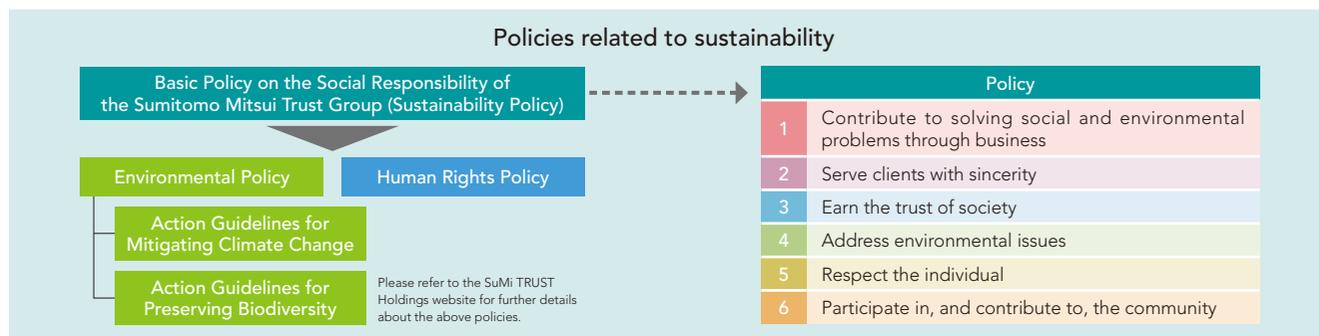
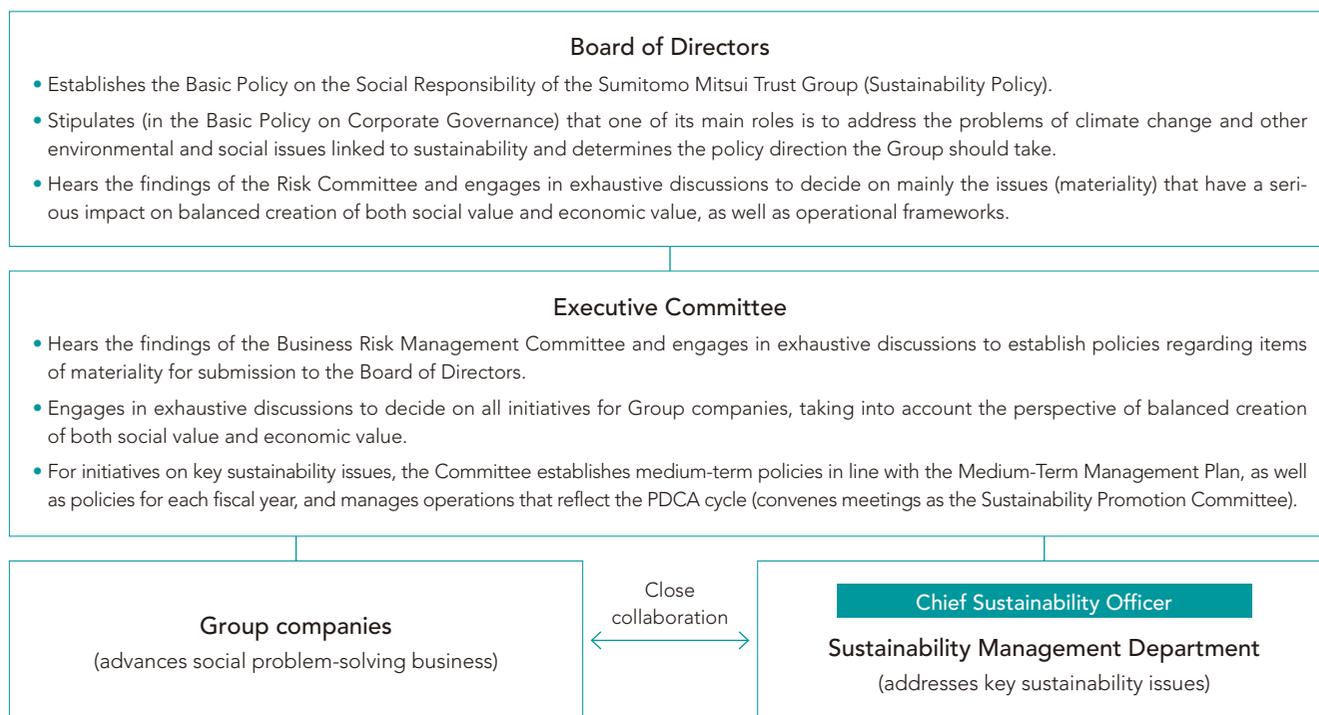


Initiatives on Key Sustainability Issues

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



2. Roles of Sustainability Promotion Committee

The Sustainability Promotion Committee (secretariat: Sustainability Management Department), which is held as part of the Executive Committee, is tasked with mainly the following roles.

Management	<ul style="list-style-type: none"> • Promoting materiality management (see page 21) • Drawing up and promoting plans for sustainability work (manages the progress of social problem-solving businesses at Group companies) • Tackling climate change issues (see page 84) • Conducting strategic information disclosure by issuing ESG Reports and other publications*1 • Earning the trust of investors and other stakeholders and working to improve their assessment of the Group
Business development	<ul style="list-style-type: none"> • Developing innovative financial products and services that help solve key sustainability issues Promoting Eco-Trustution*2 • Strategically providing value to the community through “With You” activities*3
Employee education	<ul style="list-style-type: none"> • Making sure employees understand strategies by mainly distributing the Group’s employee integrated report to all directors, officers, and employees • 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*3
Dialogue	<ul style="list-style-type: none"> • 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 Utilizing internal engagement (see page 21) to bring the needs of stakeholders back into the Group and improve initiatives

*1 Strategic information disclosure



*2 Eco-Trustution

“Eco-Trustution” is a word we have coined that refers to the business of providing solutions to environmental problems with the use of our trust functions. One of the Group’s biggest strengths is our ability to develop sustainability products by leveraging our know-how as a financial group specialized in trust banking.



*3 “With You” activities

So that we may forge strong relationships of trust with local communities, the branch offices of SuMi TRUST Bank engage in community-based social contribution activities. Activities are categorized according to degree of difficulty and benefits and initiatives are carried out systematically, for example, with the use of a points system that serves as a guideline for establishing activity criteria.



3. Solving Social Issues through Business

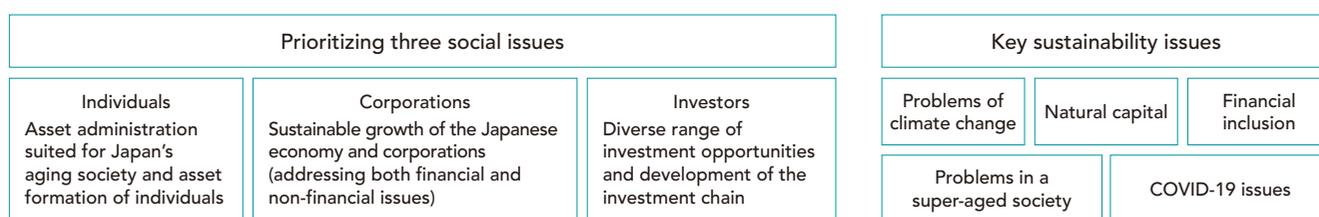
In our Medium-Term Management Plan, we have highlighted three issues that we intend to prioritize through our social problem-solving businesses. And alongside the problems that we have long focused on thus far—i.e., climate change and Japan’s super-aged society—we also plan to tackle new issues of sustainability in our business operations, like the COVID-19 pandemic, for example.

With the topic of sustainability attracting even more attention nowadays, the fields of social problem-solving business

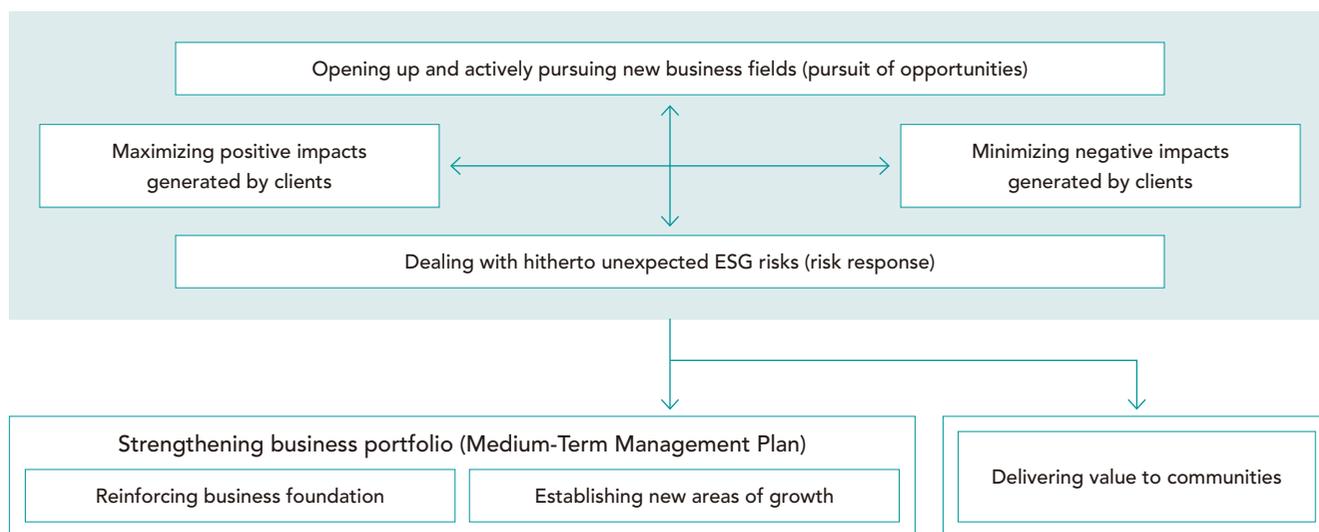
are expanding remarkably.

The Group actively seeks out business opportunities by supporting the actions of our clients to maximize positive impacts and minimize the negative ones.

Meanwhile, concerns are mounting with regard to hitherto unforeseen ESG risks, such as issues stemming from COVID-19 and climate change. In addition to pursuing business opportunities, enhancing our resilience to these new risks is also an important topic.



■ Viewpoint on business promotion



■ Examples of our sustainability business initiatives

Initiative	Pursuit of opportunity / risk response	Focus of impact generated (PI: positive impact / NI: negative impact)	Page location in this report
Sustainability business	Pursuit of opportunity	Maximizing PI	Each business section (P.40-65)
Financial inclusion	Pursuit of opportunity / risk response	Minimizing NI	P.83
COVID-19 issues	Pursuit of opportunity / risk response	Maximizing PI / minimizing NI	P.83
Addressing climate change issues	Pursuit of opportunity / risk response	Minimizing NI	P.84-87
Environmental and social considerations in investments and loans	Risk response	Minimizing NI	P.88-89
Delivering value to communities	Pursuit of opportunity	Maximizing PI / minimizing NI	P.90

Financial inclusion

Establishing a financial inclusion promotion framework

Initiatives related to financial inclusion were previously implemented at various Group companies. From November 2019, however, the Sustainability Management Department assumed control of these activities across the entire Group and took steps to develop an implementation strategy and expand the scope of initiatives. Its specific policies are outlined below.

1. Improving accessibility mainly through expansion of online transactions
2. Using mainly charitable trusts to provide finance schemes to people with little financial leeway
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)

Improving accessibility mainly through expansion of online transactions

Given that financial infrastructure is already in place in Japan, expanding online transaction platforms in order to improve accessibility to financing would be one way to address financial inclusion. For example, SuMi TRUST Bank is endeavoring to enhance the convenience of client transactions by providing services through which a number of procedures can be completed online (internet banking) or over the phone (telephone banking) via its Sumitomo Mitsui Trust Direct platform.

Using mainly charitable trusts to provide finance schemes

SuMi TRUST Bank is using mainly charitable trusts to provide finance schemes to people with little financial leeway. As part of this initiative, we provide charitable trusts to benefactor clients with the goal of offering low-interest or no-interest scholarships to students who do not have the financial means to further their education.

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 concrete initiatives to address each of the eight items.

*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.

*Refer to pages 76–80 in our 2019/2020 ESG Report for more information about financial inclusion.

Responding to the COVID-19 pandemic

Basic approach

The Group's ongoing response to the COVID-19 crisis will be guided by our basic stance, which hinges on three points: (1) ensuring the health and safety of employees and their families; (2) ensuring business continuity as a key piece of social infrastructure; and (3) preventing the spread of infection in society.

Ensuring the health and safety of employees and their families

- Make active use of teleworking, staggered starting times, and splitting employees into multiple teams so they report to work on a rotating basis
- In principle, employees that are pregnant or have preexisting health issues are to work from or remain at home
- Establish a consultation line for employees

Maintaining business continuity as a key piece of social infrastructure

At our 133 branches (excluding sub-branches) across Japan—which remain open for business—we are taking steps to prevent the spread of infection by setting up transparent acrylic boards to minimize transmission from respiratory droplets. We are also endeavoring to make things more convenient for our clients by provisionally processing various procedures, including mortgage loans, online or by telephone.

Banking business: Prioritizing lending and fund settlement operations

Trust-related business: Executing operations that underpin the

economy and people's lives (pension, stock transfer agency services, asset management and administration, real estate)

Stopping the spread of infection in society

Amidst the increasingly prolonged battle to contain the COVID-19 pandemic, SuMi TRUST Bank donated ¥100 million to the Japanese Red Cross Society to assist their efforts in treating COVID-19 patients and to support their activities for preventing the spread of the virus. Furthermore, SuMi TRUST Bank has donated approximately 100,000 medical masks to medical institutions (mainly by way of the Japan Business Federation and Kansai Economic Federation); the masks were previously stockpiled in preparation for the outbreak of new strains of influenza.

And as one way of beating this pandemic, SuMi TRUST Bank set up an account to accept donations from individual clients and other donors. From the perspective of contributing to society and the Group's desire to support the efforts of universities working hard to combat COVID-19 by developing a vaccine and medicine, or repurposing existing medicine, SuMi TRUST Bank also decided to donate ¥10 million to each university selected from different regions throughout Japan.

Refer to the following press releases for more information.

<https://www.smth.jp/en/news/2020/E200514-3.pdf>

<https://www.smth.jp/en/news/2020/E200514-4.pdf>

4. Addressing Climate Change Issues

The SuMi TRUST Group recognizes that climate change is the biggest factor affecting financial markets in terms of risks and opportunities and is accordingly stepping up its initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

(1) Governance

The Group’s Basic Policy on Corporate Governance states that the role of the Board of Directors is to pursue the sustainable development of society and improvement of corporate value of the Group through proactive sustainability efforts. Specific activities are based on the medium-term policies and plans for each fiscal year decided on by the Sustainability Promotion Committee—meetings for which are held as part of the Executive Committee—and supervised by the Sustainability Management Department of the Corporate Planning Department. For matters regarding materiality, the Risk Committee and Business Risk

Management Committee function as advisory bodies to the Board of Directors and Executive Committee, respectively.

Numerous climate change measures are intricately linked to the promotion of sustainability and risk management practices, which is why we have adopted a structure under which the Risk Committee and Board of Directors exercise supervision after the executive deliberations are made at the Business Risk Management Committee and Executive Committee in accordance with how these measures are promoted or managed.

In October 2019 we set up a TCFD Project Team (headed by the officer in charge of corporate planning) with the goal of strengthening risk management and information disclosure concerning climate change. In addition to personnel from the corporate management departments of SuMi TRUST Holdings, the team includes members from SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management to cover the entire Group.

■ Main initiatives in FY2019

Meeting body	Description	
Steering committee for TCFD Project Team	Committee meetings for discussing TCFD matters are held regularly and attended by the officers in charge of corporate planning, financial planning, risk management, and asset management business planning Decides on approaches and information disclosure policies, and reports on the results of transition risk scenario analysis, among other matters	Execution
Executive Committee	Reports on the progress of the TCFD Project Team in addressing TCFD matters	Execution
Risk Committee	Reports on the progress of the TCFD Project Team and hears the opinions of Risk Committee members, including external advisors	Advisory body to the Board of Directors
Board of Directors	Reports on the progress of the TCFD Project Team and hears the opinions of directors, including external directors	Supervision

(2) Strategy

1. Basic approach

Medium- to long-term climate change could potentially have a negative impact on the Group’s earnings and financial situation owing to greater risk of physical damage to, for example, the natural environment, social infrastructure, and client assets (physical risks), as well as the risk of a rapid transition to a low-carbon society owing mainly to policy changes, changes in social norms and financial market preferences regarding climate change, and technological inno-

vation (transition risks).

More specifically, there is the (physical) risk of natural disasters impairing the credit standing of obligors and the value of their pledged assets, thereby negatively impacting the Group’s credit portfolio, and the (transition) risk of securities issued by companies that emit large amounts of CO₂ and loans extended to such companies dragging down the value of assets held by the Group owing to a rapid transition to a low-carbon society.

■ Risks in the Group pertaining to climate change

	Risk	Time horizon
Transition risks	Higher credit costs to major greenhouse gas-emitting sectors and companies	Medium to long term
	Decline in value of securities and other assets of major greenhouse gas-emitting companies	Short to medium term
	Compliance with tighter global legal restrictions and standards concerning climate change	Short term
	Deterioration in reputation regarding fossil fuels and forest conservation	Short term
Physical risks	Higher credit costs stemming from damage to pledged value owing to typhoons, torrential rain, floods, and other abnormal weather conditions	Short, medium, and long term

2. Scenario analysis

In following the recommendations of the TCFD, SuMi TRUST Bank carried out qualitative assessments of climate-related risks in each sector and identified which should be prioritized for analysis from the viewpoint of risk severity and exposure. Based on this, in FY2019 we commenced a scenario analysis of transition risks and physical risks in each sector.

• Identification of risks for scenario analysis

We first summarized the transition risks, physical risks, and business opportunities in the sectors belonging to the four non-financial groups in the TCFD recommendations most likely to be potentially impacted by climate change and a transition to a low-carbon economy. The four groups are: energy, transportation, materials & buildings, and agriculture, food, & forest.

■ Heat map

Sector	Transition risk	Physical risk	Opportunity
Oil, gas, and coal	H	M	M
Electric utilities	H	M	M
Maritime transportation	M	M	M
Railway transportation	L	L	L
Automobiles and parts	M	M	M
Real estate management and development*	L	H	M
Chemicals	M	M	M
Paper and forest products	M	H	M

H: High; M: Medium; L: Low

*Mortgage loans not included

• Scenario analysis of transition risks

The percentage of loans exposed to carbon-related assets*, an indicator of credit exposure to carbon-related

assets in the Group's business portfolio, is 5.2% (as of March 31, 2020, down 0.4 points from March 31, 019). Despite an increase in the overall loan balance, the decrease in exposure to carbon-related assets owed to an increase in project finance for renewable energy projects, which are subtracted from total exposure to carbon-related assets.

*Loans to the "energy" and "utilities" sectors (based on the Global Industry Classification Standard, excluding water utilities and independent renewable energy power producers) are defined as "exposure to carbon-related assets" in the TCFD recommendations. Calculation range based on the combined total for SuMi TRUST Bank and Sumitomo Mitsui Trust Bank (Thai).

Based on the results of our qualitative assessment of climate-related risks, we identified electric power as the sector for our scenario analysis of transition risks. The fact that the electric power sector has the highest weighting of carbon-related assets was also a factor in identification.

In analyzing transition risks, we employed two scenarios from the IEA's World Energy Outlook 2019: STEPS*¹ and SDS*². In both scenarios, we made assumptions for active investment in renewable energy power generation and no investment at all.

*1 Stated Policies Scenario (STEPS): A scenario that reflects future policy changes and targets; equivalent to the 3°C target

*2 Sustainable Development Scenario (SDS): A scenario in which measures necessary for achieving the 2°C target of the Paris Agreement are implemented

Below are the results of our scenario analysis

	STEPS	SDS
No investment in renewable energy power generation	Credit rating worsens by 2–3 notches	Credit rating worsens by 2–3 notches
Active investment in renewable energy power generation	No changes observed in credit rating	No changes observed in credit rating

Going forward, we will expand the scope of our scenario analysis to other sectors and utilize the results when engaging in dialogue with clients.

Initiatives on Key Sustainability Issues

• Scenario analysis of physical risks

We identified mortgage loans to individual clients as the subject of our scenario analysis of physical risks. The fact that mortgages account for roughly one third of all loans and the noticeable trend in recent times of homes suffering wind and flood damage largely as a result of powerful typhoons and abnormal weather events were the reasons for identification.

In our analysis we employed two scenarios known as RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) from the IPCC Fifth Assessment Report. They are both widely used as physical risk scenarios. 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 each scenario. We think the financial impact of physical risks in mortgage loans at SuMi TRUST Bank is limited.

3. Climate change opportunities

There are growing opportunities to support the transition to a carbon-free society with the use of finance and trust functions.

- There may be more opportunities to offer advisory services and finance to projects and companies that are helping to slow or mitigate climate change
- The transformation of social infrastructure, such as the proliferation of renewable energy, may open up profitable opportunities over the medium to long term
- There may be more opportunities to provide finance for infrastructure and technological development that enhances the capacity to adapt to climate change
- Positive social evaluations as a financial institution helping to address climate change may translate into more business opportunities
- Greater social awareness of climate change may support sales of the Group's financial products that factor in environmental considerations

(3) Risk Management

We identify climate change to be a priority issue (materiality) that has implications for both the Group's corporate value and the building of a sustainable society. It is therefore a key point of focus for our risk management.

Guided by our Sustainability Policy, we have established

Action Guidelines for Mitigating Climate Change so that we may contribute to efforts on mitigating and adapting to climate change. As part of our policies on environmental and social considerations for loans, our basic policy is not to participate in any new coal-fired power generation projects being considered for construction. Furthermore, a climate change risk assessment was added to the items of due diligence owing to FY2020 revisions of the Equator Principles, guidelines that we apply to large-scale project finance.

Within the framework of Group-wide risk management resolved by the Board of Directors, every quarter we exhaustively bring to light risks and identify and evaluate those considered to be significant risks in terms of probability, degree of impact, and significance. From among the significant risks identified, the officer in charge of risk selects the top risks and emerging risks and monitors and manages them within our existing risk appetite framework by submitting a risk management status report to the Board of Directors on a quarterly basis. The former are risks that have the potential to significantly impact the Group within one year and warrant the attention of management, while the latter are risks that are unlikely to significantly impact the Group within one year, but have the potential to do so over the longer term (more than one year).

As of the end of March 2020, "climate change-related risk" has been added to our list of emerging risks because it poses a considerable risk over the medium to long term. As for climate-related risks, in FY2019 we performed a scenario analysis of both transition risks and physical risks. In FY2020 we intend to inject the knowledge we acquired from the analysis into our management of credit, market, and operational risks, and subsequently have relevant departments discuss this information and utilize it when engaging in dialogue with clients.

(4) Metrics and Goals

As a signatory to the Principles for Responsible Banking (PRB), we aim to bolster our initiatives in the areas of impact finance and renewable energy finance projects.

FY2020 goals	
Promote impact finance	Execute 20 new ESG-related finance transactions, such as positive impact finance
Mitigate climate change	Further ramp up renewable energy finance in Japan and overseas

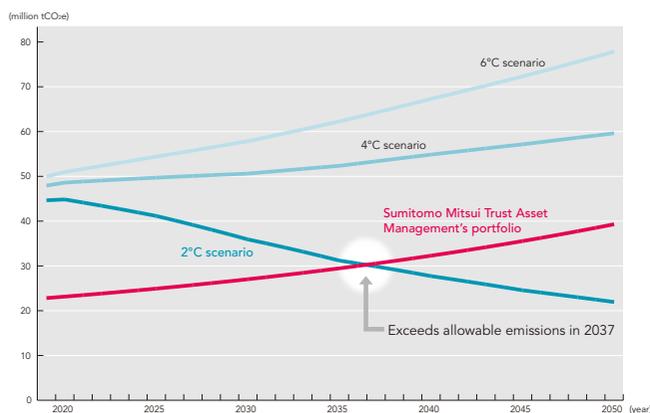
(5) Climate-Related Portfolio Analysis at Group Asset Manager

Sumitomo Mitsui Trust Asset Management, one of the Group's asset managers, assesses climate change risks in its portfolio for each asset class, as well as overall assets under management. It uses two assessment methods: (1) a fixed point analysis based on information disclosure and performance of the companies comprising the portfolio; and (2) a transition path analysis based on future climate change scenarios. The transition path analysis assesses how climate change risks in the portfolio will change under future climate change scenarios.

The chart below represents an overview of the results of assessing the resilience of Sumitomo Mitsui Trust Asset Management's portfolio of Japanese stocks against climate change scenarios using time-series comparisons. Estimates of the portfolio's future greenhouse gas emissions were compared against the volume of emissions (carbon budget) calculated for each climate change scenario. Specifically, in addition to the 2°C scenario, the benchmark of the Paris Agreement, comparisons with the 4°C scenario and the 6°C scenario confirm that, assuming the status quo, the portfolio's emissions will reach the level permitted under the 2°C scenario in 2037, but will likely exceed it thereafter. This analysis used data and methodologies provided by Institutional Shareholder Services.

■ Estimates of portfolio's future greenhouse gas emissions compared to emissions under each climate change scenario

(as of June 30, 2019; assessments performed on scope 1 emissions only (direct GHG emissions of companies))



If greenhouse gas emissions from the companies comprising Sumitomo Mitsui Trust Asset Management's overall portfolio of Japanese stocks continue at the current pace, they

will most likely exceed the amount permitted for achieving the 2°C scenario. For this reason, Sumitomo Mitsui Trust Asset Management plans to actively pursue the following initiatives with the objective of reducing emissions.

- Evaluate how investee companies are taking steps to reduce greenhouse gases, promote the use of renewable energy and energy-saving measures, and achieve a carbon-free or low-carbon society by, for example, developing alternative products to those derived from fossil fuels. And through active engagement, encourage them to disclose information about, and take action on, climate change issues.
- Make use of joint engagement opportunities (IICEF, CA100+, PRI, etc.) with other institutional investors and encourage investee companies to disclose information about, and take action on, climate change issues.
- Collaborate with the TCFD Consortium and relevant government agencies and step up activities in Japan and overseas to recommend to stock exchanges around the world that they encourage listed companies to disclose information concerning climate change.

(6) Initiative-Based Engagement and Collaboration between Stakeholders

Both Sumitomo Mitsui Trust Asset Management and Nikko Asset Management are participants in Climate Action 100+, an initiative established by global institutional investor organizations in December 2017 for the purpose of conducting joint engagement activities targeting corporations thought to be major greenhouse gas emitters. This initiative is based on the TCFD and through collaborative engagements with signatory bodies such as the PRI and Ceres, it calls on the world's top 100 greenhouse gas emitters to disclose information. Both asset managers leverage their high profiles in Japan and Asia to take charge of leading engagements in the Asia-Pacific region.



In addition to the above, both Group companies participate in numerous global initiatives and carry out stewardship activities through engagement and the exercise of voting rights, thus encouraging companies to disclose climate change information and urging them to take concrete steps towards addressing climate change issues. This is expected to help improve sustainability at investee companies and by extension, the entire market.

5. Environmental and Social Considerations in Investments and Loans

Policy on investments and loans at SuMi TRUST Bank

Prohibited transactions

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

Transactions warranting special attention

- Coal-fired power generation

In principle, we do not participate in any new coal-fired power generation projects being considered for construction. That said, we may make exceptions by carefully and comprehensively considering the background, attributes, and other factors of each individual project if it meets strict environmental standards, such as OECD guidelines and power generation efficiency performance.

- Weapons manufacturing

We avoid lending and other activities in which funds are to be used for manufacturing nuclear weapons, chemical weapons, biological weapons, or other weapons of mass destruction, or for manufacturing inhumane weapons such as anti-personnel landmines.

- Forests

We engage with timber manufacturers and manufacturers using raw materials from these industries only after carefully checking international forest certifications and taking into full account the existence of any problems involving indigenous peoples and local communities.

- Palm oil

We engage with palm oil producers and manufacturers using raw materials from these industries only after carefully checking international or local sustainable palm oil certifications and taking into full account the existence of any problems involving indigenous peoples and local communities.

*For more information, refer to our March 31, 2020 press release regarding the reviewing of our policies and an outline of our views on environmental and social considerations for loans.

Initiatives based on the Equator Principles

SuMi TRUST Bank is a signatory to the Equator Principles, global guidelines that call on private financial institutions to fully consider the impacts on the natural environment and local communities when extending project finance and other loans to entities undertaking projects. When making the decision to extend loans, SuMi TRUST Bank conducts a comprehensive risk assessment involving a review of the environmental and societal impacts based on the project's environmental and societal risks, project location, and type of business.



*Refer to pages 129–131 in our 2019/2020 ESG Report for more information.

Signatory to the Poseidon Principles

SuMi TRUST Bank became the first financial institution in Asia to sign on to the Poseidon Principles, an initiative launched by financial institutions to address climate change risks in the marine transportation industry. A signatory to the Principles will, on an annual basis, measure the carbon intensity and assess climate alignment—carbon intensity relative to established decarbonization pathways—of its shipping portfolio using the methodology established by the Principles. SuMi TRUST Bank will also publish the overall climate alignment of its shipping portfolio starting from FY2021.



*For more information, refer to our March 13, 2020 press release regarding signing on to the Poseidon Principles by our subsidiary.

Initiatives at Sumitomo Mitsui Trust Asset Management

ESG Guidelines

As a signatory asset manager to the PRI and with a core focus on the United Nations Global Compact and the values expressed in the SDGs, Sumitomo Mitsui Trust Asset Management (SMTAM) engages with investee companies to help solve their ESG issues and contribute to medium- to long-term corporate value, all the while engaging in ESG-oriented investment activity. SMTAM has established 12 items of materiality in an effort to organize the categories used when evaluating an investee company.

Moreover, for self-managed active products and fixed income passive products, as well as separately established passive products, SMTAM's policy is to no longer purchase new or additional securities issued by any company involved in the manufacture of the following inhumane weapons, and depending on the results of engagement, will divest its current holdings of such securities.

Inhumane weapons: Cluster munitions, anti-personnel landmines, biological weapons, and chemical weapons

ESG Engagement Policy

SMTAM sees engagement as an opportunity to seek best practices from companies and communicates its own views so as to contribute to the enhancement of corporate value over the medium to long term by solving the ESG issues of investee companies. It has designated four key topics, including climate change and the backing of corporate governance reforms, through which it conducts top-down engagement activities. At the same time, SMTAM also employs a systematic bottom-up approach based on 12 items of materiality.

And in addition to its own engagement activities, SMTAM also conducts activities through collaborative engagements by participating in global initiatives that aim to address numerous agenda items, such as greenhouse gas emissions, palm oil, forest conservation, access to medical care, and diversity (appointment of women to management positions).

Initiatives at Nikko Asset Management

ESG Guidelines

Principle 1: Nikko Asset Management (Nikko AM) incorporates ESG issues in investment analysis and decision-making.

Principle 2: Nikko AM is an active owner and incorporates ESG issues into its ownership policies and practices.

Principle 3: Nikko AM seeks appropriate disclosure on ESG issues by the entities in which it invests.

Principle 4: Nikko AM promotes the acceptance and implementation of the Principles for Responsible Investment within the investment industry.

Principle 5: Nikko AM collaborates to enhance effectiveness in implementing the Principles for Responsible Investment.

Principle 6: Nikko AM reports its activities and progress towards implementing the Principles for Responsible Investment.

Nikko AM's commitment to responsible investing.

<https://www.nikkoam.com/about/fiduciary/esg>

ESG Engagement Policy

Engagement activities at Nikko AM involve the exchanging of opinions in line with an investee company's growth phase from a long-term perspective with regard to not only earnings and financial strategies, but also the management policies, business strategies, shareholder return policies, and ESG issues mentioned in non-financial information already disclosed. Nikko AM engages with a broad range of parties, from the management teams of investee companies, through to their finance departments, business planning departments, and even officers in charge of business operations. Particularly with regard to companies that are reluctant to disclose information, Nikko AM endeavors to reinforce the benefits of engagement by proposing meetings with management.

Nikko AM seeks to realize closer engagements with investee companies with the goal of sharing accurate information about their situation and supporting the creation of medium- to long-term corporate value.

6. Delivering Value to Communities

Delivering value to communities is a means for the SuMi TRUST Group to have a positive impact on stakeholders in a more direct manner. Some initiatives are Group-wide (see below), while others are being implemented independently by Group companies, like the “With You” activities (see

page 81). We will look to ascertain the social value that these activities generate so that we might implement more beneficial initiatives in the future.

*Refer to pages 164–194 in our 2019/2020 ESG Report for more information.

UWC ISAK Supporting a school that unearths and nurtures “changemakers” from disadvantaged backgrounds

Initiative	Value generated (particular SDGs emphasized)	KPI
Every year since 2013, the Group has paid for the travel expenses and tuition fees of one scholarship student attending the summer school program of United World College ISAK Japan (Lin Kobayashi, School Founder and Chair of the Board), a school that incorporates the idea of nurturing “changemakers” into its educational philosophy. As of 2020, UWC ISAK Japan has accepted seven participants into the summer school program, most of them being scholarship students from Shanti Bhavan, a school for lower-caste children in India.	<ul style="list-style-type: none"> • Unearth talented students from disadvantaged backgrounds so they might become “changemakers” and help change the world • Have graduates now active in society address poverty issues in the regions they hail from  	The career of students after graduating (where possible, trace the career paths of scholarship students that received assistance)

ESD project Innovative SDG-focused education program that sparks awareness of sustainability in the next-generation

Initiative	Value generated (particular SDGs emphasized)	KPI
The Group collaborates with sustainability and communication company TREE (Masahiro Mizuno, Representative Director) to run a progressive ESD (education for sustainable development) project at mainly schools throughout Japan with the use of visual aids and ICT. Since 2012, 13 sessions of the program have been held at a pace of two per year. In recent years in particular, collaboration with local boards of education across Japan has focused on the education of teachers. Going forward, online classes and other cutting-edge initiatives will be employed.	<ul style="list-style-type: none"> • Archive of class “making-of” videos • Using themes to create awareness of local SDG issues • Development of innovative ESD methods using mainly ICT  	Accumulation of social value generated by each program (recorded video supplied to schools, new method trials, etc.)

Supporting national trusts Supporting national trust activities mainly to protect local ecosystems

Initiative	Value generated (particular SDGs emphasized)	KPI
Since 2005 the Group has teamed up with the Association of National Trusts in Japan and the Ecosystem Conservation Society-Japan (which has a close relationship with the former) to engage in various activities. For example, setting up a donation program to help purchase trust land, hosting panel exhibitions at our branches, cooperating on a joint display at the EcoPro exhibition, and hosting ESD programs on trust land. More recently, most of our activities have focused on supporting regional revitalization.	<ul style="list-style-type: none"> • Supporting the preservation of Japan’s unique environment and ecosystems through land conservation • Supporting regional revitalization initiatives by harnessing the environment as a local resource  	<ul style="list-style-type: none"> • Number of ongoing support programs • Area of trust land purchased through donation programs

Zero plastic waste declaration Implementing Group-wide measures to help reduce ocean plastic pollution

Initiative	Value generated (particular SDGs emphasized)	KPI
In 2019 the Group declared it would aim to achieve zero plastic waste (i.e., plastic discarded without being recycled) by the year 2030. To this end, Group-wide measures are currently being promoted, such as activities that aim to encourage employees not to throw out plastic rubbish, reviewing the Group’s material that is often distributed to clients, and changing the material used in windowed envelopes.	<ul style="list-style-type: none"> • Reducing the amount of plastic used by the Group and making sure plastic is recycled • Making employees more aware by having them tackle a universal environmental problem  	All Group companies will switch totally to using windowed envelopes that use Graphan (a pulp-based material) in FY2020



UWC ISAK



ESD project



Supporting national trusts



Zero plastic waste declaration

Multi-stakeholder Partnerships

Goal 17 of the SDGs is about advancing different types of partnerships for the purpose of achieving the goals. In recognizing that finance plays a key role in the formation of a sustainable society, the Group collaborates with various stakeholders, including other financial institutions, places much emphasis on actions that attempt to solve challenging issues, and actively participates in initiatives in Japan and overseas.



Major initiatives SuMi Trust Holdings is a signatory to or participates in



UNEP FI (United Nations Environment Programme Finance Initiative)



United Nations Global Compact (UN Global Compact)



Principles for Responsible Banking (PRB)



Principles for Responsible Investment (PRI)



Principles for Financial Action for the 21st Century



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



TCFD (Task Force on Climate-related Financial Disclosures)



CDP

About the Principles for Responsible Banking

We became a founding signatory to the Principles for Responsible Banking (PRB) advocated for by the United Nations Environment Programme Finance Initiative (UNEP FI) and launched in September 2019. By focusing on the areas in which our core business has significant impact, setting goals for specific initiatives, and taking action, we hope to make the greatest contributions towards achieving the targets of the SDGs on both a global and local level. Having signed on to the PRB, we are obligated to disclose information about our initiatives every year. We plan to disclose this information for the first time in our ESG Report slated for release at the end of 2020.

Major initiatives SuMi TRUST Bank is a signatory to or participates in



The Equator Principles



The Poseidon Principles

Major initiatives Sumitomo Mitsui Trust Asset Management and Nikko Asset Management are signatories to or participate in (excluding the initiatives SuMi Trust Holdings is a signatory to)



International Corporate Governance Network



Climate Action 100+



AIGCC



Thirty Percent Coalition member
30% Club UK / 30% Club Japan Investor Group member



Access to Medicine



Ceres



FAIRR



Investor Agenda

*Refer to pages 135–137 in our 2019/2020 ESG Report for more information.