

Total Solutions for Solving Clients' ESG/SDGs Challenges

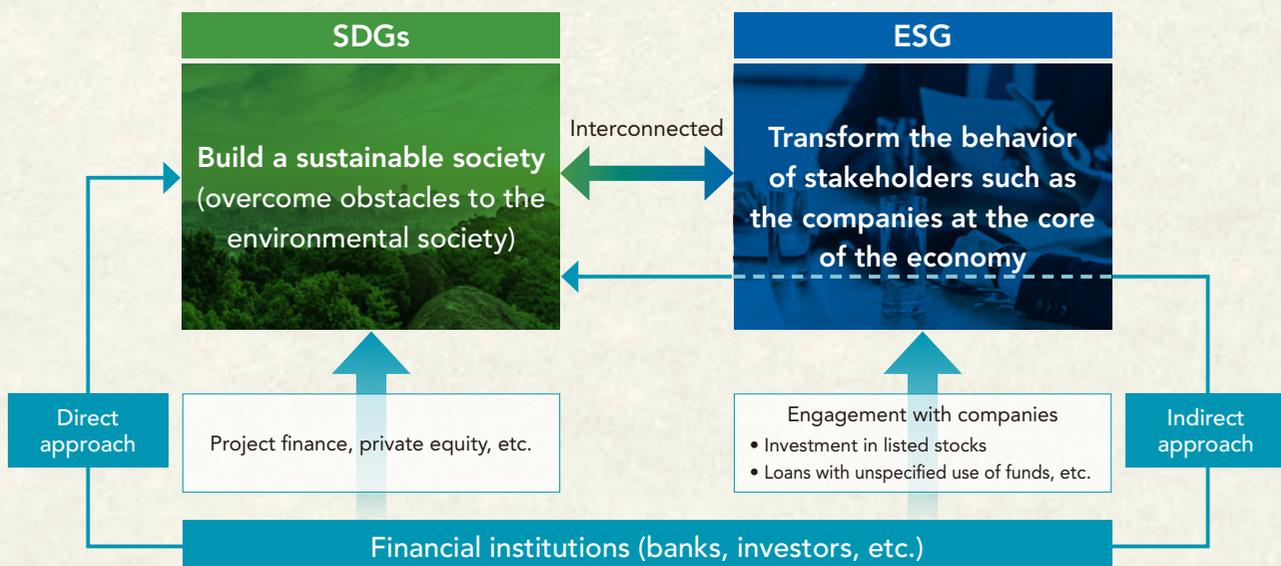
By leveraging the various functions of a trust banking group, and building on our experience actively tackling sustainability issues since 2003, the Group is able to offer total solutions to our clients' comprehensive ESG and SDG challenges.

The Group's total solutions contribute to maximize the positive impact of our clients as well as the Group across the economic, social, and environmental dimensions required to create a sustainable society.

The Group leverages investments and loans, trust products, and consulting services to solve client challenges and contribute to the improvement of client's own value.

Financial institutions can create positive impacts in two ways, direct and indirect. Investments and loans that contribute to achieving the 17 SDGs are examples of the direct approach. The indirect approach is to encourage the transformation of the business activities of companies at the core of the economy. Under the banner of our five major sustainability

themes, we are working towards the SDGs individually while strengthening our efforts to contribute to the realization of the SDGs through Positive Impact Finance solutions, ESG & Integrated Report Consulting, and other total solution services for our corporate clients.



Positive Impact Finance Initiatives

What is Positive Impact Finance?

Positive Impact Finance is a type of financing that comprehensively analyzes and evaluates the impact (positive and negative) of business activities on the economy, society, and the environment, sets targets for mitigating the negative impacts and expanding the positive impacts, and then conditions the loan on a commitment to the achievement of those goals.

Specifically, it is based on the Principles for Positive

Impact Finance set out by the United Nations Environment Programme Finance Initiative (UNEP FI), and carried out in accordance with UNEP FI's guidelines for implementation of the Principles. The most distinctive feature of Positive Impact Finance is the use of assessment metrics (KPIs) to explicitly disclose the degree to which a company's activities, products, and services contribute to achieving the SDGs.

Principle 1 (Definition):

Positive Impact Finance serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated.

Principle 2 (Frameworks):

To promote the delivery of Positive Impact Finance, banks and investors need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the entities to be financed or invested in.

Principle 3 (Transparency):

Banks and investors are required to ensure transparency and disclosure on:

- The positive impacts intended by the entities financed or invested in (as per Principle 1);
- The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
- The impacts achieved by the entities financed or invested in (as per Principle 4).

Principle 4 (Assessment):

The assessment of Positive Impact Finance delivered by banks and investors should be based on the actual impacts achieved.

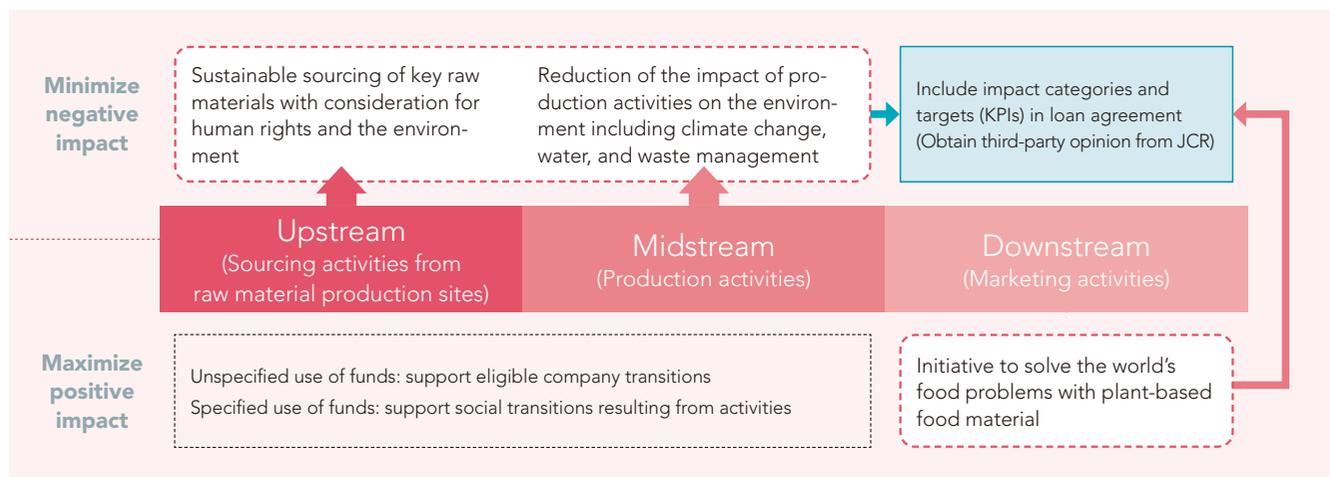
Transaction with FUJI OIL HOLDINGS INC.

(1) Overview of Initiatives

In March 2019, SuMi TRUST Bank concluded the world's first loan agreement for Positive Impact Finance (Unspecified Use of Funds) with Fuji Oil Holdings Inc., a producer of vegetable oils, fats, and other food ingredients.

Before lending to the company, we identified the upstream, midstream, and downstream impacts of the company's supply chain, set targets for maximization

of the positive impacts and minimization of the negative impacts, and incorporated those commitments into the loan agreement. In concluding the Agreement, we obtained a third-party opinion from Japan Credit Rating Agency (JCR) on compliance of the assessment procedures with the Principles for Positive Impact Finance and on the reasonableness of the assessment metrics used.



(2) Overview of Impact Analysis

In our comprehensive analysis of the impacts of Fuji Oil Holdings Inc. along the three dimensions of sustainable development (economic, social, and environmental), we used impact radar* to identify potential positive and negative impacts on the supply chain that occur upstream (in

sourcing of raw materials), midstream (in the activities of factories engaged in production and sales), and downstream (in consumption).

* Tool for impact identification developed by UNEP FI.

	Theme	Goal	Related SDGs
Upstream	Sustainable Sourcing	Sourcing of main raw materials (palm oil, etc.) that is considerate of human rights and the environment	12, 14, 15
Midstream	Reduction of the impact of production activities on the environment	Climate change, water, and waste management in the Fuji Oil Group Environmental Vision	6, 11, 12, 13
Downstream	Creation of food to deliver solutions and ensure food safety, security, and quality	Plant-Based Food Solutions (initiative to solve global social issues with plant-based food material)	1, 2, 3, 9

(3) Identified Impacts and Impact Indicators (KPIs)

As noted above, SuMi TRUST Bank utilized the UNEP FI impact radar to identify the supply chain impacts. It established the positive impacts to be maximized and

the negative impacts to be minimized, as well as a set of impact indicators (KPIs) for monitoring them, all organized according to the three stages of the supply chain.

■ Upstream of the supply chain (sustainable sourcing of palm oil)

Impact Category	Employment, Climate, Biodiversity and Ecosystem Services, and Inclusive and Healthy Economy
Contents	<ul style="list-style-type: none"> • Sustainable sourcing that considers the environment and human rights • Supply chain improvement activities and RSPO initiatives aimed at NDPE (No Deforestation, No Peatland development, No Exploitation) in the sourcing process
Action Plan	<ul style="list-style-type: none"> • Improve traceability while promoting human rights and environmental concerns among suppliers by communicating Fuji Oil's intentions through third-party audits, two-party audits, etc.
KPI	<ul style="list-style-type: none"> • Traceability scores all the way back to the oil extraction plant • Number of incidents registered in the grievance mechanism

■ Midstream of the supply chain (reduction of the impact of production activities on the environment)

Impact Category	Climate, Water, and Waste
Contents	<ul style="list-style-type: none"> • Reduction of utilities such as energy and water, etc. used primarily in the manufacturing process by each Group company, as well as reduction of CO₂, water, and waste
Action Plan	<ul style="list-style-type: none"> • Promote initiatives to achieve the goals of Environmental Vision 2020 and its successor, Environmental Vision 2030 (formulated in fiscal 2018, launched in 2019)
KPI	<ul style="list-style-type: none"> • CO₂ emissions • Annual water consumption per unit output • Total waste emissions per unit output • Recycling rate (in Japan)

■ Downstream of the supply chain (creation of food to deliver solutions and ensure food safety, security, and quality)

Impact Category	Food, Health & Sanitation
Contents	<ul style="list-style-type: none"> • Promote Plant-Based Food Solutions (initiative to solve global social issues with plant-based food material) and ensure food safety, security, and quality
Action Plan	<ul style="list-style-type: none"> • Further refine proprietary sorting, separation, and readjustment processing technologies, which are a source of value creation, while strengthening cooperation with external parties to accelerate global co-creation • Delicious ingredients for extending healthy life expectancy • Establishment of a system to ensure food safety and quality and to earn certifications
KPI	<ul style="list-style-type: none"> • Vegetable proteins with low global environmental impact that contribute to addressing the shortage of food resources • For the spread of vegetable protein sources, pursuit of taste and creating a mechanism for consumers to understand the significance of their choice • Promotion of the development of healthy oils and fats (stabilized DHA/EPA) and soybean peptides • Establishment of a group-wide quality assurance system and acquisition of FSSC 22000 or ISO 2200 at all plants of Fuji Oil Co., Ltd. by the end of March 2020

ESG & Integrated Report Consulting

With the expansion of ESG investment globally, the corporate and capital market investment chains in Japan are also undergoing major changes. For example, Japan's Government Pension Investment Fund (GPIF) now pursues ESG investment, and the introduction of Japan's Stewardship Code has stimulated a healthy dialogue between companies and investors.

SuMi TRUST Bank is able to combine its perspective and experience promoting sustainability (which it practices itself as an issuer company) with its perspective as an institutional investor with analysts who have been involved in the asset management business for many years. This perspective and experience allow SuMi TRUST Bank to offer total solutions that support the cycle of information disclosure, engagement, and integration into management that is key to promoting sustainable management and achieving a sustainable society.

• Support for Information Disclosure

We support disclosure of non-financial information through advice on the construction of various tools for

communication with investors and other stakeholders, including integrated reports and ESG reports, and advice on ideas and processes to appropriately disclose necessary information in each individual tool.

• Support for Engagement

By leveraging our own network with institutional investors in Japan and overseas, we are able to offer indirect and direct support for investor dialogue (engagement), for example by providing various kinds of information or arranging meetings.

• Support for Integration into Management

We support building mechanisms to extract issues at the management level based on investor perspectives (including analyses by ESG assessment organizations), identify priority issues (materiality) that have a substantial impact on corporate value creation, and promote various initiatives aimed at strengthening the management foundation based on these identified issues.

Total Support for Sustainable Management through ESG & Integrated Report Consulting



Information provision	<ul style="list-style-type: none"> Study sessions for executives and Sustainable Management Secretariat staffs
Analysis and evaluation	<ul style="list-style-type: none"> Analysis of challenges in ESG initiatives based on the evaluations by ESG assessment organizations Comparative analysis against benchmark companies
Support for improvement efforts	<ul style="list-style-type: none"> Support for the materiality identification process Support for materiality management practices (including proposals for strengthening management)
Disclosure	<ul style="list-style-type: none"> Support for development of a framework for non-financial information disclosure Advice on the composition and content of integrated reports
Engagement	<ul style="list-style-type: none"> Support for dialogue with institutional investors in Japan and overseas

Consulting Example

ESG Advisory Services

Integration into Management

In light of the latest trends of ESG investment market and investor viewpoints, we support efforts to strengthen and enhance the management foundation, such as organizing issues in ESG-related initiatives and integrating ESG themes into management.

Integrated Report Support Services

Integration into Management

Information Disclosure

Based on our investor's perspective cultivated over many years of ESG investment practice and our wealth of practical experience in promoting sustainability management, we can offer powerful support for the creation of integrated reports, including the formulation of value-creation processes, the identification of materiality, and advice on the overall structure and content of the integrated report.

Integrated Report Review Services

Information Disclosure

Based on our investor's insight and our knowledge in promoting sustainability management, we review the integrated reports of our clients and contribute to their future improvement by making suggestions, as appropriate.

Research on ESG Trends of Major Shareholders

Engagement

We conduct research on the ESG initiatives of major shareholders, analyze their impacts on issuing companies, and support the construction of a platform for healthy dialogue.

ESG-IR Support Services for Overseas Investors

Engagement

We provide one-stop support services, starting with investor targeting for ESG-IR activities right through to the arrangement of investor engagement sessions.

Governance Support Program

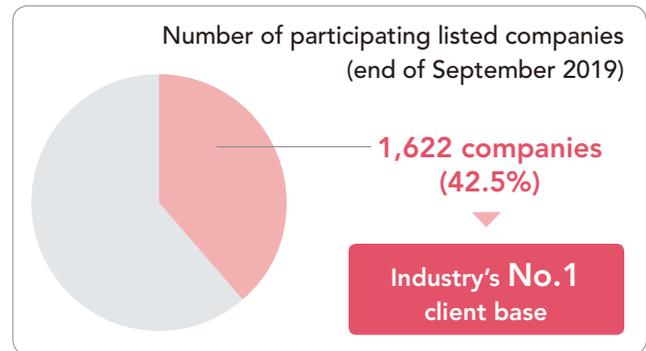
Integration into Management

We help companies improve their autonomous governance by providing up-to-date information and a forum for corporate interaction on the topic of governance and by conducting evaluations of the effectiveness of the Board of Directors to improve its function.

Governance Consulting in Stock Transfer Agency Services Business

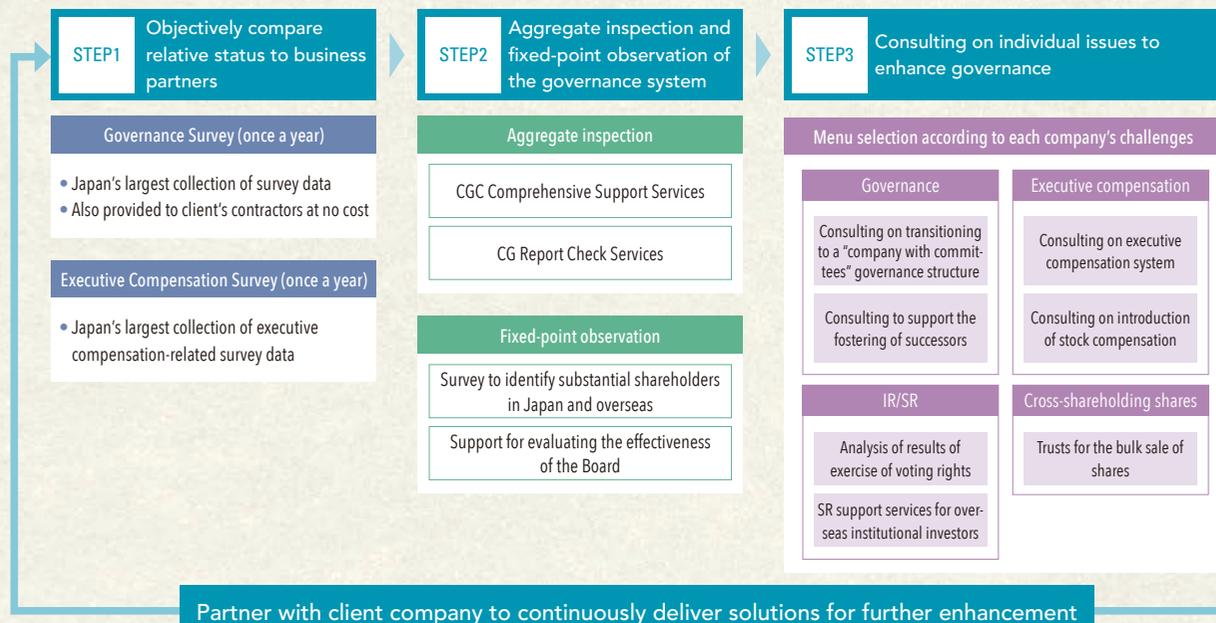
Corporate governance reforms in Japan have strengthened governance by both companies and investors through the introduction and revision of the Stewardship Code and the Corporate Governance Code. Based on the revised Codes and various guidelines and guidance, companies are now expected to move from “formal” to “substantive” governance. The Group’s Stock Transfer Agency Services Business offers solutions for strengthening governance based on our Governance Survey and Executive Compensation Survey, which leverage the industry’s leading client base.

The Governance Survey, now in its third year, received the participation of approximately 1,500 companies, which makes it Japan’s largest. More than 40% of all listed companies in Japan participated in the Governance Survey, and the distribution of the participating companies is similar to the distribution of all listed companies. The Survey is supervised by Professor Kunio Ito and provides data that is compared to governance INDEX data, which is indexed to substantive progress. The Executive Compensation Survey, conducted in collaboration with Deloitte Tohmatsu Consulting, is also in its third year and is also the largest in



Japan in terms of company participation, with over 10,000 executive compensation data points broken down by company attribute. In addition to compensation levels, the Survey intensively reviews compensation decision policies and the practical operation of the compensation system and compensation committee. Building on the data in the Governance Survey and the Executive Compensation Survey, the Group is able to partner with client companies to identify their specific challenges, deliver optimal solutions, and provide continuous and multifaceted support aimed at enhancing governance.

PDCA Cycle of the Group's Solutions



The Group views governance consulting as an opportunity for close communication and interaction with the management of client companies, and thus continues active dialogues with them. This enables us to capture a wide range of management challenges that go beyond the governance challenges facing the management

team and provide further solutions.

Examples of the kinds of total solutions that benefit from Group strengths include M&A advice, business succession support, real estate brokerage and effective utilization, support for introducing and changing corporate pension schemes, and wealth management.

Solution services that link the client's aspirations to social contributions

Charitable Trusts

A charitable trust is a system in which funds are entrusted to a trust bank that administers and manages the funds to carry out charitable activities in a pre-determined way. For example, these trusts may be used by individuals wishing to provide funds for charitable activities or by companies that wish to return a portion of their profits to society. They have been used in a wide range of fields, including the provision of academic scholarships, support of environmental protection activities, and promotion of international cooperation and international exchanges.

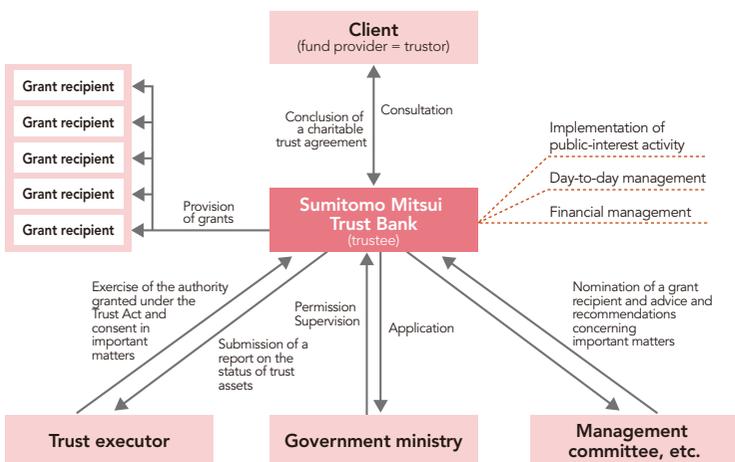
Charitable trusts are often named for the trustor, so his or her aspirations can be remembered for years to come by many people. Moreover, to ensure the public interest is served in accordance with the client's intentions, a charitable trust can be "order made" to fit the

client's instructions. What public interest is it to serve and what sort of granting process will it implement? The trust can be arranged to reflect the client's instructions on the monetary size of the grants (scholarships), the number, the regional scope, or the terms of eligibility.

Since Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank") began managing its first charitable trust in 1977, the number of trusts under its management has steadily risen, and they fund grants in various charitable fields.

As of March 2019, there are 187 charitable trusts with total assets of 31.3 billion yen under our management. In fiscal year 2018, grants from charitable trust totaling 1.26 billion yen were provided to 2,788 bodies in total (including individuals) for activities that serve the public interest.

Mechanism of Charitable Trusts



List of Charitable Trusts by Donation Type (as of March 2019)

Type	Number of trusts under management
Scholarship	70
Promotion of natural science research	35
Promotion of human science research	4
Promotion of education	18
Social welfare	9
Promotion of arts and culture	9
Protection and propagation of animals and plants	1
Conservation of the natural environment	6
Development and maintenance of the urban environment	18
Promotion of international cooperation and exchanges	12
Other	5
Total	187

TOPIC

Suntory Fund for Bird Conservation

The Suntory Fund for Bird Conservation was established in 1990 by Suntory Holdings with the aim of enhancing bird conservation activities. Over the past 29 years, the fund has supported various bird protection activities in Japan and overseas. In recent years, the fund has granted around ¥40 million every year to NGOs and other entities in and outside of Japan for bird conservation group activities, for community bird activities, and for riparian large bird conservation.



Second-year elementary school students bird watching from the banks of the Tama River in spring

TOPIC

ENEOS Hydrogen Trust Fund

The ENEOS Hydrogen Trust Fund was established by JXTG Nippon Oil & Energy Corporation in 2006 to contribute to the realization of a hydrogen energy society by subsidizing basic research on the provision of hydrogen, an energy source in harmony with the global environment.

The fund is one of the largest in Japan, providing grants of up to 10 million yen per project. Each year, the fund invites the researchers who are receiving a grant and those who have received a grant in the previous year to an awards ceremony where they present their research results.



Social Contribution Donation Trusts

SuMi TRUST Bank offers social contribution donation trusts (also referred to as “Bridge to Tomorrow”) intended to make donations to charitable organizations

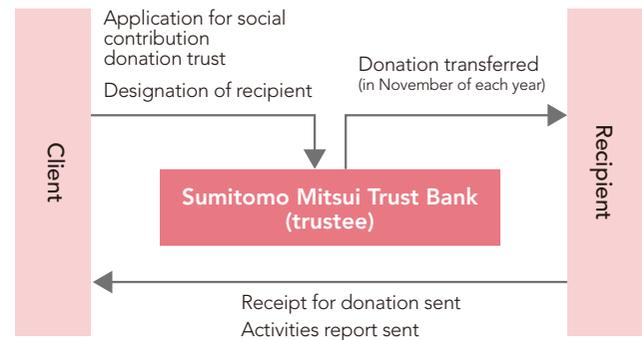
List of Donation Recipients (as of August 14, 2019)

Environment	World Wide Fund for Nature Japan (WWF Japan)
Environment	Ecosystem Conservation Society-Japan
Education	National Federation of UNESCO Associations in Japan
Medicine	Japan Cancer Society
Medicine	Center for iPS Cell Research and Application, Kyoto University
Medicine	Médecins Sans Frontières Japan
Social welfare	Japan Guide Dog Association
Academics	The Japan Prize Foundation
Culture	Japan Arts Council
Disaster reconstruction support	Central Community Chest of Japan
Support for children	The Nippon Foundation
Support for sports for people with disabilities	Special Olympics Nippon Foundation
Humanitarian support	Japan for the Office of the United Nations High Commissioner for Refugees (UNHCR)

etc. engaged in social contribution activities. Through the trust, clients can choose donation recipients from a list of organizations that SuMi TRUST Bank provides and donate one-fifth of the original trust principal once a year. (Donors can change donation recipients each year.) These clients receive reports from the recipient on how the donations were used and what activities were conducted.

SuMi TRUST Bank supports activities regarding not only the environment but also various themes including education, medical care, academia, and culture through social contribution donation trusts.

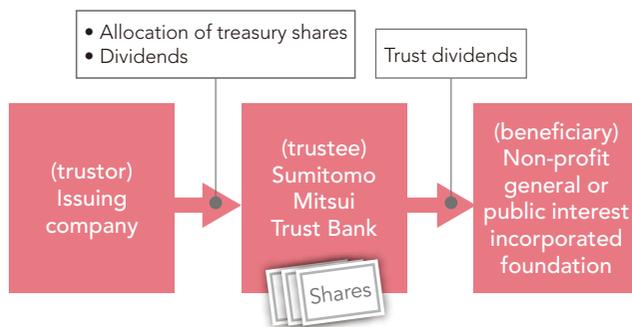
Mechanism of Social Contribution Donation Trusts



Social Contribution Scheme Using Treasury Shares

SuMi TRUST Bank offers trust schemes for companies to donate dividend income from their treasury holdings to public interest foundations etc., as a way to contribute to society.

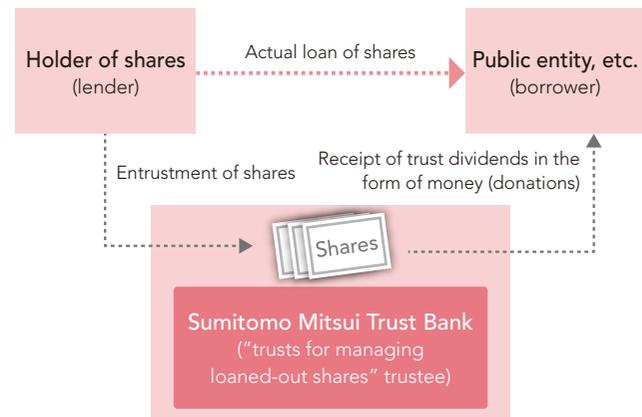
In fiscal year 2014, SuMi TRUST Bank implemented this scheme between Toyota Motor Corporation (trustor) and the Toyota Mobility Foundation (beneficiary). In this case, the dividend income is used to tackle many issues, such as eliminating the mobility disparity in emerging and developing nations, activities that promote the healthy development of the auto industry, and the funding of research into cutting-edge technology and systems in developed markets.



Trusts for Managing Loaned-Out Shares

SuMi TRUST Bank offers trusts for managing loaned-out shares so shareholders can donate dividend income tax free to public interest foundations etc. Using this trust, shareholders lend shares without compensation to NPOs etc. in a scheme that enables them to offer ongoing support to the designated stock borrower in the form of tax-free dividend income from the shares.

In fiscal year 2014, SuMi TRUST Bank commenced efforts to encourage interested parties to set up such trusts with the Center for iPS Cell Research and Application at Kyoto University as the designated stock borrower.



*The stock's name is "Japan Trustee Services Bank (trust account)."

TOPIC

Center for iPS Cell Research and Application at Kyoto University

The Center for iPS Cell Research and Application (CiRA) at Kyoto University is a world-leading core research institution specializing in iPS cell research. Led by Director Shinya Yamanaka, the 2012 Nobel Prize winner in Physiology or Medicine, the center aims to harness iPS cell technologies to develop more effective medical treatments for patients hoping for them.

Professor Yamanaka has often mentioned that the U.S. research center he belongs to receives many donations from individuals and corporations, and such donations provide a solid financial basis for research centers. We agree with this view and have designated CiRA as a support recipient of “social contribution donation trusts.”



Human iPS cells

Designated Donation Trust

Based on a scheme established following amendments to Japan’s taxation system in fiscal year 2011, SuMi TRUST Bank also offers a “designated donation trust.” Investment gains in the trust are tax free and together

with the trust principal can be donated to a charitable organization. Donations can be made regularly over a 5-year or 10-year period to any organization, not just those listed by SuMi TRUST Bank.

Social Contribution as Business Activities

Making Financial Assets Useful to Society

SuMi TRUST Bank helps people who want to use their property for the social and public good to make a bequeathed donation by means of will trusts.

As part of this, in November 2019, SuMi TRUST Bank invited multiple social contribution organizations to give talks at a special seminar for the purpose of sharing

perspectives in the field of social contribution activities and points to keep in mind regarding bequeathed donations.

The seminar, which was very well received by participants, presented an overview of social contribution activities in Japan and shared examples of how to donate more reliably and securely.

Program

Theme	Lecturer/Guest
Current status and future prospects of social contribution organizations	Service Grant Japan (Certified NPO) Ikuma Saga, Founder and President
Talk session Way of living by “facing someone’s problems”	Family House (NPO) Yoko Ueda, Trustees / Chief Executive Officer D Cafe Community Development Network “D Cafenet” (NPO) Hiromichi Takeuchi, Director
Benefits, considerations, and specific examples of donations made by wills	SuMi TRUST Bank Nihonbashi Business Department Satoshi Inaguma and Toshiharu Ueki (Fellow Supervisor Financial Consultants)

Guests and their activities

Family House (NPO): Established about 30 years ago as a “family house” where parents and families can stay when children with difficult conditions receive advanced medical care. It aims to reduce the psychological and economic burden on families of patients who are forced to fight long-term illnesses such as childhood cancer. In recent years, it has been running facilities where children can stay with their families.

D Cafe Community Development Network: D Cafenet is a “dementia café” run by people with nursing care experience as a place to discuss dementia. It is expanding in Meguro District as a multi-site venue for people with dementia, their families, people working in the field of medical and nursing care, and anyone interested in dementia. (10 locations as of April 2019)