

Progress of Our Approach to Carbon Neutrality

Oct. 31, 2023

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1 Introduction

Introduction

- Climate change is one of the most serious environmental issues which threaten sustainability of global economy and society, and we have confronted them as a prioritized social issue
- We announced the Carbon Neutral Commitment in Oct. 2021 and we will report our progress in various efforts toward carbon neutrality through joining Net-Zero Banking Alliance (NZBA)^{*1} and Net Zero Asset Managers initiative (NZAMI)^{*2}
- We will continuously repeat earnest dialogues with stakeholders, provide products and services toward decarbonization and promote a favorable cycle of funds, assets and capital, by fully leveraging our functions, to contribute to the realization of a decarbonized society

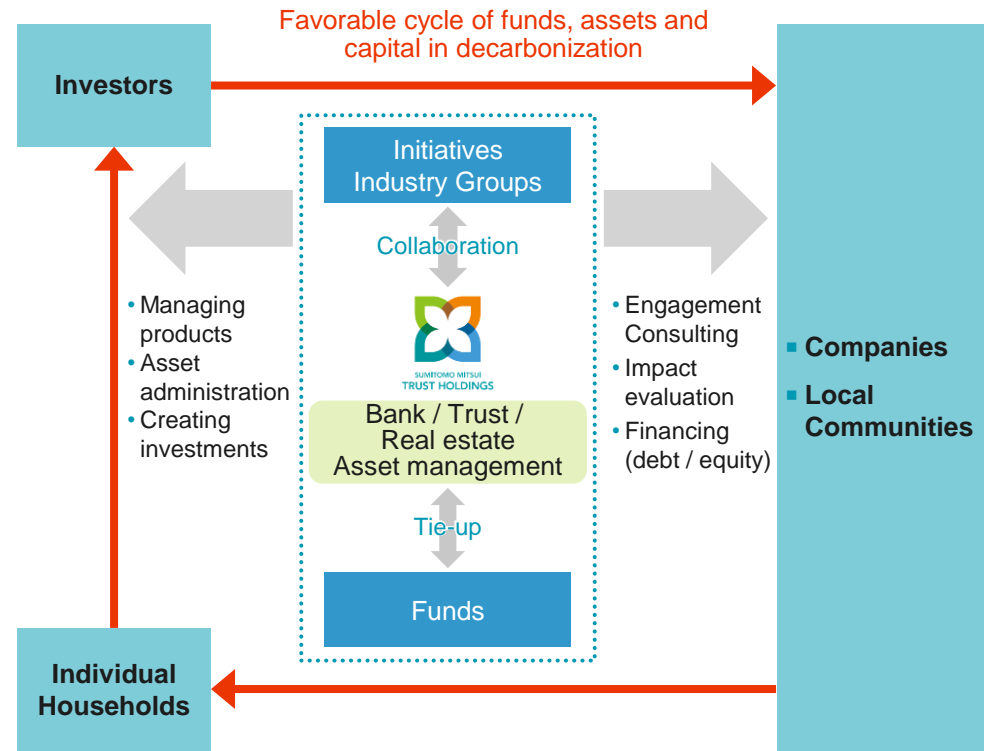
“Balanced Creation of Both Social Value and Economic Value”
Based on our Purpose (reason for existence), to contribute to the development of a sustainable society, and to sustain our growth

Purpose (reason for existence)
Creating new value with the power of trusts and let prosperous future for our clients and society bloom

Social Issues

- | | | |
|------------------------------------|--|--|
| Low birthrate and aging population | Continuation of ultra-low interest rates | ESG management of companies |
| Change of the global economy | Progress of digitalization | Change of social norms after Covid-19 pandemic |

Sustainable Development of Our Society



*1: A banking industry's alliance established by UNEP FI with the aim to achieve net-zero greenhouse gas emissions ("GHG emissions" "GHGEs") from investment and loan portfolios by 2050
*2: Asset managers' initiatives with the aim to achieve net-zero GHG emissions from managing portfolios by 2050

2 Road Map and Progress toward Carbon Neutrality

Road Map and Progress Toward Carbon Neutrality (1)

Fiscal year	2020	2021	2022	2023	...	2030	2040
1 Policy toward carbon neutrality by 2050		Carbon Neutral Commitment		Transition Plan			
2 Net zero GHGEs in inv. & loan portfolio (NZBA)		Joined*1					
Power generation (intensity, g-CO ₂ e/kWh)	249	243				138 - 173	
Oil & Gas (reduction ratio, Mt-CO ₂ e)	3.6	(3.6)%				(13)% - (31)%	
Real estate (intensity, kg-CO ₂ e/m ²)		64				34 - 41	
Shipping (Portfolio Climate Alignment)	(0.8)%	(0.4)%				≤ 0%	
Other highly carbon intensive sectors*2				"Iron & steel" "Automotive" by Sep. 2024			
3 Net zero GHGEs in Asset Management portfolio (NZAMI)		Joined*1					
Sumitomo Mitsui Trust Asset Management					>>	Halve intensity of 50% of AUM*3 from 2019	
Nikko Asset Management					>>	Halve intensity of 43% of AUM*4 from 2019	
4 Total amount of performed sustainable financing*5		¥0.83 trn	Approx. ¥2 trn		>>	¥15 trn	
5 Loan balance for coal-burning power plants							
For project		¥142.7 bn	Approx. ¥140 bn		>>	Halve from Mar. 31, 2020	Zero
For corporations (new / expansion)		¥20.1 bn	Approx. ¥14 bn		>>		Zero
6 Net Zero GHGEs from OWN GROUP (Scope1, 2)		23,763 t-CO ₂ e			>>	Net Zero	
SuMi TRUST Bank Group*6 (branch offices in Japan)		22,228 t-CO ₂ e	Partial introduction of RE*7 in branch offices			FY25: 7,224 t-CO ₂ e*8	

*1: Sumitomo Mitsui Trust Holdings (SuMi TRUST HD) Joined NZBA, and Sumitomo Mitsui Trust Asset Management (SuMi Trust AM) and Nikko Asset Management (Nikko AM) joined NZAMI

*2: 9 sectors to which targets should be set with priority in the NZBA guideline: "power generation", "oil & gas", "real estate", "transportation", "iron & steel", "coal", "cement", "aluminum", "agriculture"

*3: Targeting 43 trillion yen, 50% of 85 trillion yen of total managing assets as of Jun.30, 2021. Excluded managing assets are sovereign bonds, etc., for which a method to calculate has not been established yet but will be successively added as target assets, when a method is established from now on *4: Targeting about 13 trillion yen, 43% of 31 trillion of total managing assets as of Dec. 31, 2021

*5: Sustainable finance is a general term for financial services to businesses and clients which contributes to solving environmental / social issues based on international standards such as the Green Bond Principle and the Social Bond Principle. SuMi TRUST Bank expanded the target to tackle from total 10 trillion JPY to 15 trillion JPY in FY2023

*6: On a consolidate basis of SuMi TRUST Bank as a top and other group companies including subsidiaries such as Sumitomo Mitsui Trust Panasonic Finance and Sumitomo Mitsui Trust Loan & Finance

*7: Renewable energy *8: Joined the GX League in FY2023 and set the intermediate targets, but emissions from our internal commercial vehicles are excluded from the targets for FY2025

Road Map and Progress Toward Carbon Neutrality (2)

HD SuMi TRUST HD Bank SuMi TRUST Bank AM SuMi Trust AM, Nikko AM

Item	Progress from the previous report in Feb. 2023 and future policy
1 Our overall policy toward carbon neutrality	<ul style="list-style-type: none"> Formulated the transition plan HD, the engagement policies for “Power generation” “Oil & Gas” sectors based on NZBA Bank Joined GFANZ JAPAN CORE Working HD AM, GX league Bank
2 Net zero GHGEs from investment and loan portfolio	<ul style="list-style-type: none"> Set the 2030 Intermediate targets for “Real estate” “Shipping” sectors in Oct. 2023. Will set them for “Iron & Steel” “Automotive” sectors Bank Engagement with clients approx. 40 companies (FY2022 - Sep. 2023) Bank Decarbonization consultation contracts*1 approx. 50 cases (FY2021 - Sep. 2023) Bank
3 Net zero GHGEs from AM portfolio	<ul style="list-style-type: none"> Actively promoted decarbonization related transition of investees through dialogue (engagement) and exercising voting rights. Will disclose reduction of GHGEs from Asset Management portfolios AM
4 Total of sustainable finance	<ul style="list-style-type: none"> Expanded the total target for 10 years by FY2030 to ¥15 trn from ¥10 trn (incl. ¥2.5 trn of Impact Equity). Increased the total results to approx. ¥2 trn (incl. ¥28 bn of Impact Equity) by FY2022 from ¥0.83 trn by FY2021 Bank
5 Loan balance for coal-burning power plants	<ul style="list-style-type: none"> Decreased the loan balance for coal-burning power plants as below Bank <ul style="list-style-type: none"> For projects ¥142.7 bn as of Mar. 31, 2022 → approx. ¥140 bn as of Mar. 31, 2023 For corporation (new / expansion) ¥20.1 bn as of Mar. 31, 2022 → approx. ¥14 bn as of Mar. 31, 2023
6 Net zero GHGEs from OWN GROUP (Scope1, 2) (->33P)	<ul style="list-style-type: none"> Reached 100% RE in branch offices in Japan of SuMi TRUST Bank and Sumitomo Mitsui Trust Panasonic Finance in FY2022. Will examine expanding RE to other group companies, switching to corporate PPAs, and switching to low emission vehicles HD Set the 2025 Intermediate targets for the Scope1, 2 of branch offices in Japan of the SuMi TRUST Bank Group*2 Bank
Process sophistication (->28P)	<ul style="list-style-type: none"> Introduced and implemented risk management measures starting from the Climate Change Transition Risk / Sector Heat Map HD [Scenario analysis of climate change] Will expand the range for analysis of transition risk to global companies, and the range for physical risk to project finances for solar power generation in Japan this fiscal year Bank
Governance / Framework reinforcement (HR development) (->31P)	<ul style="list-style-type: none"> [the risk appetite indicators] Set the progress of the intermediate 2030 targets for “Power generation” and “Oil & Gas” sectors, and that for SuMi Trust AM and Nikko AM HD Adopted GX online e-learning materials provided by Aidemy since Sep. 2023 HD Training, etc. (approx. 30 times of workshops and approx. 20 times of news release in the first half of FY2023) Bank
Trust business (->32P)	<ul style="list-style-type: none"> Made CASBEE consultation contracts (431 cases by Sep. 30, 2022 → 592 cases by Sep. 30, 2023) Bank

*1: Number of contracts with business partners through SuMi TRUST Bank

*2: GHGEs from branch offices in Japan of the SuMi TRUST Bank Group account for more than 90% of emissions of our Scope1, 2

3 2030 Intermediate Target / SuMi TRUST Bank

Select Sectors

- SuMi TRUST Bank selected “real estate”, “shipping”, “iron & steel”, “automotive” as sectors to set targets, in addition to “power generation”, “oil & gas”. CO₂ emissions from these sectors account for 77% by sector and 50% by fuel in the world, and 64% of total financed emissions of SuMi TRUST Bank and 94% of those of 9 NZBA sectors

Flow of setting Target

9 sectors selected by NZBA to set target

- Power generation
- Real estate
- Iron & Steel
- Cement
- Agriculture
- Oil & Gas
- Transport
- Coal
- Aluminum

Evaluate sectors by “degree of transition risk” × “size of exposure”

		Exposure rank		
		Small	Medium	Large
Sector heat map risk rank	Very High	Coal	Iron & Steel	Power generation Oil & Gas
	High	Cement	Chemistry Transport (Automotive, Components) Transport (Passenger Airplane)	Transport (Shipping)
	Middle	Metal & Mining, Aluminum		Capital goods
	Low	Air cargo, Agric., Building materials	Paper & Forest Products, Packed Food & Meat, Beverage, Transport (Truck Services)	Transport (Railway) Real Estate

Select target sectors based on the climate change transition risk / sector heat map*1

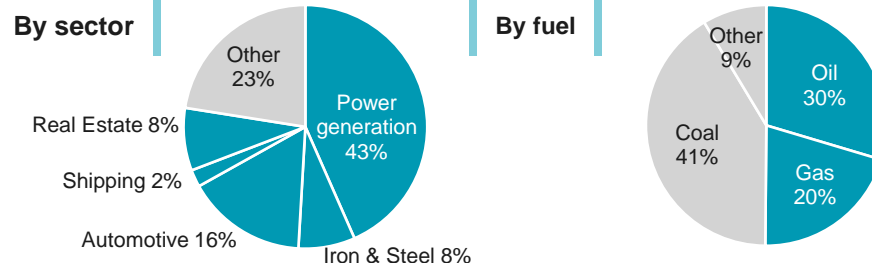
Already PXX	This time PXX	Will set	Examining
<ul style="list-style-type: none"> Power generation (Oct. 2022) Oil & Gas (Feb. 2023) 	<ul style="list-style-type: none"> Real estate Shipping 	<ul style="list-style-type: none"> Iron & Steel Automotive 	<ul style="list-style-type: none"> Transport Cement (Air, Land) Aluminum Coal Agriculture

*1: Set in FY2022 to identify important sectors for transition risk management associated with climate change. For more information, refer to our “TCFD REPORT 2022 / 2023” (P38)

Cover ratio

- Target has been or will be set
- Target has not been set yet

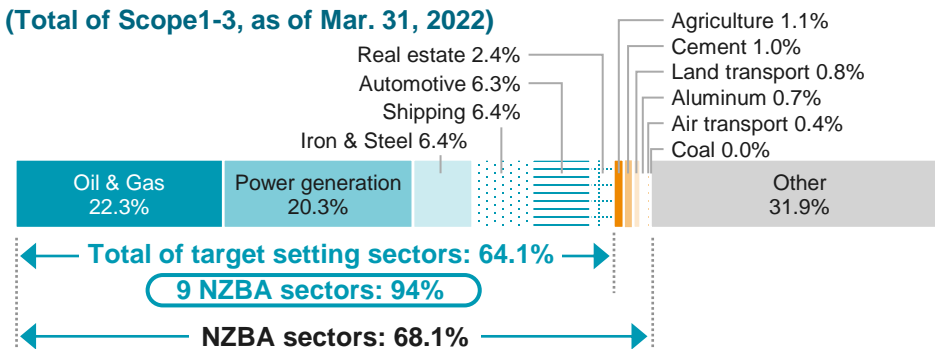
World CO₂ emissions (2021)



(Source) IEA World Energy Outlook 2022

SuMi TRUST Bank's financed emissions

(Total of Scope1-3, as of Mar. 31, 2022)



(Source) GHG emissions by sector in our “TCFD REPORT 2022 / 2023” (P46)

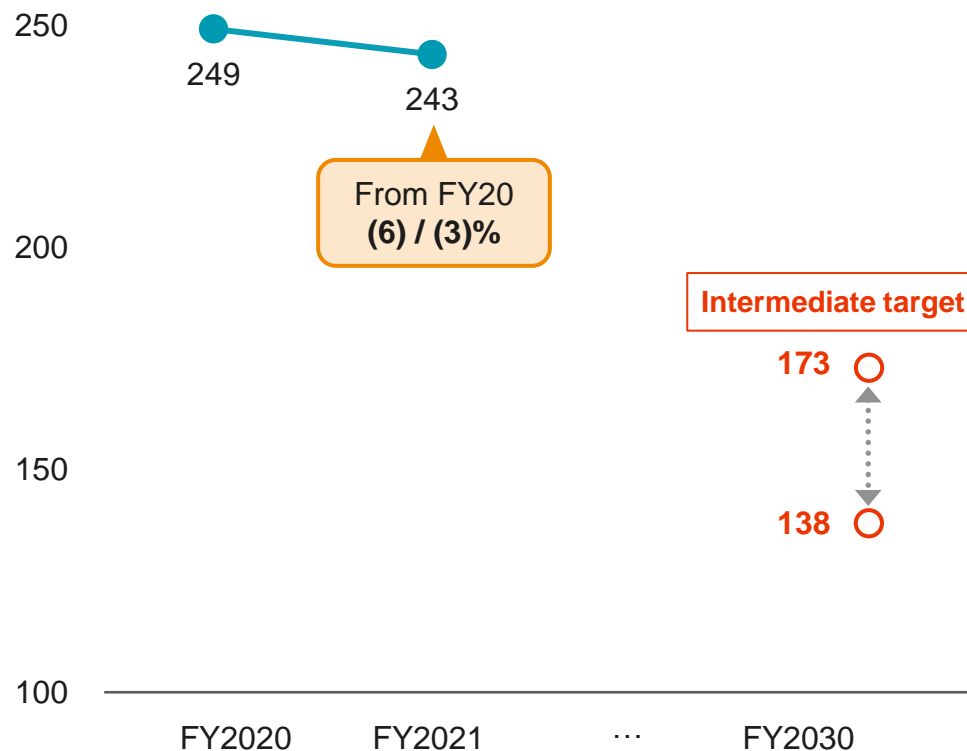
Result of Power Generation Sector

- In the power generation sector, achieved 6 g-CO₂e/kWh and 3% reductions from the benchmark year largely due to the clients' efforts to decrease emission intensity

Intermediate Target for 2030

Benchmark year	<ul style="list-style-type: none"> FY2020 (Mar. 31, 2021)
Target inv. & loan	<ul style="list-style-type: none"> Lending, acceptance and guarantee, corporate bonds and strategic shareholdings (including unused pledged lending)
Target value chain / scope	<ul style="list-style-type: none"> Scope1 of power generating businesses which accounts for the majority of emissions
Measuring indicator	<ul style="list-style-type: none"> Emission intensity (g-CO₂e/kWh)
Calculation method	$\sum \left(\text{Emission intensity of a client} \times \frac{\text{Balance of inv. and loan to a client}}{\text{Balance of inv. and loan to the sector}} \right)$
Target value (benchmark scenario)	<ul style="list-style-type: none"> 2030 <p style="text-align: center;">138 - 173 g-CO₂e/kWh (IEA NZE^{*1}) (IEA SDS^{*2})</p>

Results in FY2021 (g-CO₂e/kWh)



*1: A scenario which limits the rise in global mean temperature to 1.5°C with 50% or more probability, published by the IEA (International Energy Agency)

*2: A scenario which limits the rise in global mean temperature to less than 2 (or 1.8)°C with 66% or more probability, published by the IEA

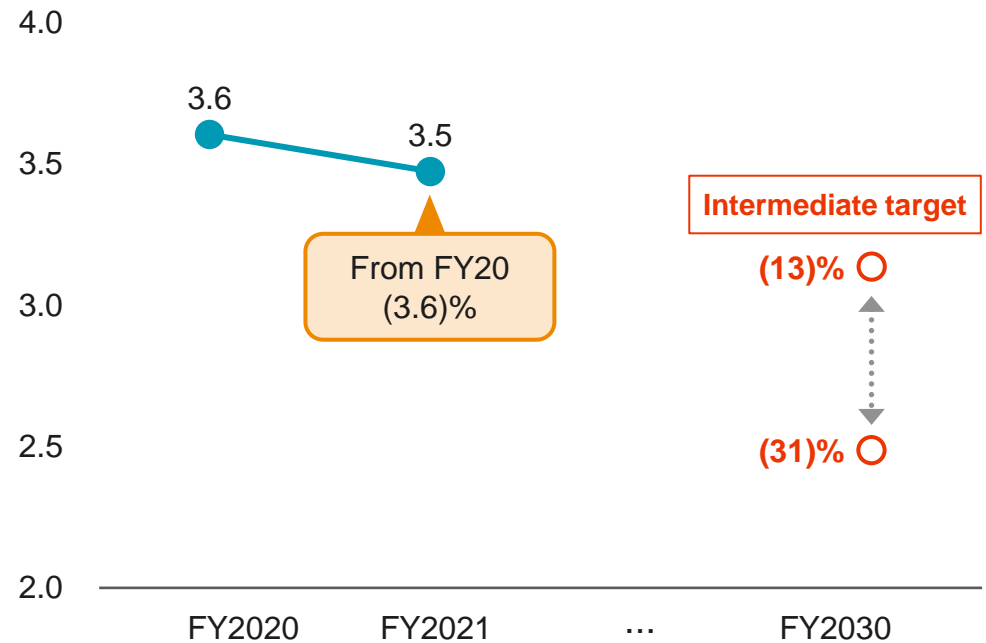
Result of Oil & Gas Sector

- The oil & gas sector achieved 3.6% reduction from the benchmark year largely due to the clients' efforts

Intermediate Target for 2030

Benchmark year	<ul style="list-style-type: none"> FY2020 (Mar. 31, 2021)
Target inv. & loan	<ul style="list-style-type: none"> Lending, acceptance and guarantee, corporate bonds and strategic shareholdings (including unused pledged lending)
Target value chain / scope	<ul style="list-style-type: none"> Scope 1, 2, 3 of upstream production businesses
Measuring indicator	<ul style="list-style-type: none"> Absolute emissions (Mt-CO₂e)
Calculation method	$\sum \left(\text{Emissions From a client} \times \frac{\text{Balance of inv. and loan to a client}}{\text{Funds raised by a client}} \right)$
Target value (benchmark scenario)	<ul style="list-style-type: none"> 2030 <p>(13) - (31)% from 2020 (IEA SDS) (IEA NZE)</p>

Results in FY2021 (Mt-CO₂e)



Change from the initial targets

- In order to reflect clients' activities to reduce GHGEs, regardless of the change in their stock prices, we modified the calculation method for an attribution factor.*1 Thus the results of financed emissions in the benchmark year was changed to 3.6 Mt-CO₂e from 5.8 Mt-CO₂e
- The PCAF standard generally applies market capitalization, and financed emissions in FY2021 by market capitalization decreased by approx. 20% from 5.8 Mt-CO₂e in the benchmark year

GHGEs of a client	×	*1 Attribution factor
		Balance of investment and loan to a client Funds raised by a client (debt with interest + Net worth)

Changed: Market capitalization → **Net worth in financial statements**

Set Intermediate Target

- Set intermediate targets for “real estate” and “shipping” sectors reflecting each sector’s feature

Target Setting Process

	Real estate	Shipping
Step 1 Sector's feature	<ul style="list-style-type: none"> [GHGEs] 8% of the world GHGEs,^{*1} according to the IEA [Total floor area] + 75% in the world from 2020 to 2050^{*2} [When emits the most] During using properties.^{*1} In addition, the sector is closely related to other highly emitting sectors such as “iron & steel” “cement” sectors through building construction [Transition risk heatmap] Risk rank: low, exposure rank: large 	<ul style="list-style-type: none"> [GHGEs] 2% of the world GHGEs, according to IEA [Marine trade] Remains the major world trade also in 2050^{*2} [Transition risk heatmap] Risk rank: high, exposure rank: large [When emits the most] During voyage with fuel consumption
Step 2 Identify Key Driver	<ul style="list-style-type: none"> Improve the energy use efficiency during using properties: ZEB· ZEH,^{*3} renewable energy, visualization and automatic control of energy with BEMS,^{*4} cogeneration systems with local exhaust heat etc. 	<ul style="list-style-type: none"> Improve the emission efficiency during voyage: switch to LNG, save energy, efficient operation and zero emission fuel ships
Step 3 Set intermediate target	<ul style="list-style-type: none"> [Commercial real estate] Set targets with the emission intensity (kg-CO₂e/m²) for emissions of property in use (Scope1, 2, 3-13) [Residential real estate (mortgage)] Availability and quality assurance of GHGE data will be taken into consideration. 	<ul style="list-style-type: none"> Following the guidance of the Poseidon principles^{*5} Set targets with the indicator based on the emission intensity (g-CO₂/ton-mile), for the emission (Scope1) exhausted by voyaging in the shipping business Planning to revise the target in line with the revised principles

Knowledge through examination for setting targets



Knowledge and understanding through engagement

Engagement

- Provide our various solutions related to decarbonization in addition to financial support, through engagement with clients in the sectors
- Not only achieve the milestone target of the investment and loan portfolio, but also contribute to clients’ transition toward carbon neutrality

*1: According to SBTi, GHGEs from the real estate industry account for one third in the world, considering a supply chain as a whole. From now on, we will continuously examine setting targets in line with spreading measurement and disclosure of emissions from supply chains (Scope3)

*2: (Source) IEA Net Zero by 2050: A Roadmap for the Global Energy Sector

*3: Net Zero Emission Building / House

*4: Building Energy Management System

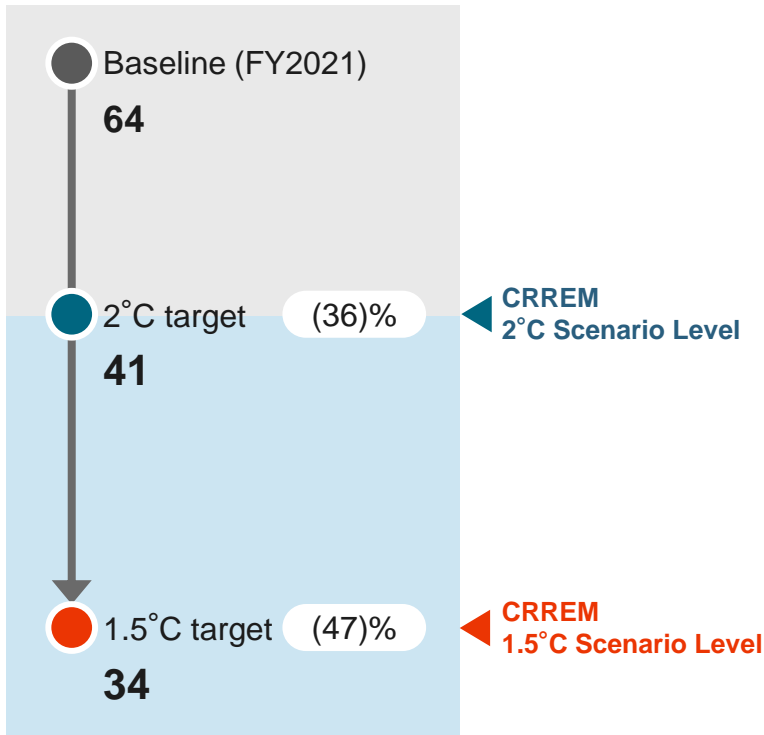
*5: An international framework on ship finance established in 2019 as an initiative led by private financial institutions to reduce GHGEs at the International Maritime Organization (IMO)

Set Targets for Real Estate Sector

- Set intermediate targets in range of 34 - 41kg-CO₂e/m² ((47) - (36)% from FY2021) as targets well below 2 and 1.5 degrees Celsius, aligned with Paris agreement. Aim to realize the targets through the engagement with clients and the support for transition and technical innovation to enhance environmental efficiency of real estate

Intermediate Target for 2030

kg-CO₂e/m² (%: rate compared to the base year)



Concept for Setting Target for 2030

Well below 2°C level "2°C target"	Refer to 2°C scenario (41kg-CO ₂ e/m ²) of CRREM* ¹ as of 2030 from FY2021 as a baseline* ²
1.5°C target	Achieve 2°C scenario, and furthermore support clients in transition through engagements and aim to achieve the level (34kg-CO ₂ e/m ²) which fit the CREEM 1.5°C scenario

Major Premise of Calculating Emission Intensity

Target Value Chain	Use own real property for commercial use including rental
Target Scope	Scope1, 2, 3 category13 (assets for lease)
Target Inv. & Loan	<ul style="list-style-type: none"> Lending, acceptance and guarantee, corporate bonds and strategic shareholdings (including unused pledged lending) Cover ratio: approx. 80%
Calculation Method	$\sum \left(\text{Emission intensity of a client} \times \frac{\text{Balance of inv. \& loan to a client}}{\text{Balance of inv. \& loan to the sector}} \right)$

*1: Carbon Risk Real Estate Monitor (CRREM) is a project set to support evaluation and management of climate change related risks in the real estate sector, which provides a pathway which aligns with 1.5 and 2°C targets of the Paris agreement

*2: 2°C scenario has not been published yet in the latest CRREM Scenario (v.2) in Jan. 2023. So we have estimated 2°C scenario in v.2 by calculating a deviation ratio of 1.5 and 2°C scenarios based on v.1, multiplying 1.5°C Scenario in v.2 by it

Set Targets for Real Estate Sector (2)

Outline of premise to set target		Background and details of premise	Guideline
Fiscal year			
Base Year	FY2021 (Mar. 31, 2022)	<ul style="list-style-type: none"> Generally, the base date needs to be set within 2 years before disclosure 	NZBA
Target Year	2030	<ul style="list-style-type: none"> The intermediate target needs to be set for 2030 or before 	NZBA
Calculation target			
Inv. & loan	Lending, acceptance and guarantee, corporate bonds and strategic shareholdings (including unused pledged lending)	<ul style="list-style-type: none"> Targeted the exposure of credit businesses^{*1} Included unused pledged lending 	NZBA
Cover ratio of inv. & loan	Approx. 80% of target investments & loans	<ul style="list-style-type: none"> [Corporate finance / J-REIT] Corporations with a certain balance of loan and investment, whose GHGEs, emission intensity and financial data are available [SPV]^{*2} corporations whose property's total floor area and estimated value are available 	PCAF, NZBA
Business / Scope	Scope1, 2, 3 category 13 (lease assets) for use of commercial real estate	<ul style="list-style-type: none"> Targeted use of property, whose emissions account for the majority of missions from the sector Selected Scope1, 2, 3 category 13: emissions based on energy consumption 	NZBA, SBTi
Calculation method			
Measuring indicator	Emission intensity (kg-CO₂e/m²)	<ul style="list-style-type: none"> Set the emission intensity to realize increased efficiency of electricity (decreased GHGEs / floor area) used in own property including rental, through engagements 	NZBA
Calculation formula of indicator	$\sum \left(\text{Emission Intensity of a client} \times \frac{\text{Balance of inv. \& loan to a client}}{\text{Balance of inv. \& loan to the sector}} \right)$	<ul style="list-style-type: none"> Applied the method of PACTA for Banks, which is the global standard 	PACTA
Reference scenario	2°C target: 2°C Scenario of CRREM 1.5°C target: 1.5°C Scenario of CRREM	<ul style="list-style-type: none"> Referred to the CRREM scenario, which is globally approved and adopted for target setting of SBTi (partially estimated for 2°C Scenario) 	NZBA
Used data	Disclosed information of individual client, CRREM, etc.	<ul style="list-style-type: none"> Adopted only the highly reliable sources such as information (GHGEs and total floor area) disclosed by the clients, emission factors published by CRREM, etc. 	NZBA
Quality of used data	PCAF score^{*3} 2.4	<ul style="list-style-type: none"> [Corporate finance / J-REIT] Only disclosed information (PCAF score 2 or higher) [SPV] Estimate from total floor area (PCAF score⁴) 	PCAF, NZBA

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

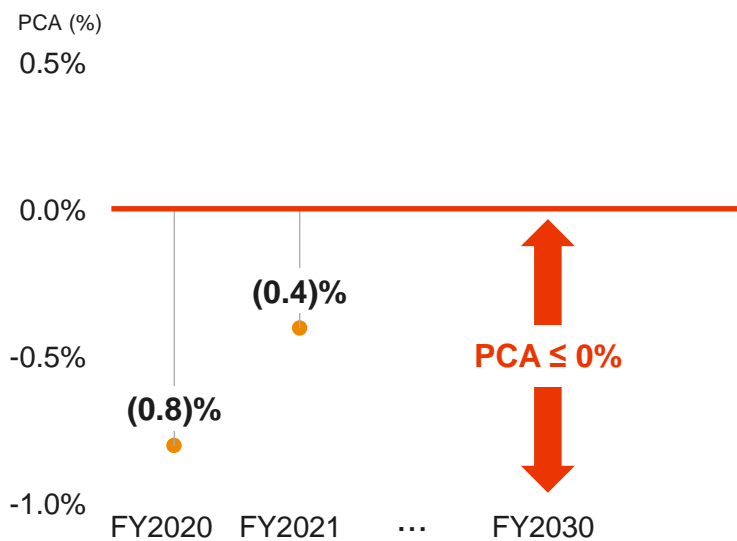
*2: Special Purpose Vehicle (SPV), which securitizes real estate, and is mainly a borrower of real estate non-recourse loans

*3: Original score of PCAF with 5 grades from 1 to 5, which shows the quality of the data. Scores change responding to the degree of estimation, the score1 being the highest in quality. [2.4] is the mean score of the sector, which is the weighted average using the balance of investments and loans

Set Targets for Shipping Sector

- Set the intermediate target to reduce the portfolio climate alignment less than zero, in order to align with the IMO’s scenario referred in the Poseidon Principles.*¹ Aim to achieve the target through engagement with clients and supporting their transition and technological innovation

Intermediate Target for 2030



*1: The IMO adopted “Net-Zero by around 2050” in Jul, 2023.¹² Although the Poseidon Principles adopted the compliance with the revised target of the IMO in Sep. 2023, the reference scenario has not been issued yet. When issued, we will update the reference scenario

*2: “The IMO GHG reduction strategy” adopted in 2018 was revised to strengthen GHG emission reduction target from the shipping industry to a “net-zero GHG emissions close to 2050” ambition, at the 80th Marine Environment Protection Committee in London in early Jul. 2023

*3: Tank-to-Wake (TtW): CO₂ emission from a ship during operation

*4: The baseline of annual CO₂ emission efficiency (CO₂ emission per unit transport) by ship class and by ship size is set based on the IMO’s reference scenario. VCA shows the deviation ratio (%) of the results of annual CO₂ emission efficiency of each target ship to which we extend loans from the baseline

Concept for Setting Target for 2030

Evaluate Alignment with Poseidon Principles

- The principles refer to the scenario which aims to reduce the total amount of GHGs by 50% by 2050 from 2008, and we aim to achieve the emission efficiency to fit it
- We changed the reference scenario, according to the change of the reference scenario of the principles to achieve net-zero by around 2050

Major Premise of Calculating Emission Intensity

Target Value Chain

- Shipping services in the shipping industry

Target Scope

- Scope1, fuel consumption by ships during voyage (TtW)^{*3}

Target Inv. & Loan

- Loans secured with completed 5,000 t or heavier ships for overseas voyage under the IMO management
- Cover ratio (collection ratio of emission data): approx. 85%

Calculation Method

PCA
(Portfolio Climate Alignment)

$$\sum \left(\text{Each ship's VCA (\%)} \times \frac{\text{Balance of loans to each ship}}{\text{Total balance of loans to target ships}} \right)$$

VCA^{*4}
(Vessel Climate Alignment)

$$\frac{\text{Each year's result of CO}_2 \text{ emission efficiency per ship} - \text{Each year's baseline of CO}_2 \text{ emission efficiency per ship}}{\text{Each year's baseline of CO}_2 \text{ emission efficiency per ship}}$$

Set Targets for Shipping Sector (2)

Outline of premise to set target		Background and details of premise	Guideline
Fiscal year			
Target Year	2030	<ul style="list-style-type: none"> The intermediate target needs to be set for 2030 or before 	NZBA
Calculation target			
Inv. & loan	Loans secured with completed 5,000t or heavier ships for overseas voyage under the IMO management	<ul style="list-style-type: none"> Targeted the exposure of credit businesses based on the Poseidon Principles^{*1} excluding special ships exempted from reporting duty of IMO-DCS^{*2} data 	Poseidon
Cover ratio of inv. & loan	Approx. 85% of target investments & loans	<ul style="list-style-type: none"> Targeted ships whose data such as annual fuel consumption and sailing distance, and such data's certificates are available out of completed 5,000 t or heavier ships for overseas voyage in pledge and under the IMO management 	Poseidon
Business / Scope	Scope1 by fuel consumption from ship during operation in the shipping industry (TtW)	<ul style="list-style-type: none"> Selected Scope1, in which emissions by fuel consumption are shown, for shipping services which account for the majority of emissions from the sector 	NZBA, Poseidon
Calculation method			
Measuring indicator	PCA based on CO ₂ emission efficiency/ship	<ul style="list-style-type: none"> Weighted average based on loan balance of deviation ratio of the results of CO₂ emission efficiency per ship and the baseline set by the Poseidon Principles 	Poseidon
Calculation formula of indicator	$\sum \left(\text{Each ship's VCA (\%)} \times \frac{\text{Balance of loans to each ship}}{\text{Total balance of loans to target ships}} \right)$	$\frac{\text{VCA} \quad \text{Each year's result of CO}_2 \text{ emission efficiency per ship} - \text{Each year's baseline of CO}_2 \text{ emission efficiency per ship}}{\text{Each year's baseline of CO}_2 \text{ emission efficiency per ship}}$	Poseidon
Reference scenario	The IMO's GHG target adopted by the Poseidon Principles as a reference scenario	<ul style="list-style-type: none"> As a scenario, the Poseidon Principles adopted "reducing 50% or more GHG emissions by 2050 based on 2008 levels" which was adopted by the IMO in 2018 	Poseidon
Used data	Disclosed information of individual client (IMO-DCS data) Data of the Poseidon Principles Association	<ul style="list-style-type: none"> [Disclosed data] Annual fuel consumption and sailing distance per ship, etc. which shipowners submit to the IMO as of Dec. 31 every year [Basic data of CO₂ emission efficiency] Data of the Poseidon Principles Association 	Poseidon
Quality of used data	PCAF score 1.0	<ul style="list-style-type: none"> Appropriateness of the data submitted by shipowners have been certified by the classification society or the flag state's authorities through issuing certificates 	PCAF, NZBA, Poseidon

*1: Targeted credit transactions of SuMi TRUST Bank, a signatory for the Poseidon Principles

*2: Data Collection System (DCM) is a visualization system which integrates the results of fuel consumption of ships into the IMO in an effort to reduce GHGs from the international shipping industry

4 Transition Plan toward Carbon Neutrality

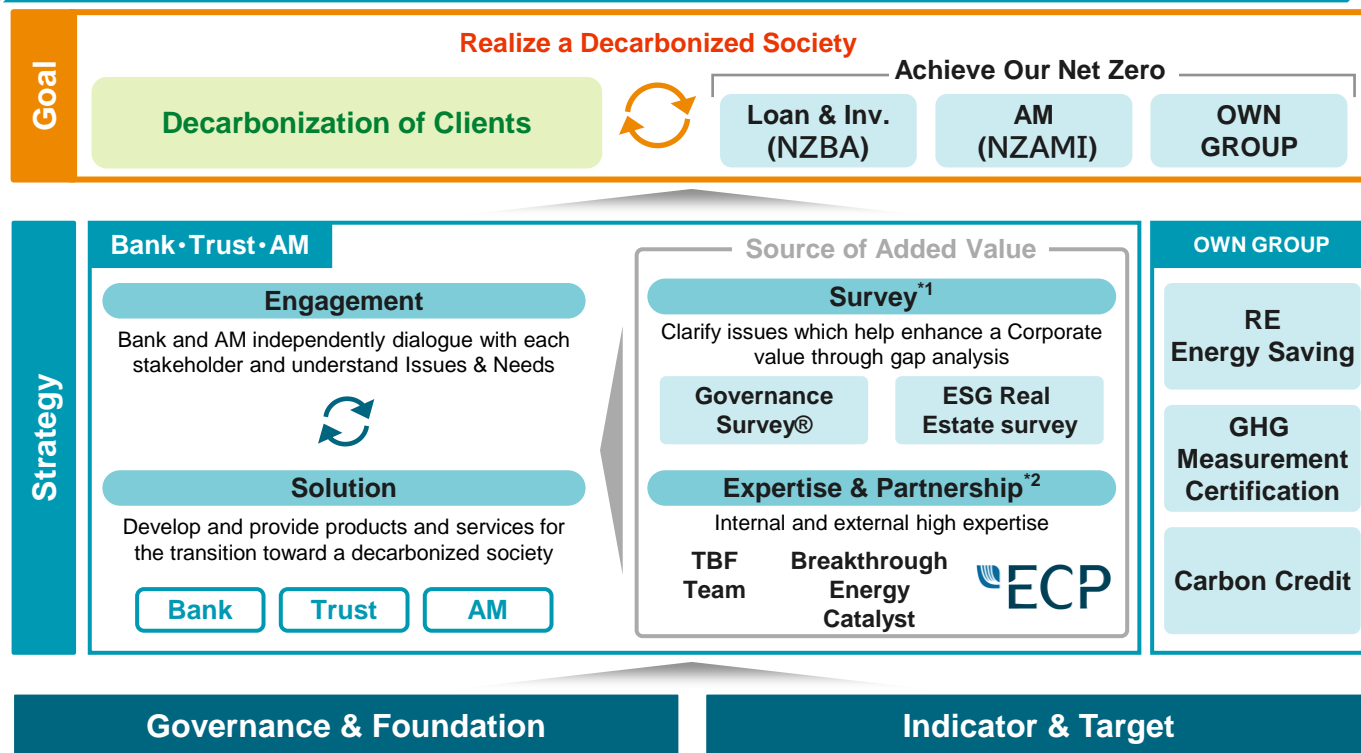
Our Stance on Carbon Neutrality

- We developed a transition plan toward carbon neutrality to steadily promote the Carbon Neutral Commitment in October 2021. We developed governance & foundation and set indicators & targets
- We will grasp stakeholders' management issues/needs and provide a wide range of solutions by fully utilizing our value adding functions. By promoting such efforts, we contribute to realizing not only our net zero, but also the decarbonization of clients toward a decarbonized society

Carbon Neutral Commitment (Oct. 2021)

Transition Plan toward Carbon Neutrality (Oct. 2023)

- 1 Contribute to achieving carbon neutrality in society by leveraging the trust banking group's wide-range and flexible functions
- 2 Target net-zero GHG emissions in investment and loan portfolios by 2050
To achieve net-zero emissions by 2050, a milestone target for 2030 will be formulated in FY2022 in line with the framework of the NZBA
- 3 Achieve net-zero emissions in the SuMi TRUST Group by 2030



*1: SuMi TRUST Bank carried out fact-finding surveys on various corporate efforts. "Governance Survey®" is the largest fact-finding survey in Japan on corporate governance of domestic listed companies. (every year since 2017) "ESG Real Estate Survey" is a fact-finding survey on real estate owners' ESG efforts at investment and management (since 2022)

*2: Technology Based Finance (TBF) team (->35P), Breakthrough Energy Catalyst (->36P), Energy Capital Partners (ECP) (->37P)

Overview

- Formulate segment-specific plans by referring to the framework of GFANZ, etc. in order to promote the transition plan

Overview of the transition plan toward carbon neutrality

Segment	Bank (NZBA) (->20-28P)		AM (NZAMI) (->29,30P)	Segment	Trust (->32P)
Entity*1	SuMi TRUST Bank		SuMi TRUST AM Nikko AM	Entity	SuMi TRUST Bank
Timing	Now - 2050		Now - 2050	Timing	Now - 2050
Engagement	Formulate & implement stakeholder-specific engagement strategies (->20P)		<ul style="list-style-type: none"> Stewardship activity 	Strategy	Investor business <ul style="list-style-type: none"> Enhancement of ESG investment business
Strategy Initiatives	Decarbonization Business (->23P-) <ul style="list-style-type: none"> Sustainable finance “Tech × Policy × Fin.” by TBF Utilize Impact equity Sectoral strategy 	Process sophistication (->28P) <ul style="list-style-type: none"> Processes Scenario analysis 	<ul style="list-style-type: none"> Engagement Monitor and exercise voting rights Providing ESG products 		Real Estate business <ul style="list-style-type: none"> Decarbonization support for the real estate sector
Indicators & targets	GHG targets <ul style="list-style-type: none"> 2030 Intermediate targets by Sector 2050 Net Zero Monetary target <ul style="list-style-type: none"> 2030 Sustainable finance target 2040 zero balance of loans for coal fired thermal power plants (new / expanded) 		GHG targets <ul style="list-style-type: none"> 2030 Intermediate targets 2050 Net Zero 	Segment	OWN GROUP (->33P)
Governance Foundation (->31P)	<ul style="list-style-type: none"> Reinforcement of governance system and executive compensation Establishment of risk appetite indicators Human resource development and awareness-raising activities 			Entity	SuMi TRUST HD
				Timing	Now - 2030
				Strategy	<ul style="list-style-type: none"> RE and energy saving Improve the measurement Utilization of carbon credits
				Targets	GHG targets <ul style="list-style-type: none"> 2025 Intermediate target*2 2030 Net Zero

*1: Show consolidated basis with the company at the Entity column as the top

*2: Submit the intermediate targets of branch offices in Japan of the SuMi TRUST Group for FY2025 to the GX League

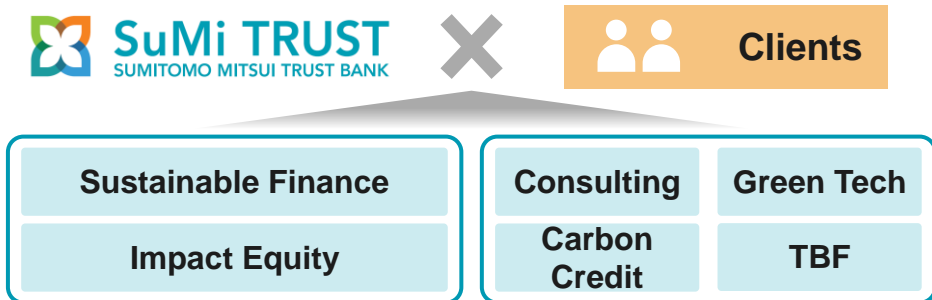
SuMi TRUST Bank's Engagement

- SuMi TRUST Bank aims to realize a decarbonized society by emphasizing engagement with stakeholders including clients and providing diverse solutions

Our Engagement Strategy for Clients

- Contribute to reducing GHGEs of clients by identifying issues for decarbonization through continuous engagement (dialogue) with them and developing and supplying solutions
- Planning to engage 50 companies by the end of FY2023 and 150 by FY2025 (power generation, oil & gas, real estate, shipping, iron & steel and automotive sectors, etc.).

Engagement (50 companies, 2022-2023)



Achievements on our Engagements

Engaged Companies	Approx. 40 / 50 companies* ¹ (FY2022 - Sep. 2023)
Consulting ²	Approx. 50 cases* ³ (FY2021 - Sep. 2023)

*1: The number of companies that have already been engaged by the end of FY2023, out of 50 target companies

*2: Consulting related to decarbonization: TCFD disclosure, CDP responses, support for GHG measurement, ESG training, etc.

*3: Number of contracts with business partners through SuMi TRUST Bank. Including multiple contracts of the same firm. Total from FY2021, when the service was first provided

Relationship with Local Communities (->21P)

- Accelerate the two-way decarbonization of companies and local communities by providing our various functions
- Support the social implementation of innovative technologies through the provision of the Group's functions and joint research with universities and other research institutions

Realization of a Decarbonized Society



Engagements with Initiatives and Other Stakeholders

- Actively take part in collaborative engagement and rule-making through participation in and consultation with initiatives
- Place importance on dialogue with stakeholders other than clients in order to resolve difficult social issues

SuMi TRUST Bank's Engagement-Local Communities

- SuMi TRUST Bank contributes to the establishment of decarbonized local communities by providing its functions, human resources and funds including investors' money in cooperation with stakeholders in communities

Building a regional ecosystem

- Contribute to the resolution of regional issues by utilizing our diverse solutions and connections

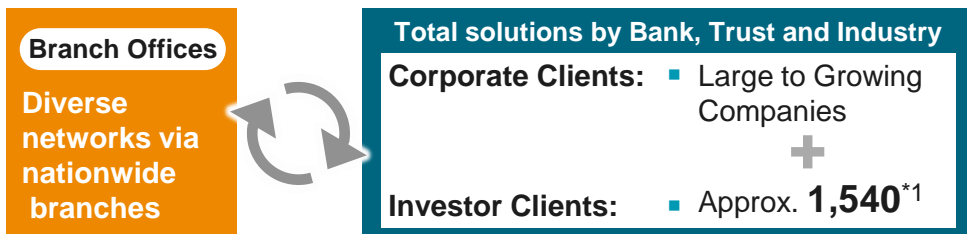
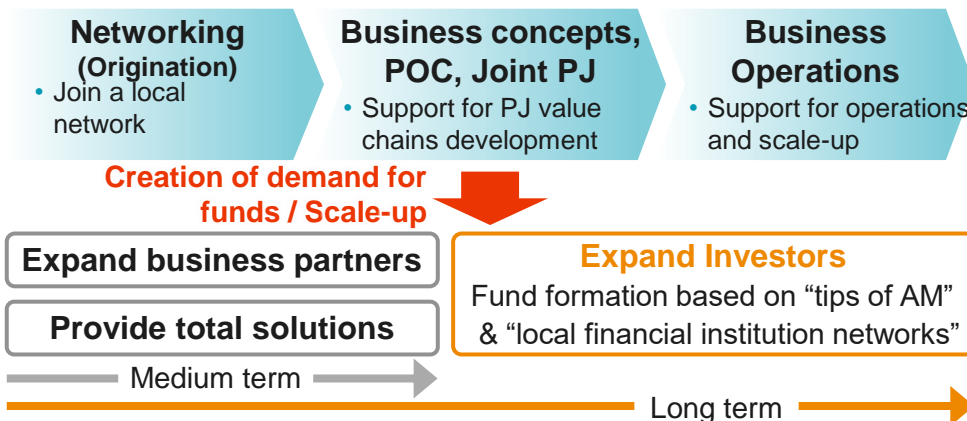


Image of business process

- Engagement and support from the upstream side with a view to building a business value chain



Examples

Local governments	Odawara City, Kanagawa Pref. (Nov. 2021)	To visualize the impact of the local energy production for local consumption of energy in Odawara City on the regional economy, society, and the environment, supports the development of a logic model to derive integrated impacts of individual companies' efforts
	Kyoto Pref. (Nov. 2022)	Entrusted with the "Operations of the Consortium to Promote Decarbonization of Regional Financial Institutions," supports the establishment of the "Kyoto Zero Carbon Framework" system and promoted the decarbonization of SMEs in cooperation with regional financial institutions
	Tomakomai City, Hokkaido (Jul. 2023)	Participates in a demonstration project in Tomakomai. Planning to build a system to stably manufacture and supply renewable energy oriented hydrogen from the waste power plant owned by Tomakomai City and electricity generated by a photovoltaic power plant on the site
Universities	Kanazawa University (Nov. 2021)	Participates in the "Co-creation Platform for Circular Economical System Supported by Completely Recyclable Plant-derived Polysaccharide Plastics" led by Kanazawa University, and exploring contribution through impact finance
	University of Tokyo (Sep. 2022)	Participates in "Co-JUNKAN" platform, which aims "Beyond Zero Carbon". Commences joint research on the sharing, distribution, recycling structure, etc. of fund providers
	Hiroshima University (Feb. 2023)	Participates in the Smart City Co-Creation Consortium of Hiroshima University. Supports solving regional issues through industry-government-university collaboration, and providing funds and social implementation for development

*1: Approx. 540 financial institutions and approx. 1,000 nonprofit organizations

SuMi TRUST Bank’s Engagement-Initiatives, Other Stakeholders

- Deepen understanding of social issues including climate change through dialogue with stakeholders, and collaborate with people concerned of initiatives, in order to solve such issues

Initiatives

- Joins collaborative engagement and rule-making through participation and discussions in initiatives



Japan Climate Leaders’ Partnership (JCLP) is a partnership of companies aiming to achieve a sustainable and decarbonized society, launched in 2009, which collaborates on decarbonization businesses and makes proposals on policies to the government. A member of SuMi TRUST Bank serves as a coleader and actively leads the organization

HLEG

High-Level Expert Group on the Net-Zero Emissions Commitments of non-state entities. The members were called by the secretary general of the UN, and an officer of SuMi TRUST Bank has been elected as an only member from Japan. Presented a recommendation about definition and concept of net zero declaration at COP27



A private-public initiative in Japan aiming to realize a decarbonized society. At the management promotion WG, SuMi TRUST Bank actively engaged in the adjustment of contribution to reduction as a leading company

GFANZ

A global coalition of financial institutions committed to the decarbonization of the actual economy. SuMi TRSUT HD, SuMi Trust AM and Nikko AM have joined it. Participate in the Japan Chapter Core Working Group, a branch office in Japan

Other Stakeholders

- Takes serious view of dialogues with stakeholders and joins domestic and global initiatives in order to settle difficult social issues
- Continuously exchanges opinions to share and solve issues with environmental NGOs, etc. Carried out inspections on fuel procurement for biomass power generation, triggered by dialogues with NGOs in FY2023 (in North America and Southeast Asia)

SuMi TRUST Bank's Efforts - Promotes Decarbonization Business

- SuMi TRUST Bank will promote the following measures to realize a decarbonized society

Expansion of sustainable finance

- Expands Sustainable Finance to Meet Clients' Financial Needs

Long-term target for cumulative amount

Approx, **2 trillion yen**
End of FY2022



15 trillion yen*1
By FY2030

“Technology X Policy X Finance” by TBF team

- Aims to solve social issues by combining deep tech knowledge of TBF with the political perspective and the Bank's diverse functions

Deep knowledge
of technology



Political
perspective



Trust Bank
Functions



Fix up
social issues

Leverage impact equity

- Provides funds for solving social issues through impact equity as well as solutions using the technologies of the investee companies (approx. 28 billion yen in FY2022)

Sectoral Strategy (->24-27P)

- Tackles the issues after formulating a sectoral strategy based on NZBA for the sectors for which the intermediate targets for 2030 were set

*1: Target: finance operations that contribute to solving environmental and social issues

(loans, syndicated loans, bond investment and other operations, fund investments, financial advisory operations, trustee service, impact equity investments, etc.)

Main achievements

- TBF team's activities in the fields of hydrogen / ammonia**

Cost Reduction Initiatives (Sep. 2021)

- Develops an inexpensive hydrogen production business model in collaboration with Asahi Pretec, FC Development and X-Scientia

Inv. in Tsubame BHB (July 2022)

- Invests in Tsubame BHB which aimed development & implementation of innovative production of ammonia, and cooperated with it to construct a green hydrogen supply chain

Tomakomai City (Demonstration Project for RE & Hydrogen Supply Chain) (July 2023)

- As a member of the demonstration project of Tomakomai city, Hokkaido for production and supply of green hydrogen from a waste power plant and solar power, TBF team supports for the business entity and the analysis and formulation of achievement and expansion scenarios

- Utilization of Impact Equity**

Domestic General Type Infrastructure Fund (September 2023)

- Forms Japan Infrastructure No.1 Inv.LP.
- Supplies risk money to solve social issues such as “RE & Decarbonization”, “social infrastructure” and “digital infrastructure”

Inv. a Forestry Fund by the Sumitomo Forestry Group (July 2023)

- Joint inv. in a forestry fund “Eastwood Climate Smart Forestry Fund I” by the Sumitomo Forestry Group to invest for decarbonization and considers acquiring carbon credits

Joins Breakthrough Energy Catalyst (November 2022)

- Planning to provide technical support to clients (green tech matching) (->36P)

Tie-Up & Inv., ECP (January 2023)

- Establishes a joint fund for decarbonization in Japan (->37P)

Decarbonization Business / Strategy of Power Generation Sector

- As the power generation sector exhausts a large amount of GHGs and has a significant impact on other sectors, regards it as a key sector toward net zero by 2050, developing a sectoral strategy to promote the businesses

Power generation sector

Impact	<ul style="list-style-type: none"> Its GHGs account for approx. 40% in the global and Japan^{*1}, and it has a significant impact on other sectors. Approx. 20% of financed emission comes from the sector in SuMi TRUST Bank
Current Situation	<ul style="list-style-type: none"> In Japan, highly depends on coal and gas-fired thermal power, affected by stopped nuclear power plants. Japan has neither sufficient energy grids nor enough places fit for RE facilities In the world, the introduction of RE is promoted mainly in the West. On the other hand, emerging countries depend on thermal power generation because of stability and costs

Future trend / Worldview on decarbonization

Future trend	<ul style="list-style-type: none"> In Japan, importance is attached to the coexistence of the acceleration of decarbonization and the stable supply of electricity. Planning the “transition of thermal power plants utilizing hydrogen and ammonia” and “strengthening energy grids and increasing the capacity of storage batteries” in addition to accelerating the introduction of RE In the world, the introduction of RE will be accelerated in emerging countries. Transition to wind and solar power as a main power source will be gradually promoted rather than the introduction of new thermal power plants
IEA NZE Scenario	<ul style="list-style-type: none"> Net zero GHGs from the power generation sector is essential in advanced countries by 2035 and globally by 2040, to achieve the Paris Agreement’s 1.5°C target

*1: (Source) IEA World Energy Outlook 2022

Sector’s position and our stance

Target Setting	<ul style="list-style-type: none"> Set the intermediate target for 2030, considering the importance of the power generation sector (->10P) <p>g-CO₂e/kWh (%: targeting reduction ratio from the baseline)</p> <table border="1"> <caption>Target Setting Data</caption> <thead> <tr> <th>Target / Scenario</th> <th>g-CO₂e/kWh</th> <th>Reduction Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>Baseline</td> <td>249</td> <td>-</td> </tr> <tr> <td>Mar. 31, 2022</td> <td>243</td> <td>(3)%</td> </tr> <tr> <td>2°C Target (IEA SDS Scenario Level)</td> <td>173</td> <td>(31)%</td> </tr> <tr> <td>1.5°C Target (IEA NZE Scenario Level)</td> <td>138</td> <td>(45)%</td> </tr> </tbody> </table>	Target / Scenario	g-CO ₂ e/kWh	Reduction Ratio (%)	Baseline	249	-	Mar. 31, 2022	243	(3)%	2°C Target (IEA SDS Scenario Level)	173	(31)%	1.5°C Target (IEA NZE Scenario Level)	138	(45)%
Target / Scenario	g-CO ₂ e/kWh	Reduction Ratio (%)														
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2°C Target (IEA SDS Scenario Level)	173	(31)%														
1.5°C Target (IEA NZE Scenario Level)	138	(45)%														
Attitude for Clients	<ul style="list-style-type: none"> Aims at “collaborative decarbonization engagement” through dialogues with clients (->20P) Supports clients’ efforts in the power generation sector toward decarbonization and stable supply of electricity, in collaboration with the Japanese government on the GX and energy policies 															
Risk & Opportunity	<ul style="list-style-type: none"> Based on clients’ risks and opportunities, creates their business opportunities, while properly managing the risks (->25P) 															

Decarbonization Business / Strategy of Power Generation Sector (2)

- Based on clients' risks and opportunities, creates their business opportunities, while properly managing the risks

Conceivable risk for clients

Transition Risk	Policy	<ul style="list-style-type: none"> Downward arrow: Competitiveness of thermal power by carbon pricing Upward arrow: Costs of measures against carbon emission regulations
	Technology	<ul style="list-style-type: none"> Downward arrow: Other energy sources caused by RE and energy saving Upward arrow: Investments toward decarbonization technologies
	Market	<ul style="list-style-type: none"> Change icon: Demand caused by EVs and storage batteries, etc.
	Reputation	<ul style="list-style-type: none"> Downward arrow: Social receptiveness of nuclear power generation Upward arrow: Reputational risk for clients due to carbon emissions and aggravated factors
Physical Risk	Acute	<ul style="list-style-type: none"> Impacts on of power generation, transmission and distribution facilities associated with intensified abnormal weather
	Chronic	<ul style="list-style-type: none"> Deteriorated working ratio of hydroelectric power plants associated with changed precipitation and snowfall

Conceivable opportunity for clients

Energy Source	<ul style="list-style-type: none"> Upward arrow: Advantage of nuclear power generation Upward arrow: Emerging new businesses related to RE and hydrogen/ammonia
	<ul style="list-style-type: none"> Upward arrow: Electrification and demand for electricity throughout the society by the decarbonization tide (spread & expansion of EVs and storage batteries etc.)

SuMi TRUST Bank's business opportunity and record

Finance	<ul style="list-style-type: none"> Sustainable finances
TBF Team	<ul style="list-style-type: none"> Support of social implementation of decarbonization technology utilizing expertise <ul style="list-style-type: none"> Odawara city: Impact evaluation and support Tomakomai city: Hydrogen supply chain
Equity	<ul style="list-style-type: none"> Supply of risk money / development of RE business <ul style="list-style-type: none"> Formed domestic general type infrastructure fund Collaborated with Energy Capital Partners in the US Invested in Japan Renewable Energy Corp., a company for renewable energy, with ENEOS Corp. (Feb. 2022) Invested in a corporate PPA on solar power projects Social implementation of Innovative Green Tech / matching with clients <ul style="list-style-type: none"> Joined Breakthrough Energy Catalyst in the US

SuMi TRUST Bank's risk management

Intermediate Target	<ul style="list-style-type: none"> Sets intermediate targets Sets risk appetite indicators
Sectoral Policy, etc.	<ul style="list-style-type: none"> The sectoral policy for coal-burning thermal power plants "No finance for new and expansion projects, but finance for transition toward decarbonization" Loan balance for coal-burning power plants (new / expansion) (Zero by FY2040)

In addition, carry out risk management in line with the processes responding to climate change (->28P)

Decarbonization Business / Strategy of Oil & Gas Sector

- Although oil & gas are currently essential energy sources for people’s lives, fossil fuel exhausts a huge amount of GHGEs. Regarding it as a key sector toward net zero by 2050, develops a sectoral strategy to promote decarbonization businesses

Oil & Gas sector

Impact	<ul style="list-style-type: none"> Its GHGEs account for as much as approx. 50%*1 (30% for oil and 20% for gas) of the world by energy source. Approx. 20% of financed emission comes from the sector in SuMi TRUST Bank
Current Situation	<ul style="list-style-type: none"> Currently oil & gas are essential energy sources for daily life The importance of stable supply of energy is globally recognized again, facing the energy crisis caused by the Russian invasion of Ukraine

Future trend / Worldview on decarbonization

Future trend	<ul style="list-style-type: none"> The demand for oil & gas is expected to decrease for a long term, caused by the progress of decarbonization Clients in the oil & gas sector are tackling to introduce new technologies (CCS, CCUS, etc.) and shift to low carbon / decarbonized fuel (biogas, green hydrogen, synthetic fuel, etc.) , and participate in RE and mobility businesses
IEA NZE Scenario	<ul style="list-style-type: none"> The rapid expansion of new energy and the technological innovation are required in the oil & gas sector to achieve the Paris Agreement’s 1.5°C target It is said that the reduction of GHGEs by approx. 30% by 2030, and approx. 90% by 2050 from the 2020 level is required

*1: (Source) IEA World Energy Outlook 2022

Sector’s position and our stance

Target Setting	<ul style="list-style-type: none"> Set the intermediate target for 2030, considering the importance of the oil & gas sector (->11P) <p>MtCO_{2e} (%: targeting reduction ratio from the baseline)</p>
Attitude for Clients	<ul style="list-style-type: none"> Aims at “collaborative engagement” through dialogues with clients (->20P) Actively supports the orderly transition of our clients in the oil & gas sector, as recognizes the importance of coexistence of accelerating the reduction of GHGEs and securing the stable supply of energy
Risk & Opportunity	<ul style="list-style-type: none"> Based on clients’ risks and opportunities, creates their business opportunities, while properly managing the risks (->27P)

Decarbonization Business / Strategy of Oil & Gas Sector(2)

- Based on clients' risks and opportunities, create their business opportunities, while properly managing the risks

Conceivable risk for clients

Transition Risk	Policy	<ul style="list-style-type: none"> Production costs by carbon pricing etc. Costs for emission trading and energy-saving facilities caused by tightened regulations
	Technology / Market	<ul style="list-style-type: none"> Demand for petroleum products caused by using non-fossil fuel trend (EVs, alternative fuel) RE prices due to the shift to low-carbon power source
	Reputation	<ul style="list-style-type: none"> Corporate value from delayed decarbonization Acceleration of divestment for oil businesses
Physical Risk	Acute	<ul style="list-style-type: none"> Costs for shutdown or malfunction caused by typhoons and abnormal weather (wind and flood damage)
	Chronic	<ul style="list-style-type: none"> CAPEX for preventive measures against disasters such as rise in mean temperature, change in precipitation patterns and rise in sea levels

SuMi TRUST Bank's risk management

Intermediate Target	<ul style="list-style-type: none"> Sets intermediate targets Sets risk appetite indicators
Sectoral Policy	<ul style="list-style-type: none"> The sectoral policy for oil & gas drilling businesses "Makes financing decision, considering the impact on the environment and the conflicts with indigenous people and local communities. Especially deliberately examines oil sand mining, shale oil / gas businesses, drilling in the Arctic Circle and pipeline construction, focusing on impacts on the environment and the society"

In addition, carry out risk management in line with the processes responding to climate change (->28P)

Conceivable opportunity for clients

Resource Efficiency	<ul style="list-style-type: none"> Demand for eco-friendly products and chemical recycling businesses due to transition to a resource recycling society
Energy Source	<ul style="list-style-type: none"> Demand for RE (wind power) and low carbon energy Supply zero emission energy and build supply chains of hydrogen, ammonia, synthetic fuel and biofuel, etc.
Product Service / Market	<ul style="list-style-type: none"> Businesses for EV related services and new services such as car-sharing, caused by behavior change of clients CO₂ emissions reduction businesses caused by progress in CCUS technologies

SuMi TRUST Bank's business opportunity and record

Finance	<ul style="list-style-type: none"> Sustainable finances
TBF Team	<ul style="list-style-type: none"> Tackling the next-generation energy by TBF <ul style="list-style-type: none"> Developed a business model for low-cost hydrogen production Invested in Tsubame BHB (ammonia) Tomakomai city: hydrogen supply chain
Equity	<ul style="list-style-type: none"> Tackling renewable energy <ul style="list-style-type: none"> Invested in Japan Renewable Energy Corporation Formed domestic general type infrastructure fund Collaborated with Energy Capital Partners Social implementation of Innovative Green Tech / matching with clients <ul style="list-style-type: none"> Joined Breakthrough Energy Catalyst in the US Providing carbon credit (under consideration) <ul style="list-style-type: none"> Funded a forestry fund formed by Sumitomo Forestry

Process Sophistication in SuMi TRUST Bank

- SuMi TRUST Bank is continuously sophisticating and reviewing the process to advance the responses to climate change

Process responding to climate change

- Identified key sectors to set GHGEs reduction targets based on the climate change transition risk sector heatmap
- After setting the intermediate targets, sets and manages various standards related to sectoral policies, credit examination and risk evaluation / risk mitigation measures

GHGEs control system

- Sets GHGEs reduction targets
- Controls portfolios to achieve targets
- Measures GHGEs

Risk evaluation Risk mitigation measures

- Evaluates each company's transition risk in the target sectors
- Risk mitigation measures responding to the transition risk rank (engagement)

Credit examination

- Various checks from the view point of climate change risks at the examination phase of credit

Sectoral policy

- Regular review*1

Area expansion for scenario analysis

- Gradually expanding scenario analyses of the transition risk and physical risk to grasp impacts on the credit risk
- Planning to analyze the transition risk of overseas companies and the physical risk of the project finance for solar power projects in FY2023

Expanded areas for scenario analysis

	Sector	Major results of analysis
Transition Risk	Power generation Sector (FY2020)	<ul style="list-style-type: none"> ■ If an electric power company does not invest in renewable energy power generation, the credit rank worsens by average 2-3 notches
	Shipping Sector (FY2021)	<ul style="list-style-type: none"> ■ Recognizes huge gaps in financial impacts among scenarios: increased costs caused by the shift to alternative energy, and carbon pricing. Carries out dialogues with clients
	All sectors of domestic companies (FY2022)	<ul style="list-style-type: none"> ■ Impacts are slight ■ Credit costs increase up to ¥13.5 bn (in total)
Physical Risk	Overseas companies	<ul style="list-style-type: none"> ■ Planning to carry out in FY2023
	Mortgage (FY2020)	<ul style="list-style-type: none"> ■ Credit costs increase by ¥7 bn from 2019 ■ Impacts on the credit ranking are limited. Recognizes issues including accurate damage value assumption, and potential risks such as underground infrastructures' damage and prolonged impacts in the midtown area
	Real estate non-recourse loan (FY2022)	<ul style="list-style-type: none"> ■ Impacts are slight. Credit costs increase by up to ¥20 mn
	Real estate investing companies (FY2022)	<ul style="list-style-type: none"> ■ Impacts are slight. Credit costs increase by up to ¥20 mn
	Project finance for solar power generation	<ul style="list-style-type: none"> ■ Planning to carry out in FY2023

*1: As for the sectoral policies as of Oct. 31, 2023, refer to the Group's "TCFD REPORT 2022/2023" (P35)

SuMi Trust AM's Efforts

- SuMi Trust AM will focus on climate change issues and support the transition toward a decarbonized society through engagement, initiatives and voting rights based on “climate change risks & opportunities” of investee companies

Engagement

Individual	With investee companies	<ul style="list-style-type: none"> ▪ To promote effective activities, SuMi Trust AM focuses on approx. 100 companies^{*1} that have major impacts on GHGs reduction globally
	Monitoring engagement results	<ul style="list-style-type: none"> ▪ For approx. 40 Japanese companies among them, manages the progress in four stages, and monitors how they implement measures and how they solve issues
	Dialogue with government agencies	<p>[Example] Exchanges opinions with Japanese ministries and agencies on issues Japanese companies are facing and global trends regarding climate-related information disclosure and transition</p>
Collaborative	Leadership in initiatives	<ul style="list-style-type: none"> ▪ Leads discussions and activities at initiatives. <p>[Example] NZAMI: Takes a position in the Advisory Group Climate Action 100+: Promotes collaborative engagement focusing on Asian companies as a lead manager</p>
	Active participation in sustainability-related initiatives	<ul style="list-style-type: none"> ▪ Selected companies with a large influence in agricultural supply chains at FSDA,^{*2} and began collaborative engagement
	Policy advocacy	<ul style="list-style-type: none"> ▪ Recommends governments to strengthen their responses to environmental issues and to establish a framework ▪ [Example] Exchanged opinions with President Lula's new administration in Brazil on conservation of the forests of the Amazon region through IPDD^{*3}

Exercising voting rights

- Tightened the standards for dealing with climate change in the revised proxy voting guidelines in Jan. 2022
- Opposes proposals for the election of directors in principle, if their policy corresponds to any of the following without a reasonable explanation

- Insufficient disclosure of information under the Task Force on Climate-related Financial Disclosures (TCFD) or other similar frameworks
- No mid- and long-term target setting in accordance with the Paris Agreement, or no disclosure of concrete measures to realize the targets
- No progress seen in reducing GHG emissions

Outside evaluations

- The stewardship activities of SuMi Trust AM was introduced as a case study sequentially after 2022 in the “Investor Climate Action Plans” (ICAP), an evaluation framework for management companies, formulated in the Investor Agenda^{*4} [link](#)

*1: Approx. 40 Japanese companies and approx. 60 foreign companies. Estimate that they cover approx. 40% of the total GHGs of all stocks held

*2: Financial Sector Defense Action Initiative (FSDA) was established to prevent deforestation in the grain production supply chain and promotes collaborative engagement

*3: The Investors Policy Dialogue on Defense (IPDD) is an initiative aimed at promoting policy engagement in forest conservation for the country and government officials

*4: A coherent and inclusive common leadership agenda on the climate crisis, focusing on accelerating investor action towards an economy with net zero carbon emissions

Nikko AM's Efforts

- Nikko AM, one of the few Asian companies to sign the UK Stewardship Code, integrates ESG in investment. They promote product offerings utilizing the global network and supports the transition to a decarbonized society

Engagement

Individual	With investee companies	<ul style="list-style-type: none"> ▪ A total of 70 names were selected to prioritize companies to dialogue with, including the top 60 names*1 in the emission ratio to total balance of Japanese stocks of Nikko AM and the top 10 names with high importance of Scope3
	Monitoring Engagement	<ul style="list-style-type: none"> ▪ Enhanced ESG integration functions by the Global Sustainable Investment Team, which was newly established in Aug. 2022 in Singapore as the core base ▪ Evaluates corporate initiatives in accordance with the framework recommended by NZAMI ▪ Manages the milestones of engagement progress and uses it for exercising voting rights and formulating engagement policies
Collaborative	Promotion of collaborative engagement	<ul style="list-style-type: none"> ▪ Promotes collaborative engagement with investee companies through investor associations and initiatives such as Climate Action 100 + and the Asia Investor Group on Climate Change (AIGCC) ▪ Continuously planning to expand efforts to improve understanding of climate change issues, address them and disclose information of companies for dialogue

*1: 72% of total balance of holding stocks (as of Dec. 2019)

*2: This is not a solicitation material for specific fund or strategy




Exercising voting rights

- Revised the voting standards in Apr. 2023. Set the voting standards on climate change to facilitate engagement with investee companies
- Encourages initiatives to respond to climate change through voting If the company selected for dialogue fails to respond

Product offerings

- Promotes product composition utilizing the global network while considering ESG factors
- Supports corporate efforts to reduce GHG emissions and achieve a decarbonized society through product offering

Example of Products*2: Climate Change Solutions - Japanese Stocks Strategy

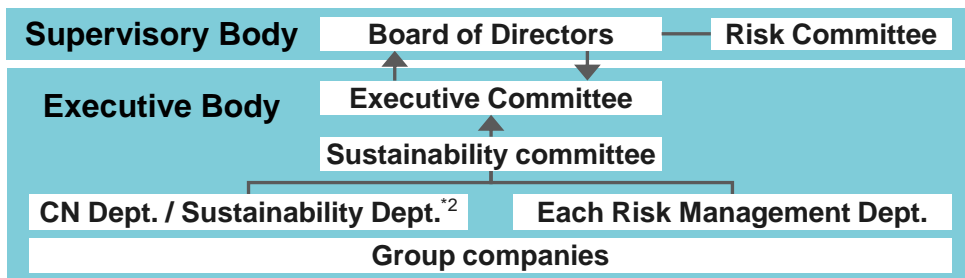
 low-GHG	<ul style="list-style-type: none"> ▪ Constructs low GHG portfolio for all sectors
 TOPIX alternative	<ul style="list-style-type: none"> ▪ Reduces tracking errors compared to TOPIX
 Engagement	<ul style="list-style-type: none"> ▪ Shares analyses with person in charge of stewardship ▪ Promotes environment-conscious management and information disclosure through engagement

SuMi TRUST Group’s Governance / Strengthening Foundation

- We have established a governance structure for supervision and execution centered on the Board of Directors, and monitor it using a risk appetite framework
- We have introduced the GX Online Learning System for our group employees. We are committed to increasing the environmental awareness and knowledge of our employees through education and sustainability activities

Governance system

- Established a governance system for supervision and execution with the Board of Directors at the center
- Changed the weight of ESG evaluation for executive compensation FY2022*1



Establishment of risk appetite indicators

- Regarding climate change-related risks as the top risks,*3 set the following items to risk appetite indicators and monitor them

OWN GROUP	GHGEs at branch offices in Japan of SuMi TRUST Bank (Scope1, 2)
Loan & inv. Portfolio	Progress in the intermediate target for 2030 (“power generation” and “oil & gas” sectors)
AM portfolio	Progress in the intermediate target for 2030 (SuMi Trust AM and Nikko AM)

*1: For details, see “TCFD REPORT 2022/2023” (P5)

*2: Carbon Neutrality Planning and Management Department / Sustainability Management Department

*3: Risks that may have a significant impact within one year and that should be noted in the management

Human resources development

- We are encouraged to understand climate change in a variety of areas, including “banking”, “trust”, “AM”. By actively providing employees with opportunities to learn about climate change, we raise their awareness and knowledge of climate change

GX online learning Aidemy	Offer GX online videos provided by Aidemy to our group employees, as a learning tool (since Sep. 2023)
Training	Promote the improvement of employees’ knowledge through workshops, etc. on climate change at SuMi TRUST Bank Workshops: approx. 30 times, News release: approx. 20 times (in the 1st half of FY2023)

“With You” activities (sustainability activities)

- SuMi TRUST Bank is implementing “With You” sustainability activities in which nationwide branch offices engage with local communities
- “With You Eco Festival” was held from Aug.- Sep. 2023. We worked on familiar topics in cooperation with the local community



Trust Business - Investor Business, Real Estate Business

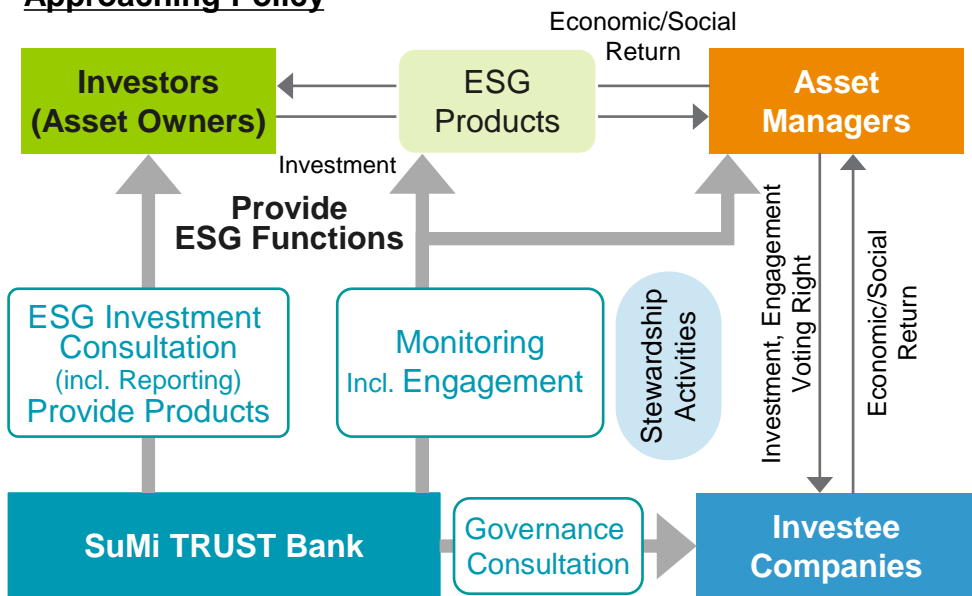
- By leveraging diverse functions unique to a trust bank, SuMi TRUST Bank will not only achieve our net zero target but also continuously contribute to the realization of a decarbonized society through providing solutions to clients

Investment Business

-Strengthens ESG investment Business

- Contributes to sustainable development of the Japanese economy through our ESG investment business
- Provides ESG functions such as “consulting”, “monitoring”, “products” to investors, asset managers and investee companies

Approaching Policy



Contribute to sustainable development of the Japanese economy as a whole through promoting ESG investments

Real Estate Business

-Decarbonization Support for the Real Estate Sector

- Contributes to decarbonization of not only entrusted property but also the real estate sector as a whole through our business
- Provides our various functions & services to clients, starting from visualizing the client’s position through survey

Major Results

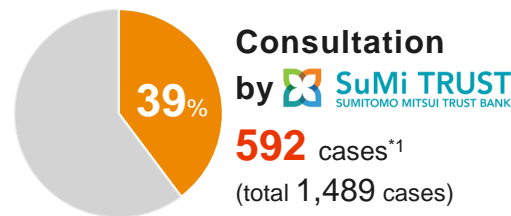
ESG Real Estate Survey

Visualizes ESG progress & client’s position in real estate sector

GHGs Visualization

Visualizes GHG emissions and energy consumption

CASBEE-Real Estate Certification Consulting



Non-Fossil Fuel Certificate Purchase Service

Purchased by SuMi TRUST SUMITOMO MITSUI TRUST BANK as trustee

Real estate

*1: Total number of certification consulting as of Sep. 30, 2022. Increased by 161 cases from 431 cases at the end of Sep. 2022.

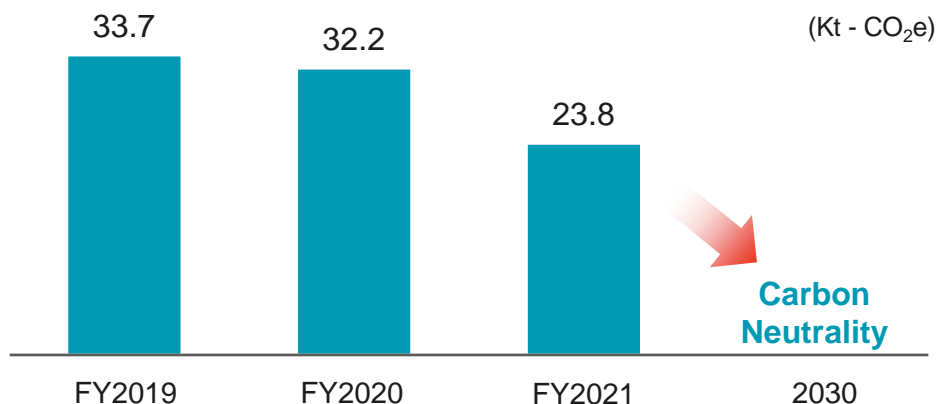
OWN GROUP's Efforts

- Aim to achieve net zero GHGEs from OWN GROUP by 2030
- Committed to expanding measuring areas for GHGEs, promoting the shift to renewable energy and energy saving, as well as expanding adoption of recycled materials and low emission products through dialogue with suppliers

Target for 2030 and current progress

- We set target to achieve net zero by 2030, and steadily reducing GHGEs

OWN GROUP's GHGEs (Scope1, 2): Record*1 & Target



Joined GX league

- SuMi TRUST Bank, whose emissions account for more than 90% of our emissions in Scope1, 2 joined the GX league and set the intermediate target for FY2025**

*1: Internal use of commercial vehicles was not included in the results until FY2021. Planning to start measuring from FY2022

*2: Set a target of 7,224 t-CO₂e ((83)% from FY2013) for Scope1, 2 in total for branch offices in Japan of SuMi TRUST Bank, but GHGEs from their internal commercial vehicles are excluded from the target

Progress so far

Shift to Renewable Energy	<ul style="list-style-type: none"> ▪ SuMi TRUST Bank and Sumitomo Mitsui Trust Panasonic Finance achieved 100% renewable energy for use in branch offices in Japan in FY2022 ▪ The buildings in Shiba and Fuchu, Tokyo, and some branches (Kyoto and Himeji) of SuMi TRUST Bank have already introduced off-site corporate PPA by solar power ▪ Planning to expand areas for shifting to renewable energy, and introduce an addible corporate PPA
Commercial Vehicle	<ul style="list-style-type: none"> ▪ Reduced approx. 20% commercial vehicles from the previous year in FY2022 ▪ Intending to further reduce gasoline consumption by shifting to EVs, etc.

Future policy

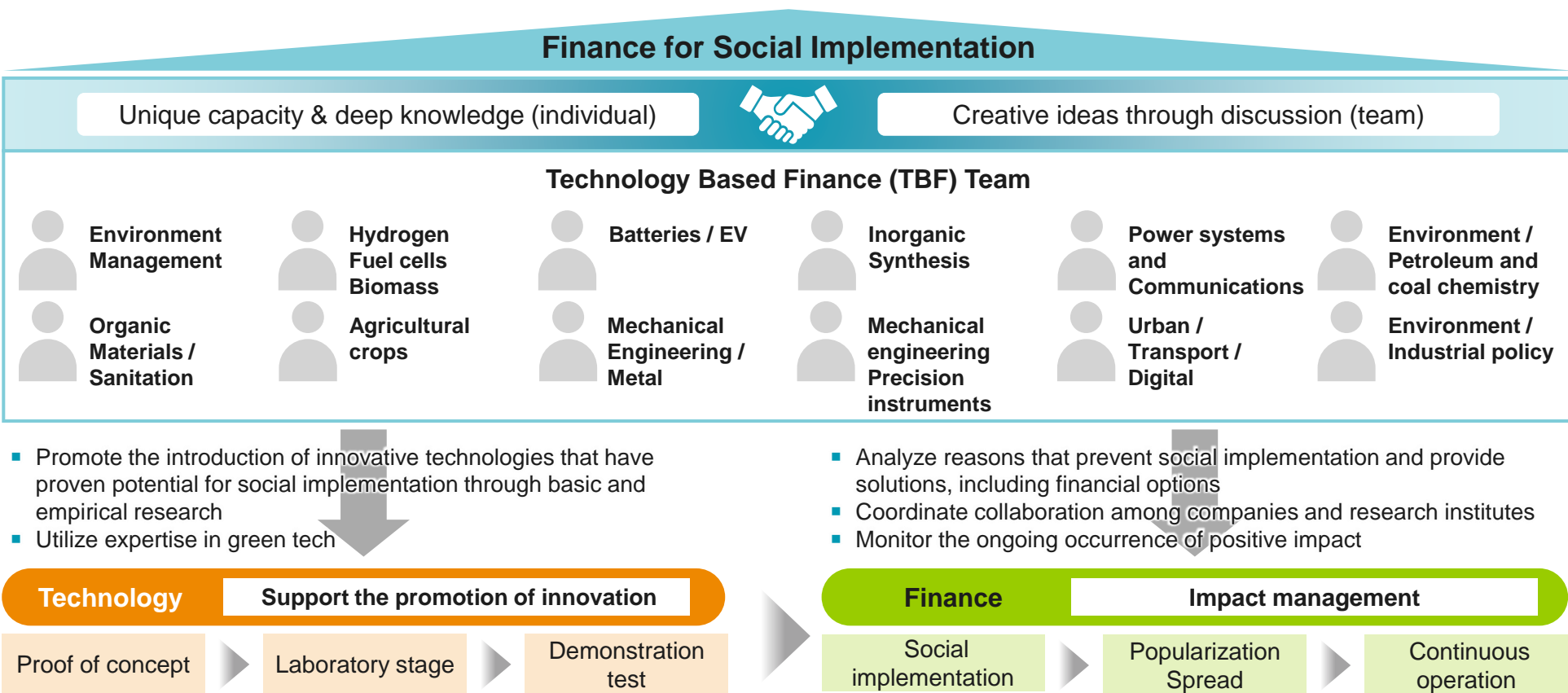
Measuring Area Expansion	Expand measuring areas to Scope3 (upstream) and actively adopt recycled materials and low emission products
Third Party Certification	For ensuring reliability of data, planning to acquire the third party certification for GHGEs from our branch offices in Japan in FY2023
Carbon Credit	Reduce emissions as much as possible by self-help effort, but also consider using a good carbon credit for hard-to reduce emissions

Appendix

Technology Based Finance (TBF) Team

- Established in the sustainability management dept. to financially support the social implementation of technologies
- Utilize the TBF team’s deep knowledge to understand and deepen dialogue with customers on the latest technologies. We leverage policy perspectives and the trust bank’s financial expertise to solve social issues

Approach of Technology Based Finance (TBF)



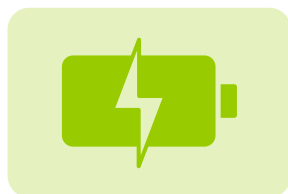
Participation in Breakthrough Energy Catalyst (Released in Nov. 2022)

- A platform founded by Bill Gates to promote the social implementation of innovative decarbonization technologies
- Acquire cutting-edge greentech knowledge and create business matching opportunities that contribute to clients' decarbonization

Access to innovative technologies



Clean Hydrogen



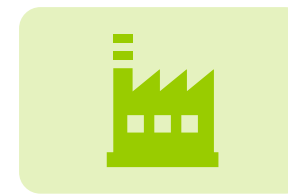
Long Duration Energy Storage



Sustainable Aviation Fuel (SAF)



Direct Air Capture (DAC)



Manufacturing (decarbonize cement, steel, plastics)

Participation of global advanced companies (2 Japanese companies)

- SuMi TRUST Bank
- Mitsubishi Corporation
- American Airlines
- ArcelorMittal
- Bank of America
- BlackRock Foundation
- Boston Consulting Group
- Citigroup
- General Motors
- HSBC
- Microsoft
- and others

Collaboration with Energy Capital Partners (ECP) (Released in Jan. 2023)

- ECP is one of the leading private equity (PE) managers in the U.S. specializing in the power energy, and environmental infrastructure sectors
- Leveraging the company's expertise and network to help corporate clients in decarbonization and transition

One of the largest power generation capacity in the US*1

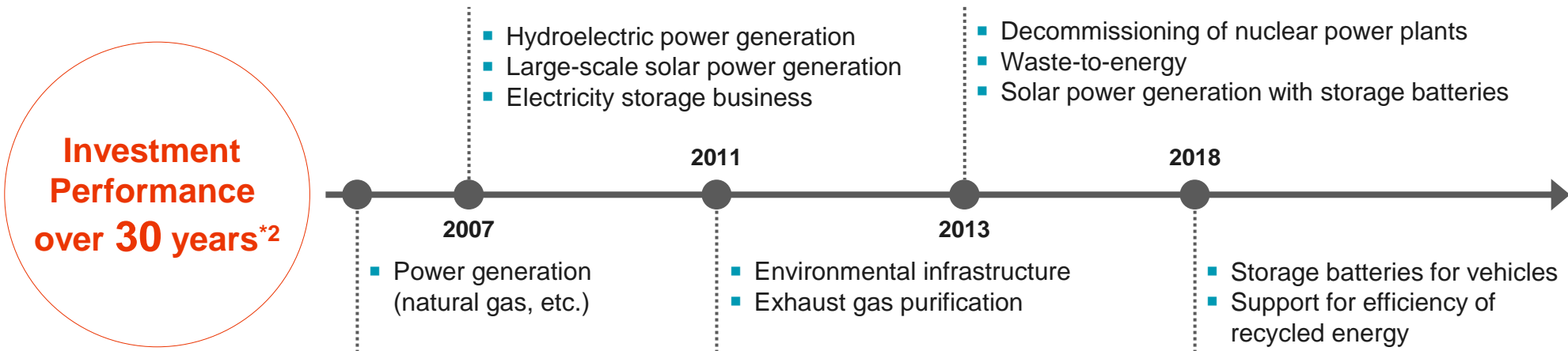
29GW

Investee Companies' Power Generation Capacity

2.8GW

Investee Companies' Renewable Power Generation Capacity

Broad range of knowledge and investment



*1: Figures are based on the combined total of investee companies. Largest in the U.S. PE market (as of Dec. 31, 2022)

*2: Including investment performance by its senior partners prior to the establishment of ECP (2005)