>

### Lineup of Asset Management Services for Addressing Dementia

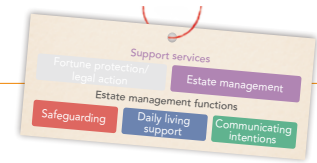
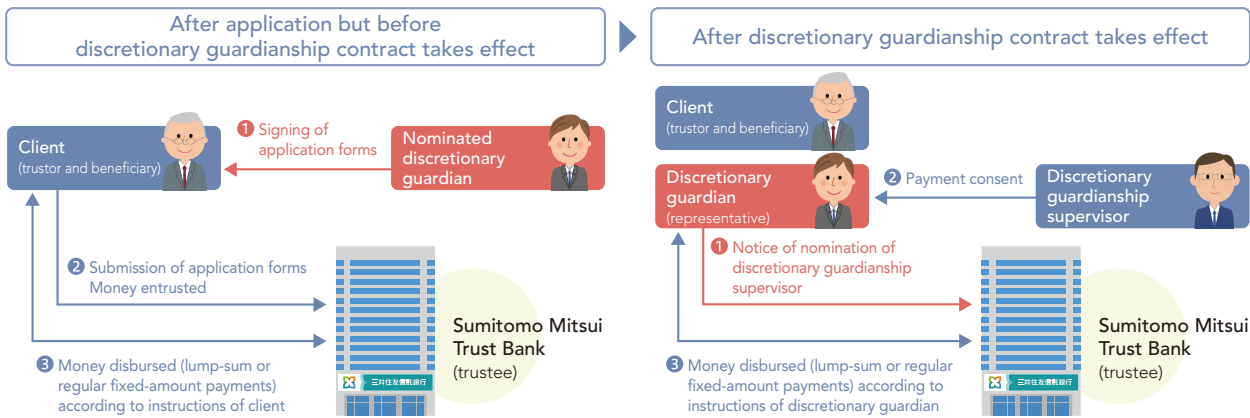




## Discretionary Guardianship System Support Trust

**Key Point** Under the Discretionary Guardianship System, a Separate Money Trust Provides an Extra Level of Safeguarding.

This money trust supports the discretionary guardianship system by managing the assets of its users. It safely and soundly protects assets held in the money trust because after the discretionary guardianship contract takes effect, funds can only be released (lump-sum payment) with the consent of the discretionary guardianship supervisor. Funds required for day-to-day living expenses can also be released periodically (regular fixed-amount payments), which alleviates the burden of asset management on the discretionary guardian. Until the discretionary guardianship contract comes into effect, the client or their nominated representative can take charge of procedures for lump-sum or regular fixed-amount payments. An authorization form signed by the client must be submitted each time the representative wishes to take charge of procedures on behalf of the client.



## 100-Year Life Solution Trust (100-Year Passport)

**Key Point** Incorporating a Number of Useful Features in Preparation for Decreased Decision-Making Capacity among Many Clients in the Future When More People Are Likely to Reach the Age of 100, This Trust Product Has Been Designed to Help Clients Feel at Ease and Enjoy a Productive Life.

A money trust armed with a host of useful features to combat the problems elderly clients may face, such as withdrawing from their bank account, when the ability to make decisions has declined because of dementia or other similar symptoms. Along with tie-up solutions under the adult guardianship system and broad-ranging client-focused consulting, the 100-Year Life Solution Trust is the product best suited to an age when more people will likely live to be 100.



### Four Features in One Package

#### Delegation of payments (pension deposits and other payments as needed)

In preparing for dementia or other health concerns, another person can be designated in advance to take care of payment procedures. A relative within the fourth degree of kinship, lawyer, judicial scrivener, or tax accountant can be nominated.

During dementia or ill health:

- Monthly living expenses (up to ¥300,000/month) can be paid into the trust account. One additional payment per year is also permitted.
- The trust can also be used to pay large sums that might arise from medical fees, nursing care expenses, housing costs, taxation, or social insurance premiums. A person approving withdrawals can also be set up in advance.

#### Security

To avoid falling victim to the many types of scams—of which there are up to 16,000\* cases annually—a person approving withdrawals can be set up in advance.

#### Pension collection

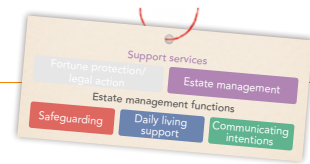
Monthly living expenses can be deposited on a periodic basis. This money can also be used to pay for additional creature comforts or gifted to loved ones.

#### Considerate inheritance

Inheritance money of up to ¥5 million can be smoothly paid out to heirs designated in advance.

\*According to the Metropolitan Police Department, 16,851 cases of fraud occurred in 2019 for a total loss of roughly ¥36.39 billion.





## Anshin Support Trust (money trust-type & fund wrap-type)

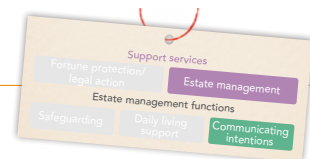
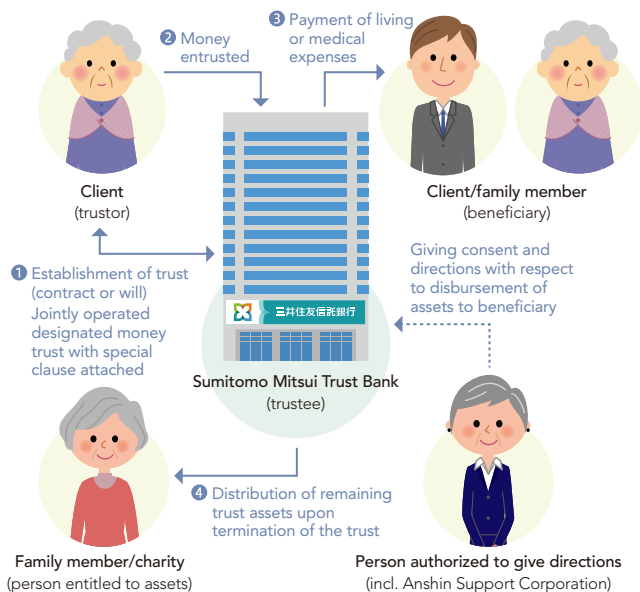
**Key Point** A Trust Product That Facilitates Ongoing Asset Management Based on the Intentions of the Client Even after a Decline in Cognitive Abilities.

The Anshin Support Trust offers clients and their families medium- to long-term customized support for the preservation and management of their precious assets. Through collaboration with the Anshin Support Corporation established by SuMi TRUST Bank, this unique trust bank product eases concerns about assets and loved ones. The details of the trust agreement are designed together with the client after more information about the client's approach to asset formation and management is learned.

As for the fund wrap-type, the client continues to undertake asset management, but management with SuMi TRUST Bank's fund wrap means the assets can be drawn down whenever required and converted to cash in order to pay for living expenses, medical costs, or nursing care. The conditions for cash conversion and payments can be set up in advance under a trust agreement, whilst SuMi TRUST Bank will also make a decision on whether or not payments are to be made in times of emergency, for example.

\*Only some branches offer the Anshin Support Trust product.

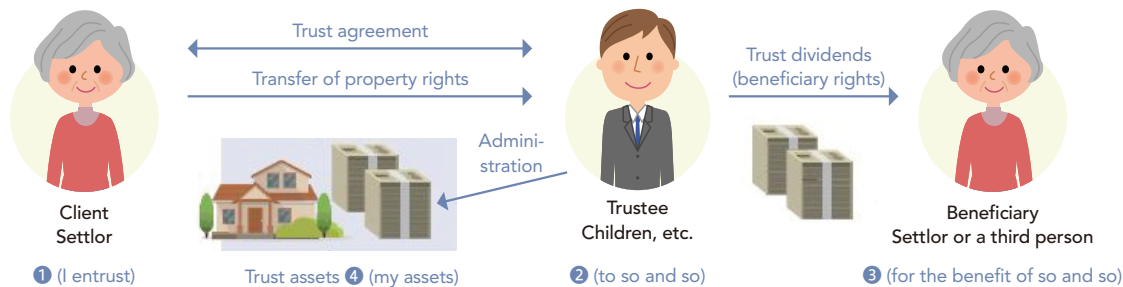
### Structure of Anshin Support Trust



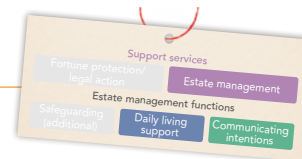
## Civil Trust

**Key Point** An Agreement for a Civil Trust Can Be Freely Designed So That the Client's Intentions Can Be Communicated and Unlike a Normal Trust in Which the Trust Bank Acts as the Trustee, a Family Member or Somebody Else Can Perform This Role. In More and More Cases, Civil Trust Agreements Are Being Supported by Professional Associations.

### Structure of civil trust



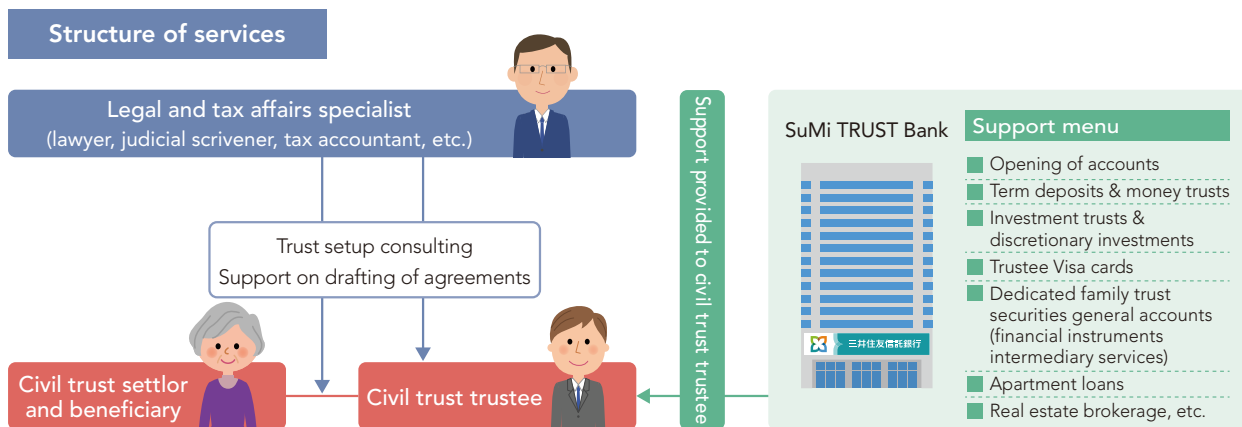
\*Civil trusts require a deposit account (trust account) for the trustee to separately manage the trust assets (funds).



## Civil Trust Support Services

**Key Point** SuMi TRUST Bank Provides Financial Services like Trust Accounts for the Trustees of Civil Trusts. Please Consult with a Specialist in Legal and Tax Affairs When Setting Up a Civil Trust.

SuMi TRUST Bank contributes to the healthy development of civil trusts by working together with legal and taxation experts to offer civil trust consulting and agreement drafting support services and by providing civil trust trustees with deposit accounts (trust accounts) and other financial and trust-related products and services that are indispensable to the proper segregation and management of assets.

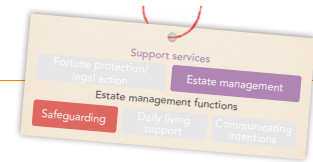


## Civil Trust Consultations and Referrals

In aiming to contribute to the sound development of civil trusts, SuMi TRUST Bank entered into an agreement with the Tokyo Bar Association to refer clients to a lawyer when setting up civil trusts.



Scope of consultation	(1) Setting up a civil trust (2) Second opinion on a civil trust (3) Other matters concerning civil trusts
Availability	Head office and branches in Tokyo
Introduction fee	No charge
Legal consultation fees	Initial consultation: One hour free of charge (special benefit when using this scheme) Subsequent consultations: ¥5,000 per 30 minutes (before tax)
Contracts with lawyers	Contracts with lawyers will attract a fee. The decision to enter into any contract with the appointed lawyer is the sole decision of the client.



## Security Trust

### Key Point Safeguards Precious Assets from Malicious Scams with Two-Tier Account Security.

The concerns of our clients and their children (many of whom live apart) are growing as more crimes targeting the elderly, such as bank-transfer scams, are becoming increasingly sophisticated. Our Security Trust safeguards the assets of our clients from such financial crimes. The product is structured so that funds can only be withdrawn after approval of the previously nominated consenting party (a relative within the third degree of kinship to the client) has been obtained. The trust can also be utilized in conjunction with the regular fixed-amount payment method.

#### Lump-sum payment method

Under this structure, funds held in the trust cannot be withdrawn without the approval of a previously nominated family member. This prevents the client from being drawn into a scam because it provides the client with an opportunity to first discuss any planned withdrawals with family members.

#### Regular fixed-amount payment method

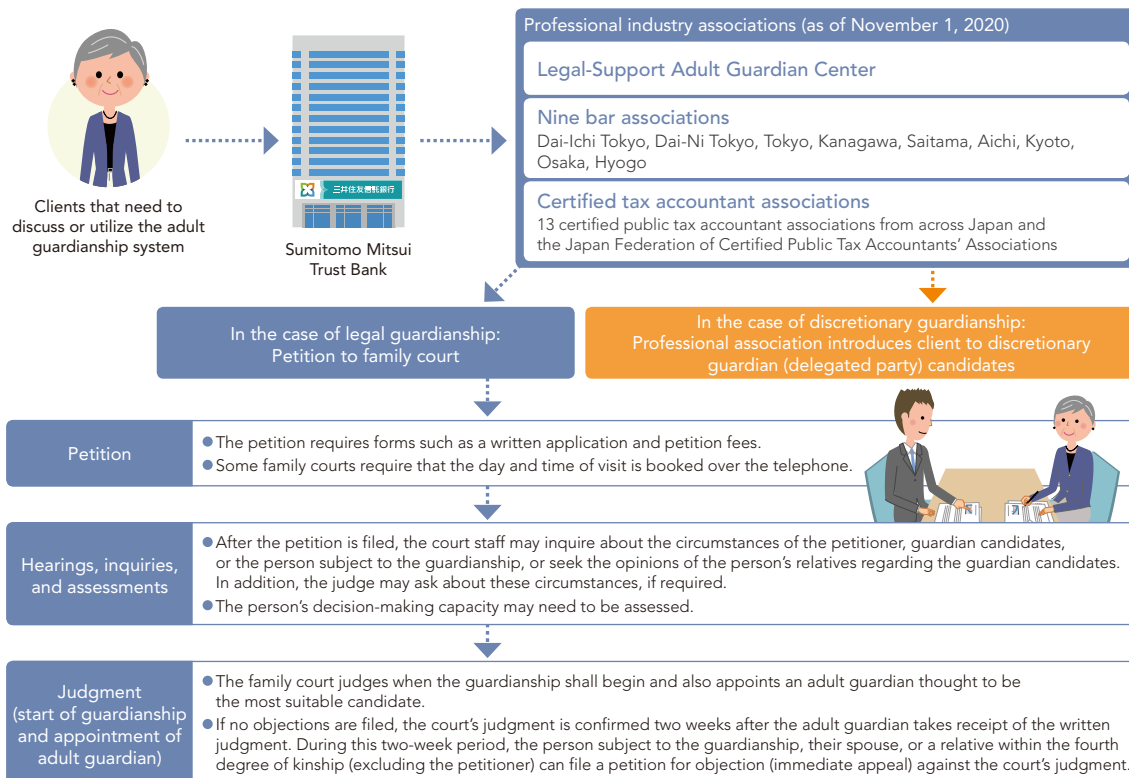
A fixed amount of the funds held in the security trust can be withdrawn periodically to pay for living expenses (up to ¥200,000/month).

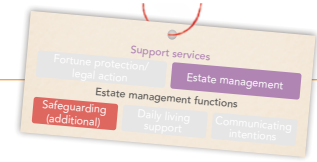


\*No management fees

## Consultations and Inquiries Related to Adult Guardianship System

SuMi TRUST Bank has entered into agreements with various professional industry associations that are active in the area of adult guardianship and refers the consultations and inquiries from clients regarding the adult guardianship system to these professional associations.





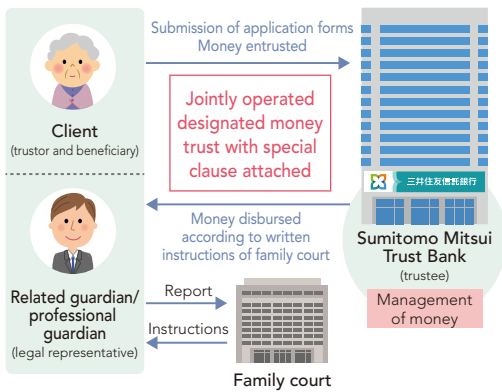
## Guardianship System Support Trust

**Key Point** The Trust Bank Safeguards the Client's Assets Pursuant to Instructions of the Family Court to Prevent Guardian Dishonesty.

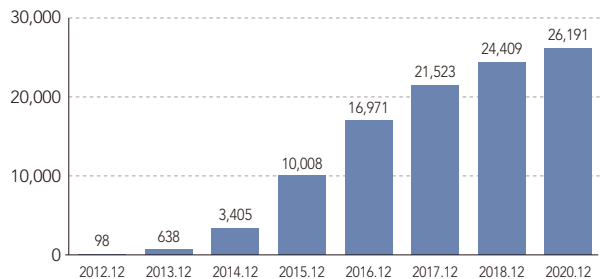
This is structured so that the savings and deposits needed for day-to-day payments for a person receiving assistance under the legal guardianship system are managed by a guardian while money not ordinarily used is entrusted to the trust bank.

When utilizing this trust, written instructions issued by the family court in advance are required in order to withdraw the trust assets or cancel the trust contract. In principle, a professional guardian such as an attorney or judicial scrivener will act on behalf of the client to make decisions regarding the entrustment of assets, including the trust bank to which the assets are entrusted and the amount of trust assets, and conclude a trust contract with the trust bank pursuant to instructions of the family court.

This trust provides appropriate protection from the misuse of the client's assets by an adult guardian.



Cumulative Number of Users of Guardianship System Support Trusts



Source: Jan-Dec 2018 data on use of guardianship system support trusts, Jan-Dec 2019 data on use of guardianship system support trusts, Family Bureau of General Secretariat of Supreme Court of Japan

## Role of Financial Institutions in Regional Partnerships

The Japanese government and prefectural and municipal governments are currently working together to build a network of regional partnerships with the goal of promoting the use of the adult guardianship system and steps are being taken to organize the institutions that will play a core role in this network (core institutions) and associations. As one member of society that can provide infrastructure for

financial and estate management, the SuMi TRUST Group will look to actively collaborate with communities mainly by establishing a basis for cooperation by contacting the core institutions located nearby our branches throughout Japan. We will also further ramp up our initiatives in order to contribute with solutions that harness the power of trusts.

\*In February 2018, we concluded an agreement with the Tokyo Metropolitan Government with the aim of building a community to support senior citizens and the like.

### Role of Regional Partnerships

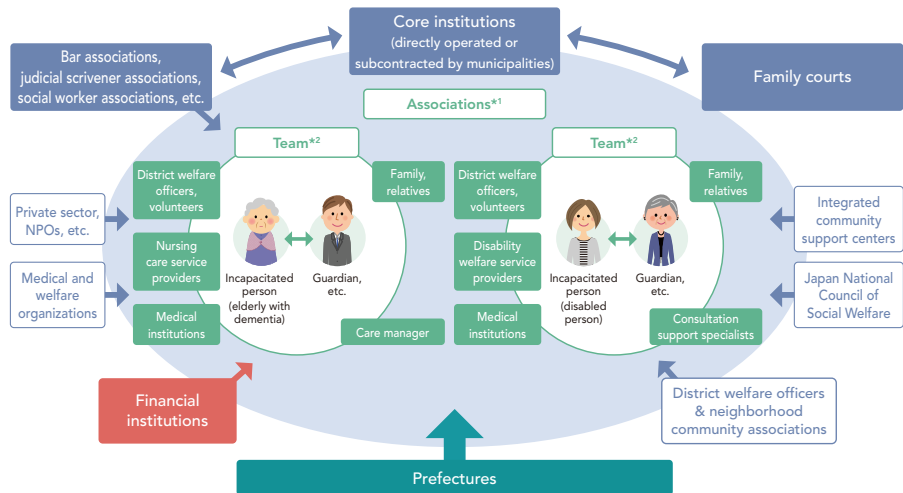
- Find and assist people needed for advocacy support
- Develop a consultation and service structure from an early stage
- Build a support structure to help administrate the adult guardianship system with an emphasis on decision-making support and property protection

### Functions of Regional Partnerships

- Publicity, consultation, promotion of utilization, guardian support, fraud prevention

\*1 Association: Councils comprising professional legal and welfare organizations and judicial, welfare, medical, community and financial institutions that aim to strengthen collaborative frameworks.

\*2 Team: Close family members and people that are part of welfare, medical, or community organizations that work together on a daily basis to continuously look after the incapacitated person and understand their intentions and circumstances.



Source: MHLW's policy dialogue on new developments for the social security system and a Cabinet Office summary of the key points in the basic plan for promoting the use of the adult guardianship system

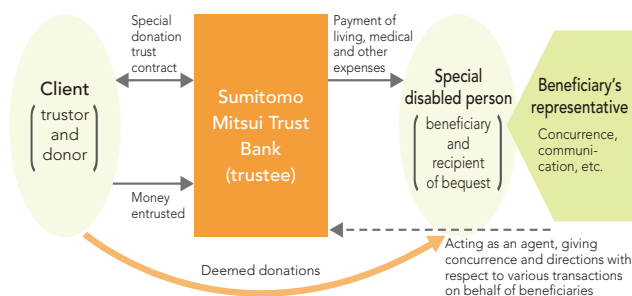
### 3. Helping with Lifestyles of Family and Relatives

#### Special Donation Trust

The special donation trust is a product for the purpose of contributing to stable living into the future for specified persons with disabilities. With this trust, funds donated are managed securely by SuMi TRUST Bank through jointly operated designated money trusts and other instruments, and disbursed to the specified person with disabilities by the bank on behalf of the client.

“Specified persons with disabilities” who become beneficiaries are divided into “special persons with disabilities” and “other specified persons with disabilities” according to the degree of disability. Special persons with disabilities may receive up to 60 million yen tax-free in periodic installments to cover living costs or medical expenses, while other specified persons with disabilities may receive up to 30 million yen without paying tax.

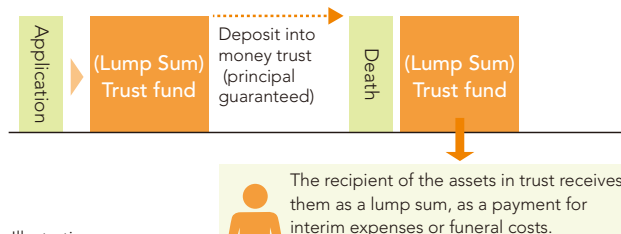
#### Structure of Special Donation Trusts



#### Family Consideration Trust (Lump Sum)

In the event of a bereavement, family members have to deal with various procedures, including arrangements for the funeral and inheritance-related procedures. The Family Consideration Trust (Lump Sum) is a product that, in the event of a client’s death, pays out the deposited assets in trust to a recipient designated in advance by the client from among their legal heirs so as to cover interim expenses and funeral costs.

The recipient of the assets in trust receives them as a lump sum.



Illustration

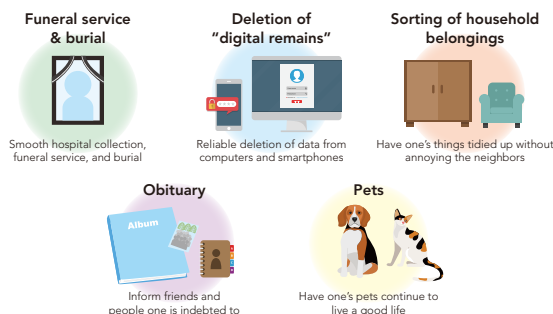
\*Along with the lump-sum Family Consideration Trust shown above, we also offer an annuity-type product from which the assets in trust are paid to a beneficiary on a regular basis.

### 4. Assisting End-of-Life, Asset Inheritance, and Endowments

#### End-of-Life Assistance

#### Trust for Single Old Age <Solitary Trust> <Money Trust-Type & Life Insurance-Type>

**Key Point** Final Letter of Instruction Service to Assist End-of-Life Procedures, including Arrangements for a Funeral Service, the Interment of Ashes, the Cleanup of Belongings, and the Placement of an Obituary Notice.



This service, based on a final letter of instruction that can be updated via smartphone, takes care of certain matters after death for the client according to their wishes. Post-mortem services are provided by Anshin Support Corporation, an entity established by SuMi TRUST Bank, whilst the segregated management of assets is executed through the Anshin Support Trust.

\*With the life insurance-type Funeral Trust, clients can start with less capital by using level-premium insurance to cover after-death expenses.



#### Four Key Points in the Trust for Single Old Age (Solitary Trust)

- (1) The final letter of instruction is stored safely on our system and can be updated at any time.
- (2) An easily managed safety confirmation SMS can be sent out once a month, once a week, or as often as the client wishes.
- (3) After-death expenses and funds for donations are safely held in a principal-guaranteed money trust.
- (4) The Anshin Support Corporation takes care of all matters after death so the client can depart this world in any way they like.



## Helping Still-Living Clients to Give to the Next Generation

### Annual Donation Support Trust

Annual Donation Support Trust is a service that supports the implementation of procedures for lifetime donation to relatives, such as compilation of a donation contract. Each year, SuMi TRUST Bank provides customers with information on documents necessary for the donation, helping them to not miss the opportunity for donation. This service makes it easy to execute lifetime donations. Once each year, SuMi TRUST Bank sends a donation report to both the donor and recipient.

### Tuition Fund Endowment Trust

An exemption from the gift tax has been created for lump-sum donations to cover tuition funds, allowing grandparents to make a tax-free lump-sum donation to grandchildren, etc. aged under 30, to help with tuition fees and other educational costs (up to ¥15 million per grandchild, etc.).

SuMi TRUST Bank pays for the cost of education with this product in accordance with payment requests from grandchildren, etc.

### Wedding and Child-Rearing Support Trust

As a tax incentive, up to 10 million yen can be given as a tax-free lump-sum donation for wedding or child-rearing purposes to a child or grandchild who is at least age 20 up until he or she turns age 50. As disbursements are made from a “money trust” that requires receipts confirming payments for wedding or child-rearing purposes, this product can clearly be the answer for donors who want their gifts to be used for marriage or child-rearing purposes.

### Social Contribution Donation Trust

SuMi TRUST Bank offers products and services meant to support building a prosperous future for the next generation by enabling donation activities that serve the public interest. One such product is the social contribution donation trust, where clients select recipients every year from a list of organizations that SuMi TRUST Bank provides, and we process the donations (see Page 147).

## Helping with Smooth Planning for Inheritances

### Estate Planning

Estate planning is a service that provides support (consulting) aimed at summing up the client’s wishes regarding the succession of their assets and drawing up a specific plan for this. Using the know-how that we have built up over decades in the field of asset management, inheritance, and will-related services, SuMi TRUST Bank offers the following consultation services.

### Will Trusts

This service provides will-making consultation, follow-up consulting (changes, etc.), safekeeping services, and even high-quality will execution services with SuMi TRUST Bank serving as will executor so that the assets of our clients are handed over according to their wishes.

Based on our experience as an executor, we provide will consulting during the will-making process to ensure a high-quality will execution process. In October 2019 we launched a free online will trust service with which clients can prepare their own draft of a will by following the on-screen instructions, and in July 2020 we started accepting applications for will trusts based on holographic wills after the Legal Affairs Bureau started accepting them as a result of amendments to Japan’s Civil Code.

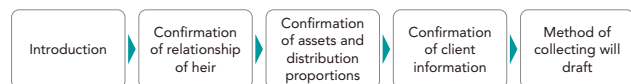


<https://www.smtb.jp/personal/entrustment/succession/webwill/>

### One-Stop Inheritance Service

SuMi TRUST Bank offers a One-Stop Inheritance Service to ensure that complex inheritance procedures proceed smoothly. More specifically, upon application by an heir, we will provide support and carry out the following procedures on their behalf, according to their request.

- Confirmation of the legal heirs
- Investigation and identification of inherited property
- Advice in discussions concerning the division of the estate
- Change of name on savings and securities and/or their conversion into cash (we will carry out the procedures prescribed by each financial institution on the heir’s behalf)
- Change of name on real estate
- Advice concerning allowances to pay tax obligations, such as income tax and inheritance tax



Consultation

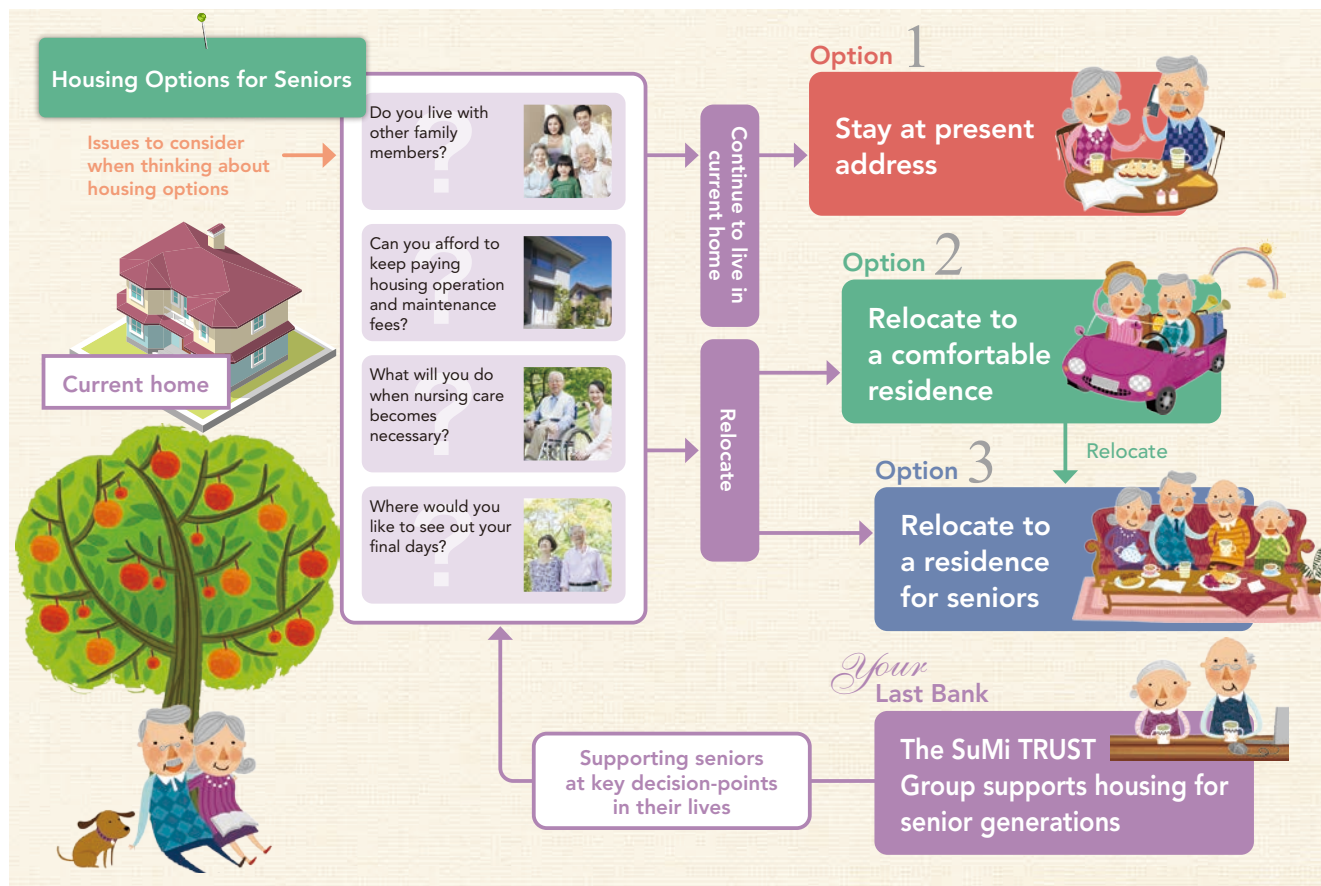
Ask

Welcome to the online will trust service. So that we can start the process of considering a will trust and a Smart Will, this service will prepare a will draft for you and tell you what documents you will need according to the details you enter. Firstly, please provide an overview of the heir and your assets by answering the questions shown on the screen.

## 5. Ensuring Stability in Housing for Senior Generations

Housing holds the key for the elderly to maintain their quality of life and feel safe in their everyday routines. SuMi TRUST Bank provides information about housing that matches the needs of senior generation clients and supports them in securing stable housing using the Group's array of functions. Moreover, in our digest report for seniors (Considering Senior-Generation Housing—V2.0), we go into more detail about the following three options.

Japanese URL: <https://www.smth.jp/csr/report/2018/all5.pdf>



### Our Lineup of Products and Services That Provide Housing Assistance to Seniors

**Renovation Loans**

Sumitomo Mitsui Trust Panasonic Finance offers renovation loans that provide the funds necessary to make such renovations as barrier-free improvements as a way to support elderly clients to live comfortably in their old age.

**Reverse Mortgages**

SuMi TRUST Bank offers reverse mortgage loans whereby the client puts up their home as collateral to borrow funds for retirement. The funds can be used for various purposes, such as home renovations or for the deposit when moving into a nursing home.

**Bridge Loans for Sales of Real Estate**

Sumitomo Mitsui Trust Loan & Finance offers bridge loans for real estate sales to clients who are considering a move to a conveniently located condominium or a residence for seniors so they do not have to rush to sell their precious property, providing them with support as they seek a new home that suits their lifestyle in their golden years.

**Housing Assistance Loans for Seniors**

SuMi TRUST Bank offers clients aged 60 years or older a housing assistance loan that can be used to purchase a home. This product helps clients reconsider their living arrangements in order to prolong their healthy life expectancy. For example, by renovating their current dwelling to make it barrier free, or moving to a more user-friendly house that is also closer to their children.

**Services Relating to Real Estate**

Sumitomo Mitsui Trust Realty provides brokerage services that ensure secure, reliable property purchases and sales to clients looking to relocate, leveraging the consulting capabilities and broad-based information network of our Group. We assist with sales and effective use of assets such as residential property, inherited property, idle property, and real estate owned for business or investment purposes.

- Total vacant home support
- Housing equipment repair support
- Building inspection services

**Consultations on Taxes and Estate Planning Relating to Housing**

Each SuMi TRUST Bank branch has been assigned experienced financial consultants with expertise in real estate, taxes, and inheritance and succession that can provide consultations relating to various housing options.

Website URL:  
<http://www.smtb.jp/csr/withyou/successfulaging/>

## 6. Initiatives to Increase Housing for Seniors

The senior cohort in Japan's population is increasing rapidly, with seniors over the age of 65 now accounting for over one-fourth of the total populace. The senior cohort will continue to increase over time, and within this trend, the segment of seniors living to very advanced ages is projected to climb rapidly. In particular, this trend is expected to become more conspicuous in major urban centers.

Attendant with this trend, the number of seniors who require nursing care is growing along with the deterioration of their mental and physical well-being, thus leading to further shortage of high-quality nursing care facilities, which are already undersupplied.

In contrast, there has been a gradual increase in seniors that seek the option of relocating to safe, secure housing for seniors while they are healthy enough to do with little difficulty.

SuMi TRUST Bank strives to amass know-how on market trends and business feasibility relating to nursing care facilities and housing for seniors. Leveraging that knowledge base, we support a variety of formats that advance the supply of facilities and housing for seniors in ways that respond to the aforementioned needs of seniors.

### (1) Accumulated Know-How

SuMi TRUST Bank uses the tools listed below that it has prepared within its organization.

It also actively exchanges information with the many companies involved in nursing care facilities and homes for seniors such as facility operators, construction firms, and real estate companies.

Through these efforts, we work to amass specialist know-how about the market trends and business feasibility relating to this business domain.

#### Database on Regional Information

- This database collects from each local authority demographic data such as population and households in its respective region.

#### Database on Senior Housing

- This database collects data on nursing care facilities and housing for seniors across Japan as well as specific information about sales and operating entities.

#### Market Analysis Tools

- We apply market analysis tools to the aforementioned information. This enables us to ascertain demand trends at specified locations.

#### Operating Income and Expenditure Program

- Using the program, we estimate the operating income and expenditures for each business type relating to nursing care facilities and housing for seniors.

### (2) Support for Nursing Care Facilities and Housing for Seniors

#### Effective Use of Land

We collaborate with facility operators and construction firms

as one kind of proposal we offer to individual and corporate clients that are investigating land-use options, and we propose plans for funding and offer various advice on the construction of properties such as paid nursing care facilities for seniors, housing for seniors with care services, and group homes for seniors with dementia.

We also provide specialist proposals for using subsidies and improving facilities on land that is in a designated "productive greening" zone.

#### Executing Business Feasibility Loans

SuMi TRUST Bank is promoting business feasibility loans (apartment loans) relating to the construction of housing for seniors and nursing care facilities. It has executed 36 such loans through November 2020, and the number of inquiries regarding such loans has continued to trend upwards in the past few years.

Together with the aforementioned proposal for effective use of land, we will proceed with the initiatives for executing business feasibility loans.

#### Finance for Healthcare REITs

SuMi TRUST Bank actively provides finance to healthcare REITs, which are a source of stable, long-term funding for healthcare facilities such as residences for the elderly and medical malls. Healthcare REITs raise funding for use in healthcare facility acquisition fees and related expenses. We have made three loans to healthcare REITs with the number of facilities linked to these loans coming to 114 as of November 2020.

#### Securitization Business for Healthcare Facilities

SuMi TRUST Bank is actively engaging in the securitization business relating to healthcare REITs and privately placed funds. As of November 2020, total healthcare REIT assets held in trust at SuMi TRUST Bank came to 240.0 billion yen, with the number of facilities standing at 110. In the securitization business related to REITs and privately placed funds, SuMi TRUST Bank uses the scheme of a real estate administration and disposal trust. This scheme refers to transfer of real estate ownership from the trustor (real estate owner) to the trustee (trust bank) followed by administration, management and disposal of the real estate by the trustee based on directions given by the beneficiary and the distribution of profits thus generated (mainly rent revenue minus expenses) as dividends to the beneficiary.

Moreover, in addition to engaging in the real estate securitization business, SuMi TRUST Bank is also REIT-related asset custodian and general administrative work agent. Healthcare & Medical Investment Corporation (SuMi TRUST Bank entrustment), established in December 2014, provides various support services in cooperation with customers.

## 7. Improving Gerontology Literacy

Gerontology examines the various issues that occur as people age and is a field of study characterized by interdisciplinary viewpoints aimed at investigating ways to help people lead better lives. At SuMi TRUST Bank, we are focused on studying gerontology together with our clients and aim to realize the concept of productive aging whereby seniors stay in control of their own lives right to the very end and remain an integral part of society despite their old age. At SuMi TRUST Bank since 2014 it has been mandatory for all branch managers to sit and pass a gerontology test, an accreditation that is put to good use when providing services to, and consulting with, elderly clients. From February 2020 employees holding a position of responsibility (section managers, team leaders, and above) in the head office and branches & departments of the Retail Total Solution Services Business will also be required to pass this test. We plan to have these managers and leaders utilize the knowledge gained when providing guidance and training to their subordinates.

Furthermore, we have also lent our support to the creation of questions in the Bank Gerontologist certification exam jointly launched in January 2021 by the Decision-Making Support

Organization Japan and the Kinzai Institute for Financial Affairs.

### Partnership with ILC-Japan

SuMi TRUST Holdings is a member of ILC-Japan, the Japanese branch of the International Longevity Center, a global alliance of organizations focused on gerontology. And since fiscal 2017 we have also chaired a research group hosted by ILC-Japan that studies lifestyles in societies characterized by longevity. In fiscal 2019 we invited external experts to come and discuss what kind of role companies should be fulfilling in regions where populations are rapidly aging.

### Silver College Seminars

Since 2012, SuMi TRUST Bank has hosted Silver College seminars at its branches across Japan in order to provide easy-to-understand information about gerontology to the senior generation and our clients that currently assist them. Topics covered have included money, health, dementia, and housing, while the lectures given by our group of first-rate instructors have been favorably received on every occasion (see page 160).

### COLUMN

#### Opening of Consulting Plaza for Peaceful 100-Year Life

Sumitomo Mitsui Trust Life Partners, the insurance sales arm of SuMi TRUST Bank, opened a new Consulting Plaza for Peaceful 100-Year Life office in Shinjuku in September 2019. The company plans to open up a new face-to-face consulting channel primarily focusing on clients that are currently part of the working generation by blending SuMi TRUST Bank's specialist products, services, and consulting capabilities with its own insurance consulting know-how. The Group will look to utilize this consulting channel to promote the kind of insurance business model only a trust bank can deliver—one that offers comprehensive proposals while taking into account taxation, social security, and pension systems. In this way, we aim to be the financial institution chosen by our clients as their “best partner” for a long and fulfilling life.

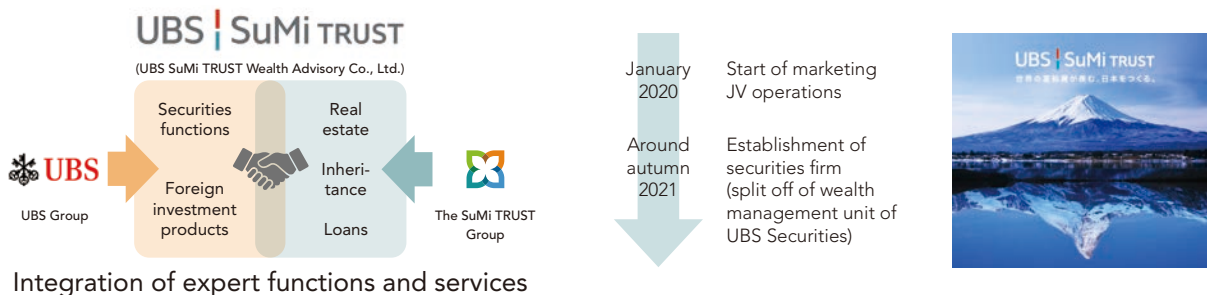


Please visit our website for more information.  
<https://www.smtb.jp/corporate/release/pdf/190823.pdf>

### COLUMN

#### Tie-Up with UBS and Establishment of UBS SuMi TRUST Wealth Advisory

Having combined the traditional global wealth management know-how of Switzerland's UBS Group—one of the world's leading integrated financial services group—with the trust and expertise of dedicated trust bank SuMi TRUST Bank, the operations of UBS SuMi TRUST Wealth Advisory Co., Ltd. kicked off in January 2020. The first stage of this joint venture will seek to deliver comprehensive solutions that protect and grow the valuable assets of clients.







# Prosperity

—Economic Considerations

126

Companies perform better when their employees are well-trained, diverse and financially secure. The inclusion of prosperity as the fourth pillar takes this project's work beyond simply "ESG," highlighting the importance of prosperous societies and the role of businesses in fueling economic growth, innovation, and shared wealth.

From the World Economic Forum White Paper "Measuring Stakeholder Capitalism"

- 127 The Group's Approach to Prosperity (Economic Considerations)
- 128 Creation of Employment and Wealth
- 129 Providing Value to Clients
- 141 Helping Invigorate Communities and Society
- 177 Trust Forum Foundation
- 178 The Sumitomo Foundation



# The Group's Approach to Prosperity (Economic Considerations)

In the World Economic Forum's white paper Measuring Stakeholder Capitalism—Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, which this report references, the following definition of "prosperity" is quoted from the UN Secretary-General's Synthesis Report.

Definition of "Prosperity"	
	<ul style="list-style-type: none"> <li>• Economic growth, built upon decent employment, sustainable livelihoods, rising real incomes, social protection, and access to financial services for all people</li> <li>• Innovation and transforming business models to create shared value, including investments in sustainable and resilient infrastructure, settlements, industrialization, SMEs, energy, and technology</li> <li>• Shared prosperity and equitable growth, based on sustainable production and consumption</li> </ul>

In other words, the idea of prosperity is not about how prosperous a company has become—it is a measure of how prosperous a company has made society. Accordingly, and needless to say, this would include a company's contributions in its client-oriented businesses, as well as its employment program, tax payments, community investments, participation in social activities, and initiatives such as financial inclusion. More specifically, and based on this thinking, in this section of the report we provide information about the SuMi TRUST Group's initiatives in line with the following three themes.

Creation of employment and wealth	We create significant economic value for employees, shareholders, and wider society through job creation and investing in the productive capacity of the economy.
Providing value to clients	We more broadly create economic value and social value for clients and society by providing suitable and innovative products and services to meet our clients' changing needs and desires.
Helping invigorate communities and society	We endeavor to invigorate the societies and communities in which we operate, through investment in communities, promotion of, and participation in social activities, and indirectly through taxes paid to help finance government services for those communities. Also, we contribute to the enhancement of buying power in the community through equitable and inclusive economic development.

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Pursuing sustainability-themed business opportunities	Opportunity	Clients, communities	Maximizing positive impacts through core businesses Individual clients: Asset formation for the people Corporate clients: Contributing to sustainable growth of the Japanese economy and corporations/regional revitalization Investors: Contributing to investment chains that give rise to virtuous cycles between individuals and corporate entities
Financial inclusion	Opportunity	Clients, governments, communities	Providing products and services to the financially vulnerable, guaranteeing access to finances for clients with dementia and other problems, and developing frameworks for returning assets to society and circulating money for the purpose of eliminating disparities
Technological innovation	Risk/Opportunity	Clients, employees	Improving user friendliness for clients (development of IT-driven financial services, expanding non-face-to-face channels, etc.), using IT to make operations more efficient, preventing system issues, and promoting system upgrades

### Management Foundation Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Policies
Client-orientated approach/fiduciary duty	Risk/Opportunity	Clients	Initiatives aimed at being our clients' "best partner" and initiatives concerning fiduciary duty
Protection of personal information and client data	Risk	Clients	Client protection management (including client information protection)
Stability of financial system	Risk	Governments, international organizations	Ensuring ample shareholders' equity, qualitatively and quantitatively, and strengthening our sound financial base

## Highly Relevant SDGs



# Creation of Employment and Wealth

Companies are capable of creating significant economic value for employees, shareholders, and wider society through job creation and investing in the productive capacity of the economy. Job creation, employee retention, and investing in society are key to overcoming risk, like the economic crisis triggered by the COVID-19 pandemic, for example. These investments contribute to better living standards and wealth creation over the long term. As a result, strong economic prosperity drives a more educated workforce and higher workforce productivity, as well as greater buying power for the company's customer base, which then triggers a chain reaction of economic value creation through renewed economic growth. From this point of view, the World Economic Forum has identified absolute number and rate of employment, economic contribution, and financial investment contribution as the common metrics for measuring employment and wealth creation.

## 1) Absolute Number and Rate of Employment

Employment and job creation are key drivers of economic growth, dignity and, prosperity and provide a basic indication of a company's capacity to attract diverse talent, which is key to innovate new products and services.

One of our top commitments is to offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions. Specifically, we are working to (1) achieve diverse work styles and work-life balance, (2) support health improvement through measures such as boosting health awareness and appropriately managing work hours, and (3) provide opportunities for all employees to grow while participating actively with motivation. We believe we have been able to maintain a low turnover rate as a result of these initiatives.

### ■ Total Number and Rate of New Employee Hires

FY2018: 402 / 2.94%

FY2019: 396 / 2.94%

### ■ Total Number and Rate of Employee Turnover

FY2018: 301 / 2.23%

FY2019: 285 / 2.10%

## 2) Economic Contribution

Economic contribution provides a basic indication of how a company has created wealth for stakeholders. This is represented as direct economic value generated and distributed (EVG&D), which covers the basic components of the organization's global operations.

(¥100mn)

Components measured	Category	FY2018	FY2019
Revenues	Total gross business profit	6,786	6,908
Operating costs	General and administrative expenses	4,279	4,309
Employee wages and benefits	Labor costs	1,899	1,902
Payments to providers of capital	Total dividends + total amount of share repurchases	584	740
Payments to government*	Payable taxes	606	756
Community investment	Donations, project implementation costs, etc.	1.5	2.4
Financial assistance received from the government*	Tax breaks, subsidies, investment grants, etc.	0.1	0

\*"Contribution to government" is calculated as "payments to government" less "financial assistance received from the government."

## 3) Financial Investment Contribution

Financial investment is a key driver of an economy's growth and a company's capacity to expand its operations and create additional employment.

### ■ Total Capital Expenditures Minus Depreciation

FY2018: ¥5.8bn (¥42.4bn – ¥36.6bn)

FY2019: ¥13.1bn (¥48.3bn – ¥35.2bn)

### ■ Share Buybacks Plus Dividends

FY2018: ¥58.4bn

FY2019: ¥74.0bn

## 4) Infrastructure Investments and Services Supported

As a financial institution, one role of the SuMi TRUST Group is to support the building of a sustainable and prosperous society as a facilitator of investments and loans. With regard to project finance for infrastructure indispensable to people's livelihoods, such as energy, water, and transport, we have signed on to the Equator Principles and the Poseidon Principles and we take into full account the impacts infrastructure projects have on the natural environment and communities when we extend investments and loans. In addition, we are working to realize a carbon-free society together with clients by providing new products and services.

Also, to assist regional economies grappling with an aging society, a shift in the working population to urban centers, and the overseas relocation of production sites, we are working together with regional financial institutions to gain an understanding of regional resources and issues so that we can better promote lending and primary business support (ESG regional finance) based on a medium- to long-term view of the ESG risks and opportunities linked to these regions and the companies based there.

## 5) Significant Indirect Economic Impacts

In terms of climate change issues, we believe we must assume even greater responsibility as a financial institution because the investments and loans we extend to clients have a direct impact of financing on their economic activities, whilst indirect impacts also arise from investee companies and their projects. In 2018 we established a policy on coal-fired power generation and clarified our stance on not engaging in project finance for any new coal-fired power generation projects. Meanwhile, we have continued to extend project finance to many more renewable energy projects with the broader goal of transitioning to a low-carbon society. We aim to support the creation of new business models by our clients so that we can work towards the establishment of a society with net-zero carbon emissions.

# Providing Value to Clients

## Innovative Products and Services

### Product Development Capabilities Supporting Total Solutions

In order to leverage the flexibility and expertise of its various financial and trust functions as a financial group specialized in trust banking, and put together an extensive lineup of unique and sophisticated products and services that are essential to providing total solutions, the SuMi TRUST Group focuses on promoting Group-wide initiatives that combine the expertise of each business and Group company, rather than simply using their strengths and know-how. In this manner, the SuMi TRUST Group is creating a product development system that carries out medium-term, ongoing research activities on themes that would be difficult to categorize within the domains of individual businesses or Group companies.

Specifically, SuMi TRUST Bank has established a product development department in each business, as well as the Business Research and Development Department, and a product development off-site meeting as its product development organization. The product development departments in each business analyze the client needs that have been collected in the course of business, and engage in improvement and development, mainly of products for immediate application, including reviews of existing products and design of new products. In addition, the Business Research and Development Department, which was established as a ded-

icated unit primarily for the development of trust products, serves as the engine that drives product development and provides development support for each business, while carrying out planning, development, and promotion of medium- to long-term development projects across businesses. Furthermore, the product development offsite meeting has been established as a forum for discussion among executive officers and general managers, where regular exchanges of opinion are held regarding product development, not only at a practical working level, but also based on management strategy from a medium- to long-term viewpoint.

The SuMi TRUST Group also focuses its efforts on nurturing human resources who are capable of flexible thinking that sustains product development. At SuMi TRUST Bank, product development experience is included in the new employee training curriculum, and human resource development seminars on product development are held twice each year for product development personnel with little experience. At these seminars, groups engage in exhaustive discussions on the topic of new products to satisfy target client needs that are assigned in advance, with the goal of enabling participants to acquire an understanding of breakthrough points and problem-solving methods in product development.

### Sustainability-Related Product Development

We are currently beefing up our businesses that seek to solve social issues. Accordingly, the development of sustainability-themed products is gaining increased momentum in each of our businesses and we hope to strengthen this approach going forward. At the same time, the joint development of innovative sustainability products with stakeholders in Japan and overseas is being spearheaded by mainly the Sustainability Management Department.

This department is at the heart of executing our sustainability governance—for example, the construction of the Group’s value creation process and the promotion of materiality management—but considering its experience in this field, it started offering ESG and integrated report consulting services in 2017. The department’s lineup of services was further expanded thereafter and by 2020 it

had grown to also encompass sustainability management consulting. Also, in March 2019, in collaboration with the United Nations Environment Programme Finance Initiative (UNEP FI), the department developed the world’s first positive impact finance agreement with a business operator whereby the use of loaned funds is unspecified. There is a strong likelihood that impact analysis will become a key concept in sustainable finance in the future and the department will therefore assume an R&D role for related businesses. Further, some technology-based finance initiatives kicked off within the Sustainability Management Department in 2020. Technology is indispensable to the transition to a sustainable society and engineers in specialist fields will extend their support to client companies so their cutting-edge technology can be deployed throughout society.

Development of Products and Services (Main Initiatives) by the Sustainability Management Department (current name)



## Client-Oriented Initiatives

In recent years, financial institutions have been urged to be even more client-oriented. In the SuMi TRUST Group too, as a financial institution underpinned by our fiduciary spirit, we consider our client-oriented approach and fiduciary duties to be the most important items of materiality. Here we provide some information about the client-oriented initiatives and client protection management practices we undertake with the aim of being our clients' "Best Partner."

### 1. Providing Value to Clients

In these extremely turbulent times, the asset formation, management, reexamination, and succession needs of both individual and corporate clients are growing increasingly complex, while the need for trustworthy financial institutions is also growing stronger. The SuMi TRUST Group aims to be the "Best Partner" for providing maximum value to both individual and corporate clients by accurately ascertaining their needs and offering total solutions in the form of various highly specialized products and services best suited to solving client issues. To this end, we not only endeavor to be completely client-oriented, but we have also established a sophisticated conflict of interest man-

agement framework so as to effectively utilize our comprehensive capabilities derived from the amalgamation of various trust and banking functions as Japan's only independent financial group specialized in trust banking.

With the aim of further evolving client-oriented practices and client satisfaction as a source of differentiation, in April 2020 we merged the organization tasked with client-oriented business operations (fiduciary duties) with the organization responsible for enhancing client satisfaction. Going forward, we will strengthen initiatives geared towards improving our ability to manage the quality of operations.

#### Group Initiatives in Recent Times

2016	September	Development of Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group
	October	Establishment of Fiduciary Duties Planning and Promotion Department (also established at SuMi TRUST Bank)
		Establishment of Fiduciary Duties Discussion Panel
2017	January	Development of Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations at SuMi TRUST Bank
	April	Establishment of Conflicts of Interest Management Enhancement Committee (executive side and at SuMi TRUST Bank)
	May	Amendments to Management Policy Concerning Conflicts of Interest (enhancement of conflict of interest management framework)
	June	Amendments to Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group in light of the FSA's March 2017 publication of Principles for Customer-Oriented Business Conduct
		Announcement of KPIs for Initiatives Aimed at Becoming our Clients' "Best Partner"
July	Establishment of Conflicts of Interest Committee as an advisory body to the Board of Directors	
2018	September	Announcement of Shared KPIs on Investment Trusts and Initiatives of Sumitomo Mitsui Trust Bank
2019	June	Announcement of Voluntary Declaration of Consumer-Orientation
2020	April	Addition of CS promotion function to Fiduciary Duties Planning and Promotion Department and establishment of Fiduciary Duties and Customer Satisfaction Planning and Promotion Department (FD & CS Planning and Promotion Department) (the FD & CS Planning and Promotion Department at SuMi TRUST Bank was established through a merger of the Fiduciary Duties Planning and Promotion Department and the Customer Satisfaction Promotion Department)
	September	Announcement of results of initiatives based on Voluntary Declaration of Consumer-Orientation

## 2. Implementing a Client-Oriented Approach

So that we can provide our clients with the products and services best suited to meet their genuine interests as their “Best Partner” and in order to carry out and instill fiduciary duties across all our business operations, in September 2016 we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (“Policies”) and since then we have continued to further strengthen our initiatives by revising them whenever necessary. The SuMi TRUST Group has put in place an extensive organizational structure from the management level

to the working level, and strives constantly to enhance its initiatives in this area (please see page 136 for enhancement of the conflict of interest management framework).

In order to clearly communicate to our clients the results of these initiatives, we periodically publish a report entitled KPIs for Initiatives Aimed at Becoming Our Clients’ “Best Partner” (see page 133). These KPIs include those commonly used by financial institutions regarding investment trust sales.

### Promoting/Supervising Structure of the Group

SuMi TRUST Holdings	Organization		Initiatives
SuMi TRUST Bank	Board of Directors	Conflicts of Interest Committee	<ul style="list-style-type: none"> <li>Supervise Conflict of Interest management for the group, monitor FD* progress</li> </ul>
	Executive Committee	Conflict of Interest Management Enhancement Committee	<ul style="list-style-type: none"> <li>Discuss important cases</li> <li>Guide improvement to relevant departments</li> </ul>
	Department in charge	Fiduciary Duties Planning and Promotion Dept.	<ul style="list-style-type: none"> <li>Promote FD* within organization</li> </ul>
		Compliance Dept.	<ul style="list-style-type: none"> <li>Enhance Conflict of Interest management</li> </ul>
Group Companies	Group-wide	Fiduciary Duties Discussion Panel	<ul style="list-style-type: none"> <li>Consult with external experts, Implement within company</li> </ul>

\*FD: Fiduciary duties

### Establishment of Specialist Organization

In order to raise awareness about, and implement, the Group’s fiduciary duties, we established the FD & CS Planning and Promotion Department as a specialist organization. It not only provides advice, guidance, and training to Group companies, but also collects information and engages in planning and development con-

cerning the improvement of conflict of interest management. This department regularly compiles reports for the Board of Directors based on its monitoring of specific initiatives implemented at each Group company in line with the Policies.

### Establishment of Group Company Action Plans

The Group companies subject to the application of the Policies examine and implement initiatives according to the nature of their business operations.

Of the Group companies, SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, and Sumitomo Mitsui Trust Life Partners are engaged in the asset management, product development, sales, and asset administration businesses that form the core of fiduciary duties. These Group companies have adopted the Principles for Customer-Oriented Business Conduct

and have established and made public specific initiatives relating to fiduciary duties (“action plans”). Progress updates are reported regularly to their respective Board of Directors, whilst the action plans are revised whenever necessary. Reviews of actions plans and a summary of the KPIs are also made public on a regular basis. Furthermore, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management, as asset managers, make their respective KPIs publicly available.



**Fiduciary Duties Discussion Panel**

In order to further enhance the initiatives at Group companies engaged in the business of asset management, product development, sales, and asset administration, we have established a Fiduciary Duties Discussion Panel together with Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, Sumitomo Mitsui Trust Life Partners, and the Mutual Fund & Insurance Research Institute.

The Discussion Panel comprises directors and executive officers, as well as general managers responsible

for promoting fiduciary duties at each of the aforementioned Group companies, with the FD & CS Planning and Promotion Department serving as secretariat. Each company reports on the matters listed below, shares successful case examples, and discusses how to ensure practices that reflect fiduciary duties take root at each Group company.

- Improvements in expertise
- Appropriate collaboration on product development and sales at each company
- Enhancement of risk management

**Policies Regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group**

**Group Companies That Undertake Initiatives Based on the Policies**

SuMi TRUST Bank	Sumitomo Mitsui Trust Asset Management	Nikko Asset Management	Sumitomo Mitsui Trust Life Partners		
Adoption of Principles for Customer-Oriented Business Conduct as a business operator engaged in asset management, product development, sales, and asset administration					
Observance of action principles and implementation of initiatives based on the Policies according to the nature of their business operations					
Mutual Fund & Insurance Research Institute	Sumitomo Mitsui Trust Wealth Partners	Sumitomo Mitsui Trust Realty	Sumitomo Mitsui Trust Real Estate Investment Management	Sumitomo Mitsui Trust Research Institute	Sumitomo Mitsui Trust Investment
Observance of action principles and implementation of initiatives based on the Policies according to the nature of their business operations					

**Principles of Action Policies on Fiduciary Duties**

**(1) Implementation of a client-oriented consulting practice**

In order to provide products and services suited to the true benefit of our clients, we will strive, through high-quality consulting, to gain a shared understanding of the asset and liability position of our clients, which will change with their lifecycle, and their corresponding needs.

**(2) Easily understandable provision of information**

To assist in our clients' investment decisions, we will strive to provide explanations about product characteristics, risks, and fees, etc. in a manner understandable by clients, based on the complexity of the products and services, and the importance of the information to be provided, and to take proper action that fits with our clients' understanding.

**(3) Development and provision of products and services that meet the diverse needs of our clients**

In order to meet the diverse needs of our clients, we will make available a broad-range of high-quality products and services that accord with the needs of our clients, based on the various voices and opinions of our clients and through activities such as cooperation and joint-development of products and services with a broad-range of asset management companies and insurance companies, etc.

**(4) Enhancement of our client-oriented focus and expertise**

**(i) Establishment of a corporate culture with the aim of becoming our clients' "Best Partner"**

Through measures such as training and discussion at each Group company, we will aim for thorough penetration of decisions and practices that are based on these Policies. Further, we will give thorough effect to our fiduciary duties by developing frameworks for performance evaluation and targets that value initiatives that contribute toward the implementation and penetration of client-oriented actions, and every one of our officers and employees will proceed with the establishment of a corporate culture with the aim of becoming our clients' "Best Partner."

**(ii) Improvements to expertise in the area of support for client-oriented consulting, etc.**

Through measures such as training of officers and employees and support for the acquisition of specialist qualifications, we will increase knowledge and specialist skills regarding market conditions, products and services.

**(5) Provision of financial services that leverage the diverse functions of the trust bank group**

As a trust bank group, while remaining thoroughly attentive to conflict of interest management, we will fully mobilize our diverse and flexible functions, such as the banking business, asset management and administration business, real estate business, etc., and quickly and accurately provide optimal and total solutions for our clients, whether they are individuals or corporate entities.

**(6) Client comfort and satisfaction, and contribution to the economy and society**

**(i) Provision of new products and services that are responsive to economic and social changes**

As well as providing products and services that bring comfort and satisfaction to our clients, we will contribute to the economy and society by utilizing our investment functions, etc., and through the creation of new products and services that respond to structural changes to the economy and society.

**(ii) Proactive initiatives for financial education and investment education**

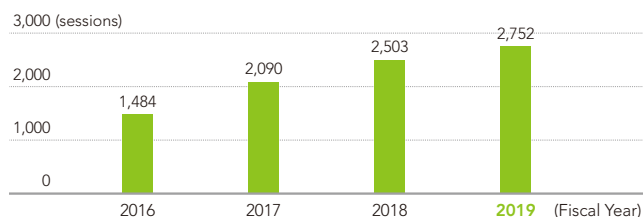
To enable clients to proactively and rationally select financial products, and engage in sound asset formation, we will pursue activities in connection with improvement of financial education and literacy, etc., including life planning, by utilizing our know-how regarding investment education, etc. cultivated by experience with the defined contribution pension business, etc., and through our regular consulting activities and seminars, etc.

### 3. KPIs Concerning Initiatives Aimed at Becoming Our Clients' "Best Partner"

The SuMi TRUST Group regularly makes public indicators that allow confirmation of the status of initiatives aimed at becoming our clients' "Best Partner." These indicators are revised periodically as we promote and enhance these activities.

#### Initiatives for Improving Clients' Financial and Economic Education and Literacy

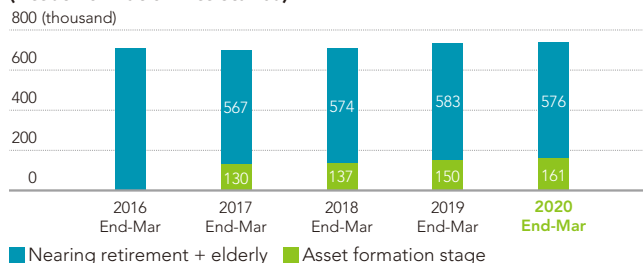
##### Total Number of Seminars



\*Number of various seminars held by SuMi TRUST Bank for individual clients.  
 Various seminars on asset management, inheritance measures, and other topics are offered to clients as a way of communicating useful and specialized information in an easy-to-understand way.

#### Asset Formation Assistance for Clients

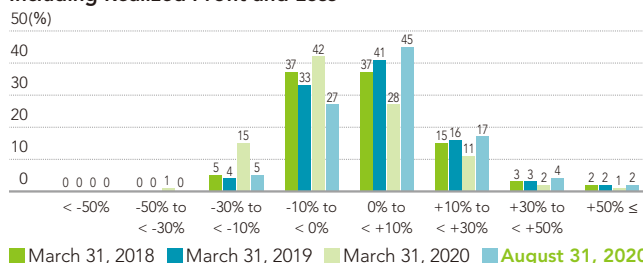
##### Number of Clients Holding Managed Financial Products (Asset Formation Assistance)



\*Number of SuMi TRUST Bank clients that hold a managed financial product.  
 Managed financial products: investment trust, discretionary investment management product, life insurance, foreign currency deposits  
 Owing to the provision of various managed financial products and trust-related products, transactions are expanding with clients in the asset formation stage of life and clients nearing retirement or older.

#### Improving Investment Returns for Clients

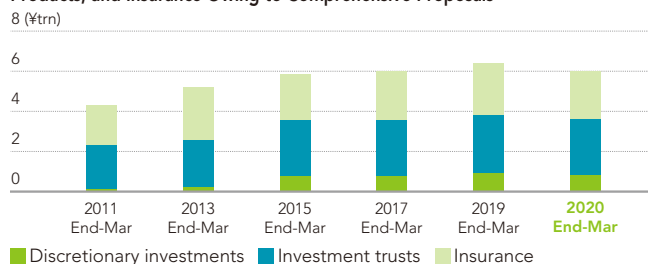
##### Spread of Clients with Investment Trust Gains/losses, Including Realized Profit and Loss



While investment gains/losses fluctuate depending on market trends and other factors, we make every effort to improve returns and realized profits/losses for clients. To this end, when SuMi TRUST Bank proposes investment products to clients, it emphasizes the importance of carefully following up on their intentions in light of major life events and changes in the market environment. In this way, it strives to maintain an ongoing dialogue with clients. The spread of clients with investment gains/losses as of the end of March 2020 decreased in response to the impact of share price declines as a result of the markets being roiled by the COVID-19 pandemic. However, the markets have recovered and investment performance has improved since then with the weighting of clients with investment returns in positive territory as of the end of August increasing to 68% in investment trusts.

#### Offering a Broad Range of Products and Services to Meet Various Client Needs

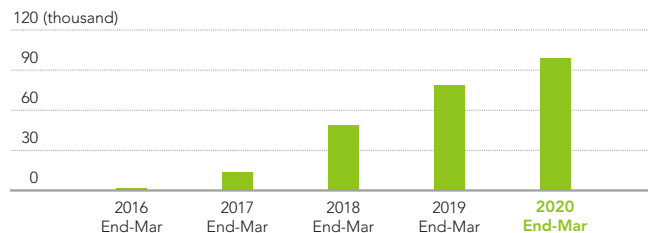
##### Growth in Balance of Investment Trusts, Discretionary Investment Management Products, and Insurance Owing to Comprehensive Proposals



SuMi TRUST Bank has investment trusts, discretionary investment management products, insurance products, and a broad-ranging lineup of high-quality products and services to meet the diverse needs of clients.

#### Client-Oriented Proposals Suited to Client Needs

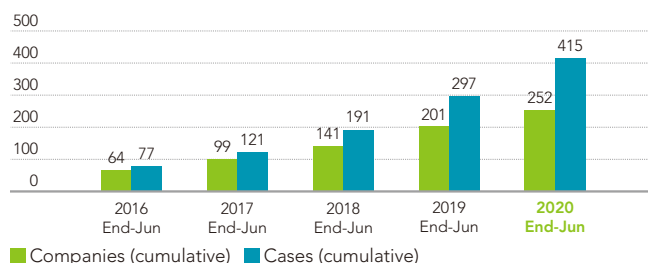
##### Number of Clients Holding an Installment Investment Contract



\*Number of SuMi TRUST Bank clients that have entered into an installment investment contract (investment trust automatic purchasing plan).  
 To address the long-term asset formation needs of clients, SuMi TRUST Bank offers installment investment contracts (investment trust automatic purchasing plan) as a method for contributing to long-term investment, diversification, and stability. The number of clients continues to steadily increase.

#### Enhancement of Asset Management

##### Corporate Action—No. of Companies and No. of Cases



As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management (SMTAM) carries out engagement activities (purposeful dialogue with investee companies to encourage the enhancement of their corporate value and sustained growth) with a view to enhancing medium- to long-term corporate value and stewardship activities such as the exercise of voting rights. In this way, SMTAM seeks to maximize medium- to long-term investment returns for clients. The number of corporate action cases is also increasing—415 in total so far. Corporate action demonstrates that SMTAM's engagement activities have been taken on board by the investee company.

### R&I Customer-Oriented Investment Trust Sales Company Rating



#### SuMi TRUST Bank Has Earned an R&I Customer-Oriented Investment Trust Sales Company Rating of "S" for two consecutive years.

The rating is based on R&I's neutral third-party evaluation of banks, securities companies, and other financial enterprises engaged in the sale of investment trusts. The rating assesses their "customer-oriented business operations" and their policies and initiatives in this area. The SuMi TRUST Group will continue to pursue client-oriented initiatives and promote their adherence as we strive to be a "Best Partner" whom our clients entrust with their business for many years to come.

\*The "R&I Customer-oriented Investment Trust Sales Company Rating" ("the rating") is not a statement of fact. Rather, it represents R&I's opinions regarding the "customer-oriented business operation" initiatives of companies engaged in the trust investment sales business. Though R&I uses information that it deems to be reliable when carrying out the rating, it does not independently verify the accuracy of this information. Furthermore, R&I, etc. does not guarantee the accuracy or integrity of this information, nor does it endorse the purchase, sale or holding of any specific product nor guarantee the future performance of any such product. All intellectual property rights (copyrights, etc.) and any other rights pertaining to the rating belong to R&I, and any reproduction or republication without permission is prohibited.

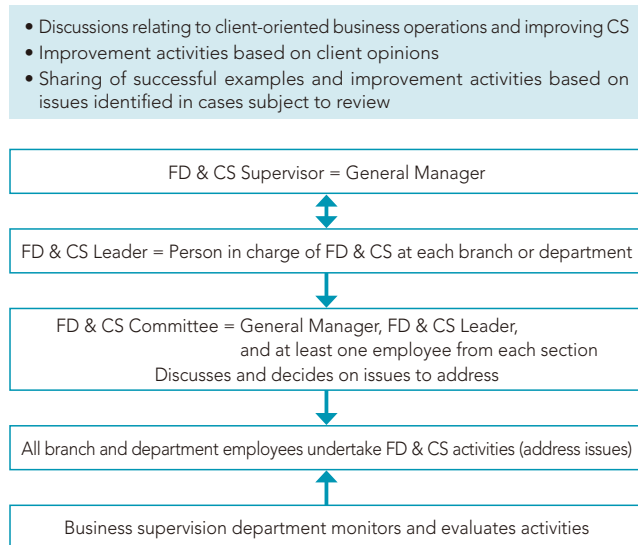
## 4. Shaping Corporate Culture to Become Our Clients' "Best Partner"

SuMi TRUST Bank has established FD & CS Committees at its branch offices and departments and each and every employee is working hard to improve client satisfaction and deliver client-oriented services by engaging in improvement

### Establishment of FD & CS Committees

For the purpose of enhancing FD in each branch office and department and improving CS, we have revised the activities of the CS Committees undertaken thus far and launched a new set of activities under a new FD & CS Committee system. The FD & CS Committees are actively undertaking a whole host of activities according to the characteristics of each branch office or department.

#### Example of FD & CS Committee System



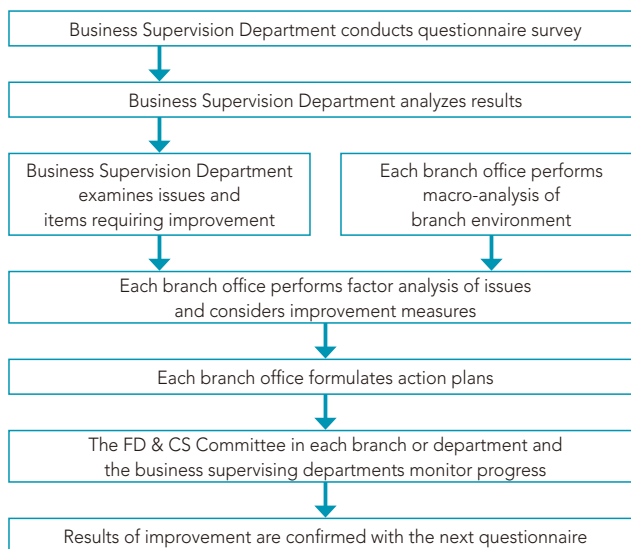
\*Example of FD & CS Committee in the Retail Total Solution Services Business

activities based on the opinions of clients, improvement activities to address issues identified in client questionnaires, and by taking part in various training sessions and discussions.

### Use of Client Questionnaires

For each of our businesses, we survey both corporate and individual clients with a questionnaire so that we can better manage and improve the quality of our services. We utilize the questionnaire results to identify issues in our business undertakings and subsequently implement initiatives that reflect measures for improving those issues.

#### Example of Utilizing CS Questionnaire at Each Business



## Initiatives in Line with Our Voluntary Declaration of Consumer-Oriented

By constantly striving to improve client satisfaction, be completely client-oriented, and help solve super-aging society issues and other problems in society, we aim to gain the trust of clients and society and continue to grow alongside each other. To this end, in June 2019 we drafted and made public our Voluntary Declaration of Consumer-Oriented. In September 2020 we published the results of our initiatives undertaken in fiscal 2019

in line with the Voluntary Declaration of Consumer-Oriented.

\*Voluntary Declaration of Consumer-Oriented

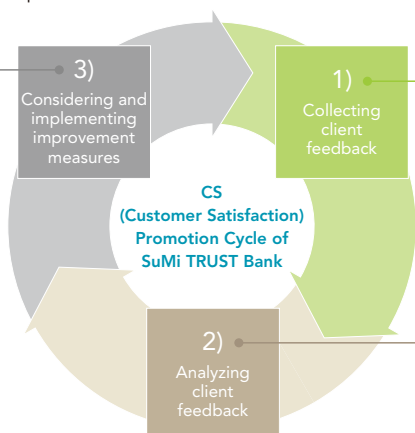
The Voluntary Declaration of Consumer-Oriented is the Group's declaration for the approach toward consumer-oriented management (a business activity respecting general consumers' viewpoints and gaining consumer trust as the providers of a sound market, while being aware of its social responsibilities, and working toward the creation of a sustainable and desirable society) as promoted by the Consumer Affairs Agency and others.

### Examples of Initiatives to Enhance Awareness about Becoming Our Clients' "Best Partner"

No	Item	Description
1	Study sessions for improving CS awareness	Training sessions focused on upholding FD, improving CS awareness, sharing complaints and VOC items, and business manners are held for newly appointed branch managers, new recruits, and other employee ranks.
2	e-Learning	e-Learning-based FD & CS training for all employees aimed at upholding FD and improving awareness of CS, as well as client support management training for employees to learn about the client support management system.
3	Improving complaint management	Strengthening monitoring of complaints and improvement activities. Sharing VOC items to generate awareness of complaints and prevent occurrence.
4	Improving client questionnaires	Strengthening the improved PDCA cycle based on client evaluations by endeavoring to standardize the evaluation items in each questionnaire, enhancing our analyses, and sharing measures for improvement.
5	Collecting and making better use of daily client feedback	Promoting collection and analysis of VOC items and improvement and development of products and services.
6	CS lectures	Annual lectures for Group employees featuring a guest speaker. Topics include development of organizational and human resources, and communication.

## 5. Initiatives to Link "Voice of Customers" to Enhanced Customer Satisfaction

The Retail Total Solution Services Business of SuMi TRUST Bank collects feedback from clients at its branches and departments nationwide. Opinions and requests are also received from many clients via the Customer Services Promotion Office, in Voice of Customers Questionnaires, and through Sumitomo Mitsui Trust Direct. This feedback and information is used improve client satisfaction.



### 1) Collecting Client Feedback

SuMi TRUST Bank received approximately 360,000 valuable opinions and requests from clients in fiscal 2019 at its nationwide branch offices and departments, via its call center, website, or other means of communication, such as the Voice of Customers Questionnaires available at all branches.

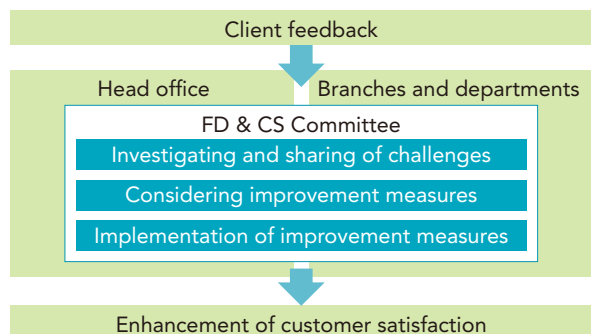
Moreover, in aiming to further advance client-oriented activities and improve client satisfaction, SuMi TRUST Bank sends a client questionnaire to some 1.5 million clients with term deposits or investment trusts to assess their level of satisfaction with the Bank's services.

#### [Main Ways Hear from the Voice of Customers]

- Record comments from customers we receive in branches and over the phone in a dedicated system
- Share inquiries, requests, complaints, and opinions we receive from customers over the phone with relevant departments
- Collect information from the "Voice of the Customers Questionnaires"
- Collect information via our letter and home page
- Implement a variety of questionnaires and surveys

### 3) Considering and Implementing Improvement Measures

The branch offices and the head office work together to examine and analyze the reasons behind client opinions and requests with the aim of understanding problem areas. The results of this process are used to come up with improvement measures in an effort to provide better products and services.



### 2) Analyzing Client Feedback

In order to realize customer satisfaction by utilizing hundreds of thousands cases of feedback we receive each year, we use the "CS Voice of Customers Portal," a system to analyze client feedback. We are striving to meet clients' needs by making client feedback "visible" so that we can better "recognize" client needs.



## 6. Enhancement of Conflict of Interest Management Framework for the Entire Group

The Group makes publicly available an overview of its Management Policy Concerning Conflicts of Interest\*<sup>1</sup> (following approval of the Board of Directors) and engages in appropriate management by identifying and categorizing in advance transactions that could lead to conflicts of interest so that the interests of our clients are not harmed unfairly when our Group companies or authorized parties offer their various services.

We also have in place a system to ensure that necessary improvements and guidance are implemented on an ongoing basis. Our Compliance Department—which functions as a conflict of interest management control department independent from our sales departments—periodically examines the effectiveness of the Group’s overall conflict of interest management and reports the results to the Conflicts of Interest Management Enhancement Committee, Executive Committee, and the Board of Directors.

Moreover, for the purpose of improving the effectiveness of our conflict of interest management framework, its appropriateness is assessed by the Conflicts of Interest Committee, an advisory body to the Board of Directors

comprised of mainly external members. The Conflicts of Interest Committee not only evaluates the Group’s conflict of interest management framework as required by law, it also discusses the best practices of the framework and how fiduciary duty initiatives are being implemented for the purpose of being a “best partner” capable of earning the reassurance and trust of our clients. To this end, the Committee has convened 16 meetings thus far (in principle, four annually). The Committee also makes a summary of its meeting minutes publicly available on an ongoing basis\*<sup>2</sup>.

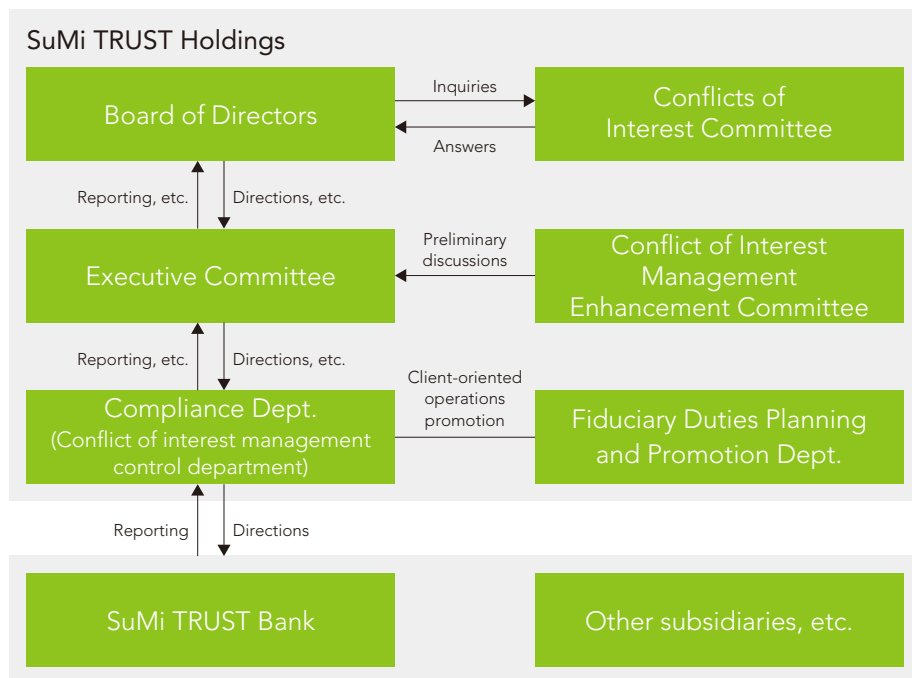
Also, in regards to the conflict of interest management system for stewardship activities, under the umbrella of the Conflicts of Interest Committee, we have established a Stewardship Subcommittee\*<sup>3</sup> for the purpose of sharing information about stewardship activities across the entire Group and strengthening oversight of stewardship activities at Group asset management companies.

\*1 <https://www.smth.jp/en/coi/index.html>

\*2 [https://www.smth.jp/en/about\\_us/management/index.html](https://www.smth.jp/en/about_us/management/index.html)

\*3 A subcommittee comprising all members of the Conflicts of Interest Committee and members of committees related to stewardship activities at Group asset management companies.

### Conflict of Interest Management System\*<sup>1</sup>



### Conflicts of Interest Committee Members

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**Chairperson: Hideki Kanda\*<sup>2</sup>**  
 Professor, Law School at Gakushuin University  
 Emeritus Professor, University of Tokyo  
\*2 External Director, SuMi TRUST Bank

**Member: Takeshi Suzuki**  
 External Director, SuMi TRUST Holdings

**Member: Akiko Hosokawa**  
 Partner, Baker & McKenzie

**Member: Yutaka Nishida**  
 Senior Managing Executive Officer, SuMi TRUST Holdings

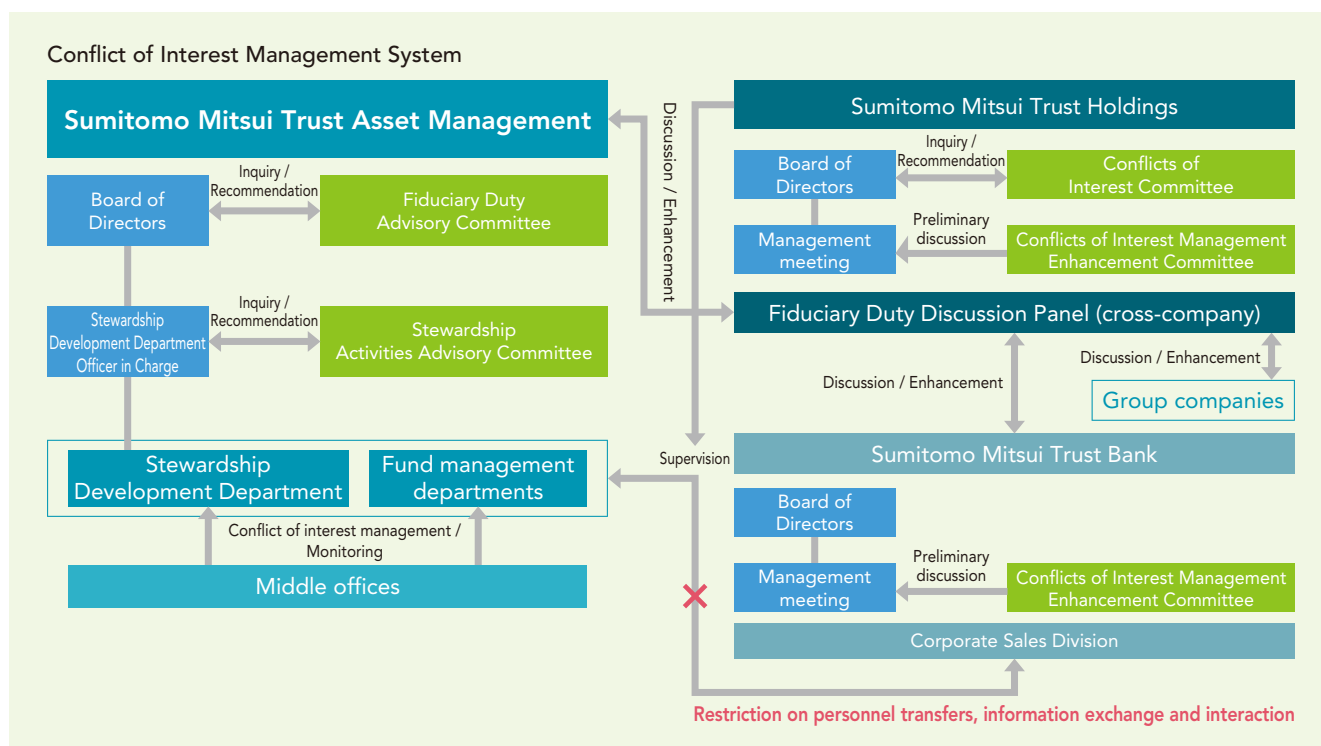
\*1 For roles and responsibilities of each management structure and main departments, please refer to page 131.



## 7. Enhancement of Conflict of Interest Management Framework for Stewardship Activities

Sumitomo Mitsui Trust Asset Management (SMTAM) integrated the investment management function of SuMi TRUST Bank on October 1, 2018. It also added more independent external directors, shifted to a company with an audit and supervisory committee system, and beefed up its middle office operations. The integration means SMTAM has more independence from the Group's corporate divisions (lending, etc.), while its conflict of interest management is much more transparent. Given that the

management of conflicts of interest is particularly important to the exercise of voting rights, SMTAM has established a Stewardship Activities Advisory Committee comprised mostly of external experts. The officer in charge of the Stewardship Development Department—the person responsible for the exercise of voting rights—exercises voting rights in a highly transparent manner by giving the fullest possible consideration to the recommendations of the Advisory Committee.



Nikko AM (NAM) has established appropriate risk management and compliance frameworks to ensure that the interests of clients and beneficiaries are the top priority and that such conflicts of interest are appropriately managed if they arise. Fund managers and analysts aim to avoid the occurrence of any conflicts of interest in compliance with NAM's internal regulations. If there is a heightened risk of conflicts of interest arising, all known facts are immediately reported and steps are taken quickly to resolve any issues.

NAM also established its Stewardship and Voting Rights Policy Oversight Committee in June 2016 in order to increase transparency in its stewardship activities and strengthen its governance. From its perspective as a body composed of a majority of external members with

no special interests in NAM, the Stewardship and Voting Rights Policy Oversight Committee monitors and oversees whether NAM's exercising of voting rights and other stewardship activities are in line with its objectives and whether it is making the proper efforts to fulfill its fiduciary duties consistently. The committee also provides necessary advice from a fair and neutral standpoint.

NAM envisages that conflicts of interest may arise when it exercises voting rights in regard to its parent company, distributors, and client companies. In order to avoid conflicts of interest and enable objective decision making in its exercise of voting rights, it has established a control framework to maintain appropriate voting decisions pursuant to its Guidelines on Exercising Voting Rights.

## Client Protection Management

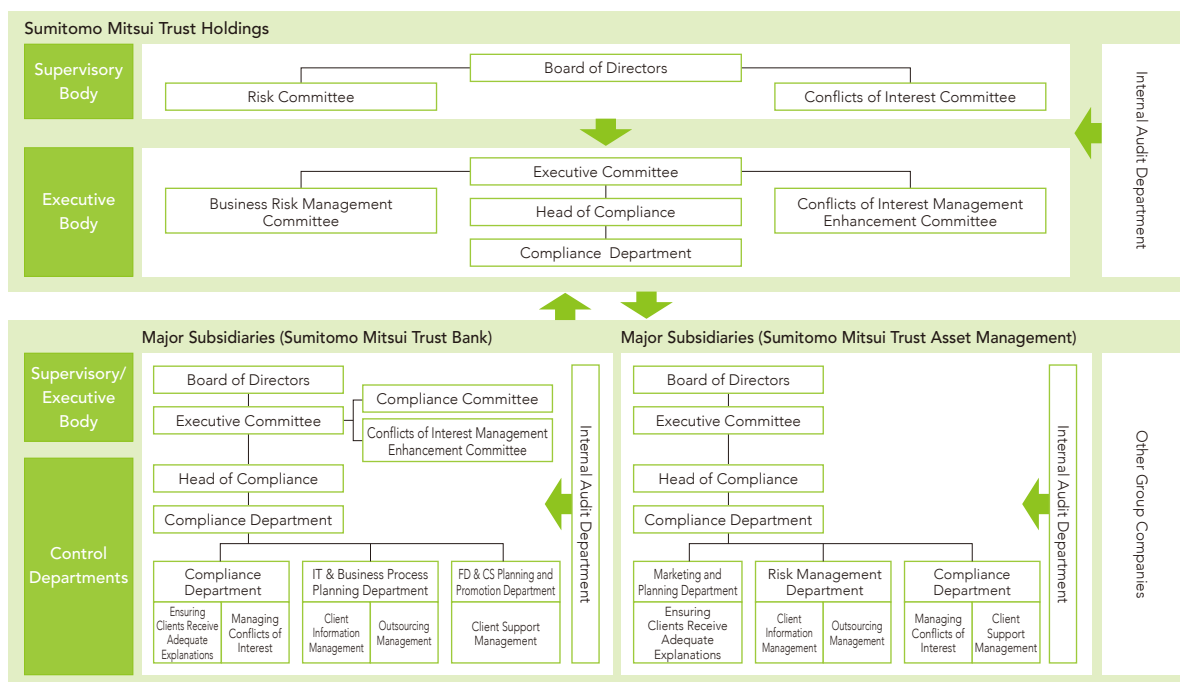
### Basic Initiative Policy

The Group considers client protection to be a top management priority. We have put in place a basic policy aimed at enhancing client protection and convenience in the Group's regulations\* concerning policies for acting in the best interests of clients (approved by the Board of Directors) in order to develop an appropriate client protection management framework that reflects the business attributes of each Group company.

At each Group company, a supervising department to oversee client protection management and function-specific control departments have been established in accordance with the Group's basic policy. The supervising department

manages overall client protection management by primarily drawing up annual plans concerning client protection, periodically reporting to the Board of Directors, and maintaining internal regulations. The control departments are tasked with establishing a system through the development of internal rules for their respective functions. They also endeavor to ensure appropriateness and sufficiency for each function by providing guidance to relevant departments and improving the content of employee training.

\*Principle-based guidelines designed to meet the expectations and trust our clients place in each SuMi TRUST Group company. With the aim of earning the long-term trust of clients and enhancing sustained corporate value by having Group directors, officers, and employees pursue the best interests of clients, these guidelines set out a management framework for that very purpose and so client protection and convenience can be improved.



### Client Explanation Management

When offering financial products and services to our clients, we make sure to provide appropriate and sufficient explanations and easy-to-understand information based on the client's knowledge, experience, assets, and purpose of transactions so that we gain their understanding and consent.

Specifically, we have made our policy on the solicitation and sale of financial products and services publicly available, we properly enforce the suitability rule\*<sup>1</sup> and maintain a manual on providing explanations to our clients about matters such as appropriate information disclosure, and we have a system in place for improving employee training. On top of this, in an effort to ensure the fair solicitation and sales of financial products from the standpoint of our clients based on the action principles outlined in our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group\*<sup>2</sup>, we implement client-oriented consulting\*<sup>3</sup>, provide easy-to-understand information\*<sup>4</sup>, and take steps to expand

the content of training sessions with the aim of increasing the knowledge and expertise of officers and employees regarding financial markets, products, and services.

In particular, we monitor whether our explanations to clients about risky financial products, such as investment trusts and life insurance, are up to standard. We leverage the results of the aforementioned initiatives to maintain a system that guarantees a high standard of client consulting and explanations and so that we can revise our solicitation rules when necessary.

\*1 The suitability rule prohibits financial institutions from soliciting clients in ways that are inappropriate in light of the client's knowledge, experience, assets, and transaction purpose.

\*2 [https://www.smth.jp/en/about\\_us/management/customer/fiduciaryduty/index.html](https://www.smth.jp/en/about_us/management/customer/fiduciaryduty/index.html)

\*3 This involves client proposals in line with their needs by utilizing (1) easy-to-understand materials describing case examples of life planning that reflect life events and asset management methods based on investment objectives and duration, and (2) simulation tools incorporating the client's assets, family structure, and life events.

\*4 To provide easy-to-understand information, we are working to improve descriptions about risks and fees, politely following up on clients in consideration of market developments, and improving seminar content and hosting more sessions.

### Conflict of Interest\* Management

The Group makes publicly available an overview of its Management Policy Concerning Conflicts of Interest (following approval of the Board of Directors) and engages in appropriate management by identifying and categorizing in advance transactions that could lead to conflicts of interest so that the interests of our clients are not harmed unfairly when our Group companies or authorized parties offer their various services.

Notably, each Group company identifies in advance transactions that have the potential to cause conflicts of interest in their business operations and establishes management methods for such transactions. The Group attempts to prevent the harmful effects of conflicts of interest in the event those transactions are carried out by following predetermined methods for conflict of interest management or developing business execution systems. If new transactions with the potential for conflicts of interest are anticipated, they shall be identified as such and managed before they are executed with the established conflict of interest management methods.

### Outsourcing Management

When outsourcing its operations, the Group takes measures to ensure that the outsourced operation is consigned to a contractor capable of: (1) establishing regulations for the appropriate management of risks from unexpected losses incurred by the Group or its clients, (2) recognizing problems related to the quality of service and the reliability of service continuity, and (3) implementing the operation accurately, fairly, and efficiently. From the viewpoint of preventing the intervention of and transactions with anti-social forces, before concluding new contracts and on an ongoing basis, we check that our contractors are not classified as anti-social forces.

At our core subsidiary SuMi TRUST Bank, the IT & Business

In order for the Group to appropriately manage conflicts of interest, the Compliance Department—which functions as a conflict of interest management control department—maintains the framework for the entire Group and periodically examines its effectiveness. It then reports the results on a regular basis to the Conflicts of Interest Management Enhancement Committee, the Executive Committee, and the Board of Directors, before adopting necessary steps for improvement.

Moreover, from the perspective of upholding our fiduciary duties, we constantly strive to enhance our conflict of interest management framework based on the idea of maintaining a “best practice” system for managing conflicts of interest as outlined in our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group. Please refer to page 136 for enhancement of our conflict of interest management framework.

\*A conflict of interest refers to a situation where there are conflicting interests between the Group and its clients, or between clients of the Group.

Process Planning Department—which functions as the outsourcing management department—screens and monitors appropriate contractors within the Group pursuant to our outsourcing management regulations and periodically reports on how outsourcing is being managed to the Board of Directors. Moreover, each business designates a department to oversee operations outsourced to contractors and evaluates whether they are performing their assignments properly in accordance with relevant rules and their consignment contracts through confirmation of the status of consigned operations both on an ongoing periodic basis and in response to emerging situations. These departments also monitor contractors when necessary.

### Solicitation Policy (Sumitomo Mitsui Trust Bank)

#### 1. Explain the basic policy

Sumitomo Mitsui Trust Bank, Limited (SuMi TRUST Bank) practices its Codes of Conduct (“Value”) that calls for “completely client-oriented” service and “strict compliance with applicable laws and regulations,” and recommends financial products and services based on this solicitation policy so that clients can decide for themselves what is most appropriate for them.

#### 2. Recommend financial instruments suited to clients

SuMi TRUST Bank recommends financial products and services suited to clients according to their “knowledge,” “experiences,” “asset situation” and “the purpose of their transactions.”

#### 3. Explain the contents of financial products and services in an easy-to-understand manner

SuMi TRUST Bank explains not only the contents and merits of financial products and services we provide but also risks and fees in an appropriate, easy-to-understand manner so that they can be fully understood.

#### 4. Offer appropriate explanations and conduct appropriate solicitations

SuMi TRUST Bank does not make explanations or conduct solicitation activity that may mislead clients, such as communicating false information or providing definitive explanations concerning uncertain matters.

#### 5. Strive to conduct solicitation activity convenient for clients

SuMi TRUST Bank strives to conduct solicitation activity via telephone or visit at a time, place and means convenient for clients.

#### 6. Strive to improve in-house systems

SuMi TRUST Bank strives to improve in-house systems so that we can provide financial products and services suited to clients. SuMi TRUST Bank also strives to acquire accurate knowledge and master ways of providing easy-to-understand explanations.

#### 7. Created a consultation contact point for clients

**Client Information Management**

In the SuMi TRUST Group we have established a Declaration for the Protection of Personal Information to make doubly sure we protect the personal information of clients. We make sure that client information is managed appropriately, but if it is shared within the Group, we only do so in accordance with privacy laws, finance sector guidelines on personal information protection, and other related laws and regulations.

As the department tasked with information security risk management, the IT & Business Process Planning Department oversees all operations concerning client information management pursuant to our Information Security Risk Management Rules formulated for the purpose of appropriately managing the Group’s information assets. The IT &

**Client Support Management**

So we can properly respond to client inquiries, requests, complaints or disputes, we have established a basic policy in our Group’s client support management regulations in an effort to improve operations and provide better services.

In addition, our Compliance Department and the FD & CS Planning and Promotion Department work together to sincerely and quickly respond to complaints from our clients, aiming to reach outcomes with as much understand-

Business Process Planning Department periodically assesses the circumstances and effectiveness of information security risk management and reports its findings to the Board of Directors. Also, in addition to appointing general managers as supervisors of information management and administration at branch offices and in each head office department, all employees must submit a signed pledge concerning information management and attend two training sessions every year to ensure they have a clear understanding of matters relating to confidentiality information management, particularly with regard to sensitive information containing personal data obtained through the course of their duties.

ing and satisfaction as possible. These departments also work to improve operations by collecting and managing information under a complaints reporting system, regularly reporting to management, and analyzing the root causes of complaints with the use of our CS Voice of Customers Portal (see page 135).

In fiscal year 2019 SuMi TRUST Bank received a total of 7,576 complaints.

**Sumitomo Mitsui Trust Group Privacy Policy**

We at the SuMi TRUST Group, in the utmost effort to protect the personal information of our clients and shareholders, have established the following policies, and we declare to abide by this policy.

**1. Compliance with all Applicable Laws and Regulations, etc.**

The companies in the Group shall comply with the laws pertaining to the protection of personal information, laws concerning the use of numbers to identify a specific individual for public administration procedures (e.g., the “My Numbers Act), and guidelines set forth by government agencies including other standards.

**2. Appropriate Acquisition**

The companies in the Group shall obtain personal information from clients, specific personal information, etc. only to the extent necessary for our operations and only through proper and legal means.

**3. Purpose of Use**

The companies in the Group shall notify or announce how the personal information shall be used, and shall only use it within the confines of the prescribed purpose except as otherwise provided by laws and regulations, and shall not use it for any other purpose. With regards to specific personal information, use shall be limited to the scope stipulated in relevant laws and regulations.

**4. Consignment**

If the companies in the Group consign the handling of the personal information as well as specific personal information, then the consignee shall be properly supervised to promote safe management of personal information.

**5. Offering to Third Parties**

The companies in the Group shall not provide to any third party personal information held for clients without obtaining prior consent from the client except in cases specified by laws and regulations. However, if the companies in the Group provide a client’s personal information

consequent to the succession of business in a merger or otherwise or if it is shared with a specified party set forth separately, then the personal information held for the client may be provided to the third party without obtaining the client’s consent.

With regards to specific personal information, we shall not provide this to third parties irrespective of whether the person concerned has or has not consented, apart from cases where it is stipulated by laws concerning the use of numbers to identify a specific individual for public administration procedures.

**6. Responding to Inquiries from Clients, etc.**

The companies in the Group shall establish the procedures for correcting and disclosing personal information, and any inquiries concerning questions, suggestions or inquiries and corrections of content, etc. related to personal information and specific personal information shall be handled quickly and accurately.

**7. Safety Measures**

The companies in the Group, in their approach to managing personal information and specific personal information, take appropriate safety measures in terms of their organizations, personnel affairs, and systems to manage personal information so as to prevent leaks etc. and have put into place a framework of responsibility necessary to protect personal information.

**8. Continuous Improvement**

The companies in the Group continually review and strive to improve the compliance program for protecting personal information. All executives and employees are trained to understand the importance of protecting personal information and to appropriately handle personal information and specific personal information.

# Helping Invigorate Communities and Society

## Direct and Indirect Support (Cash Conversion)

Companies directly contribute to communities through investments and various services to society, but also indirectly through taxes paid to help finance government services for those communities. From this point of view, the World Economic Forum has identified *total tax paid* and *total social investment* as the common metrics for measuring community and social vitality.

### 1) Indirect Support: Total Tax Paid

The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.

Total corporate taxes    FY2018: ¥60.6 bn  
    FY2019: ¥75.6 bn

Taxes are important sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries. They are also a key mechanism by which companies indirectly support social infrastructure because government revenues support public infrastructure and services.

### 2) Direct Support: Total Social Investment

Total social investment is a metric summing up all resources (operational expenses, staff time, etc.) that the company uses for mainly “S” in ESG efforts. It seeks to capture the multiple ways in which companies can demonstrate their investment in social activities beyond traditional charitable giving. We categorized our activities into three groups: (1) charitable donations; (2) community investments (in a narrow sense); and (3) cost of strategic activities.

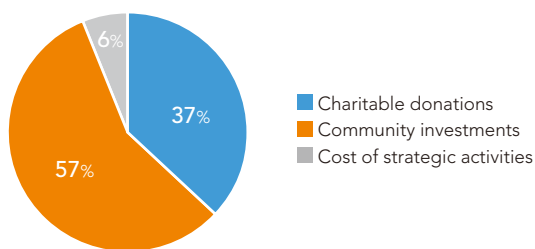
Total social investment by the Group in fiscal 2019 came to around ¥600 million, some ¥240 million of which was associated with actual cash payments.

- (1) Charitable donations: The total amount of donations for accounting purposes (excluding those related to sustainability)
- (2) Community investments: The total amount of membership fees in various organizations like UNEP FI and the Biodiversity in Good Company initiative, running costs for the UN-driven Education for Sustainable Development (ESD) project, and personnel costs in connection with the “With You” activities (personnel costs are estimated based on a number of assumptions).
- (3) Cost of strategic activities: The total amount of sustainability-related donations, such as those to the Network for Economic Education and UWC ISAK Japan\*, plus the cost of running “With You” activities and other projects.

	FY2019
(1) Charitable donations	227
(2) Community investments	342
(3) Cost of strategic activities	36
Total	605

(¥ mn)

Breakdown of Total Community Investments



See page 152 for more information about ESD.

\*UWC ISAK: A school that unearths and nurtures “changemakers” from disadvantaged backgrounds. See page 150 for more information about their activities.



## Financial Inclusion Initiatives (for a Fair and Inclusive Economy)

### Financial Inclusion Initiatives at the SuMi TRUST Group

1. Improving accessibility mainly through expansion of online transactions
2. Providing charitable trust schemes to facilitate social contributions
3. Financial inclusion initiatives for various types of loans
4. Initiatives based on the G20 Fukuoka Policy Priorities on Aging and Financial Inclusion
5. Flexible approach to mainly terms of repayment on loan transactions (initiatives for financial facilitation)

Target 8.10 of the SDGs seeks to “strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.” This kind of concept is known as financial inclusion—it refers to the support extended to people excluded from utilizing financial services because of poverty, discrimination, or other reasons so that they may gain

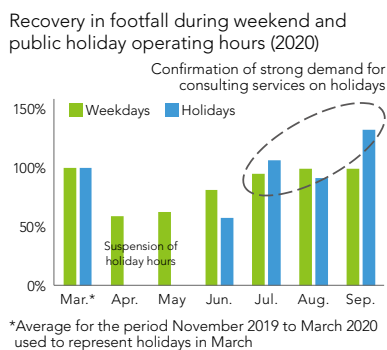
access to such basic financial services in order to alleviate economic instability in their lives.

The Group is working with external partners and harnessing our various trust bank functions in an effort to accelerate our initiatives on financial inclusion with a particular focus on problems unique to Japan.

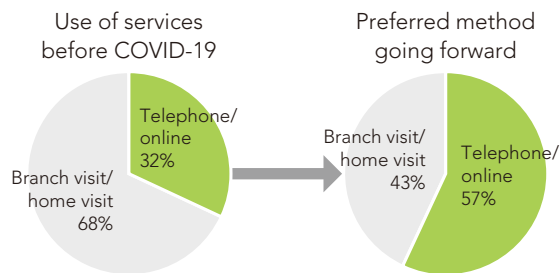
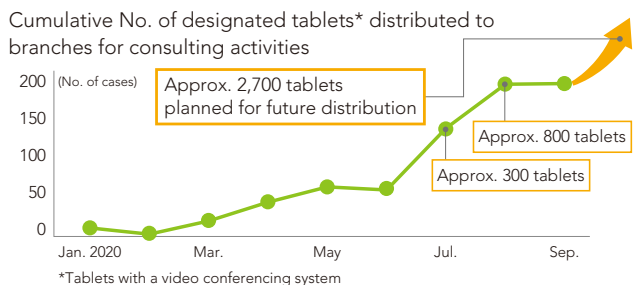
#### 1. Improving Accessibility Mainly Through Expansion of Online Transactions

As the COVID-19 pandemic continues unabated, more and more clients are requesting online consultations as a way of preventing further infections. The SuMi TRUST Group offers high value-added face-to-face consulting services as a financial group specialized in trust banking, but given the spread of COVID-19, we are currently rolling out a system through which we can deliver trust services even without meeting in person by making use of online consultations.

The use of our online consultation system will make it possible for a client to sit down (albeit, over the internet) at the same time with their family who lives far away, for example. Nor will they have to worry about contracting COVID-19 or travelling long distances.



We are also providing more opportunities for clients to make use of our consulting services on weekends and public holidays with the intention of offering more flexibility to clients.



#### Initiatives at SBI Sumishin Net Bank

SBI Sumishin Net Bank is an online-only bank that was launched in September 2007 as a joint venture between SuMi TRUST Bank and SBI Holdings. Since its foundation, the bank has endeavored to improve client services by striving to realize its goal of providing 24-hour, 365-day internet banking that offers the most easy-to-use and attractive products and services. It is now Japan’s leading online-only bank with both total deposits and the cumulative amount

of mortgage loans handled exceeding the ¥6 trillion mark.

The bank has been actively rolling out new services that harness cutting-edge information technology. For example, it launched a robo-advisor by integrating the API of a fintech company, introduced an AI screening model for home loans, and started up transaction lending for corporate clients. Up ahead, it will continue to work on further improving its services and enhancing user convenience.

## 2. Providing Charitable Trust Schemes to Facilitate Social Contributions

SuMi TRUST Bank provides charitable trusts as a scholarship scheme for students with no financial means to further their education. Charitable trusts are used as one way

of returning some of the assets of benefactor clients back to society for the good of the community.

### Examples of Charitable Trusts Designed to Supply Scholarships

Name of charitable trust fund	Beneficiaries
The Society of Mary St. Joseph Scholarship Fund	Elementary, junior high, and high school students who face difficulties entering a school due to financial reasons
Hisao Iwai Memorial Tokyo Scholarship Fund	Students with Japanese citizenship studying science and engineering at a university or graduate school located in Tokyo who face difficulties paying tuition fees
Kenji Yamauchi Memorial Osaka Scholarship Fund	High school students in Osaka Prefecture who come from a disadvantaged learning environment due to financial reasons

### Characteristics of the Society of Mary St. Joseph Scholarship Fund

- (1) Can be combined with other scholarships
- (2) For all elementary, junior high, and high school students, irrespective of age or nationality
- (3) Period of eligibility
 

Elementary school students:	Three years. Otherwise, limited to the minimum number of years studied for applicants in year four or higher of elementary school.
Junior high and high school students:	Until graduation from the same school at the time of application (but limited to the minimum number of years studied).
- (4) Scholarship payments: ¥20,000 per month for either elementary, junior high, or school students.

## 3. Financial Inclusion Initiatives for Various Types of Loans

### (1) Special home loan guarantee against the eight major diseases + unemployment insurance

Cancer, acute myocardial infarction, stroke, and the five serious chronic diseases of high blood pressure, diabetes, chronic kidney failure, cirrhosis of the liver, and chronic pancreatitis are what are known as “the eight major diseases.” The number of people affected by these ailments in Japan is growing as the population ages. For cases where clients with unpaid principal on their home mortgage are diagnosed with one of the eight major diseases, SuMi TRUST Bank offers a guarantee service for the remainder of their home mortgage. And in light of the COVID-19 pandemic, in November 2020 we started adding unemployment insurance to sickness insurance in order to expand the scope our guarantee service.

### (2) Card loans

SuMi TRUST Bank has two types of card loans available for home loan clients only. These products can meet the various future capital needs of clients because the funds can be used for any purpose other than running a business. Funds can be borrowed with no transaction fee from SuMi TRUST Bank branch ATMs or from the ATMs of Japan Post Bank, Seven Bank, and E-net. Clients can also easily borrow funds via Sumitomo Mitsui Trust Direct (internet banking portal).

### (3) Housing assistance loan for seniors

SuMi TRUST Bank offers non-recourse\* mortgage loans to clients aged 60 or older who require capital to purchase a new home or to finance a home renovation.

\*A non-recourse loan means that even if the amount of money from the sale of real-estate collateral is not enough to repay the loan in full after the contract expires as a result of the contracting party's death, their heir will not be requested to make any payments.

### Approach to Asset Management for Clients with Dementia

Once a person loses his or her ability to make decisions because of dementia or some other reason, they struggle to manage their deposits and savings or stay on top of various financial agreements. They may also end up signing a contract for a transaction that is not in their best interests or become easy targets for bank-transfer scams or unscrupulous business practices.

In asset management, needless to say, protecting assets must be prioritized before anything else. What is required next is daily living support in order to manage money needed for day-to-day living. And offering support to help them communicate their intentions is also key. Even though someone may have dementia, what they want to do or what they want done remains the same. For this reason, we need to devise a way for them to communicate their intentions and ensure their wishes are fulfilled under a private contract while they are still capable of making decisions.

SuMi TRUST Bank offers various products and services in line with this thinking (see page 115 for details).



#### 4. Initiatives Based on the G20 Fukuoka Policy Priorities on Aging and Financial Inclusion



The world's population continues to rapidly age and there are fresh concerns that conventional financial services will be unable to meet their needs. Through much discussion about the topics of aging and financial inclusion, the Global Partnership for Financial Inclusion (GPFI\*) and the OECD jointly prepared and adopted the G20 Fukuoka Policy Priorities on Aging and Financial Inclusion at the G20 plenary meeting of finance ministers and central bank

governors in June 2019. The document sets out eight key priorities to help the international community address the challenges of aging populations.

SuMi TRUST Bank fully supports the priorities and therefore set out and announced the following initiatives to address each of the eight priorities.

\*The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries, and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan.

##### Summary of Specific Initiatives to Address the Eight Priorities

G20 Fukuoka Policy Priorities	The Group's leading initiatives
 <p><b>Customize</b> —address the diverse needs of older people</p>	<p><b>Centenarian Support Trust (100-Year Passport):</b> An estate management-type trust product that can also help clients with dementia owing to its features for safeguarding, utilizing, and transferring funds Other: Anshin Support Trust (fund wrap-type)</p>
 <p><b>Protect</b> —tackle financial abuse and fraud of older people</p>	<p><b>Mandatory passing of gerontology exam run by the Society for Applied Gerontology Japan:</b> Retail section managers and higher must acquire necessary knowledge of healthcare, nursing care, and social insurance, as well as issues concerning the physical and mental wellbeing of the elderly, their lifestyles, and communities. Other: Trusts designed to prevent fraud; submission of content to Guide for Dementia Friendly Financial Services and placement of this booklet at all branches</p>
 <p><b>Support lifetime financial planning</b></p>	<p><b>Housing assistance and reverse mortgage loans for seniors aged 60 and older:</b> These products help elderly clients finance a new or refurbished home. Other: Use of Lifecycle-Navi simulation tool; investment products and insurance, etc.</p>
 <p><b>Encourage stakeholder engagement</b> —a multi-sectoral approach</p>	<p><b>Partnership with Daini Tokyo Bar Association to introduce visiting lawyers:</b> This service introduces home-visiting lawyers that can address the various needs of clients, such as monitoring to prevent incidents or matters concerning discretionary guardianship. Other: Agreement with the Tokyo Bar Association to use civil trust consulting services</p>
 <p><b>Strengthen digital and financial literacy</b></p>	<p><b>Seminars on topics like asset management, "second life," DC plans, inheritance, and business succession:</b> Each seminar is designed to address the needs of each generation and held at different times, in different locations, and for different occupations. Other: Silver College seminars; establishment of Sumitomo Mitsui Trust Future Assets Institute</p>
 <p><b>Innovate</b> —harness inclusive technologies</p>	<p><b>Introduction of new system when visiting clients:</b> We have introduced tablet devices for consulting. The use of tablets encourages the use of online client consulting and transactions. Other: Practical application of inheritance platform architecture; use of AI in asset management; web-based consulting, etc.</p>
 <p><b>Target key audiences</b> —address vulnerabilities</p>	<p><b>Guardianship System Support Trust and Discretionary Guardianship System Support Trust:</b> Products that manage and safeguard a ward's estate under the respective legal guardianship and discretionary guardianship systems Other: Special donation trusts; rules on writing/reading on behalf of clients; response quality checks by examiners for disabled persons, etc.</p>
 <p><b>Use data and evidence</b> (priority item mainly for policymakers)</p>	<p><b>Issuance of research reports:</b> Analyzing and estimating trends in household assets based on official data from public agencies and other organizations Other: Responding to public agency surveys; collecting and analyzing client voices; in-store surveys by external research agencies, etc.</p>

## 5. Flexible Approach to Mainly Terms of Repayment on Loan Transactions (Initiatives for Financial Facilitation)

SuMi TRUST Bank believes that the smooth supply of necessary funds to clients is the most important role of a financial institution. In order to actively give full swing to

this financial intermediary function, the Bank established a Basic Policy on Facilitation of Financing (excerpt shown below).

### Basic Guidelines Concerning Facilitation of Financing

- When a client seeks to discuss or apply for a loan, or discuss or apply for changes to borrowing conditions, we will make every effort to address the client's request seriously and reach a solution appropriately and promptly after taking the client's circumstances into full consideration.
- When a client, for whom borrowing conditions had been changed, seeks to discuss or apply for a loan of necessary funds, we will address the client's request seriously and not reject it solely based on the fact that the client's borrowing conditions had been changed.
- When a client applying for changes to be made to borrowing conditions has transactions with other financial institutions, we will make every effort to protect the client's privacy and exercise due care in handling the client's personal information when collaborating closely with the financial institutions the client transacts with, provided we have been given the client's consent.
- When, for unavoidable reasons, we must turn down a client's request to discuss or apply for changes to borrowing conditions, we will make every effort to provide sufficient explanations to the client with as much time to spare as possible by referencing the client's hitherto transactions in order to gain the client's understanding and agreement.
- We will make every effort to appropriately and promptly respond to client inquiries, consultations, opinions, requests, or complaints about loans.
- When we receive a confirmation from a specified certified dispute resolution business operator (pursuant to paragraph 24 of Article 2 of the Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities) to whom an SME client has requested the execution of specified certified dispute resolution procedures (pursuant to paragraph 25 of Article 2 of the Act; hereafter the "Turnaround ADR Procedures") whether we will make a request for the execution of the Turnaround ADR Procedures or not, we will make every effort to make the request so that a prompt dispute resolution can be reached.
- When we receive a debt factoring application from the Regional Economy Vitalization Corporation of Japan (REVIC) or the Great East Japan Earthquake Business Revitalization Support Agency, or when we receive a request for approval on claims management or disposal in accordance with a business revitalization plan, we will make every effort to respond appropriately. We will also make every effort to appropriately cooperate on changing borrowing conditions for the business revitalization plan for which our approval is sought.
- We will actively provide business consultation services to clients and support initiatives aimed at improving business management of clients.
- We will make every effort to provide training and guidance to employees so that they may improve their capabilities for appropriately assessing the business value of clients.
- We will respect our Guidelines for Management Guarantee and make every effort to sincerely and flexibly respond to cases where we conclude a guarantee agreement with a client.

Guided by the basic guidelines above, SuMi TRUST Bank promptly and politely responds to clients seeking to discuss changes to loan repayment terms if the loan has become difficult to repay because of financial circumstances. Individual and corporate clients can visit their transacting branch to discuss their situation in person, while mortgage

loan and business loan clients can also make use of our toll-free number.

The table below shows the number of loan claims received the requests for changes to borrowing conditions as of the end of March 2020.

### Number of Loan Claims Received the Requests for Changes to Borrowing Conditions

#### ► In the Case of SMEs

	End of March 2020
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,799
Of which, number of loan claims regarding implementation ( ) is the loan ratio	4,431
Of which, number of loan claims regarding refusal ( ) is the refusal ratio	105
Of which, number of loan claims under examination ( ) is the ratio of claims under examination	4
Of which, number of loan claims regarding withdrawal ( ) is the ratio of claims withdrawn	259

\*As of the end of March 2020, the figures include claims regarding trust accounts as follows. Request: 1, Implementation: 1, Refusal: 0, Under examination: 0, Withdrawal: 0  
 Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.

#### ► In the Case of Housing Loan Clients

	End of March 2020
Number of loan claims for which restructuring of loan conditions, etc. was requested	6,706
Of which, number of loan claims regarding implementation ( ) is the loan ratio	5,139
Of which, number of loan claims regarding refusal ( ) is the refusal ratio	332
Of which, number of loan claims under examination ( ) is the ratio of claims under examination	67
Of which, number of loan claims regarding withdrawal ( ) is the ratio of claims withdrawn	1,168

\*As of the end of March 2020, the figures include claims regarding trust accounts as follows. Claims concerning trust accounts are as follows (tallied with a base date of March 31, 2020). Housing loan clients—Request: 55, Implementation: 44, Refusal: 9, Under examination: 0, Withdrawal: 2  
 Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions or other matters from clients among those entrusted to SuMi TRUST Bank from other financial institutions for securitization and other purposes.

## Using Trusts to Promote Community Investments

### Charitable Trusts

A charitable trust is a system in which funds are entrusted to a trust bank that administers and manages the funds to carry out charitable activities in a pre-determined way. For example, these trusts may be used by individuals wishing to provide funds for charitable activities or by companies that wish to return a portion of their profits to society. They have been used in a wide range of fields, including the provision of academic scholarships, support of environmental protection activities, and promotion of international cooperation and international exchanges.

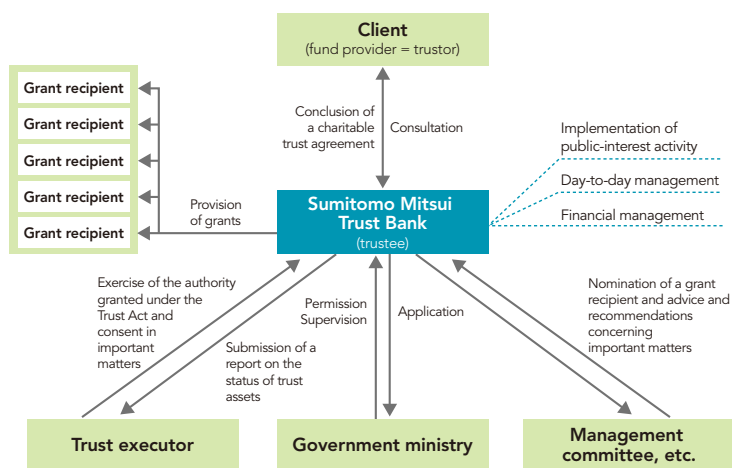
Charitable trusts are often named for the trustor, so his or her aspirations can be remembered for years to come by many people. Moreover, to ensure the public interest is served in accordance with the client's intentions, a charita-

ble trust can be "order made" to fit the client's instructions. What public interest is it to serve and what sort of granting process will it implement? The trust can be arranged to reflect the client's instructions on the monetary size of the grants (scholarships), the number, the regional scope, or the terms of eligibility.

Since launching its first charitable trust in 1977, SuMi TRUST Bank has served the public interest in various fields, supported by the good intentions of both individual and corporate clients.

As of March 2020, the Bank had accepted 178 charitable trust mandates worth ¥32.7 billion. In fiscal 2019, charitable trusts were used to pay a total ¥1.23 billion in grants (scholarships) to 2,673 organizations (including individuals).

### Mechanism of Charitable Trusts



### List of Charitable Trusts by Donation Type (as of March 2020)

Type	Number of trusts under management
Scholarship	64
Promotion of natural science research	33
Promotion of human science research	4
Promotion of education	18
Social welfare	9
Promotion of arts and culture	9
Protection and propagation of animals and plants	1
Conservation of the natural environment	6
Development and maintenance of the urban environment	18
Promotion of international cooperation and exchanges	11
Other	5
<b>Total</b>	<b>178</b>

### TOPIC

#### Keidanren Nature Conservation Fund

In recognition of the fact that protection of the natural environment is a serious and lasting issue on a global scale, the Keidanren Committee on Nature Conservation commissioned the establishment of the Keidanren Nature Conservation Fund in 2000 for the purpose of taking concrete action to address this issue.

The Fund accepts donations from Keidanren member corporations, private sector firms, and individuals and extends approximately ¥200 million in grants every year to nature conservation activities carried out by NPOs and NGOs in Japan and emerging regions.



People from the Yamashina Institute for Ornithology watching short-tailed albatrosses

### TOPIC

#### ENEOS Hydrogen Trust Fund

Japanese petroleum company Eneos Corporation commissioned the establishment of the ENEOS Hydrogen Trust Fund in 2006 for the purpose of contributing to the realization of a hydrogen energy-powered society by assisting fundamental research concerning the supply of hydrogen, a source of environmentally-friendly energy.

The fund is one of the largest in Japan, providing grants of up to 10 million yen per project. Each year, the fund invites the researchers who are receiving a grant and those who have received a grant in the previous year to an awards ceremony where they present their research results.



Due to COVID-19, the FY2020 briefing session and awards ceremony was held online via Zoom



### Social Contribution Donation Trusts

SuMi TRUST Bank offers social contribution donation trusts (also referred to as "Bridge to Tomorrow") intended to make donations to charitable organizations etc. engaged in social contribution activities. Through the trust, clients can choose donation recipients from a list of organizations that SuMi TRUST Bank provides and donate one-fifth of the original trust principal once a year. (Donors can change

donation recipients each year.) These clients receive reports from the recipient on how the donations were used and what activities were conducted.

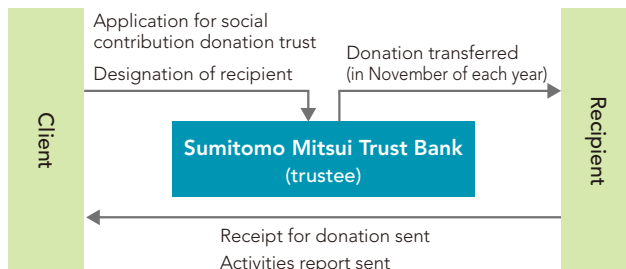
SuMi TRUST Bank supports activities regarding not only the environment but also various themes including education, medical care, academia, and culture through social contribution donation trusts.

#### List of Donation Recipients (as of August 14, 2019)

Environment	World Wide Fund for Nature Japan (WWF Japan)
Environment	Ecosystem Conservation Society-Japan
Education	National Federation of UNESCO Associations in Japan
Medicine	Japan Cancer Society
Medicine	Center for iPS Cell Research and Application, Kyoto University
Medicine	Médecins Sans Frontières Japan
Social welfare	Japan Guide Dog Association
Academics	The Japan Prize Foundation
Culture	Japan Arts Council
Disaster reconstruction support	Central Community Chest of Japan
Support for children	The Nippon Foundation
Support for sports for people with disabilities	Special Olympics Nippon Foundation
Humanitarian support	Japan for the Office of the United Nations High Commissioner for Refugees (UNHCR)



#### Mechanism of Social Contribution Donation Trusts



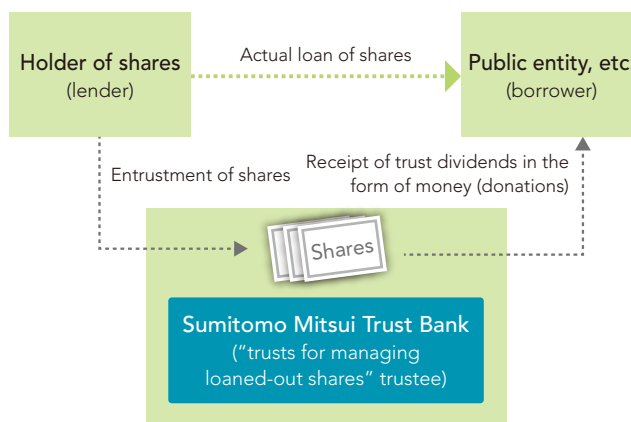
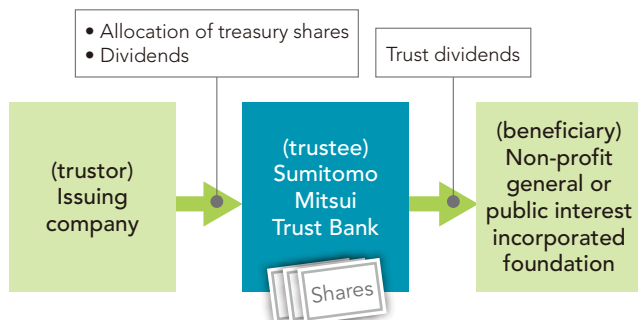
### Social Contribution Scheme Using Treasury Shares

SuMi TRUST Bank offers trust schemes for companies to donate dividend income from their treasury holdings to public interest foundations etc., as a way to contribute to society.

In fiscal year 2014, SuMi TRUST Bank implemented this scheme between Toyota Motor Corporation (trustor) and the Toyota Mobility Foundation (beneficiary). In this case, the dividend income is used to tackle many issues, such as eliminating the mobility disparity in emerging and developing nations, activities that promote the healthy development of the auto industry, and the funding of research into cutting-edge technology and systems in developed markets.

### Trusts for Managing Loaned-Out Shares

SuMi TRUST Bank offers trusts for managing loaned-out shares so shareholders can donate dividend income tax free to public interest foundations etc. Using this trust, shareholders lend shares without compensation to NPOs etc. in a scheme that enables them to offer ongoing support to the designated stock borrower in the form of tax free dividend income from the shares.



**Designated Donation Trust**

Based on a scheme established following amendments to Japan’s taxation system in fiscal year 2011, SuMi TRUST Bank also offers a “designated donation trust.” Investment gains in the trust are tax free and together with

the trust principal can be donated to a charitable organization. Donations can be made regularly over a 5-year or 10-year period to any organization, not just those listed by SuMi TRUST Bank.

**Cooperative Social Contributions**

**Questionnaire about Bequeathal Donations**

SuMi TRUST Bank helps clients that wish to leave their assets for public benefit and the good of society by using will trusts to make bequeathal donations.

In recent years, more and more assets have reverted to the state because of the absence of any legal heirs. Accordingly, demand is gradually increasing for bequeathal donations whereby people decide on who or which organizations receives their assets after death.

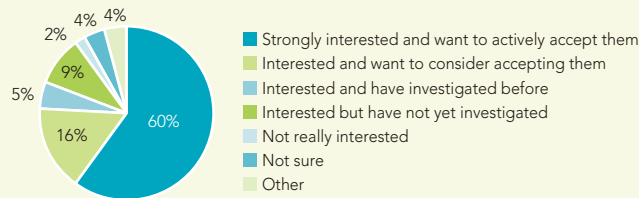
In order to obtain more information about this field, between March and April 2020, SuMi TRUST Bank partnered with the NPO Service Grant Japan to survey NPOs and community organizations about donations and bequeathals.

The questionnaire fielded a broad range of questions mainly about how interested organizations are in bequeathals and will trusts, what percentage of their income is derived from donations, whether they demonstrate their gratitude to donors, whether they have successor candidates to continue activities, and their plans for the reversion of remaining assets in the event activities are discontinued.

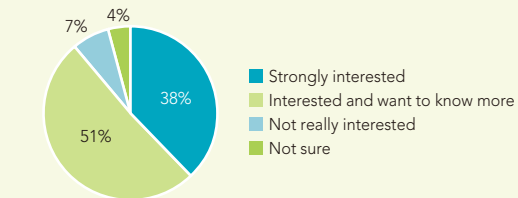
The results of this questionnaire will be used in a variety of ways. For example, to improve marketing related to bequeathal donations or to examine different ways of resolving issues faced by charitable organizations.

**Excerpt of Questionnaire about Donations, Including Bequeathals**

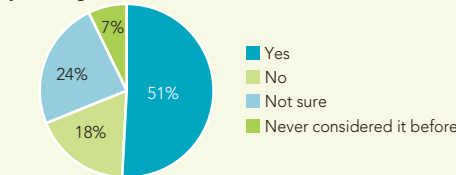
Degree of interest in bequeathals



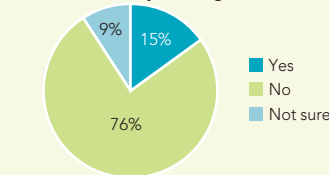
Degree of interest in bequeathals using will trusts



Do you have successor candidates to carry on your organization’s activities?

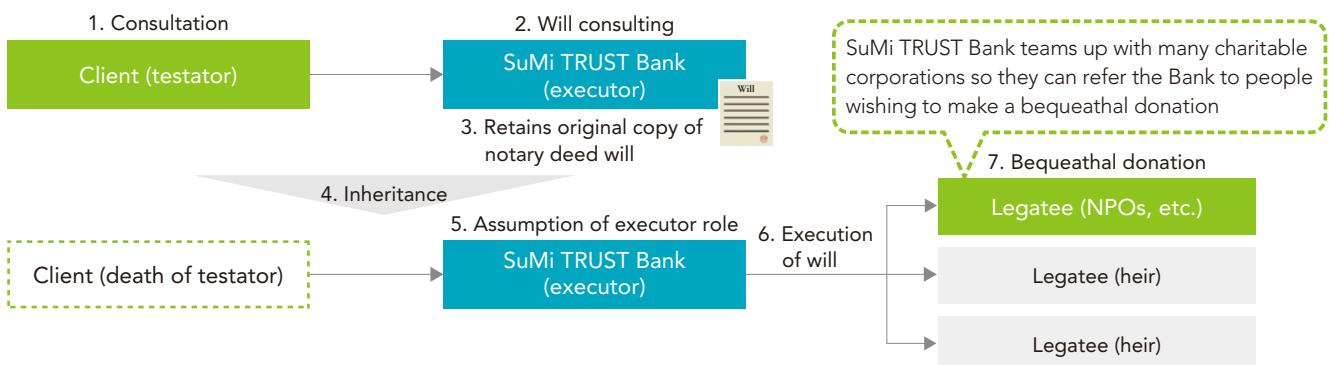


Have you thought about the reversion of remaining assets in the event that your organization’s activities no longer continue?



Questionnaire period: March to April 2020; Respondents: 45 organizations previously supported by Service Grant Japan

**Overview of Bequeathal Donations Using Will Trusts**



## Participation in Social and Community Activities



# Significance of Participating in Social and Community Activities

SuMi TRUST Group integrates an SDG viewpoint into the array of community and regional contribution initiatives it implements in communities where the Group and Group companies, including SuMi TRUST Bank, has office branches. Providing value helps support the soundness of our business foundation, and some also believe it is necessary as a social license to operate a business.





SUMI TRUST GROUP INITIATIVES 01

Supporting Education for Children to Grow into Next-Generation Leaders



## We Support UWC ISAK's Goal of Empowering Changemakers\*1

The Group is a proponent of the educational philosophy of United World College ISAK Japan (abbreviated UWC ISAK), which is to "Empower Changemakers." Since 2013, we have been supporting a two-week summer school program aimed at junior high school students on the ISAK Japan campus. Many of the students who participate in the summer school are from developing countries and impoverished socio-economic backgrounds. Each year the Group pays the tuition fees and other expenses of one scholarship student participating in the summer school from a developing country such as India.



The 2019 summer school ran from July 21 to August 3 and accepted 81 junior high school students from 34 countries around the world.

\*1 A "changemaker" is a leader who helps transform the next generation of society.

### Advance to Universities in Japan or Abroad/Gap Year\*2

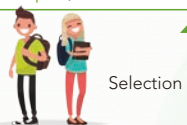
International baccalaureate (IB) diploma  
Japanese high school diploma



### United World College ISAK Japan (UWC ISAK Japan)



Selection



Selection

### Summer School

#### Main supporter

Every year SuMi TRUST Group pays the tuition fees for one scholarship student.

Selection

### Accept Applications from Junior High Students from Countries Worldwide



Karuizawa

\*2 Gap year: A period when high school students who have received a letter of acceptance to a university gain various life experiences without immediately proceeding to higher education. During the period, individual students pursue social experiences such as volunteer activities and internships, study abroad programs, and travel.

#### TOPIC 01

## About UWC ISAK, the School We Support

UWC ISAK, a campus in the wilderness of Karuizawa, is a boarding-only high school that fosters changemakers who can play an active part in the international community. The school accepts students from 83 countries around the world. Of the approximately 200 students who attend the school, about 70% are overseas students. Many of the students are from economically disadvantaged backgrounds, and about 70% of the student body is on scholarships that do not require repayment. UWC ISAK's greatest attraction is living in dormitories with colleagues from all over the world. Students from a variety of social and economic backgrounds, as well as nationalities, become keenly aware of each other's viewpoints and cultures in an environment of sharing. In this environment, students grow up into adults who understand and respect different values and beliefs, rather than denying or rejecting them.



Karuizawa campus

In fiscal 2020 we were unable to support the program as usual because of the impact of the COVID-19 pandemic, but the Group will continue to support the initiatives of UWC ISAK going forward.

### Students SuMi TRUST Group Have Supported Since 2013

2013	2014	2015	2016	2017	2018	2019
Vietnam Hong Lien Ngyuen	India Thulasi Priya Ramesh	India Thanuja Ramesh	Mexico Eduardo Bautista	India Prashanth Babu	India Prathana Himalachi	India Hemant Sharma



#### A Thank-You Letter from Hemant



My hobbies are soccer, watching movies, music, and getting along with many types of people. Thanks to your support, my life has become full of possibilities. I am deeply grateful for the fact that I am here now thanks to your support. Thank you very much.

Hemant is a 13-year-old boy who joined the summer school from Shanti Bhavan in India. He got to know all the students who the Group had supported in the past and said, "I'm really happy to be here this year, and I appreciate your continued support."  
In the "Finding Purpose" group discussion we visited, Hemant demonstrated leadership that inspired everyone in the room.  
"If you know how the economy works, you should be able to support yourself, your family and your country," he said confidently about his dream of becoming a certified public accountant. We hope that Hemant's dream comes true in the near future.



Summer school photo opportunity with a representative from the Sustainability Management Department



#### Displays in Branch Lobbies Nationwide

Starting in fiscal year 2017, an ISAK lobby display toured branches across Japan. During the panel exhibition, UWC ISAK Japan founder Lin Kobayashi told us, "Three of the students you have supported to date at our high school are from Shanti Bhavan. I would like to express our appreciation for your deep involvement in helping to establish the first steps in changing the lives of these students. I sincerely hope that when they return to their home country in the near future, they will transform their society without succumbing to the disadvantages they face and will be able to make a significant contribution to society."



Display in the lobby of the Kawasaki branch

### TOPIC 02

#### Support for the Children in Shanti Bhavan

The Shanti Bhavan school was established for the purpose of educating children who are the most socially and economically disadvantaged under the caste system, which has persisted for 2,000 years in India. All the summer school students from India that we support with scholarships are from Shanti Bhavan. They are highly interested in issues such as discrimination, poverty, and the human rights of women, and they strongly hope to improve their homeland. We will continue to watch after these future changemakers as they take action to abolish the caste system.



A vicious cycle of despair for children living in slums who don't have an opportunity to receive an education



SUMI TRUST GROUP INITIATIVES 02

Education for Sustainable Development (ESD) Project



Based on the thinking that providing value to the community represents a social license to operate, the SuMi TRUST Group integrates SDG viewpoints into the array of social and regional contribution initiatives we undertake in the communities where we have an office presence. Our policy going forward will be to engage in the very business of addressing the SDGs and strengthen our initiatives so that we can constantly maintain a sound business foundation.

In this section of the report we provide information about the ESD initiatives of SuMi TRUST Bank.

SuMi TRUST Bank’s ESD\* Project and the SDGs

Guided by the belief that problems concerning the environment and biodiversity are fundamental issues companies ought to address, SuMi TRUST Bank has, since 2003, continued to champion sustainability initiatives through its own business operations, financial products, and services in an effort to help solve these issues.

ESD is one such initiative—a program endorsed by the United Nations that aims to educate and nurture leaders of a sustainable society.

To achieve a sustainable society, every single one of us must recognize that the environment we live in is irreplaceable and that we must change how we conduct ourselves on a daily basis. However, it must also be said

that we will struggle to achieve a truly sustainable society if all we do is just protect the land that is currently on the verge of crisis. Thus, SuMi TRUST Bank believes that this goal can be achieved by leveraging future foresight and nurturing people who understand the value of nature. Since 2012 the Bank has undertaken various ESD projects with the aim of educating the next generation of children about the environment. One requirement in selecting a hosting site for an ESD project is that it must be nearby a SuMi TRUST Bank branch office. Each branch is working to build their own local brand through PR activities together with administrative agencies.

\*ESD Stands for Education for Sustainable Development

Nagoya ESD project held online

Embracing Challenges in the “New Normal”

In August 2020, SuMi TRUST Bank organized an ESD leadership training session for around 40 teaching staff in Aichi Prefecture. The session was held online so that the participants from Aichi’s schools could connect remotely with the Tokyo-based instructor, who delivered a lecture about incorporating ESD and the SDGs into classwork.

In the first half of the session, after listening to a lecture on the topic of learning about the SDGs, the participants watched a video and then shared opinions based on their own work or group work. A lively discussion then ensued, mainly focusing on the topic of how to best reflect the SDGs into inquiry-based learning time in the classroom. In the second half, Principal Masaharu Sumita of Hie Elementary School in Yokohama gave an invaluable talk about how to bear responsibility in a sustainable society based on the topic of how to incorporate the SDGs into

educational activities by citing specific case examples of how to best teach children about the SDGs and how to address questions that have no correct answer.

This training session—comprising a lecture, discussion, sharing, and conclusion—was the first time an ESD project had been held entirely online and all of the participants benefitted from smoothly experiencing a new learning format.

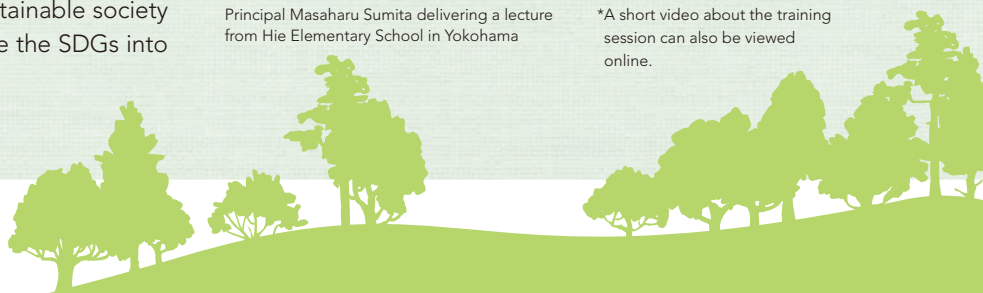


Principal Masaharu Sumita delivering a lecture from Hie Elementary School in Yokohama

For a summary of the ESD projects implemented thus far, please scan the following QR code.



\*A short video about the training session can also be viewed online.

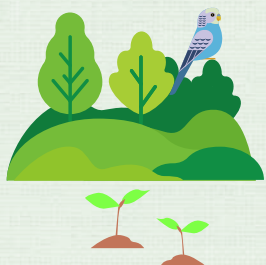






## Initiatives over the Past Years

SuMi TRUST Bank received an award from the Biodiversity Action Award 2015 (sponsored by the United Nations Decade on Biodiversity 2011-2020).



<p><b>Nov. 2012</b></p> <p>Wakayama Prefecture</p> <p><b>Tanabe Daisan Elementary School</b> Nature and biodiversity in Tenjinzaki</p>	<p><b>Sept. 2013</b></p> <p>Kanagawa Prefecture</p> <p><b>Miura Municipal Koyo Elementary School</b> Koajiro Forest where the red-clawed crab lives</p>	<p><b>Sept. 2014</b></p> <p>Okayama Prefecture</p> <p><b>Okayama City Municipal Tsunoyama Elementary School</b> Learning about the source of water in Okayama</p>	<p><b>Jan. 2015</b></p> <p>Kanagawa Prefecture</p> <p><b>Kamakura City Shichirigahama Elementary School</b> Studying Oyatsu Forest, the birth-place of the National Trust</p>
<p><b>June 2015</b></p> <p>Osaka Prefecture</p> <p><b>Yao Municipal Nakatakayasu Elementary School</b> Nature of Yao City, where the Japanese rosy bitterling fish lives</p>	<p><b>Jan. 2016</b></p> <p>Fukui Prefecture</p> <p><b>Fukui Municipal Yashironishi Elementary School</b> Studying the Nakaikemi Wetlands</p>	<p><b>July 2016</b></p> <p>Aichi Prefecture</p> <p><b>Aichi Prefectural Kisogawa High School</b> Lessons about local life and the future from the deepbody bitterling, an endangered fish</p>	<p><b>Feb. 2017</b></p> <p>Chiba Prefecture</p> <p><b>Chiba Prefectural Funabashi Shibayama High School</b> Lessons about the "web of life" from the Shibayama Wetlands</p>
<p><b>July 2017</b></p> <p>Niigata Prefecture</p> <p><b>Niigata Municipal Akatsuka Junior High School</b> Lessons about building communities that coexist with nature from Sakata Lagoon, a wetlands registered under the Ramsar Convention</p>	<p><b>Feb. 2018</b></p> <p>Shiga Prefecture</p> <p><b>Shiga Prefectural Moriyama Junior &amp; Senior High School</b> Water source forest: Lessons for community and living from Lake Biwa and the SDGs</p>	<p><b>Aug. 2018</b></p> <p>Ibaraki Prefecture</p> <p><b>Edogawa Gakuen Toride Junior &amp; Senior High School</b> Lessons for sustainable societies/SDGs from Japan's forests</p>	<p><b>Mar. 2019</b></p> <p>Hokkaido Prefecture</p> <p><b>Sustainable Local High School event in Sapporo</b> How SDGs and tourism make Sapporo a sustainable city</p>
<p><b>Aug. 2019</b></p> <p>Kanagawa Prefecture</p> <p><b>Teaching staff of Kanagawa Prefectural junior/high schools</b> SDGs seminar for teachers</p>	<p><b>Nov. 2019</b></p> <p>Toyama Prefecture</p> <p><b>Toyama Prefectural Tonami High School</b> Life planning and the SDGs</p>	<p><b>Aug. 2020</b></p> <p>Aichi Prefecture</p> <p><b>Teaching staff of elementary, junior, and high schools in Aichi Prefecture</b> ESD leadership training session</p>	

### Changes in ESD project topics





SUMI TRUST GROUP INITIATIVES 03

Our Activities Supporting National Trusts



A movement that traces its origins to nineteenth-century England, the National Trusts acquires sites with natural value and historical buildings via donations from citizens. Its conservation activities protect private-sector sanctuaries as “trust land,” highlighting this approach as an effective way to steadfastly protect natural capital. The National Trusts as a movement in Japan goes back to 1960, and the scope of its activities has broadened to

now include over 50 regions across Japan.

SuMi TRUST Bank recognizes that increasing National Trusts landholdings is an investment in the foundation supporting our livelihoods, and through land acquisitions, environmental education, and our products using the trust system, we support its activities, which are rooted in the characteristics of each site.



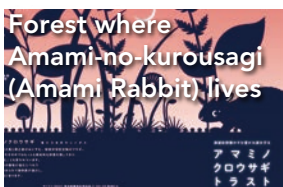
**Forest where Tsushima leopard cats live**

The Tsushima leopard cat is an endangered wildcat living exclusively on Tsushima Island, Nagasaki Prefecture, with its population now down to just around 100. In addition to programs for Kuromatsunai town and Amami Oshima, SuMi TRUST Bank administers a donation program for funding purchases of National Trusts landholdings through social contribution donation trusts.



**Nakaikemi Wetlands**

The roughly 25-hectare Nakaikemi wetlands, surrounded by mountains on three sides, are rich with nature and designated under the Ramsar Convention. SuMi TRUST Bank has produced a video on the wetlands highlighting the 3,000 species of flora and fauna that call it home despite its proximity to a city center. The video is to be used for environmental education in Fukui Prefecture.



**Forest where Amami-no-kurousagi (Amami Rabbit) lives**

SuMi TRUST Bank has joined the Trust Campaign run by the Association of National Trusts in Japan to protect the rare Amami Rabbit, whose sole habitats are the islands of Amami Oshima and Toku-no-shima. The Kagoshima Branch donated a sum commensurate to that needed to purchase 8,066 m<sup>2</sup> of forest lands for the rabbit.



**Tenjinzaki**

Tenjinzaki is a promontory in Tanabe City, Wakayama Prefecture. Despite its location near a city center, the site is home to a rich natural environment. SuMi TRUST Bank produced education videos from interviews conducted by students of a nearby elementary school, and used these for environmental education classes.



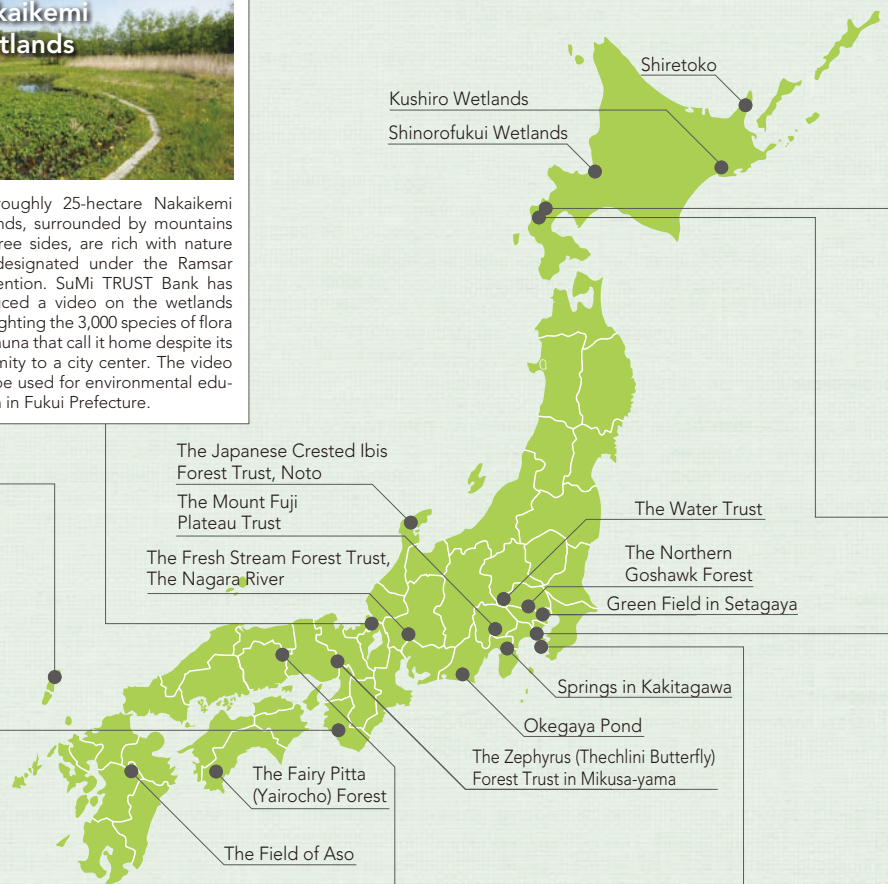
**Water Head in Mimasaka Forest Trust**

The water head for the Yoshii River watershed is in a 62 hectare forest where nature has been preserved in a pristine state. SuMi TRUST Bank created educational materials on the water head forest and used them to teach environmental education classes to elementary school students, prompting the students to think about the importance of water.



**Koaji Forest**

Koaji Forest, located near the tip of the Miura Peninsula, has been preserved by the activities of the National Trust chapter in Kanagawa Prefecture. SuMi TRUST Bank, in collaboration with Green TV Japan, interviewed experts for an education video it produced for use in environmental education classes at elementary schools.







**Utasai Bog,  
Hokkaido's Oldest**

SuMi TRUST Bank joined a campaign led by the Association of National Trusts in Japan to protect the Utasai Bog, the oldest high-elevation marshland in Hokkaido with a history that goes back 24,000 years. The donation of the Sapporo Branch and Sapporo-Chuo Branch for the Utasai Bog is commensurate to the sum needed to purchase 1,500 m<sup>2</sup> of the site.



**Northernmost  
Beech Forest**

The Beech Forest in Kuromatsunai town is the most northern habitat of native beech. Moreover, the forest is valuable for awakening us to the environmental changes caused by global warming. Employees of the Sapporo Branch and Sapporo-Chuo Branch planted beech saplings on the National Trusts site and are active in regular activities to conserve the beech trees.



**Oyatsu Forest**

Oyatsu Forest spreads out behind the Tsurugaoka Hachimangu shrine. To protect this forest, the Kamakura Environment Conservation Society was established in 1964 as the first National Trusts chapter in Japan. SuMi TRUST Bank sponsored an environmental education class in Kamakura City to mark the 50th anniversary of the Society's founding.

## Panel Exhibition in Branch Lobbies Nationwide

In fiscal 2019 a panel exhibition was on display in the lobbies of 43 branches nationwide. The theme of the exhibition was the National Trust, a nature conservation movement that traces its origins to England.

A forest cemetery called Mori-no-boen was opened by the Ecosystem Conservation Society-Japan in February 2016 in the town of Chonan in Chiba Prefecture. In order to naturally regenerate the land on which the forest was destroyed by sand excavation, the National Trust method is being used to turn the land into a cemetery by planting native tree saplings as grave markers. No man-made items such as grave-stones are used in the cemetery, so for this reason it is attracting attention as a new type of cemetery business where a natural forest is expected to cover the entirety of the burial grounds in the future. After starting with six branches in Chiba Prefecture (where the cemetery is located) in fiscal 2017, a panel exhibition featuring this business has been circulating other branch lobbies. In fiscal 2019, 28 branches hosted the exhibition.

In September 2020 during an online in-house study session featuring Director Sayama from the Ecosystem Conservation Society-Japan, sustainability officers from branch offices all over Japan learned about the circumstances and issues regarding the cemetery's end-of-life procedures conducted the previous year, as well as information that will likely prove useful when discussing end-of-life and inheritance services with clients.



Display in the lobby of the Chiba Branch & Chiba-Ekimae Branch



Study sessions about the Mori-no-boen cemetery were also held at branches and departments

## Supporting National Trusts' Activities through Donations for Acquiring Land

Land is the foundation of natural capital in terrestrial ecosystems. While development has destroyed nature, another problem in recent years is that those lands whose succession rights have been relinquished or unregistered have grown sharply due to Japan's shrinking population. We believe that preventing the spread of mountain forests and farmland whose owner is unknown, while putting more land under management to sustain its nature, is an effective approach to arrest the degradation of Japan's natural capital.

SuMi TRUST Bank supports those groups, including the Association of National Trusts in Japan, which promote the activities to acquire high-value sites and land with bountiful nature through contributions from citizens and corporations. The Bank has donated funds to purchase those lands where endangered species live and of academically important. In 2014, the Bank donated funds toward the acquisition of forest land (equivalent to about 8,000 m<sup>2</sup>) in Amami Oshima, Kagoshima Prefecture, to conserve habitat for the endangered Amami rabbit. In 2015, the Bank donated funds toward the acquisition of the Utasai bog (equivalent to about 1,500 m<sup>2</sup> of the site), located within Kuromatsunai town, Hokkaido, to conserve the high-elevation wetland, one of the oldest in Hokkaido.

In addition, "social contribution vending machines" that donate a percentage of their sales to the Association of National Trusts in Japan have been installed in the Nakano Branch, the Tokorozawa Branch, the Tokorozawa-Ekimae Branch, and the Omori Branch. By October 2020, they had donated funds equating to the acquisition cost of 3,190 m<sup>2</sup> of forest land in Chichibu, a source region for water supply to the greater Tokyo metropolitan area.



A "social contribution vending machine" at the Nakano Branch



# Challenge for SDGs!

Every company and individual person can contribute to achieving the SDGs. The Group seeks to achieve the 17 SDGs with our businesses and the "With You" activities!

As a financial institution, we have a major role to play in promoting concrete initiatives to achieve the SDGs (Sustainable Development Goals) advocated by the United Nations, as well as in spreading awareness of the SDGs to local communities.

In the SuMi TRUST Group, each and every employee comes up with plans to assume responsibility for raising awareness about the SDGs. In this way, all employees take action to facilitate greater understanding of, and implement initiatives towards achieving, the SDGs. In October 2018, the Group's newsletter featured a special article about the SDGs, explaining the significance of addressing them and how each of the Group's businesses are connected. Also, since December 2018, an e-Learning course for all directors, officers, and employees has been run every year in an effort to further promote understanding of the SDGs and call for specific initiatives to be implemented. This e-Learning module has also been expanded to include overseas offices.

In fiscal 2019, all employees of the SuMi TRUST Group started wearing an SDGs badge. Meanwhile, initiatives at each Group company continue to be carried out (see pages 169–176).



Group newsletter Future Bloom (Oct. 2018 issue)



e-Learning (rolled out in December 2018, 2019, and 2020)



Employee Integrated Report (May 2018 and May 2020 issues)



In the second half of 2018 an internal SDGs study session was held at all branches and departments across Japan so that "With You" activities could be implemented with the aim of achieving the SDGs. A total of 3,112 employees participated.

Furthermore, in August 2019 all 134 branch offices in Japan formulated their own SDG declarations with the goal of spreading the word about the SDGs and contributing to regional revitalization in their local community.

Currently, each branch and department is undertaking initiatives geared towards achieving their own SDG declaration and the Sustainability Management Department shares success cases with the aim of raising the overall level of activities at all branches and departments.

The SDG activities of branches and departments across Japan are occasionally posted on the "With You" branch blog website.



Please visit the following address for the branch blog website.  
<https://branchblog.smtb.jp>





## SuMi TRUST Bank

# “With You” Activities Carried Out across Japan

The SDGs have also attracted attention in the business world. A variety of industries and companies across the globe are practicing business with the SDGs in mind. The new demand for funding thus creates an opportunity for the finance business.

## SuMi TRUST Bank Seeks to Achieve the 17 SDGs with the “With You” Activities!



### SDGs Declarations

The Declarations are a strategy to raise the visibility of the specific “With You” sustainability activities focused on by the local branch offices, while using the SDGs as a common language. Each branch office decides on its own course of action and develops concrete activities to achieve two SDGs: SDG 17 plus one extra SDG of the branch’s choosing.



One of the Goals 1-16



### Initiatives Common to All Branches across Japan

To build strong relationships of trust with community members, SuMi TRUST Bank engages in social contribution activities rooted in local communities, which are known as “With You” activities. These activities are promoted with a focus on the following three areas: (1) support for this generation of seniors, (2) support for the environment and living creatures, and (3) contributions to local communities and society.

With a view to promoting these activities systematically, SuMi TRUST Bank introduced a point system in FY2012 as a guideline that establishes standards for these activities, dividing activities into categories and measuring their degree of difficulty and effectiveness. The point system sets a baseline point target for each year and assesses each branch from the standpoint of “achieving business results,” “reducing environmental burden,” “improving brand image,” and “disseminating information” as well as on the basis of its ingenuity in achieving sales results and disseminating relevant information, and posts on its “With You” branch blog. The branches have been steadily achieving their targets since the system began,

and use of “With You” activities as an effective marketing approach has taken hold.

Furthermore, the “With You Excellence Award,” “With You Special Award,” “With You ‘Shine Activities’ Award,” or “SDGs Special Award (New)” are awarded to branches and departments that have achieved outstanding results from “With You” activities. We are actively developing “With You” activities by sharing these award-winning initiatives at branches and departments nationwide.

#### Goals of “With You” Activities



Branches That Achieved Target Points:  
**134** (100%)  
Since 2H 2017 and Continuing

### Communication

SuMi TRUST Bank engages in social contribution activities rooted in the community centered on branch offices in regions nationwide to build strong trust-based relationships with local communities.

To communicate our branch office activities widely with everyone nationwide, we focus on sending out information using various forms of media.

#### “With You” Branch Blogs

SuMi TRUST Bank launched the “With You” branch blog site in 2012, and branches nationwide introduce their CSR activities (With You activities) on their blogs and update them as needed. Moreover, we use them as a tool to communicate with local clients such as by offering a timely guide to CSR seminars and panel exhibits. With the number of blog posts by each branch increasing every year, the branch blog has emerged as an important tool for disseminating information to local communities.

Since November 2018, SuMi TRUST Bank has been working to publicize branches’ “With You” activities in connection

with the 17 SDGs. In August 2019, all our 134 branch offices nationwide formulated “SDGs Declarations,” with the aim of instilling the SDGs in local communities and linking them to community revitalization.

Website URL: <https://branchblog.smtb.jp/>

Total Number of Blog Posts  
**12,176**  
(As of January 12, 2021)

### “With You” Quarterly Reports on Our Local Contribution Activities

We publish the social contribution activities report SuMiTRUST With You four times per year to our clients nationwide. This report plays the role of an information dissemination tool offering coverage on topics of interest to seniors as well as seasonal topics. In FY2020, we posted a series of special articles on the theme of “living in an age of 100-year-life.” Our introductions to issues such as Aging in Place and Happy Elderly Housing, which included specific examples, drew a great response nationwide.



### Branch-Produced “With You” Booklets

In addition to disseminating information via posts on their “With You” branch blogs and publishing social contribution activity reports, each branch publishes an original branch booklet called “With You.” It is planned and produced so local communities and the branches where they are located can get to know each other in greater depth. The booklet features employee self-introductions, introduces branch features, includes special feature columns on “With You” activities and CSR plans, and the distinctive traits of each branch such as collaboration with prefectural government offices and municipal halls and preparations of public relations columns on distinctive regional features and attractions.



### A Digest Report for Seniors 2.0



The topic of “an age of 100-year-life” has been the subject of increasing interest, boosted by the media. Mitsui Sumitomo Trust Group, acting as “Your Last Bank” has been focusing on providing seniors with information about ways to lead an affluent senior life.

#### Considering Senior-Generation Housing

The Sumitomo Mitsui Trust Group wants to be the bank that people can entrust their housing matters to with peace of mind in the last phases of their lives, in addition to managing their precious assets and their inheritance. “A Digest Report for Seniors - Considering Senior-Generation Housing 2.0,” which we published in August 2018, is a booklet that presents three important options to consider concerning housing for seniors: (1) Keep living in your current home, (2) Move to somewhere that is easier to live in, and (3) Move to a home for the elderly. Our branches nationwide introduce this book in lobby displays, to allow people to take their time considering the best options for their senior years. They also offer help and consultation to assist everyone on making the most of their senior life (see p. 123).



A lobby display

Website URL: <https://www.smth.jp/csr/report/2018/all5.pdf>

#### Considering the Problems of Dementia

In Japan, which is a super-aging society, one in four people aged 65 or above is said to have dementia or its early signs. “A Digest Report for Seniors - Considering the Problems of Dementia 2.0,” which we published in August 2019, is a booklet that provides concrete information on what the disease of dementia actually is, the kinds of support its sufferers require, and what we can do to help. Sumitomo Mitsui Trust Bank has developed a lineup of asset management products adapted to dementia, and provides consulting that stands in our clients’ shoes (see p. 115). Our branches nationwide introduce this booklet in lobby displays, to allow people to take their time considering their health and futures.



A lobby display

Website URL: <https://www.smth.jp/csr/report/2019/all5.pdf>



Introduction of Branch Initiatives



Silver College Seminars

Silver College seminars are a place of learning for seniors among our clients to lead their second life with reassurance and contentment. Leading authorities from different business sectors talk about the thorough preparations needed to carry on a second life that is safe and enriching. There are many issues facing us as human life spans often exceed the century mark. In addition to seminars with fixed participants covering four basic topics (health, safety and security; late-life housing; the issue of dementia; how to lead an enriched life in old age), each branch plans and hosts its own distinctive Silver College seminars.

ive Silver College seminars.

We invited Mr. Daisuke Sakashita, who participated in the Japanese Antarctic Research Expedition, toured all over Japan as the “Antarctic Teacher,” and currently serves as the principal of the Hokuriku Architectural Skills Training School, as a lecturer at our Kanazawa and Kanazawa Chuo branches to hold a Silver College seminar under the theme of “Housing Experienced through Wintering in Antarctica” to learn about housing for a long and healthy life. At the Shizuoka and Shizuoka Chuo branches, Dr. Kondo, Associate Professor of Musicology at Tokai University’s College of Liberal Arts, gave an interesting talk on “How the silver generation can better enjoy music” under the theme of “Music for the Silver Generation.” The event included a piano performance and everyone in the audience sang along. In such ways, each branch provides a variety of information on how seniors can live well in their golden years. The seminars have all been well received by participating clients. However, in-person seminars have been suspended since February 2020 due to the COVID-19 pandemic.



The Kanazawa and Kanazawa Chuo branch Silver College event

Activities to Support the Environment and Living Things

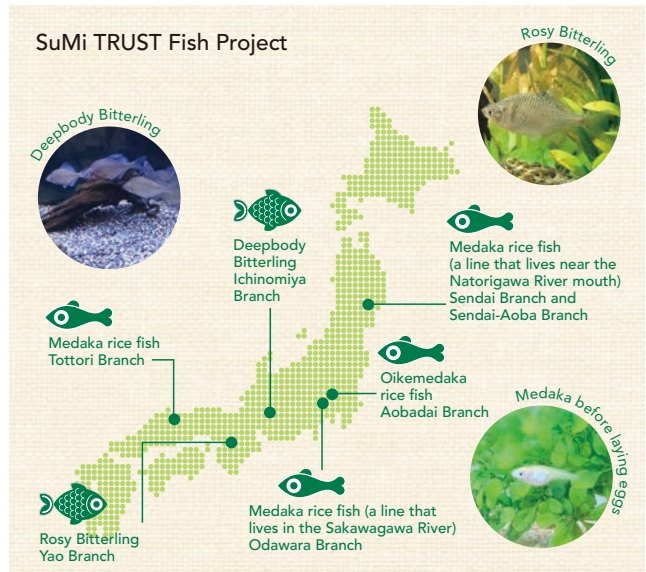
Sumitomo Mitsui Trust Bank works on sustainability activities (we call them “With You activities”) at our branches nationwide. Based on the idea that “our lives are affluent because we are blessed with natural capital,” we have set “Activities to Support the Environment and Living Things” as one of the themes of our diverse With You activities, which we do with the participation of our employees. As part of that effort, some branches are working on activities to conserve Japan’s unique organisms. In August 2016, our Ichinomiya branch received approval from the Ministry of the Environment, and started the first private-sector exhibition of the Itasenpara bitterling (*Acheilognathus longipinnis*), an endangered species. From September 2020, we have taken on the challenge of breeding the Itasenpara bitterling for the fifth time. The conservation activities are spreading in the region, with our

collaborator Ichinomiya Shogyo High School being added to the “Kiso San River Basin Eco-Net Support Group,” a group to which the Ichinomiya branch belongs.

Since August 2005, the Yao branch has been continuously involved in the breeding of the endangered Rosy Bitterling. In August 2020, we installed a new information panel in the show window to raise awareness of this initiative.



SuMi TRUST Fish Project



Raising Itasenpara in our Ichinomiya branch

\*Gene differentiation has been confirmed for medaka rice fishes depending on the water area of their habitats, and preservation activities of indigenous medaka rice fishes have been promoted in each respective region using systems such as foster care.



### SuMi TRUST Bank “Inheritance from Me” Series

Since June 2013, SuMi TRUST Bank has invited clients to share stories with an “Inheritance from Me” theme. These stories, up to around 400-characters in length, are on the precious “people, things, and matters” the writer wants to pass on as an “Inheritance from Me” legacy for future generations. Each time, the stories selected for the Grand Prize and the Second Grand Prize are published as a collection in a booklet that is available at our branch lobbies across Japan and shared on the company’s website. The Grand Prize winner in the first year was a story entitled “A life-sustaining ten-yen coin.” It describes how a ten-yen coin helped form a bond of trust between a teacher and students. The story appealed to many, even inspiring Aki Yashiro, a well-known Japanese enka (folksong) singer, to turn the story into a song. The generations of entrants have diversified every year, and in our seventh contest, we received over 7,200 entries.

“Inheritance from Me” is also a project that contributes to school education and local communities.

We received many applications for the first contest from young children, students, and whole schools, so from the second contest, we established the “School Award” and started taking group applications from schools. They participated as classes, school years, after-school club activities, and school units, as part of their educational activities, and by the 7th contest, we had received 4,136 works from 57 schools.

We saw that many of the entries were on the topic of “Furusato” (home town), so from the sixth contest, we established the “Heart’s Hometown Award” and have been asking for entries on “Heart’s Hometown” about “my wonderful town or village.” We plan to announce winners of the eighth contest in March 2021.



### Good Examples of Community Cooperation

As a financial institution, we are taking concrete action towards the attainment of the SDGs (Sustainable Development Goals) announced by the UN, but we also take on the important role of educating and informing local communities about the SDGs, and promoting the initiatives together with them. Based on the “SDGs Declaration” (P.158) formulated by all branch offices nationwide, we are working on activities and events in cooperation with local communities.

Umeda Branch/  
Hankyu Umeda Branch

### Conducting Online Training for the Support Staff of Disabled Persons



The Umeda Branch and Hankyu Umeda Branch are focusing on activities to strengthen their ability to support the elderly and people with disabilities.

The branches were certified as an Osaka City “Orange Partner”<sup>\*1</sup> in September 2018 and as an Osaka City “Ai Support Company/Organization”<sup>\*2</sup> in October 2019. After April 2020, as the COVID-19 pandemic was unfolding, internal study sessions and training programs had to be suspended. However, since these activities are related to human rights, the Umeda Branch and Hankyu Umeda Branch wanted to continue them. Upon consultation with the Osaka Consultation Support Center for Persons with Disabilities (an affiliated organization of the City of Osaka) on how to carry out the programs, the branches decided to carry out online training sessions.

To be a true “Best Partner” for our clients, it is important to have an organization-wide approach, and through this training, all employees in these branches were able to collec-

tively gain respectable knowledge on disabilities. The Umeda Branch and Hankyu Umeda Branch have a cumulative total of 60 employees who are “Ai Supporters,” striving to provide the finest service to a variety of clients.

<sup>\*1</sup> Orange Partner: Companies and organizations that implement dementia-friendly initiatives.

<sup>\*2</sup> Ai Support Company/Organization: A company or organization that implements disability-friendly initiatives. The City of Osaka launched the “Ai Support Movement” in November 2017, and certified four companies and six organizations, including the Umeda Branch and Hankyu Umeda Branch, as “Ai Support Companies/Organizations” for the first time in October 2019.



Online training sessions



Ai Supporter badge



Meiekiminami Branch/  
Nagoya-Ekimae Branch

Strengthening Collaboration with Community-Based Comprehensive Support Center



The Meiekiminami Branch and Nagoya-Ekimae Branch have been working to strengthen cooperation with the community-based comprehensive support center, which is a comprehensive consultation service for the community. In Nagoya City, there are about 40 community-based comprehensive support centers. The branches avoided the three Cs (closed spaces, crowds, and close contact) and held an online information exchange event to make sure there were opportunities to exchange information amid the COVID-19 pandemic. Each branch will aim to contribute to the local community through networking with local organizations and institutions such as the community-based comprehensive support centers.



Online meeting

Yachiyo Branch

Holding a Photo Exhibition in Cooperation with the Local Museum



The Yachiyo Branch, in cooperation with the Yachiyo Municipal Museum of History, held the "Yachiyo-dai no Mukashi Photo Exhibition" to introduce the changes in the cityscape from the post-war development of residential complexes to the present through photographs. Pamphlets and booklets on local historical sites provided by the museum were placed in the lobby, and were very well received by clients who know about the history of the area, which led to the decision to hold a second event. This lobby exhibition was featured on local media along with interviews with employees.



The first lobby exhibition



The second lobby exhibition

Saga Branch

Lobby Exhibition to Promote Local Appeal, Local Media Appearances, etc.



The Saga Branch proactively reaches out to local stakeholders who are focusing on the SDGs and is carrying out joint projects. In addition to holding a lobby exhibition of SDG-themed paintings and calligraphy created by students of Ryukoku Gakuen, the branch is also focusing on publicizing its initiatives externally through guest appearances by employees in local newspapers and on local radio stations.

Aside from these activities, the branch also holds lobby exhibitions based on the research topic (local history, rare agricultural products, etc.) of professors from Saga University and Nishi-Kyushu University to continuously promote local appeal.

In addition, all branch employees have internalized the SDGs and are actively disseminating information about it through the branch blogs titled "We're all doing our best! Saga!" and "Do you know about Saga?"



Original SDGs postcards



Guest appearance on Ebisu FM

Nanba Branch/  
Nanba-Chuo Branch

Promotion of Food Drive Activities



The world's volume of staple food to developing countries is 390 tons, while Japan's volume of food waste is 6.43 Mtons, around 1.6 times as much. Enough still-edible food to fill 1,760 trucks is thrown away every day, and food loss has become a major social problem.

Keen to take action in "Osaka - the town bursting with food," our Nanba and Nanba-Chuo branches are focusing their efforts on food drives (activities to encourage households to donate their surplus food at their workplaces and elsewhere, for donation to local welfare groups and facilities). The branches organize lobby presentations to convey the current food loss situation and details of their food drives, and encourage their customers to join in as branch employees regularly make donations. The donated food items are channeled through Food Bank Kansai and Pal Coop Children's Food Bank, which run food drives. The recipients are local children's canteens and welfare groups and facilities.



Making the donation

Initiatives at Overseas Offices

# New York Branch

## Initiative 01 Establishment of a New Sustainability Policy



The New York branch has established a new Sustainability Policy. Previously, some departments were involved in ESG activities on an individual event basis, such as through volunteer activities and donations. However, to respond to the recent changes in awareness and trends regarding ESG in the US, the New York branch needed to work together to discuss and implement specific initiatives involving employees from a variety of angles,

including sales and investment activities and managing risks such as climate change. As a first step, the New York branch will create and disseminate a Sustainability Policy based on the Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy), then proceed with activities to raise employee awareness and obtain more support from management.

## Initiative 02 Support for New York’s Health Professionals



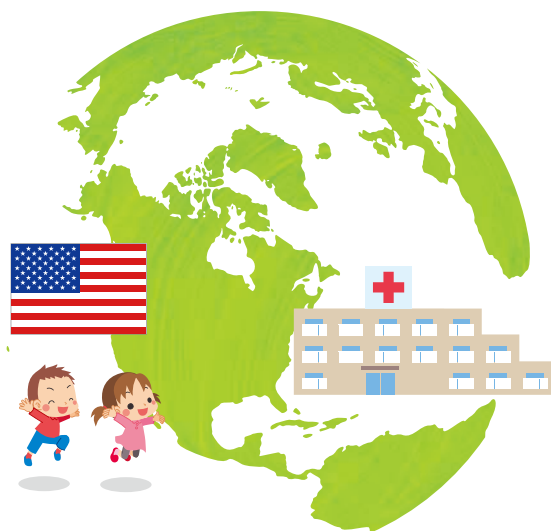
As a Japanese company operating in New York City, where the impact of the COVID-19 pandemic has been particularly severe, we wondered what we could do to help. Thus, in cooperation with local Japanese companies, the Japan Club, and the Japanese Chamber of Commerce and Industry (JCCI), we have been collecting donations and participating in the “Support COVID-19 Fighters! - Deliver Lunches to Medical Teams in New York” project.

around New York City. Through the end of November, we delivered 5,720 lunches and continued this activity in December.

Under the project, we have been delivering lunch once or twice a week since May 7 to medical workers on the frontlines in hospitals



Members of Columbia Presbyterian Hospital (logo and photo courtesy of the Japan Club)





# London Branch

## Initiative 01 Donation to Great Ormond Street Hospital



Since 2011 the London branch has made yearly donations to the Great Ormond Street Hospital instead of sending out Christmas cards. Founded in 1852, the Great Ormond Street Hospital is London's most famous hospital for children. It is also a charity organization. The hospital was a pioneer in the field of pediatrics by achieving numerous world firsts, including the first-ever successful bone marrow transplant in a patient with severe combined immunodeficiency. British author J.M. Barrie famously donated the copyrights to Peter Pan to the hospital, and donations received from the London branch and other donors are used for research on a number of life-saving treatments and for the operation of the hospital itself.



Donating with an employee whose child was treated at this hospital and recovered

## Initiative 02 Committing to Invest in a European Environmentally Friendly Property Fund



In Europe, where environmental regulations are progressively being implemented, the London branch has committed to invest in a fund that specializes in environmentally certified real estate, with the aim of learning from the leading initiatives in this field and promoting environmentally friendly property initiatives in Japan. The fund manager is a leader in the environmentally friendly property sector in Europe, and the fund has received an award from a third-party organization as the best Green Fund for 2020 in the real estate sector. This investment goes beyond the normal scope of an investment and is aimed at introducing advanced European environmental initiatives to Japan. As such, we have been in discussions with

the fund manager to establish an environmental fund targeting domestic real estate. Our Group's strength is in real estate, and we are working to become a leader in the environmental sector in Japan as well.



Munich's cityscape with its prominent rooftop greenery



The LEED logo displayed in the office



# Sumitomo Mitsui Trust (Ireland) Limited

## Initiative 01 Green Boardroom (February 2020)



In February 2020, our Irish subsidiary volunteered for a fund industry initiative in Ireland called Sustainathon 2020.

In this initiative, sustainable solutions for each industry were discussed. As a part of the discussion, we proposed the idea of “The Green Boardroom” for the fund administration industry.

### The Green Boardroom Specifics:

1. Make all board meetings in our industry paperless by the end of 2021.
2. Promote reforestation in junior high schools and other facilities to establish a purified environment equivalent to the carbon footprint of our industry.

This concept is based on the Brainloop green boardroom solution that our Irish subsidiary has already implemented.

This proposal was selected as one of the four final candidates and we presented it to representatives of each industry. Our Irish subsidiary continues to promote a paperless environment, and the introduction of an electronic signature system (DocuSign) is also underway.



Sustainathon 2020



Sustainathon 2020 group photo

## Initiative 02 Sumitomo Mitsui Trust (Ireland) Limited Discussion at the Board of Directors Meeting (March 2020)



At the November 2018 Board of Directors meeting, the chairman requested a commitment to sustainability initiatives at the local level. In response to this request, the activities of SuMi TRUST Bank were provided to all directors as reference materials. In addition, an employee-level culture working group (hereinafter referred to as the “Working Group”) has been formed with members including the General Manager of the Human Resources Department, the General Manager of the Risk Management Department, the General Manager of the Corporate Governance Department, and the General Manager of the Compliance Department. The Working Group includes members from the Administration, Operations, Fiduciary Services, IT, and dispatched employees from SuMi TRUST Bank, and will discuss and review culture and sustainability activities.

The Working Group will submit a formal project plan to the Board of Directors by January 2021, covering topics such as diversity and inclusion, values of SuMi TRUST Global Asset Services (“SMT”), the SMT brand, and the SMT employee experience. Sustainability initiatives and corporate social responsibility will also be important considerations for this Working Group.

As part of the COVID-19 pandemic response, our Irish subsidiary decided to require all employees to telecommute as much as possible starting in March 2020. As of December 2020, the percentage of employees coming to the office has remained below 10%. As a result, the company is on track to go paperless and plans to keep it that way after the pandemic is over. The most recent ISAE 3402 audit report of the company was also done without the use of paper.



## Singapore Branch

### Initiative 01 Donations and Support for Youth Education Events



The POSB PASSionRun for Kids was held in Singapore in November 2020. This is an annual event co-hosted by POSB\*1 (Postal Savings Bank) and PASSion\*2 (People's Association). A portion of donations and participation fees from participants and sponsors are used to support the POSB PASSion Kids Fund, which organizes events and programs that contribute to the education and development of the youth.

Since 2012, the Singapore branch has made donations to the POSB PASSion Run for Kids every year, and many of our employees and their families have participated in the event. With the ban on large-scale events caused by the COVID-19 pandemic, the 2020 event was

held virtually, with participants downloading an app on their smartphones and registering the distance they ran/walked between November 1 and 30.

As more people were becoming health-conscious due to telecommuting, they participated in the event by registering the distance they ran/walked at their own pace. Although the event was held virtually, it also served as a valuable opportunity to interact with local residents.

\*1 POSB (Postal Savings Bank) is the oldest bank in Singapore, and is currently under DBS Bank, a comprehensive business partner of SuMi TRUST Bank.

\*2 PASSion is the common name of The People's Association, a government organization.

## Shanghai Branch

### Initiative 01 Received the Charitable Trust Support Award



On November 28, 2020, SuMi TRUST Bank received the Charitable Trust Support Award at a charitable trust ceremony organized by Zijin Trust Co., Ltd. The company received the award in recognition of its contribution to help prevent the spread of COVID-19 as the Shanghai branch established a charitable trust in March 2020 and donated RMB 500,000 to a medical institution in Wuhan, China.



Award presentation

## Zijin Trust Co., Ltd.

### Initiative 01 Ongoing Charitable Trust Initiatives



Zijin Trust establishes a charitable trust every year on the anniversary of its founding. In 2020, its 10th anniversary, it held a large-scale establishment ceremony on November 28, inviting Nanjing city government officials and business partners. At the ceremony, Zijin Trust also awards settlors that have established charitable trusts in support of its cause, and one of the awards was given to the charitable trust established by the Shanghai branch of SuMi TRUST Bank in March 2020 to support medical institutions and healthcare professionals in Wuhan.

To make trust-based social contribution take root in China, Zijin Trust will continue to promote charitable trusts.



The 10th Charitable Trust Establishment Ceremony



## Hong Kong Branch

The Hong Kong branch has recently formulated an internal SDGs Declaration. The branch formed a “Social Value Committee” with local employees and decided on a logo in a competition involving all employees. In addition to producing novelty items for various activities to boost the mindset of employees, the following two initiatives will be implemented.



The competition

### Initiative 01 Recycling of Used Computer Accessories (Keyboard and Mouse) in Cooperation with Local Subsidiary in Hong Kong

Of the computers that were replaced as part of the internal office system upgrade, the Hong Kong branch and the Sumitomo Mitsui Trust (Hong Kong) Limited decided to donate keyboards (approximately 130 in total for the branch and subsidiary) and mice (approximately 60), which pose no risk of customer information leakage, to the Environmental Protection Department.



The department reuses the usable computer accessories it collects, and disassembles and recycles the others.

These activities are part of the Computer and Communication Products Recycling Programme promoted by the department, and this will be the first time that the Hong Kong branch participates.



Some of the keyboards and mice scheduled for donation

### Initiative 02 Purchasing Christmas Cards from Charitable Organizations

In 2020, the Hong Kong branch placed a bulk order with The Salvation Army for Christmas cards to be mailed to business partners.



The Salvation Army is an international Christian church and United Nations NGO that promotes evangelism, medical care, welfare, education, community development, disaster relief, and support for victims of human trafficking in over 130 countries around the world, and has been in Hong Kong for 90 years.

The proceeds from the purchase are used to support various relief efforts in the area through the Salvation Army.

The Hong Kong branch plans to send out Christmas cards electronically from next year, but will continue to participate in other support activities in the area.



The Christmas card that was sent out (front)

## Sumitomo Mitsui Trust (Hong Kong) Limited

### Initiative 01 Assigning ESG Ratings to Asian Equities in the Investment Advisory Business



At the Sumitomo Mitsui Trust (Hong Kong) Limited, analysts provide investment recommendations on Asian equities to Sumitomo Mitsui Trust Asset Management. As part of this effort, the Company began assigning ESG ratings to covered equities in 2019. The rating system identifies ESG issues for each company based on ESG materiality (important issues for management), and uses external ESG data and other information to evaluate the company on a three-point scale (1>2>3). The ratings are then added as a qualitative assessment on performance, valuation, etc., and are reflected in the investment recommendations. Asian companies have been more limited in their information disclosure compared to their European and American counterparts,

but it is expected that they will attract more attention as more information is disclosed. As of the end of October, the Sumitomo Mitsui Trust (Hong Kong) Limited has assigned ESG ratings to 276 equities.



Members of Investment Advisory 1, which started assigning ESG ratings



# Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

## Initiative 01 Donating to Thailand's Education Support Fund



Sumitomo Mitsui Trust Bank (Thai) Public Company Limited recently made a donation of THB 500,000 (approximately ¥1.7 million) to an educational support fund in Thailand. The donation was made to a fund run by the Yuvabadhana Foundation, which focuses on supporting education through high school for the poor. The foundation started its activities in 1993, and currently over 9,400 students in 84 schools in Thailand are studying under the sponsorship of the foundation's programs.

The school education system in Thailand is almost the same as that in Japan, but it is characterized by a unified middle and high school system called "Matayomsuksa." The first three years (equivalent to junior high school in Japan) in the system are mandatory education. In provinces outside of the Thai capital of Bangkok, there is a need for both tangible and intangible support for teachers and schools, as well as for students, and the foundation is conducting various volunteer activities and sustainability workshops.

It has been five years since Sumitomo Mitsui Trust Bank (Thai) Public Company Limited was established

in 2015. The company has been steadily expanding, thanks to the country of Thailand and its people. On this occasion, we decided to make a donation in support of the activities of this foundation, which is dedicated to solving poverty and education problems. Although Thailand does not yet have trust laws, we intend to continue social contribution activities in Thailand with a trust-like approach.



At the grounds of the Yuvabadhana Foundation





Initiatives at Group Companies

# Nikko Asset Management

## Initiative 01 Conducting Seminars by Experts in Environmental Protection

In accordance with the Environmental Policy formulated in 2010, the Tokyo office is actively taking environmental conservation into consideration in its activities centered on the asset management business, and is working to contribute to the SDGs. In February 2019, we established an environmental working group consisting of volunteers from within the company.

This working group focuses on promoting office activities such as energy and resource conservation in an effort to encourage environmental management. In 2020, we invited environmental experts from the United Nations Environment Programme Finance Initiative (UNEP FI) and WWF (World Wide Fund for Nature) Japan as lecturers to share their recommendations from the front lines. In addition to learning about the reality of global warming, the current state of environmental destruction in forests, and the rapid increase in endangered species, the experts' assertion that "climate risk has become corporate risk" made participants think deeply about the current state of the planet, which we cannot ignore as an asset management company, as a single company, or as individuals.



Intranet banner for environmental questionnaire



Zoom seminar

Please click here to view the 2019 Sustainability Report.  
[https://sustainability.nikkoam.com/files/pdf/annual-report/nikko\\_am\\_2019\\_sustainability\\_report\\_en.pdf](https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf)

## Initiative 02 Distribution of Eco-Bags to Employees

In addition to distributing eco-bags to all employees and eliminating the use of plastic bottles and cups provided to visitors to raise awareness of the need to preserve nature, we also solicited employees for donations for the torrential rain victims in July and made donations to related organizations.



## Initiative 03 Promoting Volunteer Activities

The company had been participating in Water for Life, a volunteer program run by the Singapore International Foundation (SIF) under the leadership of the Asia Sustainability Working Group to deliver safe water to Cambodia. However, since these activities were suspended in 2020 due to the COVID-19 pandemic, we invited a guest speaker from SIF to hold a seminar for all global employees to learn about the significance of volunteer activities.



## Initiative 04 Speaking at a Conference on Responsible Investment

Nikko Asset Management participated in the Responsible Investor conferences held in Tokyo, London, and New York in FY2020 as a supporting organization. These conferences were held to discuss a variety of topics related to responsible investment and ESG among investors, entrepreneurs, regulators and other experts, and one of the company's investment managers took the stage at each event.



# Sumitomo Mitsui Trust Wealth Partners

## Initiative 01 Creating a Novelty Mask Case for the Company's 15th Anniversary

Sumitomo Mitsui Trust Wealth Partners opened for business in 2005 as an inheritance-related consulting company, and celebrated its 15th anniversary in June 2020. To commemorate the occasion, the company created an original mask case for its clients.

In consideration of the SDGs, the mask case was made of LIMEX, a material derived from limestone that reduces the use of wood and water and is suitable for environmental conservation. For printing, ink with silver ions was used

to enhance antibacterial performance, taking into consideration the environment and the safety of clients.

When giving them to clients, we touched on SDGs and explained that the mask cases are made of eco-friendly materials, and this has been well received.



Mask case



## Sumitomo Mitsui Trust Asset Management

### Initiative 01 Establishment of the ESG Development Office



On April 1, 2020, Sumitomo Mitsui Trust Asset Management established the ESG Development Office within the Stewardship Promotion Department. The company participates in global ESG promotion organizations in a variety of fields and is engaged in activities worldwide. For CA100+ (Climate Action One Hundred Plus), the company has been

selected as a member of a 10-member steering committee consisting of asset owners and management organizations from all over the world to lead its activities in Asia. By establishing the ESG Development Office as a section dedicated to ESG, we will further deepen our dialogue with investee companies while taking into account global trends in ESG.

### Initiative 02 Collaborated with Golf Digest on ESG Activities That Help with Environmental Issues and Eco-Friendliness



The company collaborated with Golf Digest and the Japan Golf Course Management Association to expand the circle of people who support waste plastic reduction activities. In addition to having posters promoting waste plastic reduction displayed at golf courses belonging to the association, we distributed 3,000 sets of stainless-steel bottles with the company's logo as alternative

containers to plastic bottles, along with message cards calling for the reduction of plastic use. We are also promoting the use of stainless-steel bottles to reduce the use of plastic within the company.



Poster about Waste Plastic Reduction

Please click here to view the 2020/2021 Stewardship Report. [https://www.sumitrust-am.com/file/02/ss\\_report.pdf](https://www.sumitrust-am.com/file/02/ss_report.pdf)

## SBI Sumishin Net Bank

### Initiative 01 Hosted the Online Economics Koshien Tournament



This quiz event is billed as the "Economics Koshien" and aims to make learning about finance and economics enjoyable for high school students across Japan.

Like in 2019, SBI Sumishin Net Bank hosted the Online Economics Competition, a preliminary for the all-Japan contest. In the online preliminary, high school students respond to quiz questions via the Internet with teams competing based on their knowledge about a wide range of finance and economics-related topics such as current events and money-related trivia. In 2020, the 14th time the competition has been held, 49 teams participated in the event, and the winner, N High School, advanced to the national finals. We will continue to sponsor this event

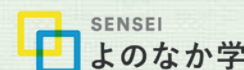
as a way to encourage more high school students to participate and learn more about finance and economics.



The National Economics Koshien Tournament

	<b>Winner</b> N High School (Okinawa Prefecture)
	<b>Runner-up</b> Shibuya Kyoiku Gakuen Shibuya High School (Tokyo)
	<b>Third place team</b> Kato Gakuen Gyoshu High School (Shizuoka Prefecture)

### Initiative 02 Implementing SENSEI Yononaka Gaku



SBI Sumishin Net Bank has developed educational materials for financial and economic education for high school students in collaboration with ARROWS Corporation. The materials are packaged with a script for teachers, making it easier for teachers themselves to provide financial and economic education that expands on the content of the textbook and is useful in real life. All materials are provided free of charge to schools and teachers who

wish to use them, and we were able to offer classes to approximately 2,000 students in FY2019, the first year, and approximately 5,000 students in FY2020.



Photo of a class in progress



# Sumitomo Mitsui Trust Club

Sumitomo Mitsui Trust Club issues credit cards under three international brands: Diners Club, Mastercard®, and Visa. In 2020, due to the spread of COVID-19, we were unable to actively carry out support activities through member events. In their place, we promoted initiatives that were more in line with new lifestyles.

## Initiative 01 Contactless Payment Feature Added to Diners Club Card and MasterCard



The contactless payment feature enables cardholders to make payments quickly and smoothly by simply placing their card over the terminals at participating stores without having to provide a signature or PIN.

Our cardholders can enjoy a more comfortable cashless life with this new form of payment that takes into consideration hygiene amid the COVID-19 pandemic.

Since Visa cards were already equipped with this feature, all international brands issued by Sumitomo Mitsui Trust Club now have the contactless payment feature.

\*Some cards, such as co-branded cards, do not have the contactless payment feature.



Diners Club cards and MasterCard cards with the contactless payment logo have the name and card number printed on the back of the card to prevent people from seeing the information.

## Initiative 02 Ongoing Initiatives



The Diners Club brand provides clients with opportunities to contribute to society through activities to protect valuable cultural assets that must be passed on to future generations. Additionally, under the slogan “There are things that can only be found here,” the brand provides clients with opportunities to leverage their experienced eye to spot young talent and provide support.

### Gohobi Yoyaku (Reward Reservation) and Gohiki Yoyaku.com (Preferred Reservation)

These are gourmet services that the Diners Club is focused on.

Gohobi Reservation is a service developed to enable cardholders to enjoy a quality meal at a reasonable price, even when alone. Gohiki Reservation.com is a service that lets cardholders use an app to book reservations for suddenly cancelled slots at popular restaurants. This is Diners Club’s way of addressing some of the problems in the food industry, such as eating alone, food loss, and no-shows.

In addition, more restaurants are now participating in the Gohobi Yoyaku program, offering takeout services to accommodate new lifestyles.

### Daigoji Cultural Assets Restoration Project

Restoration of the statue of Kongoyasha Myoo is underway, with the aim of unveiling it at the Godairikison Ninno-e Festival in February 2021. The restoration of the Godai Myoo, which has been ongoing for several years, will be completed.

We will continue our initiatives such as the long-term restoration project of the ancient documents and holy scriptures of Daigoji Temple (National Treasure).



Kongoyasha Myoo under Restoration in the Daigoji Cultural Assets Restoration Project



# Sumitomo Mitsui Trust Realty

## Initiative 01 Support for the Protection of Endangered Species



### Chubu Head Office - Support for Higashiyama Zoo and Botanical Gardens

Sumitomo Mitsui Trust Realty's Chubu Head Office has sponsored the Higashiyama Zoo and Botanical Gardens with Higashi again this year based on the memorandum of understanding on support and cooperation with Higashiyama Zoo and Botanical Gardens signed in 2013. As our company's mascot Trust-san is a tiger, we continued to support the cost of feeding the Sumatran tiger.

Although many events were cancelled this year due to the COVID-19 pandemic, we prepared the 2021 Higashiyama Zoo and Botanical Garden Animal Calendar and distributed it in the zoo. The calendar includes photos and explanations of 12 species of animals with a focus on the endangered ones. We prepared 2,000 copies of the calendar, which is very popular every year, but it was all

sold out by midday. The Higashiyama Zoo and Botanical Gardens has the largest number of endangered animals in Japan, and this served as a good opportunity for people to learn more about these animals.



2021 Calendar. The cover features photographs of 12 species of animals with a focus on the endangered ones.

January Sumatran Tiger

### Kyushu Head Office - Support for Fukuoka City Zoo

Sumitomo Mitsui Trust Realty's Kyushu Head Office is a sponsor of the Fukuoka City Zoo.

At the zoo, children can experience first-hand how animals behave, what they smell like, and be moved by their powerful presence or cuteness. Additionally, learning about how animals live and their current situation in the wild makes children think about ecosystems and environments around the world.

Zoos also play an important role in the protection of species, but their operations are threatened by the decline in wild animal species and numbers as well as soaring costs. Sumitomo Mitsui Trust Realty's mascot is a tiger that goes by the name of Trust-san, and having become a sponsor of the Fukuoka Zoo, the company installed an information panel about the global distribution

of tigers in front of the tiger enclosure. On the weekends many families can be seen ardently reading the information on the panel.

Sumitomo Mitsui Trust Realty hopes that these activities will contribute even in the slightest to the protection and survival of animal species, environmental conservation, and the education of children.



Kai, a male Amur tiger at the Fukuoka City Zoo

A large information panel donated to the Fukuoka City Zoo so visitors can learn about tigers around the world.

# Tokyo Securities Transfer Agent

## Initiative 01 Hosted an ESG-Themed Seminar for Entrustees



An ESG-related shareholder proposal was submitted at the General Meeting of Shareholders held in June 2020, which became a hot topic. ESG is a topic that investors are becoming increasingly interested in, and as it has been defined in the revised Stewardship Code, it is expected to become increasingly important in corporate engagement with investors. In addition, institutional investors are increasingly screening for ESG-related investments and divesting out of non-ESG-related investments with a medium- to long-term focus. In response to this trend, Tokyo Securities Transfer Agent Co., Ltd. invited Mr. Kosuke Terasaki, Senior Researcher at MS&AD InterRisk Research Institute, Inc. to give a presentation on "ESG Trends and Investor Behavior: From the Perspective of Climate Change" at the Tokyo Securities Transfer Agent Web Seminar, which was

streamed to the companies that entrust the provision of stock transfer agency services business to us. This was the second ESG-themed seminar we hosted for entrustees, with the first one held in 2019. The presentation was easy to understand and very well received. Going forward, we will continue to disseminate ESG-related information as needed through seminars and email newsletters.



Tokyo Securities Transfer Agent ESG Seminar Agenda



# Sumitomo Mitsui Trust Business Service

## Initiative 01 Promoting Employment of People with Disabilities



Commencing in July 2019, Sumitomo Mitsui Trust Business Service dispatched three persons with disabilities to *Shokora-bo*, a bean-to-bar chocolate factory that the Group helped establish for the purpose of expanding its hiring of disabled people. This is the first time Sumitomo Mitsui Trust Business Service has dispatched disabled people to this chocolate workshop.

With the aim of bringing happiness to people's lives regardless of nationality or disability, the factory opened in Yokohama to produce handmade chocolates, starting with the removal of the cocoa beans from the pods, through to product manufacturing, bagging, and packaging. Through the production of chocolate sweets, the factory supports the independence of disabled people in society by providing a sense of motivation and pride.

In aiming to help build a society where persons

with physical, intellectual, mental, or developmental disabilities can work independently, the Group fully supports the vision of *Shokora-bo*. In order to get this business up and running as quickly as possible, as well as to address the COVID-19 pandemic, we organized various sales activities.

These included selling merchandise set to expire during store closures caused by the emergency declaration to Group employees, carrying out an online in-house sales event at all of our branches in lieu of the highly popular sales event we held at four of our buildings in Tokyo in 2019, and distributing *Shokora-bo* gifts as prizes for internal awards and year-end consolations.

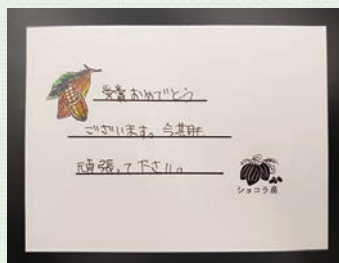
The message cards were made by the persons with disabilities themselves, who colored in coloring books on the front and wrote comments on the back while working from home amid the COVID-19 pandemic. These were included in the gifts, and their warmth was delivered along with the products.



Year-end gift



Internal award commemorative gift (with message card)



Message card (back)

# Sumitomo Mitsui Trust Panasonic Finance

## Initiative 01 Promoting Internal Understanding toward Achieving SDGs



In order to deepen the understanding of the SDGs among all employees, Sumitomo Mitsui Trust Panasonic Finance carried out training sessions, holding internal meetings (Executive Officers Meeting, National General Managers Meeting, etc.) as well as e-learning sessions for all employees where we focused on both company and individual initiatives that contributed to the SDGs. By introducing the SDGs to the employees, we aimed to not only promote proper understanding of the SDGs, but also make it into something more familiar. In doing so, we were able to help all employees realize that SDG activities can be incorporated into everyday life such as by reducing waste and turning off the lights regularly. In addition, in January 2020, we started wearing SDG badges and working on SDG-conscious initiatives such as reducing electricity and paper consumption, improving operational efficiency, and reducing expenses with the aim of reducing environmental impact.



E-learning session held in December 2019



Badges were fitted with a ring on the access card for employees not wearing suits



Changed the envelope window material to recycled paper



Displayed posters of the Zero Plastic Waste Declaration at each building



# Sumitomo Mitsui Trust General Service

Sumitomo Mitsui Trust General Service engages in management and property administration of buildings in which SuMi TRUST Bank and affiliated companies are tenants. In each of its operations, the company engages in SDG-conscious initiatives that include energy consumption reduction, disaster prevention, and health-related initiatives.

## Initiative 01 Regular Publication of SDGsNEWS

We have started publishing the SDGsNEWS, which focuses on familiar topics, and aims to familiarize people with the SDGs and tie it into work-related activities. To date, we have been distributing a monthly newsletter to all employees on the themes of food, universal design, plastic waste, COVID-19, teleworking, essential workers, virtual office tools, and insect dishes.



SDGsNEWS

## Initiative 02 SDG Activities around Us (Health Promotion Event, Search Engine)

The Osaka Agency Business Department held a special health promotion event, "Interdepartment Competition: Walk to Ise Shrine! (197 km)" as part of its efforts to achieve "Goal 3: Ensure healthy lives and promote well-being for all at all ages." The goal was for the average number of steps taken by employees to add up to 197 km (281,429 steps, assuming 0.7 meters per step), the distance from JR Osaka Station to Ise Shrine, within a certain period. For the prizes, we prepared electronic notepads and eco-bags to further raise awareness of the SDGs.



In addition, the Tokyo Agency Business Department Section 1 set the default setting of its search engine to Ecosia, which donates a portion of its advertising revenue to tree planting activities, in order to achieve "Goal 15: Life on Land." These are just a few examples of how SDGs can be tackled in simple ways without great hardship.



Eco-bag



Electronic notepad

## Initiative 03 Installation of Foot-Operated Disinfectant Stand (Leasing Business Department)

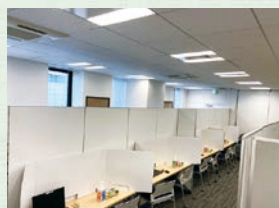
In order to prevent the spread of COVID-19, the Leasing Business Department is preparing to change the hand-operated disinfectant pump installed at the entrances and exits of managed buildings to one that sprays disinfectant by pressing a foot pedal. This is an initiative to further improve safety and security, as some people are concerned about getting infected by contact when using the hand-operated devices, which are used by many people. We will continue to strive to improve the safety, security, and overall satisfaction of tenants and visitors to our buildings.



Disinfectant stand

## Initiative 04 Establishment of Satellite Offices at Bank Branches (Property Management Department, Marunouchi Office, Fuchu Office)

The Property Management Department, Marunouchi Office, and Fuchu Office worked together to set up satellite offices to promote teleworking at the bank. The seminar rooms, which were used less frequently for group seminars, were converted to satellite offices. During construction, the existing layout was kept to minimize the amount of waste produced, and surplus goods were used for furniture and fixtures. In addition, as a precautionary measure to prevent the spread of COVID-19, we separated the access paths of satellite office users from those of branch employees, and installed partitions in satellite offices where possible. We also created a highly convenient administrative flow for user registration and other tasks to encourage use.



Tachikawa Branch



Fuchu Training Center



# Enex Asset Management

## Initiative 01 Infrastructure Fund Investing in Renewable Energy



Enex Asset Management is sponsored by SuMi Trust Bank, Limited, Itochu Enex Corporation, Mercuria Investment Corporation, and Maiora Asset Management Pte., Ltd., and manages Enex Infrastructure Investment Corporation, a listed infrastructure fund that invests in renewable energy power generation facilities.

In December 2020, the fund purchased a solar power generation facility located in Matsusaka City, Mie Prefecture. The Matsusaka Solar Power Plant is one of the largest solar power plants in Japan, with a panel output of approximately 98 Mw. With this purchase, the fund has become one of the largest listed infrastructure funds in Japan in terms of asset size.

To raise funds for the acquisition of the Matsusaka Solar Power Plant, we conducted a green equity offering on a global scale in accordance with the Green Finance Framework, which was evaluated by a third-party evaluation body. Through this, we are providing investment opportunities that give both domestic and overseas investors a better sense of their participation

in ESG investment.

Through the growth of this fund, we will continue to contribute to the realization of a sustainable society by helping as many people as possible deepen their understanding of ESG through investment in renewable energy.



Matsusaka Solar Power Plant

# Sumitomo Mitsui Trust Life Partners

## Initiative 01 Mask Donation to Parents House



In April 2020, in the midst of the COVID-19 pandemic, Sumitomo Mitsui Trust Life Partners called on employees to collect masks for children that they were not planning to use at home as well as some company-issued masks (from employees who had enough on hand), and donated a total of 640 masks to Aflac Parents House\*1.

In response, we received messages from Aflac saying, “We admire the thoughtfulness of the President and employees of Sumitomo Mitsui Trust Life Partners, who recognized our troubles in dealing with the lack of masks amid the COVID-19 pandemic as families and staff of Parents House take great caution in preventing the children with intractable diseases such as childhood cancer from becoming infected. I hope that we can continue to work together to create value that can be shared with society through business,” and “All of us at the Secretariat were very touched by the thoughtfulness of this donation. As a member of the Associates Association\*2, I would like to reflect again not only on what I can do, but also on what I can do together with

the Associates, and take action.” These messages reaffirmed our desire to support people in difficulty.

\*1 Accommodation facility built for children with intractable diseases and their families. Children receiving treatment at hospitals far from their homes, mainly for intractable diseases such as childhood cancer, and their families can stay.

\*2 An Aflac associate organization that carries out social contribution programs such as Parents House.



A family relaxing in Parents House



# Sumitomo Mitsui Trust Systems & Services

## Initiative 01 Initiatives on Teaching Programming to Children



As an IT company based in Fuchu City, Tokyo, Sumitomo Mitsui Trust Systems & Services Co., Ltd has an IT-related booth at the Fuchu Citizens Festival every November.

This year's festival was held online for the first time, and the company hosted a programming class for children using the web conferencing tool Zoom and the programming language Scratch.

We solicited participants from the Festival's website in advance, and also worked with Fuchu City and various organizations to find participants. On the day of the event, 31 pairs of elementary school children and their parents participated, which was more than we expected.

The classes were held separately for each pair, and our employees (18 in total) participated as instructors. The children had a lot of fun using their own programs to move characters and change backgrounds and colors. Both the students and teachers had a good laugh when they came up with programs that did unexpected things. The instructors were amazed at the speed of the students' learning, their intuition, and their creativity, and also experienced the pleasure of teaching.

After the classes, we received many comments of gratitude from the children and their parents mainly saying things like "it was fun" or "my child now has an interest in programming," which made the event a very

rewarding experience for us as we were able to contribute to the participants' experience as well as the Fuchu Citizens Festival.



Online Programming Class

# BIDV-SuMiTRUST Leasing

## Initiative 01 Participating in Volunteer Activities



In Vietnam, the Mid-Autumn Festival in September is known as "Tết Thiếu nhi" (Children's Day), and every year before this festival, many volunteer activities are held for underprivileged children.

At BIDV-SuMiTRUST Leasing, we visited a facility near Hanoi called the Hoa Binh Village during the Mid-Autumn Festival in 2020, and enjoyed a Children's Day event together with children who have roots in the victims of the Vietnam War and are disabled still due to Agent Orange.



A magic show at the Children's Day event



BIDV-SuMiTRUST Leasing employees with children in Hoa Binh Village

# Trust Forum Foundation

## Service to Society Aimed at Development and Spread of Trust System

### Trust Forum Foundation

Trust Forum Foundation, a public interest incorporated foundation, has carried out surveys and research to contribute to the spread and development of Japan's trust system. With the aim of contributing to improve the quality of national living standards and domestic economic development, we offer subsidiaries to support outstanding research and activities. Established in July 1987, the Trust Forum Foundation will celebrate its 30th year anniversary in 2017.



### Social Contributions via Survey and Research

One pillar of the mainstay survey and research business is establishing research themes relating primarily to the Trust Act and self-directed research carried out in study group meetings, and on mainly financial and economic matters, consigning research to a specialist research institute. These research results are released to the general public through book publications and research paper issuance. Since its founding, the Trust Forum Foundation has released 86 research books as of December 2020, and researchers and practitioners use them.

In pursuing research, scholars involved in trust research focused mainly on civil law, commercial law, and Anglo-American law made up the core of the research effort, and the research results became the cumulative foundation of intellectual capital for Japan relating to the trust system. The Trust Forum Foundation contributed in unparalleled ways in Japan as a specialist research institute such as when its research was referenced in amending Japan's Trust Act in 2007.

In the more than 10 years since the Trust Act amendment, a new era is emerging due to new ways of utilizing trusts, new methods, and new concepts as social issues have grown even more serious. The Trust Forum Foundation will continue as a public interest incorporated foundation to promote social contribution and activities with a high public interest.

### Grants, Social Contributions via Endowed Courses

The grant-making program supports surveys, research, and activities on trusts and related finance and economics, and is the Forum's second pillar. It accepts applications from researchers in Japan and overseas, practitioners, and various organizations, and offers grants for research expenses, etc.

In conjunction, with the aim of spreading trusts and promoting understanding, the Forum has established endowed courses on the Trust Act aimed at college undergraduates. In Japan, where an increasing number of people are bearers of trusts, these courses offer students a precious opportunity to properly obtain knowledge on the trust system while young.

Meanwhile, we are currently setting up a new course for elderly clients on the topic of donations using trust schemes.

### Themes of Self-Directed and Consignment Research (December 2020)

Self-Directed Research	Research on trust banking theory and modern issues
	Research on estate management, investment, and succession, as well as trusts
	Research on legal principles of modern trusts
	Research on trust banking theory and application with a comparison of the UK and Japan
	Research on financial transactions and taxation
	Research on legal issues in trust banking practices
	Research on new proprietary value and trusts in an increasingly digitalized society
	Research on optimal partnerships for trusts and discretionary guardianships
	Research on gerontology with a focus on housing and ways of living
	Research on inheritance planning and trusts in the US
Consignment Research	Nuclear power generation in Japan using trust methods
	Research study to assist the institutional design of a reactor decommissioning scheme

### Grants Made in Fiscal Year 2020

Issuance of a research report compiling information about the state of sustainable investment in Japan
Development of support tools for family businesses in Japan

### List of Endowed Courses Established

Kwansei Gakuin University	Undergraduate School of Law and Politics
Chuo University	Faculty of Law
Tohoku University	Faculty of Law
Doshisha University	Faculty of Law
Rikkyo Second Stage College	



# The Sumitomo Foundation

## Partnership with the Sumitomo Foundation

The Besshi Copper Mine in Ehime Prefecture was opened in 1691 after Tomoyoshi Sumitomo—the fourth head of the Sumitomo family—acquired mining rights from Japan’s feudal government. It thereafter became the foundation of the various businesses of the Sumitomo Group. The Sumitomo Foundation was established in 1991 to commemorate the opening of the mine 300 years earlier and since then the SuMi TRUST Group has collaborated with the Foundation in various ways. For example, we have contributed money, played a part in its management as trustee, and dispatched staff.

### Grant Business of the Sumitomo Foundation

As a universal grant-making organization, the Sumitomo Foundation extends grants to research activities and businesses in various fields, including basic sciences, the environment, art and culture, and international exchange. From fiscal 1991 through 2019 the Foundation had awarded a total of 6,794 grants worth more than ¥10.9 billion.

#### Basic Science Research Grants

Scientific advancements have contributed greatly to the development of society and science has the potential to open up the future of humankind. This grant provides support to basic science research projects considered important but lacking research funds, and especially budding research undertaken by young researchers expected to generate innovative ideas.

Cumulative number of grants from FY1991 through FY2019: 2,406 for a total of more than ¥3.9 billion

#### Environmental Research Grants

Environmental issues are some of the biggest problems currently confronting humanity. Researchers continue to investigate the causes and seek solutions to numerous environmental problems, including global warming, ozone-layer depletion, acid rain, species decline, food and population, desertification, and pollution. Given the need to develop analysis methods and various countermeasures based on a multi-faceted approach in order to solve the problems plaguing the environment, this grant provides support to research projects undertaken in a variety of fields (humanities, social sciences, natural sciences).

Cumulative number of grants from FY1991 through FY2019: 1,479 for a total of more than ¥2.8 billion

#### Grants for Preservation and Restoration of Cultural Property

When considering spiritual wealth, cultural assets are the source of a spiritually affluent lifestyle and the basis for the creation of new culture. And as a foundation for mutual understanding, they serve to deepen awareness of one’s own culture and the cultures of other countries. Having access to cultural assets is therefore an extremely effective way of learning about the history of bilateral cultural exchange. From this point of view, it is the responsibility of the current generation to preserve cultural assets so they can be inherited by the next generation. That said, it is hard to say that there is always enough

money to spend on preserving and restoring cultural property in Japan. This grant is for projects that aim to help protect, preserve, and restore cultural assets in Japan (fine arts such as paintings, sculptures, craftwork, handwriting, books, ancient documents, antiquities, and historical materials).

Cumulative number of grants from FY1991 through FY2019: 813 for a total of more than ¥1.6 billion

#### Grants for Preservation and Restoration of Cultural Property Overseas

Culture is the cornerstone of a country and the source of spiritual enrichment. Cultural properties are assets in which humanity and the history of mankind are interweaved—they represent the hope and pride of the people in all countries. Mutual understanding is deepened when the people of the world have access to each other’s cultural assets, which in turn builds relationships of trust. It is the responsibility of the people alive today to protect cultural properties and pass them on to the next generation. That said, not enough has been done in other countries to preserve and restore cultural assets. With the aim of helping to hand cultural properties shared by all humanity down to posterity, this grant is for projects in other countries that preserve and restore cultural properties (fine arts and relics), as well as preliminary research that leads directly to preservation and restoration work.

Cumulative number of grants from FY1991 through FY2019: 338 for a total of more than ¥795 million



Kaman-Kalehöyük archaeological site

#### Japan-Related Research Grants in Asia

This grant is for researchers in mainly East Asian or Southeast Asian countries undertaking research related to Japan, including comparative studies, international relation studies, and historical exchange studies that include Japan. The grant aims to lay the groundwork for deepening understanding of Japan in these countries and to help further mutual understanding between Asian countries and Japan.

Cumulative number of grants from FY1991 through FY2019: 1,611 for a total of more than ¥1.2 billion



Image of Suigetsu Kannon Zo (Water-Moon Avalokitesvara)

# Comparative Table of the World Economic Forum's Common Metrics

This report was produced with reference to the common metrics in Measuring Stakeholder Capitalism—Towards Common Metrics and Consistent Reporting of Sustainable Value Creation, a white paper compiled mainly by the big four global accounting firms based on the recommendations of the World Economic Forum's International Business Council. The common metrics comprise both core metrics and expanded metrics. This report was developed in line with the core metrics and disclosures and was made consistent with the description of some expanded metrics and disclosures.

## Principles of Governance

Theme	Governance: Core Metrics and Disclosures	Page No.
Governing purpose	<p><b>Setting purpose</b></p> <p>The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues.</p> <p>Corporate purpose should create value for all stakeholders, including shareholders.</p>	P8
Quality of governing body	<p><b>Governance body composition</b></p> <p>Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.</p>	P14-15
Stakeholder engagement	<p><b>Material issues impacting stakeholders</b></p> <p>A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.</p>	P18-22
Ethical behaviour	<p><b>Anti-corruption</b></p> <p>1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region.</p> <p>a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and</p> <p>b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.</p> <p>2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.</p>	P26-32
	<p><b>Protected ethics advice and reporting mechanisms</b></p> <p>A description of internal and external mechanisms for:</p> <p>1. Seeking advice about ethical and lawful behaviour and organizational integrity; and</p> <p>2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.</p>	P27-28
Risk and opportunity oversight	<p><b>Integrating risk and opportunity into business process</b></p> <p>Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes.</p> <p>These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.</p>	P34-38, P45-53

Theme	Governance: Expanded Metrics and Disclosures	Page No.
Quality of governing body	<p><b>Remuneration</b></p> <p>1. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics, as connected to the company's stated purpose, strategy and long-term value.</p> <p>2. Remuneration policies for the highest governance body and senior executives for the following types of remuneration:</p> <ul style="list-style-type: none"> <li>• Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses and deferred or vested shares</li> <li>• Sign-on bonuses or recruitment incentive payments</li> <li>• Termination payments</li> <li>• Clawbacks</li> <li>• Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees</li> </ul>	P16  Integrated Report 2020 P74-75



## Comparative Table of the World Economic Forum's Common Metrics

### Planet

Theme	Planet: Core Metrics and Disclosures	Page No.
Climate change	<b>Greenhouse gas (GHG) emissions</b> For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO <sub>2e</sub> ) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	P87-88
	<b>TCFD implementation</b> Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	TCFD REPORT 2020/2021
Nature loss	<b>Land use and ecological sensitivity</b> Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	—
Freshwater availability	<b>Water consumption and withdrawal in water-stressed areas</b> Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	P88

Theme	Planet: Expanded Metrics and Disclosures	Page No.
Climate change	<b>Paris-aligned GHG emissions targets</b> Define and report progress against time-bound science-based GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. This should include defining a date before 2050 by which you will achieve net-zero greenhouse gas emissions, and interim reduction targets based on the methodologies provided by the Science Based Targets initiative, if applicable. If an alternative approach is taken, disclose the methodology used to calculate the targets and the basis on which they deliver on the goals of the Paris Agreement.	P86  TCFD REPORT 2020/2021

### People

Theme	People: Core Metrics and Disclosures	Page No.
Dignity and equality	<b>Diversity and inclusion</b> Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	P95-97
	<b>Pay equality</b> Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	—
	<b>Wage level</b> 1. Ratios of standard entry level wage by gender compared to local minimum wage. 2. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	—
	<b>Risk for incidents of child, forced or compulsory labour</b> An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.	—
Health and well-being	<b>Health and safety</b> 1. The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. 2. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	P108
Skills for the future	<b>Training provided</b> Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees). Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	P100-101

Theme	People: Expanded Metrics and Disclosures	Page No.
Dignity and equality	<b>Discrimination and harassment incidents and the total amount of monetary losses</b> Number of discrimination and harassment incidents, status of the incidents and actions taken, and the total amount of monetary losses as a result of legal proceedings associated with: a) law violations; and b) employment discrimination.	P110
	<b>Freedom of association and collective bargaining at risk</b> Percentage of active workforce covered under collective bargaining agreements.	P106
Health and well-being	<b>Employee well-being</b> The number of fatalities as a result of work-related ill-health, recordable work-related ill-health injuries, and the main types of work-related ill-health for all employees and workers.	P108

## Prosperity

Theme	Prosperity: Core Metrics and Disclosures	Page No.
Employment and wealth generation	<b>Absolute number and rate of employment</b> Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	P108, P128
	<b>Economic contribution</b> 1. Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organization's global operations, ideally split out by: • Revenues • Operating costs • Employee wages and benefits • Payments to providers of capital • Payments to government • Community investment 2. Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	P128
	<b>Financial investment contribution</b> Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	P128
Innovation of better products and services	<b>Total R&amp;D expenses</b> Total costs related to research and development.	P129
Community and social vitality	<b>Total tax paid</b> The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	P141

Theme	Prosperity: Expanded Metrics and Disclosures	Page No.
Employment and wealth generation	<b>Infrastructure investments and services supported</b> Qualitative disclosure to describe the below components: 1. Extent of development of significant infrastructure investments and services supported. 2. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. 3. Whether these investments and services are commercial, in-kind or pro bono engagements.	P128
	<b>Significant indirect economic impacts</b> 1. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts. 2. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities (e.g. national and international standards, protocols, policy agendas).	P128
Community and social vitality	<b>Total Social Investment</b> Total Social Investment (TSI) sums up a company's resources used for "S" in ESG efforts defined by CECP Valuation Guidance.	P141

# PRB Initiatives



We became a founding signatory to the Principles for Responsible Banking (PRB) advocated for by the United Nations Environment Programme Finance Initiative (UNEP FI) and launched on September 22, 2019. We are committed to collaborating with other signatory banks worldwide to strategically align our business operations with the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. The signing of the PRB means we promise to be transparent about the positive and negative impacts our banking business has on people and the planet. By focusing on the areas in which our core business has the greatest impact, setting goals for specific initiatives, and taking action, we hope to make significant 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 PRB initiatives in our existing reports. More specifically, 18 months after signing (i.e., by March 2021 for the Company) and then every year thereafter, we must report on progress and self-assessments, and then within four years fully implement the following necessary steps as a signatory bank: (1) impact analysis; (2) target setting and implementation; and (3) accountability. Our first initiative is shown below.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<b>Principle 1: Alignment</b>		
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		

1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant, the technologies financed across the main geographies in which your bank has operations or provides products and services.

The SuMi TRUST Group leverages its significant expertise and comprehensive capabilities to create unique value under a business model that combines banking, asset management and administration, and real estate services.

2020 disclosure materials

### FY2019 Gross Business Profit by Segment (¥100mn)

Segment	Profit (¥100mn)	Description
Retail TS Services Business	1,927	Bank deposits, loans to individuals, sales of investment trusts and insurance, will trusts, asset inheritance services, etc.
Wholesale TS Services Business	2,061	Corporate credit loans, real estate lending, etc.
Stock Transfer Agency Services Business	374	Stock transfer agency services
Real Estate Business	569	Real estate brokerage, real estate securitization
Fiduciary Services Business	1,717	Pension trusts, securities management and administration
Global Markets Business	725	ALM, fixed income investments

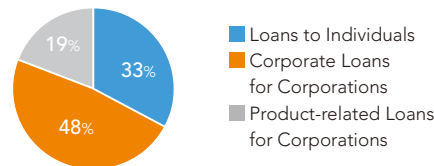
The balance of bank loans in Japan and overseas is shown below. Approximately 85% of loans are to domestic clients.

### Balance of Bank Loans in Japan and Overseas (End-March 2020)

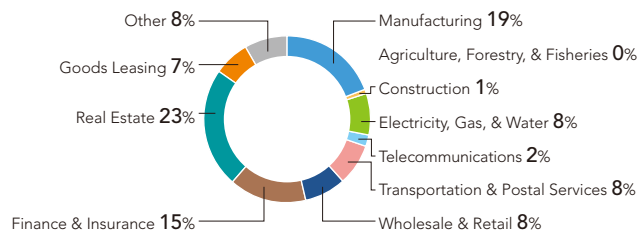
Japan	¥25.4355 trillion	Overseas	¥4.2678 trillion
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Mortgage loans to individuals account for some 33% of all loans, while loans to corporate borrowers make up the other 67%.

### Breakdown of Loan Balance



### Industry Weighting of Loans to Domestic Corporate Clients



(Note) Share ratio calculated based on the assumption that the balance of loans for corporations at domestic branches is 100%.

Sustainability Report 2020/2021  
Page 45

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
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1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Balancing the creation of both social value and economic value is at the very core of our management approach. The majority of the Group's social value is formed through a chain reaction where one stakeholder has an impact on the next. In other words, activities that contribute to the achievement of the SDGs and ultimately generate positive impacts on the economy (wealth), society (people), and the environment (planet) and limit the negative ones constitute the Group's social problem-solving business.

Sustainability Report 2020/2021  
Page 17

In 2018 we demonstrated our support of the Task Force on Climate-related Financial Disclosures (TCFD) and in 2019 we added climate change to the list of items (known as materiality) that significantly impact the value creation process of the SuMi TRUST Group. This decision was based on the reasoning that climate change risk is no longer considered a topic concerning the future even for us as a financial institution—it is now a pressing issue, particularly highlighted by the extensive damage to many regions in Japan caused by the repeated visitation of powerful typhoons. At our Board of Directors meetings too we have shared the fact that the onus is on us to do everything in our power to find solutions to climate change issues as a signatory to the PRB—which requires us to align our business strategies with the goals of the Paris Agreement and the SDGs.

TCFD Report 2020/2021

**Principle 2: Impact and Target Setting**  
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:  
Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:  
a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1.1. have been considered in the scope of the analysis.  
b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.  
c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.  
d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

We chose climate change as the topic of our impact analysis. This owes to the fact that (1) we are a signatory to the PRB, which requires us to align our business strategies with the goals of the Paris Agreement, (2) that we support the recommendations of the TCFD, and (3) that we identify climate change as an item of materiality (1.2).

TCFD Report 2020/2021  
Pages 5-7

For the impact analysis, we refer to our scenario analyses conducted in line with the TCFD recommendations. Within the four non-financial groups (energy, transportation, materials & buildings, and agriculture, food, & forest) in the TCFD recommendations most likely to be potentially impacted by climate change and a transition to a low-carbon economy, we identified eight sectors with considerable exposure. We also added personal mortgage loans to this list because they account for the majority of our loans to individuals. We then summarized the transition risks, physical risks, and business opportunities in these nine sectors.

**Heat Map**

Sector	Transition risk	Physical risk	Opportunity	Exposure
Petroleum, gas, & coal	High	Medium	Medium	Medium
Electric power	High	Medium	Medium	High
Marine transportation	Medium	Medium	Medium	High
Railway transportation	Low	Low	Low	Medium
Automotive and parts	Medium	Medium	Medium	Medium
Property management & development*	Low	High	Medium	High
Chemicals	Medium	Medium	Medium	Medium
Paper & forest products	Medium	High	Medium	Low
Personal mortgage loans	Low	High	Medium	High

\*Personal mortgage loans not included

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

The results of a qualitative assessment demonstrated that the petroleum, gas, & coal and electric power sectors have a high transition risk, but in fiscal 2019 we conducted a transition risk scenario analysis of the electric power sector because it has a high exposure to climate change and the highest weighting of carbon-related assets. Property management & development, paper & forest products, and personal mortgage loans have a high physical risk, but we selected only property management & development and personal mortgage loans for our physical risk scenario analysis because of their high exposure to climate change. We first performed our scenario analysis of the personal mortgage loans sector in fiscal 2019 because such loans account for roughly one third of all our loans. We plan to conduct the scenario analysis of the property management & development sector in fiscal 2020.

- Show that building on this analysis, the bank has
- Identified and disclosed its areas of most significant (potential) positive and negative impact
  - Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts

The results of the scenario analyses we carried out in fiscal 2019 are provided in our TCFD Report 2020/2021. The results of our transition risk scenario analysis of the electric power sector indicated that without any investment in renewable energy power generation, credit ratings would worsen by 2-3 notches in either scenario (2°C and above 3°C), but in contrast, active investment in renewable energy power generation would mean credit ratings remain unchanged. While the results of this analysis suggested a change in credit ratings, we will continue to examine what kind of impact they have on our financials and the analysis methods we use. We will also consider utilizing the risk and opportunity key points obtained from qualitative assessments and the suggestions gained from the analysis process when we engage with the companies to whom we extend investments and loans.



Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/ relevant information
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In our physical risk scenario analysis of personal mortgage loans, we calculated that credit costs on mortgage loans at SuMi TRUST Bank would increase by around ¥7.0 billion by the year 2100 compared to the end of March 2020 based on the probability of floods occurring and the rate of change in property value caused by flood damage in either a 2°C or 4°C scenario.  
We think the impact on our financials would be limited.

Although the marine transportation sector carries a medium-level risk for both transition and physical risks, it has a high exposure to climate change. Furthermore, we aim to help mitigate climate change risks in the shipping industry, having become the first financial institution in Asia to sign onto the Poseidon Principles. For these reasons we are conducting a transition risk scenario analysis of this sector in fiscal 2020.

In this report we have highlighted some case examples of our climate change analysis, but going forward we hope to undertake analyses of biodiversity and specific sectors for which we have announced policies, such as forestry and palm oil.

TCFD Report 2020/2021  
Page 14

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

The qualitative assessments and scenario analyses regarding climate change constituted the first step in our impact analysis. For the next step, we plan to undertake an analysis of biodiversity, forestry, and palm oil in the context of our banking business.

2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact," resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

(1) Sustainable finance target

As a signatory to the PRB, we are committed to addressing climate change issues with the common goal of achieving a carbon-free society, and as a financial group specialized in trust banking, we will contribute to the realization of a sustainable society by demonstrating our significant expertise in finance, trusts, and technology\*.  
\*Forming a group of experts with discerning engineering capabilities to deploy technology in social settings for the purpose of realizing a society with net-zero carbon emissions.

SuMi TRUST Bank has set a new long-term target for sustainable finance in the banking sector (loans to corporate clients): ¥5.0 trillion in cumulative loans over the 10-year period from fiscal year 2021 through 2030, including ¥3.0 trillion in environment-related fields.

**Long-Term Target for Sustainable Finance**  
**Cumulative Balance of Loans Executed in FY2021 -2030: ¥5.0 Trillion**  
**(Incl. ¥3.0 Trillion in Environmental Fields)**

**Examples of sustainable finance**

- Positive impact finance
- Renewable energy finance
- Financing for green buildings

We also intend to focus on transition finance to support the shift towards a carbon-free society.

The Bank will aim to solve climate change and other environmental and social issues and help realize a sustainable society together with clients by actively supplying funds to environmental and social fields.

Sustainable finance refers to financing extended to businesses and clients that contribute to solving environmental and social issues based on such international standards as the Green Bond Principles and the Social Bond Principles. For instance, loans, formation of syndicated loans, fixed income investment services, fund investments, financial advisory services, and trustee services.

(2) Medium- to long-term CO<sub>2</sub> reduction targets

As a signatory to the PRB and PRI, the SuMi TRUST Group itself also engages in sustainable finance and ESG investment practices and we therefore have a responsibility to help solve environmental problems through business activities and reduce our environmental footprint as stated in our Sustainability Policy.

We are targeting a 50% reduction in CO<sub>2</sub> emissions at SuMi TRUST Bank by fiscal year 2030 and zero emissions by 2050.

Around 80% of SuMi TRUST Bank's CO<sub>2</sub> emissions derive from purchased electricity, while some 10% is generated by the combustion of utility gas through in-house power generation. Accordingly, the Bank aims to halve its emissions mainly by adopting electricity-related measures as an initiative for working towards the fiscal 2030 target.

(3) Other

With the goal of increasing the number of women in decision-making positions, SuMi TRUST Bank formulated a new action plan to have more than 12% of female employees appointed to section manager or higher and more than 30% in charge of management operations by the end of March 2023.

TCFD Report 2020/2021  
Page 19

TCFD Report 2020/2021  
Page 22

Sustainability Report  
2020/2021  
Page 96

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

As a signatory to the PRB, we are committed to addressing climate change issues with the common goal of achieving a carbon-free society. Whilst we have set a target for sustainable finance in banking, up ahead we will consider whether we can make similar contributions in other businesses.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>SuMi TRUST Bank's credit portfolio is managed by the Wholesale Business Planning Department, which reports quarterly to the Credit Risk Committee, the highest decision-making body for investments and loans. The Wholesale Business Planning Department also monitors the management of sustainable finance targets.</p> <p>From the viewpoint of environmental and social considerations in investments and loans, the Sustainability Management Department fulfills a checking role for projects that pose a risk of running counter to SuMi TRUST Bank's policy on investments and loans.</p> <p>In April 2020, the Bank established the Sustainable Business Promotion Office within the Wholesale Business Planning Department to consolidate ESG information in the Wholesale Total Solution Services Business. It also started collaborating with the Sustainability Management Department.</p> <p>Going forward, the Wholesale Business Planning Department, the Sustainable Business Promotion Office, and the Sustainability Management Department intend to work together to further improve the impact analysis process.</p> <p>We believe SuMi TRUST Bank can achieve its 2030 CO<sub>2</sub> reduction target by (1) saving energy with more efficient operations and equipment, (2) reducing the electric power emission coefficient, and (3) adopting renewable energy. The Corporate Administration Department will spearhead initiatives after each business management department has formulated respective goals to work towards.</p>	<p>Sustainability Report 2020/2021 Page 45</p> <p>TCFD Report 2020/2021 Page 22</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>For our sustainable finance target in banking, we plan to determine numerical targets and disclose our progress on a fiscal year basis. We also aim to further enhance SuMi TRUST Bank's policy on investments and loans through dialogue with stakeholders.</p>		
<p>2.4 Progress on Implementing Targets</p> <p>For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>(1) Sustainable finance target (2) Medium- to long-term CO<sub>2</sub> reduction targets Both (1) and (2) were set in 2020, therefore we plan to publicly announce our progress on achieving these targets starting with results from fiscal year 2020.</p> <p>(3) Other Guided by its general business owner action plan commitment based on the Act on Promotion of Women's Participation and Advancement in the Workplace, SuMi TRUST Bank aimed to have 300 female employees in managerial positions (section manager or higher) by the end of March 2020. This target was achieved ahead of schedule in October 2019 with 357 female employees appointed to such positions.</p>	<p>Sustainability Report 2020/2021 Page 96</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.</p>		
<p>As our sustainable finance target and medium- to long-term targets have only just been set, we will report on our progress up ahead as we work towards achieving them.</p>		
<p><b>Principle 3: Clients and Customers</b> We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>So that we can provide our clients with the products and services best suited to meet their genuine interests as their "Best Partner" and in order to carry out and instill fiduciary duties across all our business operations, in September 2016 we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group and since then we have continued to further strengthen our initiatives by revising them whenever necessary.</p> <p>In order to clearly communicate to our clients the results of these initiatives, we periodically publish a report entitled Status of implementation and KPIs for initiatives pursuing to be "Best partner" for our clients. These KPIs include those commonly used by financial institutions regarding investment trust sales.</p>	<p>Sustainability Report 2020/2021 Pages 129-140 See details about Providing Value to Clients</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p><b>Positive Impact Finance (PIF)</b>            In March 2019, SuMi TRUST Bank was the first in the world to develop PIF for ordinary corporate credit (in which the use of loaned funds is unspecified) in line with the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI). PIF is a loan agreement in which we comprehensively analyze and assess the impacts of a company's supply chain on the environment, society, and economy. We then have the client commit to achieving specific KPIs that aim to increase the positive impacts and limit the negative ones. We then encourage the client in their efforts to contribute to the SDGs by monitoring the impacts and disclosing the results. We also support their efforts on boosting the competitiveness of their business, products, and services from a global perspective.</p> <p><b>Addressing Issues of a Super-Aged Society</b>            SuMi TRUST Bank hosts Silver College seminars right across Japan. They offer senior generation clients the chance to acquire information about leading a reassuring and fulfilling "second life." Leading experts in various fields are invited to these seminars to talk about what kind of thorough preparations are required in order to lead a safe and fulfilling second life. As we enter an age in which more people are likely to live to 100, the issues faced by society continue to pile up. In addition to the series of seminars for a fixed number of attendees focusing on four basic topics (health, safety and security; late-life housing; the issue of dementia; how to lead an enriched life in old age), each branch also plans and runs Silver College seminars under their own format.</p>	<p>Sustainability Report 2020/2021 Pages 50–51</p> <p>Sustainability Report 2020/2021 Pages 113–125 See Addressing the Issues of a Super-Aging Society for details</p>

**Principle 4: Stakeholders**  
 We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

<p>4.1 Describe which stakeholders (or groups/ types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>In the Group's management principles (mission), we identify our stakeholders to be clients, shareholders, employees, and society, whilst in our Basic Policy on Social Responsibility (also known as our Sustainability Policy), we consider the key stakeholders to be clients, shareholders, investors, employees, business partners, communities, NPOs, government agencies, and international organizations. We are committed to engaging in dialogue with these stakeholders and playing an active role in building a sustainable society. Thus, clarifying who is who lets us easily gauge how the Group depends on each stakeholder and how they are affected by our corporate activities. This also serves as a strategic foundation for the creation of social value.</p>	<p>Sustainability Report 2020/2021 Pages 20–21</p>
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**Principle 5: Governance & Culture**  
 We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

<p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>We have incorporated a basic strategy for generating positive impacts geared towards solving social issues and have placed sustainability at the core of the Group's management. Our policy on strengthening sustainability through our core business is to have each SuMi TRUST Bank business and its affiliated companies independently select the social issues that must be addressed first. Meanwhile, for climate change and other key sustainability issues in Japan and overseas, our Sustainability Promotion Committee functions as a command center for the entire Group and formulates strategies to swiftly implement initiatives whilst collaborating with international organizations and the like.</p> <p><b>Board of Directors</b></p> <ul style="list-style-type: none"> <li>Establishes the Basic Policy on Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy).</li> <li>Stipulates (in the Basic Policy on Corporate Governance) that one of its main roles is to address the problems of climate change and other environmental and social issues concerning sustainability and determines the policy direction the Group should take.</li> <li>Hears the findings of the Risk Committee and engages in exhaustive discussions to decide on mainly the issues (materiality) that have a serious impact on the approach of balancing the creation of both social value and economic value, as well as operational frameworks.</li> </ul> <p><b>Executive Committee</b></p> <ul style="list-style-type: none"> <li>Hears the findings of the Business Risk Management Committee and engages in exhaustive discussions to establish policies regarding items of materiality for submission to the Board of Directors.</li> <li>Engages in exhaustive discussions to decide on initiatives for Group companies, taking into account the perspective of balancing the creation of both social value and economic value.</li> <li>For initiatives on key sustainability issues, the Committee establishes medium-term policies in line with the Medium-Term Management Plan, as well as policies for each fiscal year, and manages operations that reflect the PDCA cycle (convenes meetings as the Sustainability Promotion Committee).</li> </ul>	<p>Sustainability Report 2020/2021 Page 16</p>
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Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>We make sure employees understand strategies by mainly distributing the Group's Employee Integrated Report to all directors, officers, and employees. We facilitate the acquisition of practical knowledge as quickly as possible by promoting in-house hands-on activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the "With You" activities.</p> <p>In principle, compensation for directors and executive officers is paid with a combination of monthly compensation (comprising fixed compensation and individual performance compensation), bonuses for directors and executive officers (performance-linked bonuses), and stock compensation (share delivery trust). We have also introduced a framework that encourages management to promote sustainability by incorporating ESG-related activities and rating agency scores, etc. as one of the KPIs for determining stock compensation for executives.</p>	<p>Sustainability Report 2020/2021 Page 16</p>
<p>5.3 Governance Structure for Implementation of the Principles Show that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>a) Even though our sustainable finance target and CO<sub>2</sub> reduction targets were established by the Executive Committee, each business division draws up a concrete action plan and monitors progress towards achieving the targets. b) Progress on achieving the targets and any negative impacts that may arise are reported to the Sustainability Promotion Committee, which then immediately considers if remedial action is required.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p> <p>As a signatory to the PRB, we have established a governance structure for target setting and monitoring so that the Principles can be implemented effectively. The Sustainability Management Department works with departments tasked with managing target achievement to monitor progress status, and reports the details of such progress to the Sustainability Promotion Committee.</p>		

**Principle 6: Transparency & Accountability**  
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

<p>6.1 Progress on Implementing the Principles for Responsible Banking Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice. Show that your bank has implemented/ is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>Initiatives since signing onto the PRB in 2019</p> <ul style="list-style-type: none"> <li>• Review of materiality</li> <li>• Revisions to policies for specific sectors</li> <li>• 11 positive impact finance transactions</li> </ul> <p>• Setting of sustainable finance target • Setting of medium- to long-term CO<sub>2</sub> reduction targets • Release of TCFD Report</p> <p>• Participation in PRB promotional video coinciding with the first-year anniversary of the Principles • Participation in the PRB's Reporting Working Group</p>	<p>Sustainability Report 2020/2021 Pages 18–19 &amp; 46 Pages 50–51</p> <p>TCFD Report 2020/2021 Pages 19 &amp; 22</p> <p>Participation in PRB first-year anniversary event <a href="https://www.smth.jp/en/news/2020/E201001.pdf">https://www.smth.jp/en/news/2020/E201001.pdf</a></p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.</p> <p>In the first 18 months after signing onto the PRB, as measures to address climate change, we not only became a signatory to the Poseidon Principles and revised our policies for specific sectors, but we also formed a TCFD Project Team and released our first-ever TCFD Report. We also disclosed information about biodiversity in a report on natural capital, but going forward, we intend to take the necessary steps to further enhance our policies for specific sectors.</p>		



# SASB Index

The index reflects the SASB Standard issued by the Sustainability Accounting Standards Board (SASB) in October 2018. It discloses information on the Group's core businesses, as classified by SASB, namely Commercial Banking (FN-CB) and Asset Management & Custody Activities (FNAC). While we do not currently disclose all of the metrics included in these two classifications, we will continue to evolve our disclosures on these SASB topics in order to provide useful, relevant, and meaningful sustainability information to investors.

The data disclosed here is current as of the end of March 2020.

CB: Commercial Banks

AC: Asset Management & Custody Activities

Industry	Accounting Metric	Category	Code	Response
<b>Sustainability Accounting Standards</b>				
<b>Data Security</b>				
CB	Description of approach to identifying and addressing data security risks	Discussion and Analysis	FN-CB-230a.2	<ul style="list-style-type: none"> <li>Information Security Risk Management 2020/2021 Sustainability Report page 44 <a href="https://www.smth.jp/en/csr/report/2020/E-all.pdf">https://www.smth.jp/en/csr/report/2020/E-all.pdf</a></li> <li>Cyber Security Management Declaration <a href="https://www.smth.jp/en/about_us/management/risk/pdf/CSMD.pdf">https://www.smth.jp/en/about_us/management/risk/pdf/CSMD.pdf</a></li> </ul>
<b>Financial Inclusion &amp; Capacity Building</b>				
CB	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	Quantitative	FN-CB-240a.1	<ul style="list-style-type: none"> <li>Status of loans to SMEs 2020 Disclosure Materials pages 136, 144 <a href="https://www.smth.jp/en/ir/annual/2019/all2.pdf">https://www.smth.jp/en/ir/annual/2019/all2.pdf</a></li> </ul>
CB	Number of participants in financial literacy initiatives for unbanked, under-banked, or underserved customers	Quantitative	FN-CB-240a.4	<ul style="list-style-type: none"> <li>Financial Inclusion Initiatives 2020/2021 Sustainability Report pages 142-145 <a href="https://www.smth.jp/en/csr/report/2020/E-all.pdf">https://www.smth.jp/en/csr/report/2020/E-all.pdf</a></li> </ul>
<b>Incorporation of Environmental, Social, and Governance Factors in Credit Analysis</b>				
CB	Commercial and industrial credit exposure, by industry	Quantitative	FN-CB-410a.1	<ul style="list-style-type: none"> <li>Balance of exposure to credit risk at the end of the fiscal year and breakdown by type of exposure 2020 Disclosure Materials page 197 <a href="https://www.smth.jp/en/ir/annual/2019/all2.pdf">https://www.smth.jp/en/ir/annual/2019/all2.pdf</a></li> </ul>
AC	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	Quantitative	FN-AC-410a.1	<ul style="list-style-type: none"> <li>Compliance with the Principles for Responsible Investment 2020 Integrated Report pages 64-65 <a href="https://www.smth.jp/en/ir/annual/2019/all.pdf">https://www.smth.jp/en/ir/annual/2019/all.pdf</a></li> </ul>
CB	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis	FN-CB-410a.2	<ul style="list-style-type: none"> <li>Environmental and social considerations in investments and loans 2020 Integrated Report page 88 <a href="https://www.smth.jp/en/ir/annual/2019/all.pdf">https://www.smth.jp/en/ir/annual/2019/all.pdf</a></li> </ul>

Industry	Accounting Metric	Category	Code	Response
<b>Incorporation of Environmental, Social, and Governance Factors in Credit Analysis</b>				
AC	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	Quantitative	FN-AC-410a.2	<ul style="list-style-type: none"> <li>Environmental and social considerations in investments and loans 2020 Integrated Report page 89 <a href="https://www.smth.jp/en/ir/annual/2019/all.pdf">https://www.smth.jp/en/ir/annual/2019/all.pdf</a></li> </ul>
AC	Description of proxy voting and investee engagement policies and procedures	Discussion and Analysis	FN-AC-410a.3	<ul style="list-style-type: none"> <li>Sumitomo Mitsui Trust Asset Management 2020/2021 Stewardship Report <a href="https://www.smth.jp/en/csr/report/2020/SS-E-all.pdf">https://www.smth.jp/en/csr/report/2020/SS-E-all.pdf</a></li> <li>Nikko Asset Management 2019 Sustainability Report <a href="https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf">https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf</a></li> </ul>
<b>Business Ethics</b>				
CB	Description of whistleblower policies and procedures	Discussion and Analysis	FN-CB-510a.2	<ul style="list-style-type: none"> <li>Compliance Hotline System 2020/2021 Sustainability Report page 28 <a href="https://www.smth.jp/en/csr/report/2020/E-all.pdf">https://www.smth.jp/en/csr/report/2020/E-all.pdf</a></li> <li>Sumitomo Mitsui Trust Accounting Hotline <a href="https://www.smth.jp/en/about_us/management/compliance/index.html">https://www.smth.jp/en/about_us/management/compliance/index.html</a></li> </ul>
AC			FN-AC-510a.2	
<b>Systemic Risk Management</b>				
CB	Global Systemically Important Bank (G-SIB) score, by category	Quantitative	FN-CB-550a.1	<p>Although our company has not been selected as a G-SIB, we disclose the following metrics.</p> <ul style="list-style-type: none"> <li>G-SIB metrics 2020 Disclosure Materials page 245 <a href="https://www.smth.jp/en/ir/annual/2019/all2.pdf">https://www.smth.jp/en/ir/annual/2019/all2.pdf</a></li> </ul>
CB	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	FN-CB-550a.2	<ul style="list-style-type: none"> <li>Operation of Risk Appetite 2020 Integrated Report page 98 <a href="https://www.smth.jp/en/ir/annual/2019/all.pdf">https://www.smth.jp/en/ir/annual/2019/all.pdf</a></li> <li>Enterprise Risk Management System 2020 Disclosure Materials pages 155-156 <a href="https://www.smth.jp/en/ir/annual/2019/all2.pdf">https://www.smth.jp/en/ir/annual/2019/all2.pdf</a></li> </ul>
<b>Activity Metrics</b>				
CB	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	Quantitative	FN-CB-000.A	
CB	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	Quantitative	FN-CB-000.B	<ul style="list-style-type: none"> <li>Status 2020 Integrated Report page 13 <a href="https://www.smth.jp/en/ir/annual/2019/all.pdf">https://www.smth.jp/en/ir/annual/2019/all.pdf</a></li> </ul>
AC	(1) Total registered and (2) total un-registered assets under management (AUM)	Quantitative	FN-AC-000.A	
AC	Total assets under custody and supervision	Quantitative	FN-AC-000.B	

# GRI Content Index

## Global Reporting Initiative (GRI):

Established in 1997 as a joint project between the Coalition for Environmentally Responsible Economics (CERES), a nonprofit organization in the United States, and the United Nations Environment Programme (UNEP), the GRI aims to improve the contents of sustainability reports to the level of financial reports while attaining the basic conditions of comparability, credibility, accuracy, appropriateness of timing, and verifiability of the information included in the sustainability reports. The initial guidelines were issued in 2000, then revised in fiscal years 2002, 2006 and 2013. In fiscal 2016, new guidelines were issued as the GRI standard.

● = core option disclosure

Item	Indicator	Corresponding Sections
<b>Standard Disclosure</b>		
<b>Organizational profile</b>		
102-1	● Name of the organization a. Name of the organization.	209
102-2	● Activities, brands, products, and services a. A description of the organization's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	—
102-3	● Location of headquarters a. Location of the organization's headquarters.	209
102-4	● Location of operations a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	208
102-5	● Ownership and legal form a. Nature of ownership and legal form.	208
102-6	● Markets served a. Markets served, including: i. geographic locations where products and services are offered; ii. sectors served; iii. types of customers and beneficiaries.	208-209
102-7	● Scale of the organization a. Scale of the organization, including: i. total number of employees; ii. total number of operations; iii. net sales (for private sector organizations) or net revenues (for public sector organizations); iv. total capitalization (for private sector organizations) broken down in terms of debt and equity; v. quantity of products or services provided.	108, 207-208
102-8	● Information on employees and other workers a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.	108
102-9	● Supply chain a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	16-19
102-10	● Significant changes to the organization and its supply chain a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	85, 88-89

Item	Indicator	Corresponding Sections
102-11	● Precautionary Principle or approach a. Whether and how the organization applies the Precautionary Principle or approach.	31-32
102-12	● External initiatives a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	23-25
102-13	● Membership of associations a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	23-25
<b>Strategy</b>		
102-14	● Statement from senior decision-maker a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	4-5
102-15	Key impacts, risks, and opportunities a. A description of key impacts, risks, and opportunities.	34-44
<b>Ethics and integrity</b>		
102-16	● Values, principles, standards, and norms of behavior a. A description of the organization's values, principles, standards, and norms of behavior.	1, 8, 26-32
102-17	Mechanisms for advice and concerns about ethics a. A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behavior, and organizational integrity; ii. reporting concerns about unethical or unlawful behavior, and organizational integrity.	26-32
<b>Governance</b>		
102-18	● Governance structure a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	12-13
102-19	Delegating authority a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	14-15
102-20	Executive-level responsibility for economic, environmental, and social topics a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics. b. Whether post holders report directly to the highest governance body.	14-15
102-21	Consulting stakeholders on economic, environmental, and social topics a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.	14-15
102-22	Composition of the highest governance body and its committees a. Composition of the highest governance body and its committees by: i. executive or non-executive; ii. independence; iii. tenure on the governance body; iv. number of each individual's other significant positions and commitments, and the nature of the commitments; v. gender; vi. membership of under-represented social groups; vii. competencies relating to economic, environmental, and social topics; viii. stakeholder representation.	14-15
102-23	Chair of the highest governance body a. Whether the chair of the highest governance body is also an executive officer in the organization. b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement.	14-15
102-24	Nominating and selecting the highest governance body a. Nomination and selection processes for the highest governance body and its committees. b. Criteria used for nominating and selecting highest governance body members, including whether and how: i. stakeholders (including shareholders) are involved; ii. diversity is considered; iii. independence is considered; iv. expertise and experience relating to economic, environmental, and social topics are considered.	14-15



## GRI Content Index

Item	Indicator	Corresponding Sections
102-25	Conflicts of interest a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed. b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership; ii. Cross-shareholding with suppliers and other stakeholders; iii. Existence of controlling shareholder; iv. Related party disclosures.	14-15
102-26	Role of highest governance body in setting purpose, values, and strategy a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	14-15
102-27	Collective knowledge of highest governance body a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	14-15
102-28	Evaluating the highest governance body's performance a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. b. Whether such evaluation is independent or not, and its frequency. c. Whether such evaluation is a self-assessment. d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	14-15
102-29	Identifying and managing economic, environmental, and social impacts a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics and their impacts, risks, and opportunities.	34-51, 90-91
102-30	Effectiveness of risk management processes a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	34-51, 90-91
102-31	Review of economic, environmental, and social topics a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	38, 47-48
102-32	Highest governance body's role in sustainability reporting a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.	38, 47-48
102-33	Communicating critical concerns a. Process for communicating critical concerns to the highest governance body.	14-15
102-34	Nature and total number of critical concerns a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns.	N/A
102-35	Remuneration policies a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees.	14-15
102-36	Process for determining remuneration a. Process for determining remuneration. b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. c. Any other relationships that the remuneration consultants have with the organization.	14-15
102-37	Stakeholders' involvement in remuneration a. How stakeholders' views are sought and taken into account regarding remuneration. b. If applicable, the results of votes on remuneration policies and proposals.	—

Item	Indicator	Corresponding Sections
102-38	Annual total compensation ratio a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—
102-39	Percentage increase in annual total compensation ratio a. Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—
<b>Stakeholder engagement</b>		
102-40	● List of stakeholder groups a. A list of stakeholder groups engaged by the organization.	16-22
102-41	● Collective bargaining agreements a. Percentage of total employees covered by collective bargaining agreements.	106
102-42	● Identifying and selecting stakeholders a. The basis for identifying and selecting stakeholders with whom to engage.	16-22
102-43	● Approach to stakeholder engagement a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	16-22, 50-53
102-44	● Key topics and concerns raised a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.	16-22, 50-53
<b>Reporting practice</b>		
102-45	● Entities included in the consolidated financial statements a. A list of all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	207-208
102-46	● Defining report content and topic Boundaries a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	2
102-47	● List of material topics a. A list of the material topics identified in the process for defining report content.	16-22
102-48	● Restatements of information a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	—
102-49	● Changes in reporting a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	16-22
102-50	● Reporting period a. Reporting period for the information provided.	2
102-51	● Date of most recent report a. If applicable, the date of the most recent previous report.	—
102-52	● Reporting cycle a. Reporting cycle.	N/A
102-53	● Contact point for questions regarding the report a. The contact point for questions regarding the report or its contents.	209
102-54	● Claims of reporting in accordance with the GRI Standards a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.	2, 190
102-55	● GRI content index a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosures covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials; iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	190-206

## GRI Content Index

Item	Indicator	Corresponding Sections
102-56 ●	External assurance a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	—
<b>Management Approach</b>		
103-1	Explanation of the material topic and its Boundary a. An explanation of why the topic is material. b. The Boundary for the material topic, which includes a description of: i. where the impacts occur; ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships. c. Any specific limitation regarding the topic Boundary.	16-22
103-2	The management approach and its components a. An explanation of how the organization manages the topic. b. A statement of the purpose of the management approach. c. A description of the following, if the management approach includes that component: i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives	16-22
103-3	Evaluation of the management approach a. An explanation of how the organization evaluates the management approach, including: i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach.	16-22
<b>Topic Specific Standards</b>		
<b>Economic</b>		
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.	207
201-2	Financial implications and other risks and opportunities due to climate change a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity.	47-48, 58-67, 85-91

Item	Indicator	Corresponding Sections
201-3	<p>Defined benefit plan obligations and other retirement plans</p> <p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.</p> <p>b. If a separate fund exists to pay the plan's pension liabilities:</p> <ol style="list-style-type: none"> <li>the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them;</li> <li>the basis on which that estimate has been arrived at;</li> <li>when that estimate was made.</li> </ol> <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Percentage of salary contributed by employee or employer.</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.</p>	—
201-4	<p>Financial assistance received from government</p> <p>a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including:</p> <ol style="list-style-type: none"> <li>tax relief and tax credits;</li> <li>subsidies;</li> <li>investment grants, research and development grants, and other relevant types of grant;</li> <li>awards;</li> <li>royalty holidays;</li> <li>financial assistance from Export Credit Agencies (ECAs);</li> <li>financial incentives;</li> <li>other financial benefits received or receivable from any government for any operation.</li> </ol> <p>b. The information in 201-4-a by country.</p> <p>c. Whether, and the extent to which, any government is present in the shareholding structure.</p>	—
<b>Market Presence</b>		
202-1	<p>Ratios of standard entry level wage by gender compared to local minimum wage</p> <p>a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage.</p> <p>b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage.</p> <p>c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used.</p> <p>d. The definition used for 'significant locations of operation'.</p>	—
202-2	<p>Proportion of senior management hired from the local community</p> <p>a. Percentage of senior management at significant locations of operation that are hired from the local community.</p> <p>b. The definition used for 'senior management'.</p> <p>c. The organization's geographical definition of 'local'.</p> <p>d. The definition used for 'significant locations of operation'.</p>	—
<b>Indirect Economic Impacts</b>		
203-1	<p>Infrastructure investments and services supported</p> <p>a. Extent of development of significant infrastructure investments and services supported.</p> <p>b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.</p> <p>c. Whether these investments and services are commercial, in-kind, or pro bono engagements.</p>	47-48, 58-67
203-2	<p>Significant indirect economic impacts</p> <p>a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.</p> <p>b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.</p>	—
<b>Procurement Practices</b>		
204-1	<p>Proportion of spending on local suppliers</p> <p>a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).</p> <p>b. The organization's geographical definition of 'local'.</p> <p>c. The definition used for 'significant locations of operation'.</p>	—



## GRI Content Index

Item	Indicator	Corresponding Sections
<b>Anti-corruption</b>		
205-1	Operations assessed for risks related to corruption a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment.	—
205-2	Communication and training about anti-corruption policies and procedures a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	26-32
205-3	Confirmed incidents of corruption and actions taken a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	30
<b>Anti-competitive Behavior</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. b. Main outcomes of completed legal actions, including any decisions or judgments.	N/A
<b>Environment</b>		
<b>Materials</b>		
301-1	Materials used by weight or volume a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used.	85-91
301-2	Recycled input materials used a. Percentage of recycled input materials used to manufacture the organization's primary products and services.	—
301-3	Reclaimed products and their packaging materials a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected.	—
<b>Energy</b>		
302-1	Energy consumption within the organization a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used.	85-91

Item	Indicator	Corresponding Sections
302-2	Energy consumption outside of the organization a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used.	—
302-3	Energy intensity a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both.	85-91
302-4	Reduction of energy consumption a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. d. Standards, methodologies, assumptions, and/or calculation tools used.	85-91
302-5	Reductions in energy requirements of products and services a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. c. Standards, methodologies, assumptions, and/or calculation tools used.	85-91
<b>Water and Effluents</b>		
303-1	Interactions with water as a shared resource a. A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts caused or contributed to, or directly linked to the organization's activities, products or services by a business relationship (e.g., impacts caused by runoff). b. A description of the approach used to identify water-related impacts, including the scope of assessments, their timeframe, and any tools or methodologies used. c. A description of how water-related impacts are addressed, including how the organization works with stakeholders to steward water as a shared resource, and how it engages with suppliers or customers with significant water-related impacts. d. An explanation of the process for setting any water-related goals and targets that are part of the organization's management approach, and how they relate to public policy and the local context of each area with water stress.	—
303-2	Management of water discharge-related impacts a. A description of any minimum standards set for the quality of effluent discharge, and how these minimum standards were determined, including: i. how standards for facilities operating in locations with no local discharge requirements were determined; ii. any internally developed water quality standards or guidelines; iii. any sector-specific standards considered; iv. whether the profile of the receiving waterbody was considered.	—
303-3	Water withdrawal a. Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water. b. Total water withdrawal from all areas with water stress in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water, and a breakdown of this total by the withdrawal sources listed in i-iv. c. A breakdown of total water withdrawal from each of the sources listed in Disclosures 303-3-a and 303-3-b in megaliters by the following categories: i. Freshwater ( $\leq 1,000$ mg/L Total Dissolved Solids); ii. Other water ( $> 1,000$ mg/L Total Dissolved Solids). d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	—

## GRI Content Index

Item	Indicator	Corresponding Sections
303-4	<p><b>Water discharge</b></p> <p>a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable:</p> <ul style="list-style-type: none"> <li>i. Surface water;</li> <li>ii. Groundwater;</li> <li>iii. Seawater;</li> <li>iv. Third-party water, and the volume of this total sent for use to other organizations, if applicable.</li> </ul> <p>b. A breakdown of total water discharge to all areas in megaliters by the following categories:</p> <ul style="list-style-type: none"> <li>i. Freshwater (<math>\leq 1,000</math> mg/L Total Dissolved Solids);</li> <li>ii. Other water (<math>&gt; 1,000</math> mg/L Total Dissolved Solids).</li> </ul> <p>c. Total water discharge to all areas with water stress in megaliters, and a breakdown of this total by the following categories:</p> <ul style="list-style-type: none"> <li>i. Freshwater (<math>\leq 1,000</math> mg/L Total Dissolved Solids);</li> <li>ii. Other water (<math>&gt; 1,000</math> mg/L Total Dissolved Solids).</li> </ul> <p>d. Priority substances of concern for which discharges are treated, including:</p> <ul style="list-style-type: none"> <li>i. how priority substances of concern were defined, and any international standard, authoritative list, or criteria used;</li> <li>ii. the approach for setting discharge limits for priority substances of concern;</li> <li>iii. number of incidents of non-compliance with discharge limits.</li> </ul> <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	—
303-5	<p><b>Water consumption</b></p> <p>a. Total water consumption from all areas in megaliters.</p> <p>b. Total water consumption from all areas with water stress in megaliters.</p> <p>c. Change in water storage in megaliters, if water storage has been identified as having a significant water-related impact.</p> <p>d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modeled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.</p>	—
<b>Biodiversity</b>		
304-1	<p><b>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</b></p> <p>a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information:</p> <ul style="list-style-type: none"> <li>i. Geographic location;</li> <li>ii. Subsurface and underground land that may be owned, leased, or managed by the organization;</li> <li>iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas;</li> <li>iv. Type of operation (office, manufacturing or production, or extractive);</li> <li>v. Size of operational site in km<sup>2</sup> (or another unit, if appropriate);</li> <li>vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem);</li> <li>vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation).</li> </ul>	N/A
304-2	<p><b>Significant impacts of activities, products, and services on biodiversity</b></p> <p>a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <ul style="list-style-type: none"> <li>i. Construction or use of manufacturing plants, mines, and transport infrastructure;</li> <li>ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources);</li> <li>iii. Introduction of invasive species, pests, and pathogens;</li> <li>iv. Reduction of species;</li> <li>v. Habitat conversion;</li> <li>vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level).</li> </ul> <p>b. Significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> <li>i. Species affected;</li> <li>ii. Extent of areas impacted;</li> <li>iii. Duration of impacts;</li> <li>iv. Reversibility or irreversibility of the impacts.</li> </ul>	N/A

Item	Indicator	Corresponding Sections
304-3	Habitats protected or restored a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals. b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures. c. Status of each area based on its condition at the close of the reporting period. d. Standards, methodologies, and assumptions used.	68-76, 152-155
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk: i. Critically endangered ii. Endangered iii. Vulnerable iv. Near threatened v. Least concern	—
<b>Emissions</b>		
305-1	Direct (Scope 1) GHG emissions a. Gross direct (Scope 1) GHG emissions in metric tons of CO <sub>2</sub> equivalent. b. Gases included in the calculation; whether CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all. c. Biogenic CO <sub>2</sub> emissions in metric tons of CO <sub>2</sub> equivalent. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used.	85-91
305-2	Energy indirect (Scope 2) GHG emissions a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO <sub>2</sub> equivalent. b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO <sub>2</sub> equivalent. c. If available, the gases included in the calculation; whether CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all. d. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used.	85-91
305-3	Other indirect (Scope 3) GHG emissions a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO <sub>2</sub> equivalent. b. If available, the gases included in the calculation; whether CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all. c. Biogenic CO <sub>2</sub> emissions in metric tons of CO <sub>2</sub> equivalent. d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. e. Base year for the calculation, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. g. Standards, methodologies, assumptions, and/or calculation tools used.	—
305-4	GHG emissions intensity a. GHG emissions intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. Gases included in the calculation; whether CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all.	85-91



## GRI Content Index

Item	Indicator	Corresponding Sections
305-5	Reduction of GHG emissions a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO <sub>2</sub> equivalent. b. Gases included in the calculation; whether CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all. c. Base year or baseline, including the rationale for choosing it. d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). e. Standards, methodologies, assumptions, and/or calculation tools used.	85-91
305-6	Emissions of ozone-depleting substances (ODS) a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent. b. Substances included in the calculation. c. Source of the emission factors used. d. Standards, methodologies, assumptions, and/or calculation tools used.	—
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions a. Significant air emissions, in kilograms or multiples, for each of the following: i. NO <sub>x</sub> ii. SO <sub>x</sub> iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used. c. Standards, methodologies, assumptions, and/or calculation tools used.	—
<b>Effluents and Waste</b>		
306-1	Water discharge by quality and destination a. Total volume of planned and unplanned water discharges by: i. destination; ii. quality of the water, including treatment method; iii. whether the water was reused by another organization. b. Standards, methodologies, and assumptions used.	—
306-2	Waste by type and disposal method a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) c. How the waste disposal method has been determined: i. Disposed of directly by the organization, or otherwise directly confirmed ii. Information provided by the waste disposal contractor iii. Organizational defaults of the waste disposal contractor	85-91

Item	Indicator	Corresponding Sections
306-3	Significant spills a. Total number and total volume of recorded significant spills. b. The following additional information for each spill that was reported in the organization's financial statements: i. Location of spill; ii. Volume of spill; iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization). c. Impacts of significant spills.	—
306-4	Transport of hazardous waste a. Total weight for each of the following: i. Hazardous waste transported ii. Hazardous waste imported iii. Hazardous waste exported iv. Hazardous waste treated b. Percentage of hazardous waste shipped internationally. c. Standards, methodologies, and assumptions used.	85-91
306-5	Water bodies affected by water discharges and/or runoff a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on: i. the size of the water body and related habitat; ii. whether the water body and related habitat is designated as a nationally or internationally protected area; iii. the biodiversity value, such as total number of protected species.	—
<b>Environmental Compliance</b>		
307-1	Non-compliance with environmental laws and regulations a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of: i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.	—
<b>Supplier Environmental Assessment</b>		
308-1	New suppliers that were screened using environmental criteria a. Percentage of new suppliers that were screened using environmental criteria.	—
308-2	Negative environmental impacts in the supply chain and actions taken a. Number of suppliers assessed for environmental impacts. b. Number of suppliers identified as having significant actual and potential negative environmental impacts. c. Significant actual and potential negative environmental impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	—
<b>Social</b>		
<b>Employment</b>		
401-1	New employee hires and employee turnover a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	99, 108
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for 'significant locations of operation'.	102

## GRI Content Index

Item	Indicator	Corresponding Sections
401-3	<p>Parental leave</p> <p>a. Total number of employees that were entitled to parental leave, by gender.</p> <p>b. Total number of employees that took parental leave, by gender.</p> <p>c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender.</p> <p>d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.</p> <p>e. Return to work and retention rates of employees that took parental leave, by gender.</p>	104
<b>Labor/Management Relations</b>		
402-1	<p>Minimum notice periods regarding operational changes</p> <p>a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.</p> <p>b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.</p>	—
<b>Occupational Health and Safety</b>		
403-1	<p>Occupational health and safety management system</p> <p>a. A statement of whether an occupational health and safety management system has been implemented, including whether:</p> <ol style="list-style-type: none"> <li>the system has been implemented because of legal requirements and, if so, a list of the requirements;</li> <li>the system has been implemented based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines.</li> </ol> <p>b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.</p>	—
403-2	<p>Hazard identification, risk assessment, and incident investigation</p> <p>a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including:</p> <ol style="list-style-type: none"> <li>how the organization ensures the quality of these processes, including the competency of persons who carry them out;</li> <li>how the results of these processes are used to evaluate and continually improve the occupational health and safety management system.</li> </ol> <p>b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals.</p> <p>c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals.</p> <p>d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.</p>	—
403-3	<p>Occupational health services</p> <p>a. A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them.</p>	—
403-4	<p>Worker participation, consultation, and communication on occupational health and safety</p> <p>a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers.</p> <p>b. Where formal joint management-worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees.</p>	—
403-5	<p>Worker training on occupational health and safety</p> <p>a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.</p>	105
403-6	<p>Promotion of worker health</p> <p>a. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided.</p> <p>b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.</p>	103-107
403-7	<p>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</p> <p>a. A description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.</p>	103-107

Item	Indicator	Corresponding Sections
403-8	<p>Workers covered by an occupational health and safety management system</p> <p>a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines:</p> <ul style="list-style-type: none"> <li>i. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system;</li> <li>ii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited;</li> <li>iii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party.</li> </ul> <p>b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>c. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	—
403-9	<p>Work-related injuries</p> <p>a. For all employees:</p> <ul style="list-style-type: none"> <li>i. The number and rate of fatalities as a result of work-related injury;</li> <li>ii. The number and rate of high-consequence work-related injuries (excluding fatalities);</li> <li>iii. The number and rate of recordable work-related injuries;</li> <li>iv. The main types of work-related injury;</li> <li>v. The number of hours worked.</li> </ul> <p>b. For all workers who are not employees but whose work and/or workplace is controlled by the organization:</p> <ul style="list-style-type: none"> <li>i. The number and rate of fatalities as a result of work-related injury;</li> <li>ii. The number and rate of high-consequence work-related injuries (excluding fatalities);</li> <li>iii. The number and rate of recordable work-related injuries;</li> <li>iv. The main types of work-related injury;</li> <li>v. The number of hours worked.</li> </ul> <p>c. The work-related hazards that pose a risk of high-consequence injury, including:</p> <ul style="list-style-type: none"> <li>i. how these hazards have been determined;</li> <li>ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period;</li> <li>iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.</li> </ul> <p>d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls.</p> <p>e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked.</p> <p>f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	103-108
403-10	<p>Work-related ill health</p> <p>a. For all employees:</p> <ul style="list-style-type: none"> <li>i. The number of fatalities as a result of work-related ill health;</li> <li>ii. The number of cases of recordable work-related ill health;</li> <li>iii. The main types of work-related ill health.</li> </ul> <p>b. For all workers who are not employees but whose work and/or workplace is controlled by the organization:</p> <ul style="list-style-type: none"> <li>i. The number of fatalities as a result of work-related ill health;</li> <li>ii. The number of cases of recordable work-related ill health;</li> <li>iii. The main types of work-related ill health.</li> </ul> <p>c. The work-related hazards that pose a risk of ill health, including:</p> <ul style="list-style-type: none"> <li>i. how these hazards have been determined;</li> <li>ii. which of these hazards have caused or contributed to cases of ill health during the reporting period;</li> <li>iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.</li> </ul> <p>d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.</p> <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	108
<b>Training and Education</b>		
404-1	<p>Average hours of training per year per employee</p> <p>a. Average hours of training that the organization's employees have undertaken during the reporting period, by:</p> <ul style="list-style-type: none"> <li>i. gender;</li> <li>ii. employee category.</li> </ul>	98-102



## GRI Content Index

Item	Indicator	Corresponding Sections
404-2	Programs for upgrading employee skills and transition assistance programs	
	a. Type and scope of programs implemented and assistance provided to upgrade employee skills.	
	b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	98-102
404-3	Percentage of employees receiving regular performance and career development reviews	
	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	98-102
<b>Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees	
	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories:	
	i. Gender;	
	ii. Age group: under 30 years old, 30-50 years old, over 50 years old;	
	iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	14-22, 95-108
	b. Percentage of employees per employee category in each of the following diversity categories:	
	i. Gender;	
	ii. Age group: under 30 years old, 30-50 years old, over 50 years old;	
	iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	
405-2	Ratio of basic salary and remuneration of women to men	
	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.	—
	b. The definition used for 'significant locations of operation'.	
<b>Non-discrimination</b>		
406-1	Incidents of discrimination and corrective actions taken	
	a. Total number of incidents of discrimination during the reporting period.	
	b. Status of the incidents and actions taken with reference to the following:	
	i. Incident reviewed by the organization;	
	ii. Remediation plans being implemented;	107, 110
	iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes;	
	iv. Incident no longer subject to action.	
<b>Freedom of Association and Collective Bargaining</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of:	
	i. type of operation (such as manufacturing plant) and supplier;	
	ii. countries or geographic areas with operations and suppliers considered at risk.	N/A
	b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	
<b>Child Labor</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	
	a. Operations and suppliers considered to have significant risk for incidents of:	
	i. child labor;	
	ii. young workers exposed to hazardous work.	
	b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of:	
	i. type of operation (such as manufacturing plant) and supplier;	N/A
	ii. countries or geographic areas with operations and suppliers considered at risk.	
	c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	
<b>Forced or Compulsory Labor</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	
	a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:	
	i. type of operation (such as manufacturing plant) and supplier;	
	ii. countries or geographic areas with operations and suppliers considered at risk.	N/A
	b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	

Item	Indicator	Corresponding Sections
<b>Security Practices</b>		
410-1	Security personnel trained in human rights policies or procedures	
	a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security.	111
	b. Whether training requirements also apply to third-party organizations providing security personnel.	
<b>Rights of Indigenous Peoples</b>		
411-1	Incidents of violations involving rights of indigenous peoples	
	a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period.	
	b. Status of the incidents and actions taken with reference to the following:	
	i. Incident reviewed by the organization;	N/A
	ii. Remediation plans being implemented;	
	iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes;	
	iv. Incident no longer subject to action.	
<b>Human Rights Assessment</b>		
412-1	Operations that have been subject to human rights reviews or impact assessments	
	a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.	111-112
412-2	Employee training on human rights policies or procedures	
	a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.	111-112
	b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
	a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	—
	b. The definition used for 'significant investment agreements'.	
<b>Local Communities</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	
	a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:	
	i. social impact assessments, including gender impact assessments, based on participatory processes;	
	ii. environmental impact assessments and ongoing monitoring;	
	iii. public disclosure of results of environmental and social impact assessments;	
	iv. local community development programs based on local communities' needs;	149-176
	v. stakeholder engagement plans based on stakeholder mapping;	
	vi. broad based local community consultation committees and processes that include vulnerable groups;	
	vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts;	
	viii. formal local community grievance processes.	
413-2	Operations with significant actual and potential negative impacts on local communities	
	a. Operations with significant actual and potential negative impacts on local communities, including:	
	i. the location of the operations;	N/A
	ii. the significant actual and potential negative impacts of operations.	
<b>Supplier Social Assessment</b>		
414-1	New suppliers that were screened using social criteria	
	a. Percentage of new suppliers that were screened using social criteria.	—
414-2	Negative social impacts in the supply chain and actions taken	
	a. Number of suppliers assessed for social impacts.	
	b. Number of suppliers identified as having significant actual and potential negative social impacts.	
	c. Significant actual and potential negative social impacts identified in the supply chain.	
	d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.	—
	e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	

## GRI Content Index

Item	Indicator	Corresponding Sections
<b>Public Policy</b>		
415-1	Political contributions a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary. b. If applicable, how the monetary value of in-kind contributions was estimated.	—
<b>Customer Health and Safety</b>		
416-1	Assessment of the health and safety impacts of product and service categories a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	N/A
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	N/A
<b>Marketing and Labeling</b>		
417-1	Requirements for product and service information and labeling a. Whether each of the following types of information is required by the organization's procedure for product and service information and labeling: i. The sourcing of components of the product or service; ii. Content, particularly with regard to substances that might produce an environmental or social impact; iii. Safe use of the product or service; iv. Disposal of the product and environmental or social impacts; v. Other (explain). b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	N/A
417-2	Incidents of non-compliance concerning product and service information and labeling a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	N/A
417-3	Incidents of non-compliance concerning marketing communications a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	N/A
<b>Customer Privacy</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. b. Total number of identified leaks, thefts, or losses of customer data. c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.	N/A
<b>Socioeconomic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of: i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient. c. The context against which significant fines and non-monetary sanctions were incurred.	N/A

# Financial Review

In the consolidated financial results for fiscal year 2019, net business profit before credit costs increased by ¥6.7 billion year on year to ¥289.0 billion, basically in line with our forecasts. The rise was mainly due to an increase in effective interest related earnings, an expansion of non-interest revenues in corporate-related business, and an increase in market-related revenues in SuMi TRUST Bank.

In the meantime, net income attributable to owners of the parent decreased by ¥10.8 billion year on year to ¥163.0 billion, due mainly to a special loan loss provision of approximately ¥25 billion recorded in preparation for future total credit costs in light of the impact of the COVID-19 pandemic.

## ■ Overview of the Financial Results in FY2019

### <Consolidated> SuMi TRUST Holdings (Consolidated)

Billions of Yen (Unless specified otherwise)

	FY2019 (A)	FY2018 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	289.0	282.2	6.7	2.4%
Ordinary Profit	257.6	256.4	1.2	0.5%
Net Income Attributable to Owners of the Parent	163.0	173.8	(10.8)	(6.2%)
Total Credit Costs*	(43.8)	(2.9)	(40.8)	—
Return on shareholders' equity*	7.12%	7.95%	(0.83%)	—
Return on equity*	6.25%	6.58%	(0.33%)	—
Net Income per Common Shares (EPS) (Yen)	434	458	(24)	(5.4%)
Net Assets per Common Shares (BPS) (Yen)	6,822.48	7,008.67	(186)	(2.7%)

\*[Net Income Attributable to Owners of the Parent / (FY-start total shareholders' equity (equity) + FY-end total shareholders' equity (equity)) / 2] × 100

### <Non-consolidated> SuMi TRUST Bank (Non-consolidated)

Billions of Yen (Unless specified otherwise)

	FY2019 (A)	FY2018 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	206.8	231.4	(24.6)	(10.7%)
Net Interest Income and Related Profit*	134.1	172.7	(38.5)	(22.3%)
Net Fees and Commissions and Related Profit*	174.3	186.3	(12.0)	(6.5%)
Net Trading Profit	102.1	27.9	74.2	265.9%
Net Other Operating Profit	42.5	80.3	(37.7)	(47.0%)
General and Administrative Expenses	(246.4)	(235.8)	(10.5)	4.5%
Total Credit Costs*	(34.7)	1.9	(36.7)	—
Net Non-recurring Profit, etc.	4.4	(24.3)	28.7	—
Ordinary Profit	176.4	209.0	(32.6)	(15.6%)
Extraordinary Profit	1.0	(4.2)	5.3	—
Net Income	124.7	148.6	(23.9)	(16.1%)

(Note) Amounts less than ¥100 million are rounded down.

### <Dividends>

	FY2019 (A)	FY2018 (B)	Change (A)–(B)
Dividend per Share on Common Share (Yen)	150.00	140.00	10.00



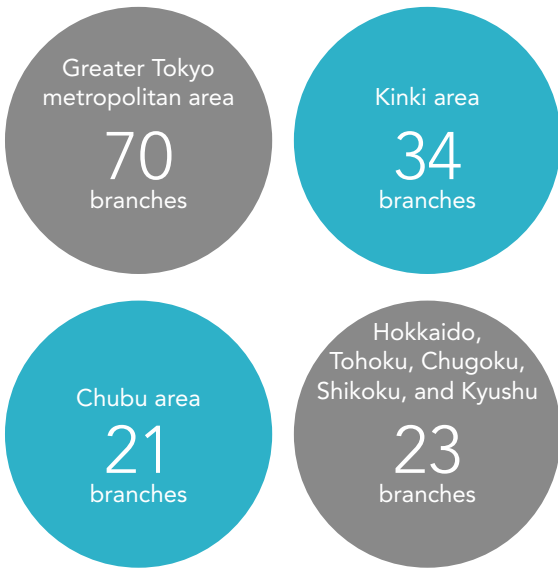
# Network of the SuMi Trust Group (as of December 31, 2020)

## Domestic Branch Networks and Overseas Network

The Group has built a balanced network of offices focused on the Tokyo metropolitan, Kinki, and Chubu areas. In addition, SBI Sumishin Net Bank uses the Internet to cover all of Japan.

The Group also has an overseas network that can provide global financial services in the loan business, asset management and administration business, as well as the consulting business, among others.

### Domestic Network



Providing online services across Japan



### Overseas Network

#### [U.S.]

- New York Branch
- Sumitomo Mitsui Trust Bank (U.S.A.) Limited (Banking, Trust Businesses)

#### [Europe]

- London Branch
- Sumitomo Mitsui Trust International Limited (Securities Business)
- Sumitomo Mitsui Trust Bank (Luxembourg) S.A. (Trust, Banking, Securities Businesses)
- Sumitomo Mitsui Trust (Ireland) Limited (Trust Business)
- Sumitomo Mitsui Trust (UK) Limited (Trust Business)

#### [Asia/Oceania]

- Singapore Branch
- Shanghai Branch
- Hong Kong Branch
- Beijing Representative Office
- Beijing Representative Office (Securities Business)
- Zijin Trust Co., Ltd. (Trust Business)
- Sumitomo Mitsui Trust (Hong Kong) Limited (Securities Business)
- Jakarta Representative Office
- Seoul Representative Office
- Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (Banking Business)
- Sydney Representative Office

An overseas network that can provide global financial services

## Corporate Information (as of December 31, 2020)

<b>Registered Trade Name:</b>	Sumitomo Mitsui Trust Holdings, Inc.
<b>Headquarters Location:</b>	1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
<b>Date of Establishment:</b>	February 1, 2002 (Change of trade name: April 1, 2011)
<b>Main Business:</b>	With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of the Sumitomo Mitsui Trust Group, and sets the following (1) - (8) as its key functions: <ol style="list-style-type: none"> <li>(1) Supervising management strategies (including the allocation of management resources)</li> <li>(2) Supervising financial management</li> <li>(3) Supervising human resource management</li> <li>(4) Controlling budget and expenses</li> <li>(5) Supervising IT management</li> <li>(6) Supervising risk management</li> <li>(7) Supervising compliance management</li> <li>(8) Managing internal auditing</li> </ol>
<b>Capital:</b>	261,608,725,000 Yen
<b>Stock Exchange Listings:</b>	Tokyo, Nagoya Stock Exchanges Tokyo (1st Section), Nagoya (1st Section)
<b>Securities Code:</b>	8309

## Rating Information (as of December 31, 2020)

		Long-term	Outlook	Short-term
Sumitomo Mitsui Trust Holdings	JCR	AA-	Stable	—
	R&I	A	Stable	—
Sumitomo Mitsui Trust Bank	S&P	A	Stable	A-1
	Moody's	A1	Stable	P-1
	Fitch	A-	Stable	F1
	JCR	AA-	Stable	—
	R&I	A+	Stable	a-1

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**Sumitomo Mitsui Trust Holdings, Inc.**

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