

# PRB Initiatives



We became a founding signatory to the Principles for Responsible Banking (PRB) advocated for by the United Nations Environment Programme Finance Initiative (UNEP FI) and launched on September 22, 2019. We are committed to collaborating with other signatory banks worldwide to strategically align our business operations with the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. The signing of the PRB means we promise to be transparent about the positive and negative impacts our banking business has on people and the planet. By focusing on the areas in which our core business has the greatest impact, setting goals for specific initiatives, and taking action, we hope to make significant contributions towards achieving the targets of the SDGs on both a global and local level.

Having signed on to the PRB, we are obligated to disclose information about our PRB initiatives in our existing reports. More specifically, 18 months after signing (i.e., by March 2021 for the Company) and then every year thereafter, we must report on progress and self-assessments, and then within four years fully implement the following necessary steps as a signatory bank: (1) impact analysis; (2) target setting and implementation; and (3) accountability. Our first initiative is shown below.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<b>Principle 1: Alignment</b>		
We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.		

1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant, the technologies financed across the main geographies in which your bank has operations or provides products and services.

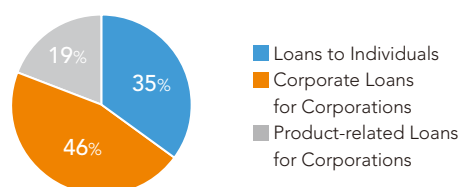
The SuMi TRUST Group leverages its significant expertise and comprehensive capabilities to create unique value under a business model that combines banking, asset management and administration, and real estate services.

2021 disclosure materials

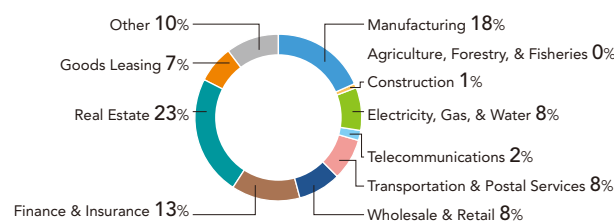
### FY2020 Gross Business Profit by Segment (¥100mn)

Retail TS Services Business	1,776	Bank deposits, loans to individuals, sales of investment trusts and insurance, will trusts, asset inheritance services, etc.
Wholesale TS Services Business	2,077	Corporate credit loans, real estate lending, etc.
Stock Transfer Agency Services Business	403	Stock transfer agency services
Real Estate Business	499	Real estate brokerage, real estate securitization
Fiduciary Services Business	1,758	Pension trusts, securities management and administration
Global Markets Business	698	ALM, fixed income investments

### Breakdown of Loan Balance



### Industry Weighting of Loans to Domestic Corporate Clients



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

### Balance of Bank Loans in Japan and Overseas (March 31, 2021)

Japan	¥26 trillion	Overseas	¥4 trillion
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Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<p>1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>The SuMi TRUST Group defines its Purpose—or reason for existence—as “To create new value with the power of trusts and let prosperous future for our clients and society bloom,” and seeks to achieve the balanced creation of both social value and economic value. In order to realize its Purpose, the Group must organically combine the process of creating positive impacts while maximizing stakeholder value with the process of sustainably strengthening its own financial and non-financial management foundations (the six types of capital); and it must establish a system to appropriately manage these processes at the management level. The Group calls this system the “value creation process.”</p> <p>The Group defines the “events that have a significant impact on the process of improving the ability to generate value sustainably through the accumulation of financial and non-financial capital” as “Materiality”—or priority issues—and has drawn up a list of 17 Materiality issues. Of these issues, the Group recognizes that climate change has a particularly large impact. For this reason, in October 2021 the Group announced its Carbon Neutral Commitment and joined the Net-Zero Banking Alliance, while its two core management subsidiaries—Sumitomo Mitsui Trust Asset Management and Nikko Asset Management—signed up to the Net-Zero Asset Managers initiative. The Group has chosen to accelerate initiatives aimed at reducing its own GHG emissions, as well as those generated by its trusts, and investments and loans in order to realize a carbon-free society.</p>	<p>Sustainability Report 2021/2022 Page 18</p> <p>TCFD REPORT 2021/2022 pages 7-9</p>

**Principle 2: Impact and Target Setting**  
**We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**

<p>2.1 Impact Analysis:</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) Scope: The bank's core business areas and products/services across the main geographies in which the bank operates have been included in the scope of analysis, as outlined in section 1.1.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context &amp; Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> <li>• Identified and disclosed its areas of most significant (potential) positive and negative impact</li> <li>• Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts</li> </ul>	<p>With regard to domestic lending, the SuMi TRUST Group sought to identify the sectors that have the greatest impact. It analyzed industry types with the highest value in its loan portfolio; it used an impact radar that took into account the national needs of Japan; and for each sector, it measured positive and negative impacts.</p> <p>In Japan, global warming is the cause of an increasing number of natural disasters. Reducing GHG emissions, with the goal of mitigating global warming, is therefore an issue of great urgency. The Group used its impact radar to consider the characteristics of its impacts, and drew up a list of priorities for issues related to sustainable development; it designated climate change as the most important issue. When measuring impacts, the Group is experimenting with incorporating expert technical analyses and evaluations, primarily from the scientists and engineers belonging to the technology-based finance team.</p> <p>In order to respond to the key issue of climate change, in October 2021 the Group announced its Carbon Neutral Commitment. This formalizes its commitment to contributing to the realization of a carbon-free society by achieving net-zero emissions in its trusts, its loans and investments, and in its own initiatives.</p> <p>With regard to the GHG emissions goals outlined in its Carbon Neutral Commitment, the SuMi TRUST Group pledges to continually calculate and regularly report the results. Before it can calculate emissions, the Group must first establish an appropriate calculation system—a process that includes the creation of a database. In the meantime, the Group has come up with a broad estimate for the GHG emissions volumes of its current investments and loans portfolio. Details are provided in the TCFD Report.</p>	<p>TCFD REPORT 2021/2022 Pages 34-35</p>
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

The SuMi TRUST Group defines its Purpose—or reason for existence—as “To create new value with the power of trusts and let prosperous future for our clients and society bloom,” and seeks to achieve the balanced creation of both social value and economic value. In order to achieve its Purpose, the Group has drawn up a list of 17 Materiality issues, defined as “events that have a significant impact on the process of improving the ability to generate value sustainably through the accumulation of financial and non-financial capital.” Of these issues, the Group recognizes that climate change has a particularly large impact. For this reason, in October 2021 the Group announced its Carbon Neutral Commitment, and sought to accelerate initiatives aimed at reducing its own GHG emissions, as well as emissions generated by its trusts, and investments and loans in order to realize a carbon-free society.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/ relevant information
<p><b>2.2 Target Setting</b></p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact," resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/ climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p><b>SuMi TRUST Group Carbon Neutral Commitment</b></p> <p>The SuMi TRUST Group defines its Purpose—or reason for existence—as “To create new value with the power of trusts and let prosperous future for our clients and society bloom.” The Group seeks to contribute to the realization of a carbon-free society, and to achieve the balanced creation of both social value and economic value. It intends to accomplish this by creating new markets and new investment opportunities, through executing its investments and loans functions, and its asset management and administration, in the distinctive manner of a trust bank group.</p> <p>1) Contribute to achieving a carbon-free society by leveraging its wide-ranging and flexible functions as a trust bank group</p> <p>As Japan's only trust banking group, the SuMi TRUST Group aims for a balanced creation of both social value and economic value by harnessing the power of trusts. It will contribute to the realization of a carbon-free society through its transactions with clients by leveraging its diverse functions, including investments and loans from its own accounts, asset management, asset administration, and various advisory services.</p> <p>The SuMi TRUST Group is Asia's largest asset management group, with assets under management of ¥122 trillion, and intends to consider ways of achieving net-zero GHG emissions in its investment management operations. Both Sumitomo Mitsui Trust Asset Management (SMTAM) and Nikko Asset Management (Nikko AM) are already conducting independent engagement activities; they have also led Asian participation in international initiatives such as Climate Action 100+, and carried out joint engagement activities targeting corporations that are major greenhouse gas emitters.</p> <p>In the real estate sector, in 2010 the SuMi TRUST Group became the first Japanese financial institution to establish an organization dedicated to environmentally friendly property. Since then, the Group has engaged in various businesses aimed at popularizing environmentally friendly property. This includes providing consulting services for energy-saving building facilities, and providing support for clients looking to switch to renewable energy; the Group places a particular focus on consulting services for clients intending to apply for CASBEE Certification, a method for evaluating and rating the environmental performance of buildings. The Group has one of the highest-value portfolios of entrusted properties in Japan, with a combined value of approximately ¥20 trillion. Going forward, it intends to offer support plans for achieving net-zero GHG emissions at these properties.</p> <p>As the only financial group in Japan to specialize in trust banking, the SuMi TRUST Group will utilize its diverse and flexible functions to promote the creation of virtuous circles of financing, assets, and capital, and thereby contribute to the rapid realization of a carbon-free society.</p> <p>2) Achieve net-zero GHG emissions in investment and loan portfolios</p> <p>The SuMi TRUST Group has committed to achieving net-zero GHG emissions (Scope 3) in its investment and loan portfolios by 2050; in order to strengthen its commitment, it has joined the Net-Zero Banking Alliance (NZBA), which was convened by the United Nations Environment Programme Finance Initiative (UNEP FI). In fiscal 2022, the Group will formulate interim targets for 2030 in line with the NZBA framework.</p> <p>In the shipping sector, SuMi TRUST Bank is a signatory to the Poseidon Principles. In October 2021, the Bank also signed up to the Getting to Zero Coalition (GZC)'s “The Call to Action for Shipping Decarbonization,” which seeks to encourage decarbonization in the maritime shipping industry. The signatories to The Call to Action commit to achieving net-zero GHG emissions from international shipping by 2050; they also pledge to urge governments to formulate policies aimed at developing commercially viable zero-emission vessels by 2030.</p> <p><b>Examples of sustainable finance:</b></p> <ul style="list-style-type: none"> <li>• Positive impact finance</li> <li>• Renewable energy finance</li> <li>• Finance for green buildings</li> </ul> <p>The Group also intends to focus on transition finance that supports the transition to a carbon-free society.</p> <p>3) Contributions from the Group's own initiatives</p> <p>The SuMi TRUST Group has committed to achieving net-zero GHG emissions (Scope 1 and Scope 2) from the Group by 2030.</p>	<p>TCFD REPORT 2021/2022 pages 7-9</p>
	<p><b>Sustainable Finance Target</b></p> <p>SuMi TRUST Bank has set a long-term target for sustainable finance in the banking sector (loans to corporate clients) of ¥5 trillion in cumulative loans over the 10-year period from fiscal year 2021 through 2030, including ¥3 trillion in environment-related fields.</p> <p>As of September 30, 2021, the Bank has lent a cumulative total of ¥328.5 billion.</p>	<p>TCFD REPORT 2021/2022 page 31</p>

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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

The SuMi TRUST Group is a signatory to the Principles for Responsible Banking (PRB), and announced its Carbon Neutral Commitment as part of its efforts to respond to climate change and achieve a carbon-free society.

The Group will contribute to the realization of a carbon-free society by reducing its own GHG emissions, as well as emissions generated by its trusts, and investments and loans.

<p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p> <p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>In its Medium-Term Management Plan, the SuMi TRUST Group has outlined a basic strategy of generating positive impacts geared toward solving social issues, placing sustainability at the core of its management approach. For climate change and other key sustainability issues in Japan and overseas, the Executive Committee convenes meetings as the Sustainability Promotion Committee, while the Board of Directors provides supervision.</p> <p>In its Carbon Neutral Commitment, the Group has committed to achieving net-zero GHG emissions (Scope 3) in its investment and loan portfolios by 2050, and will formulate interim targets for 2030 in line with the NZBA framework. It has also committed to achieving net-zero GHG emissions (Scope 1 and Scope 2) from the Group by 2030.</p> <p>As outlined earlier, the SuMi TRUST Group intends to use its functions as a trust bank group to contribute to the realization of a carbon-free society. This includes promoting activities at its management subsidiaries, as well as supporting initiatives in the real estate sector.</p> <p>The Group established the Climate Change Project Team to promote its responses to climate change; the Team reports to the Executive Committee on a regular basis.</p> <p>SuMi TRUST Bank's credit portfolio is managed by the Wholesale Business Planning Department; the Department reports quarterly to the Credit Risk Committee, the highest decision-making body for investments and loans. The Wholesale Business Planning Department also monitors the management of the Sustainable Finance Target.</p>	<p>TCFD REPORT 2021/2022 Page 9</p>
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

For our sustainable finance target in banking, we plan to determine numerical targets and disclose our progress on a fiscal year basis. We also aim to further enhance SuMi TRUST Bank's policy on investments and loans through dialogue with stakeholders.

<p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p>Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p><b>1. GHG emissions reductions goals</b></p> <p>1) Achieve net-zero GHG emissions in investment and loan portfolios</p> <p>In its Carbon Neutral Commitment, the SuMi TRUST Group has committed to achieving net-zero GHG emissions in its investment and loan portfolios by 2050; during 2022, it will also formulate interim targets for 2030 in line with the NZBA framework.</p> <p>2) Contributions from the Group's own initiatives</p> <p>The SuMi TRUST Group has committed to achieving net-zero GHG emissions (Scope 1 and Scope 2) from the Group by 2030. SuMi TRUST Bank is transitioning to the use of green electricity at its office buildings in the Tokyo metropolitan region and elsewhere, which is expected to result in a 40% reduction in CO<sub>2</sub> emissions over fiscal 2019 levels. Going forward, the Group intends to expand the range of sites transitioning to green electricity, with the goal of achieving net-zero GHG emissions as soon as possible.</p> <p><b>2. Sustainable Finance Target</b></p> <p>SuMi TRUST Bank has set a long-term target for sustainable finance in the banking sector (loans to corporate clients) of ¥5 trillion in cumulative loans over the 10-year period from fiscal year 2021 through 2030, including ¥3 trillion in environment-related fields.</p> <p>As of September 30, 2021, the Bank has lent a cumulative total of ¥328.5 billion.</p>	<p>TCFD REPORT 2021/2022 Page 9</p> <p>TCFD REPORT 2021/2022 Page 32</p> <p>TCFD REPORT 2021/2022 Page 31</p>
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

The Group intends to steadily carry out all manner of measures to achieve its goals, and will continue to provide reports on its progress.

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
<p><b>Principle 3: Clients and Customers</b>            We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>		
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers.            This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>In September 2016, the SuMi TRUST Group formulated and announced its “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group.” Through these policies, the Group seeks to become the “Best Partner” for its clients, providing them with products and services compatible with their genuine interests, and to carry out fiduciary duties across all its business operations. Where necessary, the Group revises and further strengthens its policies and initiatives.</p> <p>In order to clearly communicate the results of these initiatives to its clients, the Group periodically publishes a report entitled “Progress Status and KPIs regarding Initiatives to Become the ‘Best Partner’ for Clients.” These KPIs include those commonly used by financial institutions for investment trust sales.</p>	<p>Sustainability Report 2021/2022            Pages 139–144            See Providing Value to Clients for details</p>
<p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities.            This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p><b>Positive impact finance (PIF)</b>            In March 2019, SuMi TRUST Bank developed the world's first positive impact finance (PIF) for ordinary corporate credit (in which the use of loaned funds is unspecified) in line with the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI). PIF is a loan agreement in which the Bank comprehensively analyzes and assesses the impacts of a company's supply chain on the environment, society, and the economy; it draws up specific KPIs for increasing positive impacts and limiting negative impacts, and requires the client commit to them. The Bank then encourages the client in its efforts to contribute to SDGs by monitoring and disclosing the results of these impacts, and supports client efforts to boost the competitiveness of its business, products, and services from a global perspective.</p>	<p>Sustainability Report 2021/2022            Pages 54–56, 58</p>
	<p><b>Impact evaluations on funds (expanding impact evaluations)</b>            SuMi TRUST Bank provides support for conducting impact evaluations on the impact investments funds created by Anchor Ship Partners Co., Ltd. (“ASP”) and Real Tech Holdings Co., Ltd. (“Real Tech”). ASP carries out investments in the shipping industry—one of the 14 promising fields outlined by the Japanese government in its Green Growth Strategy—in line with global trends toward decarbonization; it also measures the impacts that investee companies have on the environment, society, and the economy, and carries out appropriate management. Through its impact evaluations and monitoring, SuMi TRUST Bank will provide support for ASP's fund, which encourages initiatives aimed at decarbonization in the shipping industry. Real Tech invests in and nurtures “deep tech” startups—startups that seek to use cutting-edge scientific techniques and R&amp;D to provide technological solutions for the earth and society—and is set to become the first deep tech startup fund to implement impact evaluations; to this end, it has signed an agreement for SuMi TRUST Bank to provide advisory services for impact evaluations and for the fund itself. Going forward, SuMi TRUST Bank will promote initiatives aimed at visualizing the impacts of deep tech, and at applying deep tech technologies in society.</p>	<p>Sustainability Report 2021/2022            Page 59</p>
	<p><b>Sustainability management consulting</b>            SuMi TRUST Bank defines sustainability management as “the establishment of a value creation process that balances the creation of value for stakeholders and the creation of value for oneself, in the three aspects of the economy, society, and the environment.” It assembles project teams of experienced ESG consultants, governance specialists, and environmental specialists tailored to the needs of each individual client, and provides them with advisory services.            The Bank provides support for implementation, promotion, disclosure, and dialogue in sustainability management, and has thus far worked with a total of 66 clients.</p>	<p>Sustainability Report 2021/2022            Pages 62–63</p>
	<p><b>Support for the social implementation of technologies</b>            The implementation of innovative technologies, the combination of various different technologies, and vast funds are required for the realization of a carbon-free society; more than ever before, financial institutions are being required to increase their knowledge of technologies, and to actively identify the risks and opportunities they present. For these reasons, the SuMi TRUST Group has established a technology-based finance team, comprised of researchers and experts with doctorates in science and engineering. Its goal is to provide financial support both for R&amp;D into technologies that can contribute to the realization of a carbon-free society, and for their social implementation.</p>	<p>Sustainability Report 2021/2022            Pages 68–69</p>

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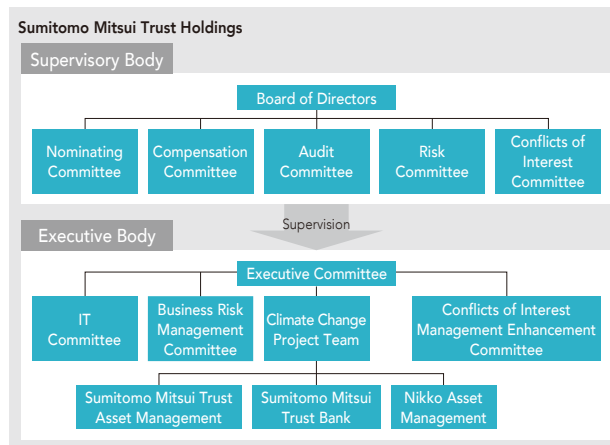
**Principle 4: Stakeholders**  
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>In its Management Principles ("Mission"), the SuMi TRUST Group defines its stakeholders to be clients, shareholders, employees, and society; in its Basic Policy on the Social Responsibility of the Sumitomo Mitsui Trust Group (Sustainability Policy), the Group defines its major stakeholders to be clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities, and international institutions. The Group commits to respecting dialogue with these stakeholders and playing an active role in building a sustainable society. By identifying its stakeholders in this way, the Group is able to clearly understand how it relies on and impacts each stakeholder, and to establish a strategic foundation for the creation of social value.</p> <p>In October 2021, the Group announced its Carbon Neutral Commitment and joined the Net-Zero Banking Alliance, while its two core management subsidiaries—Sumitomo Mitsui Trust Asset Management and Nikko Asset Management—signed up to the Net-Zero Asset Managers initiative. The Group has chosen to accelerate initiatives aimed at reducing its own GHG emissions, as well as those generated by its trusts, and investments and loans in order to realize a carbon-free society.</p>	<p>Sustainability Report 2021/2022 Pages 22-27</p> <p>Sustainability Report 2021/2022 Page 67</p>
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**Principle 5: Governance & Culture**  
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

<p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/ is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>The SuMi TRUST Group believes climate change poses risks and generates opportunities with the greatest impact on the financial market; it has therefore identified climate change as a Materiality issue that significantly impacts the value creation process. With regard to Materiality issues, the Risk Committee and the Business Risk Management Committee act as advisory bodies for the Board of Directors and the Executive Committee respectively. The Group's various climate change initiatives are intimately linked to sustainability promotion and risk management; for this reason, in line with the relevant promotion and management systems, these initiatives are debated by the Executive Committee and supervised by the Board of Directors.</p>	<p>TCFD REPORT 2021/2022 Page 5</p>
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**Climate Change Governance System**



Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
	<p><b>Supervision</b></p> <p>1) Board of Directors In light of the importance of environmental and social issues related to sustainability, the Board of Directors has prescribed a basic policy (the "Sustainability Policy") and environmental policy regarding the social responsibility that is to be fulfilled by each Group company; this is a way of communicating the Group's approach to climate change and sustainability both to internal and to external parties. Based on these policies, the Board of Directors receives reports from executive bodies regarding the progress of their climate change initiatives, and provides supervision with the help of the Risk Committee and other advisory bodies.</p> <p>2) Risk Committee The Risk Committee is the advisory body to the Board of Directors. It checks the progress of the Group's climate change initiatives; it carries out flexible and in-depth discussions on climate change that include external directors with expert knowledge; it then reports its findings on the Group's climate change policies and strategies to the Board of Directors. In fiscal 2021, the Risk Committee defined climate change as a key topic requiring focused discussions. It receives regular reports from executive bodies regarding plans for climate change initiatives and how they are progressing, and holds discussions that reflect international trends to climate change response.</p> <p><b>Execution</b></p> <p>1) Executive Committee The Executive Committee promotes the Group's response to sustainability and climate change by establishing medium-term policies and fiscal year policies for initiatives related to sustainability and climate change, and establishing systems for executing these policies. The Committee acts in a flexible and precise manner, carrying out PDCA cycle-based interim progress checks, and ordering policy reviews where necessary. In fiscal 2021, the Executive Committee made wide-ranging resolutions: to review the Group's climate change promotion systems; to establish the Climate Change Project Team; to publicly announce the Group's Carbon Neutral Commitment; and to join NZBA. The Committee receives regular reports from the Climate Change Project Team, holds discussions on the risks and opportunities presented by climate change, and makes decisions accordingly.</p> <p>2) Business Risk Management Committee The Business Risk Management Committee is the advisory body to the Executive Committee. It holds discussions regarding the soundness of the Group's business management and financial affairs, the appropriateness of its work processes, and its management of compliance and risks. Climate change risks have a direct impact on the Group's financial affairs; for this reason, the Committee holds discussions and carries out monitoring from a risk management perspective.</p> <p>3) Climate Change Project Team In 2019, the SuMi TRUST Group established the TCFD Project Team with the goal of strengthening its risk management and improving its information disclosure with regard to climate change; the Team has since carried out risk management, scenario analysis, and various initiatives related to climate change. In this fiscal year, the Group has grown increasingly aware of the importance of climate change to the world as a whole, and of the importance of utilizing its cross-organizational functions as a trust bank group for realizing carbon neutrality. As a consequence, in October 2021 the Group reorganized the TCFD Project Team as the Climate Change Project Team, with the goal of realizing rapid, Group-wide and business-wide responses to climate change. The Climate Change Project Team is composed of various business management departments at SuMi TRUST Holdings, various business departments at SuMi TRUST Bank, SuMi Trust Asset Management, Nikko Asset Management, the Americas Division, and the Europe, Middle East and Africa Division. The Project Team discusses and promotes Group-wide measures aimed at realizing the Carbon Neutral Commitment, which the Group announced in October 2021. It also discusses and promotes Group-wide strategies and projects aimed at maximizing the Group's functions to actively encourage the transition to a carbon-free society. The Project Team regularly reports the progress of its activities to the Executive Committee.</p>	

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**Major Initiatives in FY2020–2021**

Committee or Body	Description of Activity	
Board of Directors	<ul style="list-style-type: none"> <li>Held in-depth discussions related to climate change (including the Carbon Neutral Commitment) as a management theme</li> </ul>	Supervisory body
Risk Committee	<ul style="list-style-type: none"> <li>Positioned climate change as an important topic of discussion for FY2021; with the participation of expert outside committee members, carried out regular checks on the progress of Group initiatives, and held regular discussions related to climate change</li> </ul>	Advisory body to the Board of Directors
Executive Committee	<ul style="list-style-type: none"> <li>Held discussions and made resolutions related to: reviewing the Group's climate change promotion systems, joining NZBA, and publicly announcing the Carbon Neutral Commitment</li> <li>Submitted monthly reports on the progress of the Climate Change Project Team</li> </ul>	Executive body
Business Risk Management Committee	<ul style="list-style-type: none"> <li>Provided advice and heard opinions on the state of discussions related to: reviewing the Group's climate change promotion systems, joining NZBA, and publicly announcing the Carbon Neutral Commitment</li> </ul>	Advisory body to the Executive Committee
Climate Change Project Team Steering Committee	<ul style="list-style-type: none"> <li>Held monthly discussions on the progress of the Climate Change Project Team</li> </ul>	Executive body

5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees.  
This should include a high-level overview of capacity building, while including remuneration structures, performance management, and leadership communication, amongst others.

In order to foster a culture of responsible banking, the SuMi TRUST Group promotes understanding of Group strategies among all its directors, officers, and employees via the initiatives listed below.

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**Employee education activities**

The SuMi TRUST Group defines its Purpose—or reason for existence—as “To create new value with the power of trusts and let prosperous future for our clients and society bloom,” and seeks to achieve the balanced creation of both social value and economic value. Since adopting its new management system in April 2021, the Group has launched a Purpose Caravan, via which the President seeks to explain the Purpose of the Group directly to its employees. As part of this Caravan, the President of SuMi TRUST Bank held a total of 26 online discussions, attended by approximately 12,000 Bank employees, temporary overseas employees, and directors and officers from other Group companies. Since September 2021, by holding discussions and distributing videos, the Group has gradually broadened the scope of the Purpose Caravan to cover Group company employees, and national staff at overseas worksites.

**Voluntary employee activities**

Departments across the Group are promoting voluntary activities such as Challenge for SDGs, Our Own SDGs Declarations, and With You. The Group provides support for employees to think about SDGs for themselves, and act accordingly.

**Compensation for directors and officers**

In principle, compensation for directors and officers consists of a combination of monthly compensation (comprised of fixed compensation and individual performance compensation), bonuses for directors and officers (performance-linked bonuses), and BBT (Board Benefit Trust). In order to encourage the management to promote sustainability, the Group uses “ESG-related activities and rating agency scores, etc.” as one of its KPIs for determining stock compensation for directors and officers.

5.3 Governance Structure for Implementation of the Principles  
Show that your bank has a governance structure in place for the implementation of the PRB, including:  
a) target-setting and actions to achieve targets set  
b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

- The Group's Sustainable Finance Target and CO<sub>2</sub> reduction targets were established by the Executive Committee; however, each Group business formulates its own concrete action plans, and monitors its own progress towards achieving its targets.
- Progress on achieving targets and any negative impacts that may arise are reported to the Sustainability Promotion Committee, which then immediately considers if remedial action is required.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

As a signatory to the PRB, we have established a governance structure for target setting and monitoring so that the Principles can be implemented effectively. The Sustainability Management Department works with departments tasked with managing target achievement to monitor progress status, and reports the details of such progress to the Sustainability Promotion Committee.



Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/Link(s) to bank's full response/relevant information
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**Principle 6: Transparency & Accountability**  
 We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. These good practices serve as a reference when setting priorities and goal levels. Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>The SuMi TRUST Group discloses the content of its initiatives via various reports, including the Integrated Report, Sustainability Report, and TCFD Report.</p> <p>In 2021, the Group carried out the following initiatives:</p> <ul style="list-style-type: none"> <li>• Announced the Carbon Neutral Commitment (October 2021)</li> <li>• Revised sector-specific policies (December 2021)</li> <li>• Lent a total of ¥328.5 billion in sustainable finance (as of September 30, 2021)</li> <li>• Carried out two impact evaluations on fund investments</li> </ul>	
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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

In the first 18 months after signing up to the PRB, as measures to address climate change, the Group became a signatory to the Poseidon Principles, revised its sector-specific policies, and released its first-ever TCFD Report. It also disclosed information about biodiversity via the Natural Capital Report. In October 2021, the Group announced its Carbon Neutral Commitment and joined the NZBA; in order to strengthen its commitment, the Group also established the Climate Change Project Team. Going forward, the Group intends to take the necessary steps to further enhance its sector-specific policies.