

Initiatives on Key Sustainability Issues

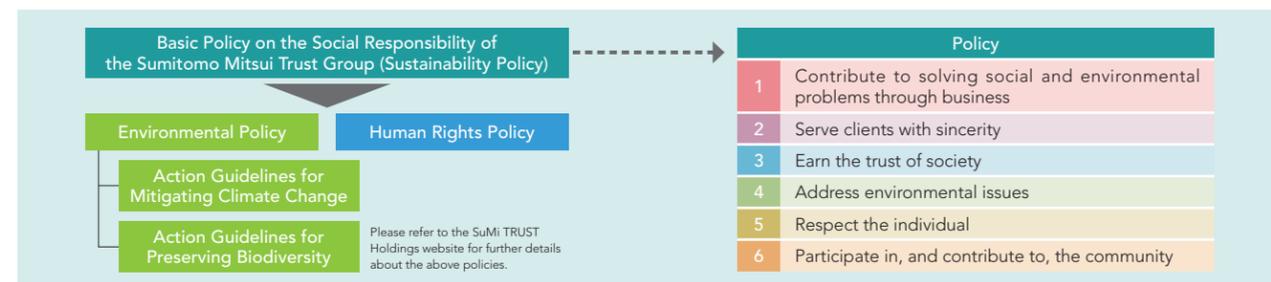
Sustainability Promotion System

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 as 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 international organizations.



SuMi TRUST Holdings has a system under which the Sustainability Promotion Committee (secretariat: Sustainability Management Department), which is the forum for sustainability discussions on the executive side, is convened as part of the Executive Committee and supervised by the Board of Directors.

Policies related to sustainability



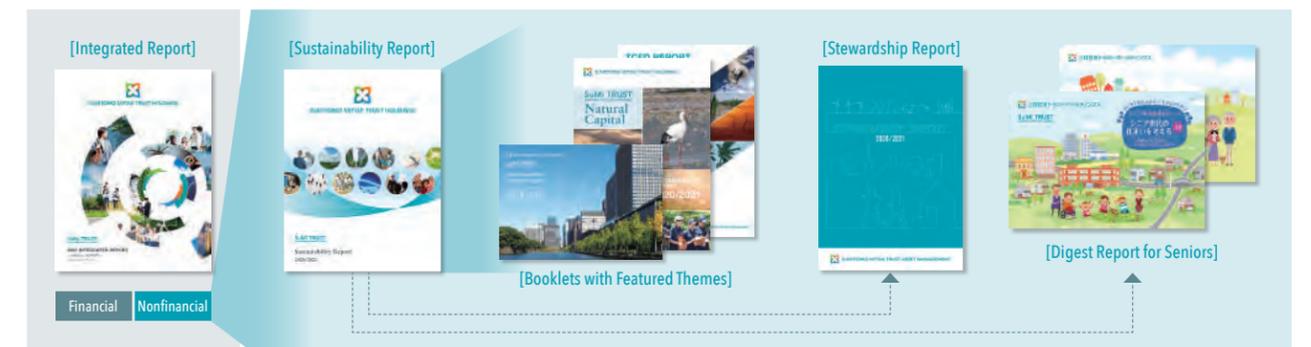
Sustainability Promotion Committee

The Sustainability Promotion Committee is tasked with the following roles. Starting in FY2021, in order to integrate sustainability themes into our management plan, we have increased the frequency of meetings of the Sustainability Promotion Committee, and we are also using meetings of business executives and similar forums to advance social issue-solving business. The aim of these efforts is to achieve our goal of "balanced creation of both social value and economic value."

Management	<ul style="list-style-type: none"> Promoting materiality management Devising and promoting plans for sustainability work (manages the progress of social problem-solving businesses at Group companies) Tackling climate change issues Conducting strategic information disclosure by issuing ESG Reports and other publications 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 Strategically providing value to the community through "With You" activities*
Employee education	<ul style="list-style-type: none"> Ensure employees understand strategies by distributing the Group's employee integrated report to all directors, officers, and employees Facilitate the swift acquisition of practical knowledge by promoting in-house activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the "With You" activities*
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 to absorb the needs of stakeholders into the Group and improve initiatives

* This is the name for the community-based sustainability activities developed by the branch offices of SuMi TRUST Bank in order to forge strong relationships of trust with local communities.

Enhanced Information Disclosure



Since 2017, the Group has published an integrated report with investors as the primary readers, as well as a sustainability report that provides comprehensive information disclosure to investors and non-investor stakeholders seeking more detailed ESG information. The FY2020 Sustainability 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. We also publish booklets with featured themes, such as the TCFD

Report, a revision of our existing climate change report, the Natural Capital Report, which focuses on biodiversity, and the Environmentally Friendly Property Report. Our Digest Report for Seniors, which addresses the issue of a super-aging society, has been well received for its easy-to-understand information on dementia and housing for the elderly.

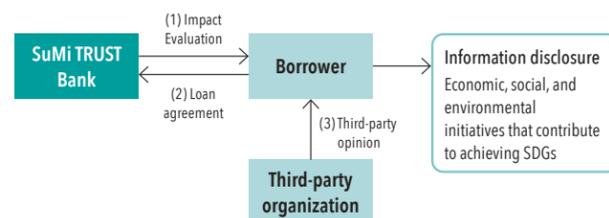
Group companies also publish a wide range of ESG-related reports, including stewardship reports from Sumitomo Mitsui Trust Asset Management and sustainability reports from Nikko Asset Management. For more information, please visit: <https://www.smth.jp/english/sustainability/report>

Solving Social Issues through Business

In its Medium-Term Management Plan, the Group has identified “sustainable growth of Japan’s economy and corporations” as a social issue to be addressed by businesses that serve corporate clients. Recently we observe an increasing number of companies strengthening their response to ESG/SDGs as a growth strategy. We intend to harness the sustainability know-how and networks honed thus far to support our clients in their efforts.

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 mitigating 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 their businesses, products, and services) from a global perspective.



Awarded the 17th LCA Japan Forum Chairman’s Award

SuMi TRUST Bank’s PIF received the “LCA Japan Forum Chairman’s Award” at the 17th LCA Japan Forum Awards held by the LCA Japan Forum. The purpose of the LCA Japan Forum Awards is to widely disseminate and establish the LCA methodology, pursue technological innovation through improved environmental efficiency, and contribute to the development of Japanese industry. This is the first time that a financial institution has received this award, which is now in its 17th year. When analyzing the impact of products and services, LCA analyzes the impact across the entire life cycle, from raw material extraction to processing, manufacturing, distribution, use, and disposal. In awarding the “LCA Japan Forum Chairman’s Award” to Sumi TRUST Bank’s PIF, the LCA Japan Forum was recognizing our use of impact evaluations in loan decision-making utilizing LCA’s life cycle-based approach and methodology as a meaningful contribution to the financial industry.

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 17 agreements as of the end of March 2021. 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 SuMi TRUST Bank website.

For more information, please visit: <https://www.smtb.jp/business/pif/index.html>

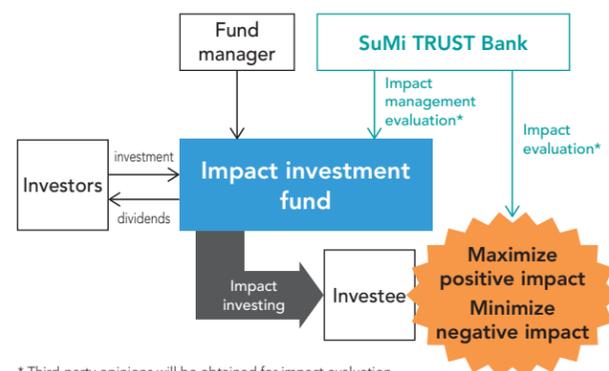
Expanding our Impact Evaluations

Building on the track record established in PIF, SuMi TRUST Bank has initiated support for impact evaluations of impact investment funds. Impact investing is an investment approach that aims to balance social and economic value by adding a third axis, “social value (impact),” to the two traditional axes of investment decision-making, “risk” and “return,” in order to understand the impact of the investee on the environment, society, and the economy.

SuMi TRUST Bank has decided to support impact evaluations of the respective impact investment funds formed by Anchor Ship Partners Co., Ltd. (“ASP”) and Real Tech Holdings Co., Ltd. (“Real Tech”).

ASP will make investments in ships, one of the 14 areas of the Japanese government’s Green Growth Strategy, based on the global trend toward decarbonization. We will measure the impact of ASP’s investments on the economy, society, and the environment and take appropriate management actions.

Example of an impact investment fund scheme



By implementing impact evaluation and monitoring, SuMi TRUST Bank will support the fund’s efforts to decarbonize the shipping industry. Meanwhile, Real Tech is investing in and nurturing startups with state-of-the-art science and technology and R&D-based technologies (“Deep Tech”) to solve the problems of the planet and humanity. SuMi TRUST Bank has entered into an advisory agreement with RealTech on impact evaluation, marking the first time a Japanese Deep Tech start-up investment fund has decided to adopt impact evaluation. SuMi TRUST Bank will work together with the fund to monitor its impact and aim for its practical implementation appropriate for the Deep Tech field.

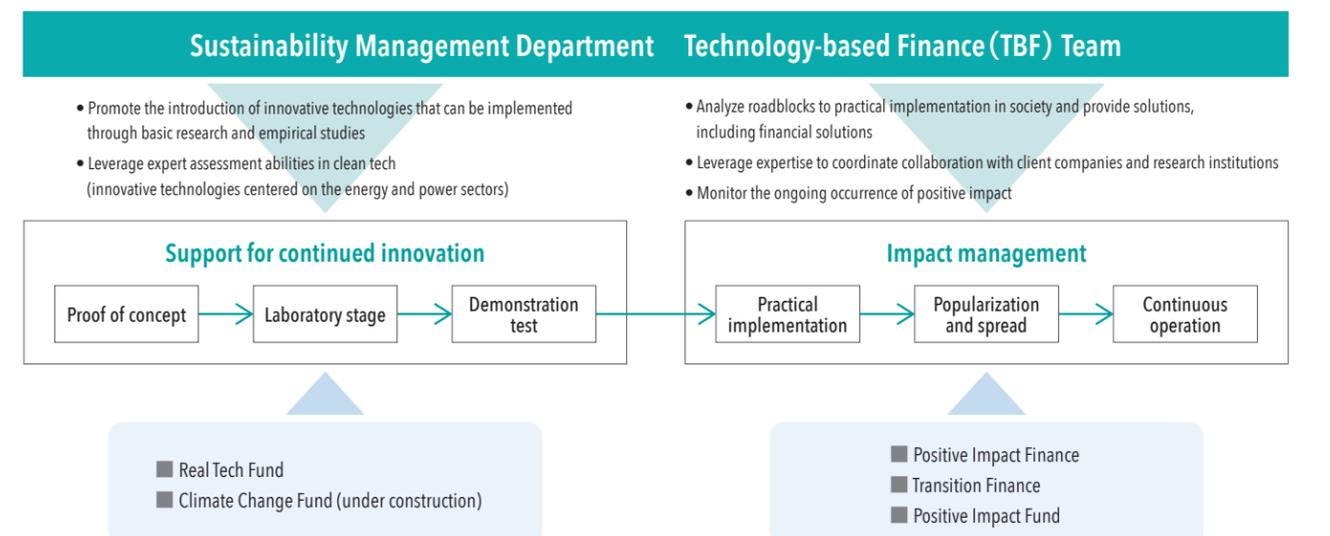
Technology-based Finance (TBF)

Countries around the world have made decarbonization declarations, and Japan has also declared its intention to become carbon neutral by 2050. In order to achieve carbon neutrality, it is essential to not only fully mobilize conventional technologies but also introduce innovative technologies and combine them in various ways.

Furthermore, an enormous investment will be needed to achieve carbon neutrality. As a result, expectations for financial institutions are extremely high, which is the backdrop in the expansion of the ESG market. On the other hand, financial institutions have become more knowledgeable about technology than before, and play a role in accelerating the flow of technology-based finance by proactively identifying risks and opportunities. We therefore decided that we needed to form an in-house organization with scientific expertise that could take charge of active initiatives in the area of technology-based finance, with the idea that such an organization could

help us to understand the latest technologies, deepen our dialogue with clients, and actively contribute to carbon neutrality through financing using the Bank’s trust function.

SuMi TRUST Bank has therefore established a Technology-based Finance (TBF) team within the Sustainability Management Department with the aim of supporting, from a financial perspective, the research and development of advanced technologies to solve environmental and social issues such as decarbonization and resource recycling, as well as the practical implementation of these technologies in society. Assembling a team of researchers and experts with doctoral degrees in science and engineering will enable us to exchange informed opinions with the R&D and technology development departments of companies and universities. Building a recycling society, a decarbonized society, and a society in harmony with nature first and foremost requires expertise in the energy and chemical fields, so we recruited a team of engineers with patents in hydrogen, storage batteries, and organic and inorganic chemistry. Together with other members of the Sustainability Management Department and its network, we have created a strong group of engineers capable of covering 14 areas of the Japanese government’s Green Growth Strategy. TBF is a new challenge for us and for the financial community, but we believe that by applying existing technologies, developing new technologies, and combining them, we can build a social system to solve environmental and social problems. Our goal is to advance the practical implementation of these solutions in society by making full use of our various networks and coordinating with policy makers, investors, and other financial institutions.



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



Addressing Climate Change Issues

As the problem of climate change becomes more serious, the global movement toward carbon neutrality in 2050 is accelerating. SuMi TRUST Holdings 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).

Since our endorsement of the TCFD recommendations in August 2018, our banking and asset management divisions have documented their respective initiatives in the form of TCFD reports.

■ Main initiatives in FY2020

Meeting body	Description	
Board of Directors	Reports on the progress of the TCFD Project Team and hears the opinions of directors, including external directors	Supervision
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)
Executive Committee	Reports on the progress of the TCFD Project Team in addressing TCFD matters and reports on the contents to be disclosed in the TCFD report	Execution
Business Risk Management Committee	Reports on the progress of the TCFD Project Team and the contents to be disclosed in the TCFD report, and hears the opinions of the Business Risk Management Committee members	(Advisory body to the Board of Directors)
Steering committee for TCFD Project Team	Committee meetings for discussing TCFD matters are held regularly and attended by the officers responsible for 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 and physical risk scenario analyses, among other matters	Execution

(2) Strategy

In the area of climate change, financial institutions are responsible not only for direct impacts arising from their own business activities but also for indirect repercussions arising from investee and borrower companies and projects, and the responsibility for the latter are more significant.

For example, 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, financial market preferences regarding climate change, and technological innovation (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 due to a rapid transition to a low-carbon society.

(1) Governance

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 performs monitoring and the Board of Directors exercises supervision after executive deliberations are made at the Business Risk Management Committee and Executive Committee in accordance with how these measures are promoted or managed. We are also continuing the activities of the TCFD Project Team, which was launched in October 2019 to strengthen risk management and information disclosure related to climate change.

Meanwhile, an important element for financial institutions in their corporate growth strategies is factoring in the transition to a net-zero emission society into their business models.

Climate Change Scenario Analysis

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 5.0% (as of March 31, 2021, down 0.2 points from March 31, 2020). 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).

We 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 (see figure below).

■ 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 the results of the qualitative assessment and SuMi TRUST Bank's exposure into account, we conducted a transition risk scenario analysis for the electric utilities sector and a physical risk scenario analysis for individual residential mortgages in FY2019. In FY2020, we conducted a transition risk scenario analysis for the shipping sector. Going forward, we will seek more effective ways to implement measures such as reducing GHG (greenhouse gas) emissions in our loan portfolio and introducing stress tests, while also gathering information on global trends in those areas.

• Scenario Analysis of the Shipping Sector

SuMi TRUST Bank is a global player that has provided ship financing consistently for over 50 years. We took on the challenge of transition risk scenario analysis because the shipping sector is a very important industry for us. For example, we were the first financial institution from an Asian country to sign the Poseidon Principles.

In our analysis, which was based on the individual ocean shipping sector scenarios in the Fourth IMO (International Maritime Organization) GHG Study and the future forecast scenario for shipping capacity by Clarksons Research (a UK-based shipping sector research company), we attempted to examine the possibility of changes in the credit risk of companies which receive ship financing and its impact on our ship financing portfolio. However, we concluded that more time is needed to organize the results of the analysis based on multiple economic scenarios and energy demand projections and to incorporate the concept of a carbon tax. As members of each department gathered for repeated discussions on these matters, their awareness of the risks of climate change deepened, which we see as a beneficial side effect of the analysis project. Going forward, we plan to utilize the results of our analysis when engaging in dialogue with business partners, based on the assumption that such engagement will help us obtain information for predictive modeling and scenario development, which is useful data when analyzing credit risk.

• Climate-Related Portfolio Analysis by Group Asset Managers

Sumitomo Mitsui Trust Asset Management ("SMTAM") assesses climate change risks in its portfolio for each asset class. 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 fixed point analysis attempts to understand the status of greenhouse gas emissions at a certain point in time based on the information disclosed by investee companies. The transition path analysis assesses how climate change risks in the portfolio will change under future climate change scenarios. We publish summaries of the analysis results for domestic and foreign stocks managed by SMTAM. For more information, refer to the SMTAM Stewardship Report 2020/2021 pages 39-44.

https://www.sumitrust-am.com/file/02/ss_report.pdf

Nikko Asset Management has introduced a portfolio carbon analysis tool developed by a third party to evaluate companies using indicators such as carbon dioxide emissions per unit of output, carbon risk management, and exposure to stranded assets. In addition, Nikko Asset Management is constantly considering the introduction of scenario analysis tools that will add value to its analysis, both at the individual company level and at the portfolio level. The field is developing rapidly, with tools to address a variety of climate risks, including transition risks and physical risks. Scenario analysis tools offered by various service providers were discussed at the ESG Global Steering Committee meeting. Nikko Asset Management is continuing to examine the applicability of existing and new climate scenario analysis tools to the management of portfolios with different characteristics. For details, refer to the Nikko Asset Management TCFD Report.

https://en.nikkoam.com/files/pdf/esg/tcfd_eng.pdf

Using the results from these portfolio analyses as a guide, we actively engage with our investee companies to encourage them to reduce greenhouse gas emissions, promote the use of renewable energy and energy conservation, work toward the realization of a decarbonized society through the development of alternatives to fossil fuel-derived products, and enhance their information disclosure on climate change issues.

(3) Risk Management

We identify climate change to be a priority issue 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. 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. 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 (RAF) by submitting a risk management status report to the Board of Directors on a quarterly basis.

At the end of March 2020, we added “climate change-related risk” to our list of emerging risks because it poses a considerable risk over the medium to long-term, and we began monitoring “exposure to carbon-related assets” as a reference indicator in our RAF. We are currently preparing for the assessment and utilization of climate change risks with the goal of implementation in the second half of FY2021. As for future directions, we plan to proceed with review and discussions with relevant departments, including the TCFD Project Team, on how to revise our rules and regulations to incorporate frameworks and practical operations that comport with the risk governance framework delineated in European Central Bank guidelines.

Climate Change Risk Management for Loans

The Group has also established its “Environmental Policy” to reduce the environmental burden arising from its business activities. Furthermore, it has established the “Action Guidelines for Mitigating Climate Change” and the “Action Guidelines for Preserving Biodiversity” to promote initiatives to address these two globally important environmental issues, and has been making efforts to engage in dialogue and cooperation with various stakeholders.

In FY2020, we revised our policy on environmental and social considerations in loans and clarified our stance that “we will not, in principle, engage in new projects for the construction of coal-fired power plants.” We will continue to conduct regular reviews, revising policies and enhancing operations as necessary.

Moreover, SuMi TRUST Bank has forged internal operating rules that stipulate procedures for evaluating environmental and social impacts based on the Equator Principles framework, and implements evaluations of environmental and social impacts relating to individual projects. Similarly, as a signatory to the Poseidon Principles, we contribute to addressing climate change risks in the shipping industry by disclosing the level of climate change alignment in our ship financing portfolio (see page 87 for details).

Climate Change Risk Management for Portfolio Investments

Each of the Group’s asset management companies has its own ESG engagement policy (see page 88 for details) and actively engages with its investee companies. We also participate in international initiatives such as “Climate Action 100+” (CA100+), a program of collaborative engagement with companies believed to have major impacts on global warming. SMTAM has been a steering committee member of the

CA100+ on behalf of Asia since April 2020, as well as the lead manager for nine companies in the region to interact directly with. In addition to CA100+, both of the Group’s asset management companies participate in numerous global initiatives and enact stewardship activities through engagement and the exercise of voting rights, thereby encouraging investee companies to disclose climate change information and urging them to take concrete steps towards addressing climate change issues in order to improve their own sustainability and the sustainability of the market as a whole.

(4) Metrics and Goals

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 FY2021 through 2030, including ¥3.0 trillion 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.

**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.

As for our medium- and long-term targets, not only will SuMi TRUST Bank aim to achieve the global common goal of zero emissions by FY2050, but we have also set our sights on a 50% reduction in emissions by the milestone year of FY2030 (compared to FY2019). 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.

Targeting 50% reduction in CO₂ emissions at SuMi TRUST Bank by FY2030 and zero emissions by FY2050

Policies for Specific Sectors

(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
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*1 as well as fully taking whether or not there are existing problems with original inhabitants and

local communities into consideration.

*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 plantation 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*2 as well as fully taking whether or not there are existing problems with original inhabitants and local communities into consideration.

*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.

* See page 46 in our 2020/2021 Sustainability Report for more information.

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 social impacts based on the project’s environmental and social risks, project location, and type of business.



* See pages 47-48 in our 2020/2021 Sustainability 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.



* See page 49 in our 2020/2021 Sustainability Report for more information.

Initiatives at Sumitomo Mitsui Trust Asset Management

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.

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, 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 cease purchase

of 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. In addition to top-down activities based on our 12 established materialities, including climate change and encouraging governance reform, SMTAM also conducts bottom-up activities linked to the corporate strategies of individual companies.

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

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.

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.

ESG Engagement Policy

Engagement activities at Nikko AM involve the exchange 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.

Financial inclusion

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 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 modification of repayment terms on loan transactions (initiatives for financial facilitation)

Improving accessibility mainly through expansion of online transactions

Expanding online transaction platforms in order to improve accessibility to financing is one way to address financial inclusion, and SuMi TRUST Bank is endeavoring to enhance the convenience of client transactions online (internet banking) and over the phone (telephone banking). Starting last year, we opened a next generation branch that allows online consultation. 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 onscreen, facilitating comfortable and safe consultation.

Using charitable trusts to provide finance schemes

SuMi TRUST Bank utilizes charitable trusts to provide finance 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. In April of this year, we also launched a medical support donation trust to support universities that conduct medical research.

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 (GPF^I*) 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 defined and announced concrete initiatives to address each of the eight items.

* The GPF^I 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.

* See pages 142-148 in our 2020/2021 Sustainability Report for more information about financial inclusion.

Establishment of a research unit on financial inclusion at the Chuo University Research and Development Initiative

Name	The Research Unit for Blueprinting the Best Utilization Scheme of "TRUSTS" in the Super-Aged Society
Research period	April 1, 2021 - March 31, 2026

On April 1, 2021, SuMi TRUST Bank signed an agreement with the Chuo University Research and Development Initiative to establish a research unit entitled "The Research Unit for Blueprinting the Best Utilization Scheme of "TRUSTS" in the Super-Aged Society."

The Group has defined its reason for existence ("Purpose") as "To create new value with the power of trusts and let prosperous future for our clients and society bloom." In this spirit, we established this research unit to

help realize a prosperous aging society in which all Japanese senior citizens can feel at ease and lead a happy life based on their own free will. The goal is to research new applications of the trust system, such as new trust products and services, in order to achieve financial inclusion, and to feed-back the research results to society. Through these efforts, SuMi TRUST Bank will continue to make efforts to contribute to society with solutions that actively utilize the trust system.



* For more information, please refer to the press release dated April 22, 2021, published at <https://www.smtb.jp/corporate/release/>, titled "Establishment of research unit on Grand Design for the Utilization of Trusts in an Aging Society at Chuo University Research and Development Initiative" (in Japanese).

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, while others are being implemented independently by Group companies, like the “With You” activities.

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

* See pages 149-178 in our 2020/2021 Sustainability Report for more information.



2019 summer school

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. The summer school was suspended in 2020 due to the COVID-19 pandemic, but plans to resume in 2021.	<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 	<ul style="list-style-type: none"> 1 NO POVERTY 4 QUALITY EDUCATION <p>The career of students after graduating (where possible, trace the career paths of scholarship students that received assistance)</p>

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 holding online workshops as awareness-raising activities for employees. 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 Number of natural capital posters produced and number of lobby displays in branch offices Number of in-house awareness-raising workshops held and number of participants

Promoting the spread and awareness of “natural capital”

In December 2020, the Group published a sustainability report on the theme “Natural Capital” to disclose information regarding its natural capital initiatives. At our branch offices too, we are actively pursuing a number of initiatives to deepen knowledge about natural capital and disseminate information to all local stakeholders, including clients in the Retail Total Solution Services Business. About 450 employees participated in an online in-house workshop held in June 2021. The workshop was led by staff members of the Association of National Trusts in Japan and our employees, and covered such topics as the concept of natural capital, the principles behind the Group’s initiatives, concrete examples of initiatives, and what we can do as a trust bank. In addition, original posters created based on this report were displayed at our branch offices across Japan to promote the Group’s initiatives to clients visiting the branches.



Lobby display



From the workshop materials

Please also see our sustainability report on the theme “Natural Capital.”
 URL: <https://www.smth.jp/english/-/media/th/english/sustainability/report/2020/NC-E-all.pdf>



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. Starting in FY2020, we have taken up the challenge of online classes and other cutting-edge initiatives.	<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 	<ul style="list-style-type: none"> 4 QUALITY EDUCATION <p>Accumulation of social value generated by each program (recorded video supplied to schools, new method trials, etc.)</p>

Promoting ESD projects online

Since 2012, SuMi TRUST Bank has been working with TREE Co., Ltd., which operates the SDGs educational media site SDGs TV, on an ESD (Education for Sustainable Development) project for children, who will lead the next generation. In March 2021, our 16th ESD Project provided a special interactive class for third-year students of Ryukoku Junior High School in Saga to learn in depth about the targets of the SDGs they are interested in and care about. This provided students with the opportunity to speak directly with specialists who are active in their respective fields, with the aim of becoming “specialists who can think for themselves.”

Due to the COVID-19 pandemic, the event and its planning were carried out completely remotely, from the preliminary preparations to the class itself. The project was the first online dialogue we have produced to connect students in the classroom with instructors in various locations across Japan. The students engaged in a lively question-and-answer session and exchange of opinions with the experts on the social issues of “hunger,” “malaria,” “pollution,” and “gender equality,” which they had spent a long time studying. After the event, the students shared their impressions with comments such as “I saw how the 17 goals of the SDGs are intricately intertwined and connected to each other,” and “There are so many initiatives, from technical ones to actions you can take today, but I want to start with what’s around me.”

Dialogue themes of the four groups (SDGs goals and targets)

- Group 1 Goal 2 Target 2-1: End hunger and ensure access to sufficient food
- Group 2 Goal 3 Target 3-3: Eradicate epidemics and combat infectious diseases
- Group 3 Goal 3 Target 3-9: Substantially reduce the number of deaths and illnesses from water and soil pollution
- Group 4 Goal 5 Target 5-c: Promote gender equality



Online teacher-student dialogue

Disseminating high-quality information to seniors

The Group publishes two digest reports for seniors (on housing and dementia) for clients in the Retail Total Solution Services Business. The updated edition of our digest report for seniors, “Considering Senior-Generation Housing—V3.0,” published in April 2021, is a booklet that helps our clients of the senior generation choose the best housing option for themselves. It has been revised to incorporate the latest research findings of the experts we have assembled at the Trust Future Forum.

The report introduces a variety of ideas, information, and case studies for achieving “Aging in Place.” Aging in Place refers to the ability of the elderly to continue living while maintaining and improving their quality of life (QOL) regardless of age and physical or mental weakness issues. Aging in Place can be achieved in different ways; for example, by remodeling the current home and continuing to live there, or relocating to a more comfortable home or a home for the elderly.

In order to help clients achieve their Aging in Place goals, each branch office offers a variety of services to support the housing needs of senior citizens, including home renovation loans to finance accessibility renovations and other needs, reverse mortgages to finance retirement using the home as collateral, and advice on housing and taxes. We also proactively disseminate the information in the report to clients who visit our branches through lobby displays and original posters.

Please also see our digest reports for seniors “Considering Senior-Generation Housing—V3.0” and “Considering the Problems of Dementia—V2.0.”



Original poster



Considering Senior-Generation Housing—V3.0
<https://www.smth.jp/csr/report/2020/all5.pdf>



Considering the Problems of Dementia—V2.0
<https://www.smth.jp/csr/report/2019/all5.pdf>

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

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

 The Equator Principles	 The Poseidon Principles	 COLTEM	 Well-being Initiative
----------------------------	-----------------------------	------------	---------------------------

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

* See pages 23-25 in our 2020/2021 Sustainability Report for more information.

Multi-stakeholder Partnerships



Principles for Responsible Banking (PRB)

In September 2019, the Group became an inaugural signatory to the Principles for Responsible Banking, through which the banking industry collaborates globally to promote sustainability. The Principles for Responsible Banking commit signatories to align their business strategies and practices with the Sustainable Development Goals (SDGs) and the Paris Agreement goals. By focusing on the areas in which our core business could assert great 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.

To commemorate the first anniversary of the establishment of the Principles for Responsible Banking, UNEP FI, the secretariat of the Principles for Responsible Banking, has released 10 videos of interviews on specific initiatives by the signatories, including commentary from SuMi TRUST Bank on the significance of the PRB from the perspective of the banking business. Having signed on to the PRB, we are obligated to disclose information about our initiatives every year. Our first such disclosure appeared in the Sustainability Report 2020/2021.



Principles for Responsible Investment (PRI)

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, were signed by Sumitomo Mtsui Trust Asset Management (SMTAM, then known as Sumitomo Trust & Banking) in May 2006, and by Nikko Asset Management in October 2007. The Principles call on institutional investors such as pension funds and asset managers to consider ESG (Environmental, Social, Governance) when making investment decisions. In 2019, SuMi TRUST Bank also re-signed, which means three Group companies are now signatories: SuMi TRUST Bank, SMTAM, and Nikko AM. In addition, SMTAM is participating in the Water Risk Working Group, and both SMTAM and Nikko AM are participating in the Palm Oil Working Group and other groups to practice engagement with relevant companies.



Climate Action 100+

CA100+ brings together more than 500 investment institutions from around the world to collaborative with more than 160 of the world's largest greenhouse gas emitters.

SMTAM has been a steering committee member of the CA100+ on behalf of Asia since April 2020, as well as the lead manager for nine companies in the region to interact directly with.

CA100+ operates based on regional partnerships. Management control, such as the development of engagement policies for each region, government-level engagement plans, and information dissemination, is carried out mainly by the steering committee, consisting of 10 companies representing each region of the world (as of the end of June 2021). As a member of this group, SMTAM is honored to represent the Asian region in the world's largest collaborative engagement, but also feels a sense of great responsibility to push the world and Asia towards climate action.



Business and Biodiversity Initiative and TNFD

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 (COP9) to the Convention on Biological Diversity held in May 2008 in Germany. As a founding member of the initiative, which is led by the German government, we have 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, SuMi TRUST Holdings was one of the first financial institutions in Japan to incorporate biodiversity into its business activities. Since then, we 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).

In addition, SMTAM has joined the working group of the TNFD (Taskforce on Nature-related Financial Disclosure), which was launched in June 2021, and has started contributing to the joint effort to organize COP15, which will be held this year.