

Signatory to the Principles for Responsible Banking

We became a founding signatory to the Principles for Responsible Banking (PRB) advocated for by the United Nations Environment Programme Finance Initiative (UNEP FI) and launched on September 22, 2019. We are committed to collaborating with 130 banks worldwide—which collectively hold USD47 trillion in assets—to strategically align our business operations with the 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 environment. By focusing on the areas in which our core business has a great impact, setting



September 22, 2019: Signing ceremony we also attended at the United Nations Headquarters in New York (Source: UNEP FI website)

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.

Status of Our Implementation of the Principles for Responsible Banking

The Principles for Responsible Banking (PRB) require us to disclose the status of our implementation of the principles in our existing reports. Specifically, signatory banks need to report on their implementation of the Principles and self-assessment the first time within 18 months of signing (by March 2021 in our case) and annually thereafter. Within four years, we are required to fully implement the necessary steps, including impact analysis, target setting

and implementation, and accountability as outlined in this report. The Group's policy is to disclose its implementation status through its ESG reports. This ESG Report 2019/2020 reports on our implementation status using the format of UNEP FI's "PRB Reporting and Self-Assessment Template" with the aim of clarifying our current position for future full-scale implementation (this is not intended to serve as the first report required within 18 months of signing).

Principle 1: Alignment

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.

The Group's Business Portfolio (FY2018 Gross Business Profit by Segment)

Business	Gross Profit (¥100 million)	Main Products and Services
Retail Total Solution (TS) Services	1,998	Bank deposits, loans to individuals, sales of investment trusts and insurance, will trusts, asset inheritance services, etc.
Wholesale Financial Services	1,938	Corporate credit, real estate loans, etc.
Stock Transfer Agency Services	370	Stock Transfer Agency Services
Real Estate	543	Real estate brokerage, real estate securitization
Fiduciary Services	1,721	Management and administration of pension trusts, securities, etc.
Global Markets	456	ALM, fixed income investment
Other	195	—
Total	7,226	—

* Gross profit for Wholesale Financial Services is the sum of the Wholesale Total Solution Services Business and the Wholesale Asset Management Business.

Loan Balances in the Banking Business in Japan and Overseas (End of March 2019)

In Japan	¥24,931.5 billion	Overseas	¥4,094.1 billion
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Related Information: Financial Data Section, 2019 Annual Report (URL https://www.smtb.jp/ir/disclosure/2018/f_03.pdf)

Alignment with SDGs and Paris Climate Agreement

In the Group's sustainability work, we set out initiatives including five major themes to address and ensure that each business is engaged in activities aimed at realizing the relevant SDGs. One of the five major themes is climate change. In line with the intent of the Paris Agreement, we are promoting initiatives in accordance with the Task

Force on Climate-related Financial Disclosures (TCFD). In addition, in our total solution services, we help client companies transition in a sustainable direction aligned with the realization of the SDGs through Positive Impact Finance, ESG & Integrated Report Consulting, and the Governance Support Program.

Relationship between the Group's Main Businesses and Sustainability Business Themes

	Retail TS Services	Wholesale Financial Services	Stock Transfer Agency Services	Real Estate	Global Markets	Fiduciary Services (including Investment)
Climate Change		○		○	○	○
Natural Capital (Biodiversity Issues)		○		○		○
Environmentally Friendly Property	○	○		○		○
Sustainable Investment (ESG Investment)	○	○			○	○
Super-aging Society Issues	○	○		○		
Positive Impact Finance		○		○		○
ESG & Integrated Report Consulting		○	○			

Related information: ESG Report 2019/2020 pages 16-75

Principle 2: Impact & 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.

Status of the Group's Main Businesses

Business	Indicator	Amount or Number	Universe	Ranking
Retail TS Services	Balance of loans to individuals	¥9 trillion	Domestic banks	4th
	Total sales of investment trusts and discretionary investments	¥0.9 trillion	Domestic banks	1st
	Number of wills held in custody	32,000	Trusts	2nd
Wholesale Financial Services	Balance of loans to corporations	¥19 trillion	Domestic banks	5th
Stock Transfer Agency Services	Number of shareholders under administration	26,700,000	Trusts	1st
Real Estate	Real estate-related revenue	¥54.3 billion	Trusts	2nd
	Entrusted balance of securitized real estate	¥16 trillion	Trusts	1st
Fiduciary Services (including Investment)	Assets under management	¥93 trillion	Domestic financial institutions	1st
	Assets under custody	¥211 trillion	Domestic financial institutions	1st
	Entrusted balance of corporate pension funds	¥12 trillion	Trusts	1st

Impact Analysis, etc.

Based on the Group's business portfolio (see page 12), loan balances in the banking business in Japan and overseas (see page 12), and the status of the Group's main businesses (see page 13), it is assumed that the six core businesses, particularly in Japan, have an impact of reasonable size and strength on the three dimensions of sustainable development: economic, social, and environmental. Given that the Principles for Responsible Banking apply to banking principles, this impact analysis excludes

the Fiduciary Services Business, which has a large impact on asset management, and the Global Markets Business, whose impact is difficult to assess.

In the future, we plan to carry out specific impact and target setting and formulate plans for implementation and monitoring of targets. Meanwhile, the following are examples of impact areas that are considered reasonably large at this time and examples of how the impact can be addressed.

Retail TS Services Business

More than 40% of SuMi TRUST Bank's individual clients are over 65 years of age. The contribution to maintaining the Quality of Life (QOL) of our elderly clients is one of our significant duties and can be considered an area of impact.

Example of minimizing the negative impact	As Japan faces extreme population aging, dementia has become a serious social problem. Concrete policies (standards) therefore need to be adopted to ensure that sales of risk products to elderly clients take into account their decision-making capacities.
Example of maximizing the positive impact	It is also a serious social problem that people whose judgment is reduced due to dementia and other age-related problems are unable to carry out financial transactions. From the perspective of financial inclusion, we should help these clients manage their property and build a strategy to develop comprehensive services that contribute to maintaining QOL.

Wholesale Financial Services Business

We are analyzing SuMi TRUST Bank's lending portfolio to identify significant areas (industries) of relative negative impact and systematically engaging with clients to mitigate these negative impacts. Meanwhile, we are identifying priority social and environmental issues and building total solution-type business models for solving them.

Example of minimizing the negative impact	Prohibition of lending to companies that manufacture cluster bombs, ban in principle of project financing of newly constructed coal-fired power plants, development of sector-specific policies for major industries with negative impact, and efforts to address the Equator Principles
Example of maximizing the positive impact	Development of Positive Impact Finance and construction of its sales strategy, development of ESG & Integrated Report Consulting and construction of its sales strategy, establishment of a support framework for ESG & SDGs in Corporate Finance

Principle 3: Clients & Customers

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.

The Group has developed a wide range of products and services that contribute to building a sustainable society for our clients. Details are provided in this ESG Report 2019/2020.

- We provide products and services under the theme of "Climate Change" mainly in the Wholesale Financial Services Business, Real Estate Business, and Fiduciary Services Business (see pages 24-39 for details).
- We provide products and services under the theme of "Environmentally Friendly Property" in the Real Estate Business (see pages 67-75 for details).
- We provide products and services under the theme of "Natural Capital" mainly in the Wholesale Financial Services Business (see pages 40-45 for details).
- We provide products and services under the theme of "Sustainable Investment" mainly in the Retail TS Services Business and the Fiduciary Services Business (see page 57 for details).
- We provide products and services under the theme of "Super-aging Society Issues" mainly in the Retail TS Services Business (see pages 46-56 for details).
- We introduced "Financial Inclusion" as a new theme and started initiatives in this area mainly in the Retail TS Services Business (see pages 76-80 for details).
- In the Wholesale Financial Services Business, we are developing financial products that do not specify the use of funds (Positive Impact Finance) in accordance with the Principles for Positive Impact Finance (see pages 17-18 for details).
- In the Wholesale Financial Services Business, we are deploying ESG & Integrated Report Consulting to support corporate ESG and SDG initiatives (see page 19 for details).
- Since our clients are the foundation of these business operations, we interact with them in good faith without exception (see pages 82-95 for details).

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

The Group has been working with a wide range of stakeholders to address a wide range of social and environmental issues to achieve a sustainable society, as described below.

Policy Authorities	Cabinet Office, Ministry of the Environment, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, Forestry Agency, Tokyo Metropolitan Government (Bureau of Environment), etc.
United Nations-Related Organizations	United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB) Principles for Responsible Investment (PRI) United Nations Global Compact UNEP FI Property Working Group (UNEP FI PWG) Natural Capital Finance Alliance
Cooperation among Financial Institutions	Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century (PFA21)) Equator Principles Institute of International Finance (IIF)
Cooperation among Industry, Government and Academia	(Biodiversity) Business and Biodiversity Initiative (Biodiversity in Good Company) (Aging Society Issues) International Longevity Center Japan (Dementia problem) COLTEM (Collaboration center of Law, Technology and Medicine for autonomy of older adults), which offers support for all stages of elderly community life from healthy to dementia

(Examples where we have contributed proactively to the improvement of sustainability in Japan)

- We participated in the development of CASBEE for Real Estate as an organizer of the subcommittee examining CASBEE property appraisal. CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for evaluating and rating the environmental performance of buildings developed by the Institute for Building Environment and Energy Conservation (IBEC) under the auspice of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).
- We implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism.
- In collaboration with COLTEM, we published a Guide for Dementia Friendly Financial Services aimed at improving capabilities for handling dementia across the entire financial industry (September 2017).
- We participated in the "strategy to be taken in order to become an ESG financial superpower," a joint proposal from the Ministry of the Environment and the Principles for Financial Action for the 21st Century (PFA21) (March 2019).
- We participated in the "urgent recommendations on financial behavior towards de-carbon society," from the PFA21 Steering Committee (October 2019).

Principle 5: Governance and Culture

We will ambitiously and transparently implement our commitment to these Principles through effective governance and a culture of responsible banking and by setting and announcing targets in areas where we have a significant impact.

- SuMi TRUST Holdings has established a system for promoting sustainability with the Board of Directors at the top. The Sustainability Promotion Committee, which is held as part of the Executive Committee, manages the status of implementation of the Principles for Responsible Banking and gives status reports to the Board of Directors (see page 110 for details).
- The Sustainability Promotion Office of the Corporate Planning Department is responsible for bringing the entire Group together to implement the Principles for Responsible Banking. Going forward, we intend to keep sustainability at the core of our management. We will continue to strengthen our strategic and organizational sustainability efforts and continue to spread the philosophy of the Principles for Responsible Banking, for example through documents such as the Integrated Report (Employee Version).

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.

To be disclosed in our ESG reports going forward.