

# Environmental Burden Reduction Measures

The Group limits negative impacts from business activities in ways that relate to SDG themes through the operation of environmental management systems (EMS).



Through its natural resources, CO<sub>2</sub> emissions, waste generation from the use of energy, paper and the like in its business activities, the Group impacts natural capital and the environment, and it works to reduce environmental impacts that arise from its business activities and recognizes reducing negative impacts on society is an important matter. The Group also factors in environmental and social consideration by investee and lendeer companies into its decision-making processes for loans and investment. With the aim of realizing smaller environmental impacts on social as a whole, we promote both initiatives to reduce direct environmental impacts from our business activities and initiatives to reduce indirect environmental impacts from investee and lendeer companies in our portfolios.

SDGs have established goals and targets relating to a host of environmental issues. Our initiatives aimed

at responding to environmental issues arising from the Group's business activities are linked to the 17 SDG goals: reduction of waste, including chemical substances such as PCBs and generic waste such as paper waste, and properly managing, recycling and disposing of waste (Goal 3); efficient use of water (Goal 6); use of renewable energy generated by solar panels newly installed on four branch offices since 2013 (Goal 7); certification of the head office building under the "CASBEE\* for Real Estate" system (Goal 11); CSR procurement that guards against buying paper from sources deemed at risk for human rights and environmental abuses from tropical rainforest logging (Goal 12, Goal 15); and energy conservation activities aimed mainly at reducing electricity use (Goal 13). Every year, SuMi TRUST Bank provides e-learning on environmental management for all employees to deepen their understanding.

## Sumitomo Mitsui Trust Holdings Environmental Policy

### 1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

### 2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

### 3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

### 4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

### 5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

### 6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

### 7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

\*The Action Guidelines for Mitigating Climate Change (see page 15) and the Action Guidelines for Preserving Biodiversity (see page 41) are specific guidelines that were drawn up based on this Environmental Policy.

# 1. Initiatives to Reduce Environment Impacts from Business Activities

## EMS Integrated with Framework for Operational Efficiencies



The Group operates environmental management systems (EMS) based on a framework that promotes operational efficiencies via initiatives for reducing the environmental impacts of its business activities. Through common activities relating to time (labor productivity), materials (resource productivity), and costs (efficiency), our aim is the simultaneous attainment of the goals of operational efficiency, environmental burden reduction, and cost reduction. For each activity aimed at achieving gains in operational efficiency mainly via reforms to operational flows and reorganizing shifts to reduce overtime hours, we seek to operate systems to harvest benefits from those activities such as lower paper consumption and less electricity consumption from the use of lighting and air-conditioning during overtime hours.

We target the following to reduce our environmental impacts: (1) reducing electricity consumption (CO<sub>2</sub> emissions), (2) reducing paper consumption, (3) reducing waste disposal volume, and (4) promoting green procurement (CSR procurement). We implement the promotion of operational efficiency at all branches, which are all working to promote awareness on reducing environmental impacts. All branches and departments are currently promoting operational efficiency and making every effort to raise awareness about reducing environmental impacts. For problems that our stand-alone initiatives are unlikely to deliver a solution, we are stepping up our supply chain management efforts in the area of CSR procurement, for example by requesting suppliers to change their materials.

### Examples of Initiatives Aimed at Concurrent Achievement of Greater Operational Efficiency, Lower Environmental Burden, and Lower Costs

Initiative example	Effects from greater efficiency	Effects from lower costs	Effects from lower eco-burden
Paperless meetings	Lighter work load (e.g. preparing copies, replacing materials) and fewer work hours; prevent information leaks	Spend less on purchasing paper, reduce waste disposal costs	Conserve environment on lower paper use, less waste disposal
Even out work allocation and manage time to reduce overtime (encourage people to leave work at a set time, create leave-work-early days)	Less overtime means more self-initiated activities during off hours	Less overtime trims personnel costs and lowers electricity costs (reduced use of lighting and air-conditioning)	Help mitigate global warming via reduced electricity use

### Reducing environmental burdens at our large office buildings (2018 results)

	Paper consumption		Electricity consumption		Waste volume		Green procurement ratio
	Thousand sheets	YoY	Thousand kWh	YoY	t	YoY	
Head office	59,237	Down 6%	6,123	Down 1%	551	Up 4%	Up 86%
Fuchu	13,667	Up 3%	20,135	Down 1%	91	Down 6%	
Senri	7,458	Up 6%	7,248	±0%	158	Up 1%	
Shiba	18,401	Down 5%	5,074	Down 1%	188	Down 2%	

## Initiatives to Reduce Energy Use and CO<sub>2</sub> Emissions Related to Business Activities



The Group is striving to reduce its environmental impacts in the form of both inputs such as electricity and gas used for business activities and outputs like CO<sub>2</sub> emitted as a result of those activities. As SuMi TRUST Bank is subject to the Act on Rationalizing Energy Use, we calculate the volume of energy consumption and CO<sub>2</sub> emissions at all of our offices across Japan using a common system. In fiscal 2018, total electricity consumption at all sites in Japan came to 56 million kWh, down 7.3% from 60 million kWh the previous year. City gas consumption declined 6.4% year on year to 1.8 million m<sup>3</sup>. Since fiscal 2014 our total energy consumption for business activities has steadily declined every year, representing a 24.5% reduction over the last five years. These results owe to the promotion of energy saving at our large office buildings and the impact of branch mergers. Energy consumption at the Group's facilities is at its highest during after hours, but we achieved significant results by diligently switching off air conditioners when employees left the building and by raising awareness about such efforts by providing feedback to each department in the form of data on electricity use.

succeeded in lowering our annual emissions to 33,504t-CO<sub>2</sub> in fiscal 2018, a 33.8% reduction compared to the peak of 50,605t-CO<sub>2</sub> recorded in fiscal 2013. Both scope 1 and scope 2 emissions have decreased significantly, declining 21.8% and 32.8%, respectively, from fiscal 2014. Even though total floor area has decreased due to the discontinued use of some large buildings and the merger of branches, emissions intensity per floor space in fiscal 2018 came to 0.090t-CO<sub>2</sub>/m<sup>2</sup>, which represents an 18.9% reduction compared to fiscal 2014.

The large buildings in the Tokyo metropolitan area that house SuMi TRUST Bank offices are subject to the mandatory reductions in CO<sub>2</sub> emissions prescribed under the Tokyo Metropolitan Government's Environmental Preservation Ordinance. We continue to steadily reduce our emissions at these buildings on a single fiscal year basis. In the five years of the first plan period (FY2010–2014), our reductions far exceeded mandatory levels, which meant we received emission credits worth 47,540t-CO<sub>2</sub>. We carried forward these emission credits into the second plan period (FY2015–2019), during which we expect to be able to achieve our targets again without the use of credits.

As for CO<sub>2</sub> emissions—the driver of global warming—we

## Energy Usage and CO<sub>2</sub> Emissions (Domestic Bases)

Energy usage		FY2014	FY2015	FY2016	FY2017	FY2018
Total volume of energy usage (heating value)	GJ	913,437	846,829	801,370	736,011	688,949
Total volume of energy usage (converted to crude oil)	kl	23,566	21,848	20,675	18,989	17,774
Energy usage intensity	kl/m <sup>2</sup>	0.053	0.051	0.049	0.047	0.048
Electrical power	thousand kWh	76,768	71,206	66,742	60,444	56,003
City gas	thousand m <sup>3</sup>	2,398	2,153	2,107	1,996	1,869
CO <sub>2</sub> emissions		FY2014	FY2015	FY2016	FY2017	FY2018
Greenhouse gas emissions volume	t-CO <sub>2</sub>	48,918	43,816	40,833	37,068	33,504
Greenhouse gas emissions after adjustment	t-CO <sub>2</sub>	48,426	43,470	40,393	36,240	32,864
Emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.111	0.103	0.098	0.093	0.090
Emissions intensity (after adjustment)	t-CO <sub>2</sub> /m <sup>2</sup>	0.110	0.102	0.097	0.091	0.088
Scope 1 emissions volume	t-CO <sub>2</sub>	5,577	5,002	4,907	4,575	4,362
Scope 2 emissions volume	t-CO <sub>2</sub>	43,340	38,813	35,925	32,493	29,142

Scope of calculations: SuMi Trust Bank facilities in Japan subject to the Act on the Rational Use of Energy; Group companies, including Sumitomo Mitsui Trust Asset Management, are tenants in some facilities. Calculation method: Calculations conform to the method in the Act on the Rational Use of Energy; our disclosed figures have been revised following adjustments made to data for past fiscal years. Some subtotals may not add up to totals due to rounding.

## CO<sub>2</sub> Emissions at Bases Subject to the Tokyo Metropolitan Ordinance on Environmental Preservation

		No. 2 plan period			
		FY2015	FY2016	FY2017	FY2018
Standard emissions	t-CO <sub>2</sub>	51,733	52,511	41,123	41,123
Maximum emissions limit	t-CO <sub>2</sub>	44,402	45,048	35,595	35,595
Mandatory reduction	t-CO <sub>2</sub>	7,331	7,463	5,528	5,528
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	31,735	30,550	24,926	24,806
Emissions reduction	t-CO <sub>2</sub>	19,998	21,961	16,197	16,317
Excess reduction	t-CO <sub>2</sub>	12,667	14,498	10,669	10,789

The figures in the table show emission reductions at SuMi TRUST Bank's four office buildings (Fuchu Building, Shiba Building, Chofu Building, and Meguro Building), along with the head office building, all of which are subject to mandatory emission reductions under the greenhouse gas emission obligations and emissions trading scheme prescribed in the Tokyo Metropolitan Ordinance on Environmental Preservation. Since fiscal 2017, the Chofu Building and Meguro Building have not been subject to the mandatory reductions due to discontinued use. The mandatory reduction ratio is 6% for the head office and 17% for other buildings. The head office is a multi-tenant building and reduction ratios for each tenant have not been set. The Group carried over emission credits worth 47,540t-CO<sub>2</sub> to the second plan period acquired as a result of excess emission reductions in the first plan period (FY2010–2014). Emissions have been verified by a third-party assessment body.

## Other Initiatives to Reduce Our Environmental Impacts

We reduced the amount of paper we used in fiscal 2018 by 32 tons year on year (−4.3%) to 706 tons. We will continue to work on reducing our paper usage by promoting activities that improve operational efficiency. The volume of waste paper output remained flat year on year and we continue to maintain a 100% waste paper recycling rate. Other waste output rose slightly year on year to 289 tons, but the recycling rate increased to 47%, the highest level

in the last five years. Up ahead, we will make every effort to reduce our total waste output and make efficient use of recycling. We will also endeavor to carry out proper management and disposal of equipment and chemical substances imposed on business operators under laws such as the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and the Act on Rational Use and Appropriate Management of Fluorocarbons.



## Performance in Paper Use, Water Use, Waste Output and Recycling

		FY2014	FY2015	FY2016	FY2017	FY2018
Paper use	t	861	726	712	738	706
Recycled paper	t	508	526	596	566	568
Water use	thousand m <sup>3</sup>	178	166	166	139	127
Total waste output	t	1,646	1,347	1,756	1,332	1,304
Paper output	t	1,057	946	1,280	1,050	1,025
Recycled volume	t	1,018	930	1,280	1,050	1,025
Recycled rate	%	96	98	100	100	100
Other waste output	t	589	401	477	282	289
Recycled volume	t	142	124	132	115	137
Recycle rate	%	24	31	28	41	47

Tabulation scope: Base buildings (excludes some branches in the case of water use)



## 2. Initiatives to Reduce Environmental Impacts at Group Companies

Nikko Asset Management Co., Ltd. (Nikko AM) has offered its clients investment trusts that factor in environmental considerations since it launched Japan's first eco-fund in 1999, and at the same time, it has actively supported activities to care for the environment and encouraged its employees to participate in social contribution activities. With regard to reducing its environmental load, Nikko AM works to reduce copier paper use, electricity use, reduce CO<sub>2</sub> emissions, and implement green procurement policies.

In fiscal 2018, Nikko AM achieved carbon neutrality in terms of its CO<sub>2</sub> emissions. By calculating its CO<sub>2</sub> emissions from financial and travel data for its offices in Japan, Singapore, Sydney, Melbourne, Auckland, New York, and London, and participating in a carbon offset program, the company was able to achieve a net zero carbon footprint by removing an equivalent amount of emissions from its corporate activities. The project's offsets will be used to fund the installation of renewable solar PV cells into the Indian National Grid for diversification of energy sources and sustainable growth and help Nikko AM make good on its commitment to goal 13 of the SDGs: "Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy."

Going carbon neutral also contributes to various other targets of the SDGs by contributing to sustained employment and improved healthcare, sanitation, and education in local communities.

In fiscal 2018, Nikko AM's electricity consumption rose 35,000kWh owing to an increase in air conditioner use mainly in summer during overtime hours. In an effort to strengthen its own initiatives on work style reforms, the company set up a cross-organizational working group in September 2018 and one thing it did was install monitors in meeting rooms so that materials could be shown on the screen instead of being printed on paper. This initiative helped significantly reduce the amount of copier paper purchased per person by 9.5% year on year.

Meanwhile, Sumitomo Mitsui Trust Panasonic Finance is taking steps to reduce power usage, copier paper, and gasoline. The company has achieved a more compact office by introducing open-plan workspaces where computers and projects are all networked and is reducing electricity consumption and copier paper volume by drawing on the benefits of paperless meetings, online approval forms for workflow, and less overtime work. Electricity consumption and copier paper used in fiscal 2018 increased year on year, albeit slightly, by 0.2% and 0.3%, respectively. The company will continue to implement initiatives to further reduce its consumption.

Sumitomo Mitsui Trust Panasonic Finance has also been working to reduce its CO<sub>2</sub> emissions from sales activities by encouraging its employees to switch from private company cars to public transport. In April 2018 it drafted internal guidelines on using vehicles for work with the aim of managing the health of its employees, ensuring safety, and streamlining sales activities. Not only does this initiative make effective use of traveling time, it aims to simultaneously achieve the social (health, safety) and environmental objectives of reducing CO<sub>2</sub> emissions from cars used for sales by alleviating driver fatigue and preventing traffic accidents as a result of cutting out long-distance driving. By strictly observing a rail & rent-a-car policy, the company was able to slash its company car gasoline consumption by 27,700kℓ (-23.7%) year on year. This equates to an CO<sub>2</sub> emissions reduction of roughly 64.2t-CO<sub>2</sub>.



### Nikko Asset Management's Three Environmental Policies

#### Increase green investors

As flows of funds through socially responsible funds (SRIs) are very significant for preservation of the environment, Nikko Asset Management strives to increase green investors.

#### Promote office activities such as energy and resource conservation

Nikko Asset Management strives to promote energy and resource conservation and recycling of waste and expand green procurement in offices. Nikko Asset Management also strives to prevent environmental pollution by complying with laws, regulations and other requirements related to the environment.

#### Develop information disclosure

Based on the recognition that it is extremely important from the perspective of the preservation of the environment that information disclosure related to the environment takes hold and develops as a social system, Nikko Asset Management develops information disclosure by actively disclosing information concerning its environment-related initiatives, including the environmental policies.

### Environmental Performance of Nikko Asset Management

		FY2014	FY2015	FY2016	FY2017	FY2018	YoY Change
Electricity consumption	thousand kWh	1,026	1,071	1,029	1,057	1,092	Up 3.3%
Total energy consumption	GJ	13,317	14,022	13,441	13,807	15,191	Up 10.0%
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	508	510	537	530	517	Down 2.5%
Copy paper procurement amount per employee	Piece	627	672	614	548	496	Down 9.5%
Stationery goods green procurement ratio	%	59.6	50.6	65.0	58.8	54.5	Down 7.3%

Facilities covered by the above data: Head office building (Midtown)

CO<sub>2</sub> emissions: calculated based on the method of specified greenhouse gas emissions in the Tokyo Metropolitan Ordinance on Environmental Preservation (same emission coefficients as in fiscal year 2014).

### Environmental Performance of Sumitomo Mitsui Trust Panasonic Finance

		FY2014	FY2015	FY2016	FY2017	FY2018	YoY Change
Electricity consumption	thousand kWh	1,219	1,007	1,008	982	984	Up 0.2%
Gasoline consumption	kℓ	140	127	118	117	89	Down 23.7%
Copier paper consumption	thousand sheets	16,788	16,590	17,464	17,508	17,567	Up 0.3%



### 3. Medium- to Long-Term Targets

We set medium- to long-term environmental management targets for reducing CO<sub>2</sub> emissions and creating a recycling-oriented society with a view to stepping up initiatives across the entire Group. As for the reduction target for electricity use per total floor area called for by the Japanese Bankers Association, as of fiscal 2018 we had achieved a considerable decrease of 29.1% compared to fiscal 2009. We will continue to work on lowering

the amount of power we use. SuMi TRUST Bank plans to take into consideration the Japanese government's Basic Energy Plan and set its own long-term goal for fiscal 2030 and beyond with the aim of achieving the objectives of the Paris Agreement. The Bank will also endeavor to continue purchasing 100% recycled paper for its copier machines in order to promote the establishment of a recycling-oriented society.

#### Medium- to Long-Term Environmental Targets for SuMi TRUST Bank

CO <sub>2</sub> reduction (reduction of electricity consumption)	Reduce electricity consumption rate (electricity consumption/total floor area) in fiscal year 2020 by 10.5% compared to fiscal year 2009. (Sumitomo Mitsui Trust Bank)
Creation of circular society (waste disposal)	Raise purchase rates of recycled paper and environmentally friendly paper to 75% or more in fiscal year 2020. (Sites consisting of the head office, Shiba, Fuchu, and Senri)

#### Attainment Status of Medium- to Long-Term Environmental Targets Related to Electricity Use Intensity

		FY2009	FY2015	FY2016	FY2017	FY2018
Electricity use intensity	kWh/m <sup>2</sup>	213.31	168.14	161.06	152.60	151.32
	Compared to FY2009	—	Down 21.2%	Down 24.5%	Down 28.5%	Down 29.1%
CO <sub>2</sub> emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.087	0.086	0.081	0.076	0.072
	Compared to FY2009	—	Down 1.1%	Down 6.9%	Down 12.7%	Down 17.1%

Fiscal year 2009 figures were calculated from each intensity's pre-merger total.

### 4. Strengthening Supply Chain Initiatives and Establishing a Financial Ecosystem



The SuMi TRUST Group established its CSR Procurement Policy to set forth guidelines on the preferential procurement of goods and services that are environmentally friendly and socially acceptable. All Group companies are stepping up their CSR procurement activities based on this policy. With the cooperation of suppliers we continue to expand the scope of items covered under CSR procurement—see page 132 for details about our CSR Procurement Policy. When purchasing stationery, equipment, and other office supplies, SuMi TRUST Bank prioritizes designated green procurement items and environmentally-friendly products, including those designed to conserve energy. The Bank also promotes initiatives from the viewpoint of combatting the depletion of resources, halting illegally logged timber in tropical rainforests, and preventing

pollution in the world's oceans and waterways.

In addition to simply purchasing products and services, we also need to extend greater financial support to suppliers of environmentally-friendly and socially-acceptable goods and services if we are to achieve marked growth in CSR procurement in society. We intend to accelerate our efforts on providing financing to and forming partnerships with power companies and electricity retailers in order to switch the Group's power consumption to renewable energy sources. We also aim to build a financial ecosystem through which the entire supply chain is jointly supported by financial institutions. To this end, we continue to exchange opinions aimed at collaboration on this issue with regional banks, Shinkin banks, credit unions, labor banks, and other financial institutions.