

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 |
|---|---|---|
| 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. | | |

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.

2020 disclosure materials

FY2019 Gross Business Profit by Segment (¥100mn)

| Segment | Profit (¥100mn) | Description |
|---|-----------------|--|
| Retail TS Services Business | 1,927 | Bank deposits, loans to individuals, sales of investment trusts and insurance, will trusts, asset inheritance services, etc. |
| Wholesale TS Services Business | 2,061 | Corporate credit loans, real estate lending, etc. |
| Stock Transfer Agency Services Business | 374 | Stock transfer agency services |
| Real Estate Business | 569 | Real estate brokerage, real estate securitization |
| Fiduciary Services Business | 1,717 | Pension trusts, securities management and administration |
| Global Markets Business | 725 | ALM, fixed income investments |

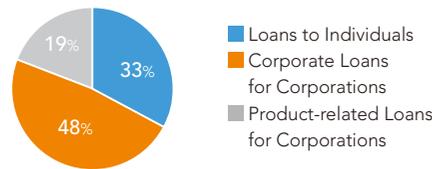
The balance of bank loans in Japan and overseas is shown below. Approximately 85% of loans are to domestic clients.

Balance of Bank Loans in Japan and Overseas (End-March 2020)

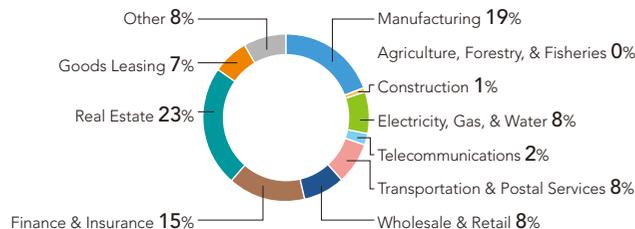
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|-------|-------------------|----------|------------------|
| Japan | ¥25.4355 trillion | Overseas | ¥4.2678 trillion |
|-------|-------------------|----------|------------------|

Mortgage loans to individuals account for some 33% of all loans, while loans to corporate borrowers make up the other 67%.

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%.

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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>Balancing the creation of both social value and economic value is at the very core of our management approach. The majority of the Group's social value is formed through a chain reaction where one stakeholder has an impact on the next. In other words, activities that contribute to the achievement of the SDGs and ultimately generate positive impacts on the economy (wealth), society (people), and the environment (planet) and limit the negative ones constitute the Group's social problem-solving business.</p> <p>In 2018 we demonstrated our support of the Task Force on Climate-related Financial Disclosures (TCFD) and in 2019 we added climate change to the list of items (known as materiality) that significantly impact the value creation process of the SuMi TRUST Group. This decision was based on the reasoning that climate change risk is no longer considered a topic concerning the future even for us as a financial institution—it is now a pressing issue, particularly highlighted by the extensive damage to many regions in Japan caused by the repeated visitation of powerful typhoons. At our Board of Directors meetings too we have shared the fact that the onus is on us to do everything in our power to find solutions to climate change issues as a signatory to the PRB—which requires us to align our business strategies with the goals of the Paris Agreement and the SDGs.</p> | <p>Sustainability Report 2020/2021 Page 17</p> <p>TCFD Report 2020/2021</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, products/services across the main geographies that the bank operates in have been as described under 1.1.1. have been considered in the scope of the analysis.</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 & 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"> Identified and disclosed its areas of most significant (potential) positive and negative impact Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts | <p>We chose climate change as the topic of our impact analysis. This owes to the fact that (1) we are a signatory to the PRB, which requires us to align our business strategies with the goals of the Paris Agreement, (2) that we support the recommendations of the TCFD, and (3) that we identify climate change as an item of materiality (1.2).</p> <p>For the impact analysis, we refer to our scenario analyses conducted in line with the TCFD recommendations. Within the four non-financial groups (energy, transportation, materials & buildings, and agriculture, food, & forest) in the TCFD recommendations most likely to be potentially impacted by climate change and a transition to a low-carbon economy, we identified eight sectors with considerable exposure. We also added personal mortgage loans to this list because they account for the majority of our loans to individuals. We then summarized the transition risks, physical risks, and business opportunities in these nine sectors.</p> <p>Heat Map</p> <table border="1"> <thead> <tr> <th>Sector</th> <th>Transition risk</th> <th>Physical risk</th> <th>Opportunity</th> <th>Exposure</th> </tr> </thead> <tbody> <tr> <td>Petroleum, gas, & coal</td> <td>High</td> <td>Medium</td> <td>Medium</td> <td>Medium</td> </tr> <tr> <td>Electric power</td> <td>High</td> <td>Medium</td> <td>Medium</td> <td>High</td> </tr> <tr> <td>Marine transportation</td> <td>Medium</td> <td>Medium</td> <td>Medium</td> <td>High</td> </tr> <tr> <td>Railway transportation</td> <td>Low</td> <td>Low</td> <td>Low</td> <td>Medium</td> </tr> <tr> <td>Automotive and parts</td> <td>Medium</td> <td>Medium</td> <td>Medium</td> <td>Medium</td> </tr> <tr> <td>Property management & development*</td> <td>Low</td> <td>High</td> <td>Medium</td> <td>High</td> </tr> <tr> <td>Chemicals</td> <td>Medium</td> <td>Medium</td> <td>Medium</td> <td>Medium</td> </tr> <tr> <td>Paper & forest products</td> <td>Medium</td> <td>High</td> <td>Medium</td> <td>Low</td> </tr> <tr> <td>Personal mortgage loans</td> <td>Low</td> <td>High</td> <td>Medium</td> <td>High</td> </tr> </tbody> </table> <p>*Personal mortgage loans not included</p> <p>The results of a qualitative assessment demonstrated that the petroleum, gas, & coal and electric power sectors have a high transition risk, but in fiscal 2019 we conducted a transition risk scenario analysis of the electric power sector because it has a high exposure to climate change and the highest weighting of carbon-related assets. Property management & development, paper & forest products, and personal mortgage loans have a high physical risk, but we selected only property management & development and personal mortgage loans for our physical risk scenario analysis because of their high exposure to climate change. We first performed our scenario analysis of the personal mortgage loans sector in fiscal 2019 because such loans account for roughly one third of all our loans. We plan to conduct the scenario analysis of the property management & development sector in fiscal 2020.</p> <p>The results of the scenario analyses we carried out in fiscal 2019 are provided in our TCFD Report 2020/2021. The results of our transition risk scenario analysis of the electric power sector indicated that without any investment in renewable energy power generation, credit ratings would worsen by 2–3 notches in either scenario (2°C and above 3°C), but in contrast, active investment in renewable energy power generation would mean credit ratings remain unchanged. While the results of this analysis suggested a change in credit ratings, we will continue to examine what kind of impact they have on our financials and the analysis methods we use. We will also consider utilizing the risk and opportunity key points obtained from qualitative assessments and the suggestions gained from the analysis process when we engage with the companies to whom we extend investments and loans.</p> | Sector | Transition risk | Physical risk | Opportunity | Exposure | Petroleum, gas, & coal | High | Medium | Medium | Medium | Electric power | High | Medium | Medium | High | Marine transportation | Medium | Medium | Medium | High | Railway transportation | Low | Low | Low | Medium | Automotive and parts | Medium | Medium | Medium | Medium | Property management & development* | Low | High | Medium | High | Chemicals | Medium | Medium | Medium | Medium | Paper & forest products | Medium | High | Medium | Low | Personal mortgage loans | Low | High | Medium | High | <p>TCFD Report 2020/2021 Pages 5–7</p> |
|---|---|---------------|-----------------|---------------|-------------|----------|------------------------|------|--------|--------|--------|----------------|------|--------|--------|------|-----------------------|--------|--------|--------|------|------------------------|-----|-----|-----|--------|----------------------|--------|--------|--------|--------|------------------------------------|-----|------|--------|------|-----------|--------|--------|--------|--------|-------------------------|--------|------|--------|-----|-------------------------|-----|------|--------|------|--|
| Sector | Transition risk | Physical risk | Opportunity | Exposure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Petroleum, gas, & coal | High | Medium | Medium | Medium | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electric power | High | Medium | Medium | High | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Marine transportation | Medium | Medium | Medium | High | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Railway transportation | Low | Low | Low | Medium | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Automotive and parts | Medium | Medium | Medium | Medium | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property management & development* | Low | High | Medium | High | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chemicals | Medium | Medium | Medium | Medium | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Paper & forest products | Medium | High | Medium | Low | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Personal mortgage loans | Low | High | Medium | High | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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In our physical risk scenario analysis of personal mortgage loans, we calculated that credit costs on mortgage loans at SuMi TRUST Bank would increase by around ¥7.0 billion by the year 2100 compared to the end of March 2020 based on the probability of floods occurring and the rate of change in property value caused by flood damage in either a 2°C or 4°C scenario.
We think the impact on our financials would be limited.

Although the marine transportation sector carries a medium-level risk for both transition and physical risks, it has a high exposure to climate change. Furthermore, we aim to help mitigate climate change risks in the shipping industry, having become the first financial institution in Asia to sign onto the Poseidon Principles. For these reasons we are conducting a transition risk scenario analysis of this sector in fiscal 2020.

In this report we have highlighted some case examples of our climate change analysis, but going forward we hope to undertake analyses of biodiversity and specific sectors for which we have announced policies, such as forestry and palm oil.

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

The qualitative assessments and scenario analyses regarding climate change constituted the first step in our impact analysis. For the next step, we plan to undertake an analysis of biodiversity, forestry, and palm oil in the context of our banking business.

2.2 Target Setting

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.

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.

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.

(1) Sustainable finance target

As a signatory to the PRB, we are committed to addressing climate change issues with the common goal of achieving a carbon-free society, and as a financial group specialized in trust banking, we will contribute to the realization of a sustainable society by demonstrating our significant expertise in finance, trusts, and technology*.
*Forming a group of experts with discerning engineering capabilities to deploy technology in social settings for the purpose of realizing a society with net-zero carbon emissions.

SuMi TRUST Bank has set a new long-term target for sustainable finance in the banking sector (loans to corporate clients): ¥5.0 trillion in cumulative loans over the 10-year period from fiscal year 2021 through 2030, including ¥3.0 trillion in environment-related fields.

Long-Term Target for Sustainable Finance
Cumulative Balance of Loans Executed in FY2021 -2030: ¥5.0 Trillion
(Incl. ¥3.0 Trillion in Environmental Fields)

Examples of sustainable finance

- Positive impact finance
- Renewable energy finance
- Financing for green buildings

We also intend to focus on transition finance to support the shift towards a carbon-free society.

The Bank will aim to solve climate change and other environmental and social issues and help realize a sustainable society together with clients by actively supplying funds to environmental and social fields.

Sustainable finance refers to financing extended to businesses and clients that contribute to solving environmental and social issues based on such international standards as the Green Bond Principles and the Social Bond Principles. For instance, loans, formation of syndicated loans, fixed income investment services, fund investments, financial advisory services, and trustee services.

(2) Medium- to long-term CO₂ reduction targets

As a signatory to the PRB and PRI, the SuMi TRUST Group itself also engages in sustainable finance and ESG investment practices and we therefore have a responsibility to help solve environmental problems through business activities and reduce our environmental footprint as stated in our Sustainability Policy.

We are targeting a 50% reduction in CO₂ emissions at SuMi TRUST Bank by fiscal year 2030 and zero emissions by 2050.

Around 80% of SuMi TRUST Bank's CO₂ emissions derive from purchased electricity, while some 10% is generated by the combustion of utility gas through in-house power generation. Accordingly, the Bank aims to halve its emissions mainly by adopting electricity-related measures as an initiative for working towards the fiscal 2030 target.

(3) Other

With the goal of increasing the number of women in decision-making positions, SuMi TRUST Bank formulated a new action plan to have more than 12% of female employees appointed to section manager or higher and more than 30% in charge of management operations by the end of March 2023.

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

As a signatory to the PRB, we are committed to addressing climate change issues with the common goal of achieving a carbon-free society. Whilst we have set a target for sustainable finance in banking, up ahead we will consider whether we can make similar contributions in other businesses.

| 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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| <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. 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>SuMi TRUST Bank's credit portfolio is managed by the Wholesale Business Planning Department, which 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 sustainable finance targets.</p> <p>From the viewpoint of environmental and social considerations in investments and loans, the Sustainability Management Department fulfills a checking role for projects that pose a risk of running counter to SuMi TRUST Bank's policy on investments and loans.</p> <p>In April 2020, the Bank established the Sustainable Business Promotion Office within the Wholesale Business Planning Department to consolidate ESG information in the Wholesale Total Solution Services Business. It also started collaborating with the Sustainability Management Department.</p> <p>Going forward, the Wholesale Business Planning Department, the Sustainable Business Promotion Office, and the Sustainability Management Department intend to work together to further improve the impact analysis process.</p> <p>We believe SuMi TRUST Bank can achieve its 2030 CO₂ reduction target by (1) saving energy with more efficient operations and equipment, (2) reducing the electric power emission coefficient, and (3) adopting renewable energy. The Corporate Administration Department will spearhead initiatives after each business management department has formulated respective goals to work towards.</p> | <p>Sustainability Report 2020/2021 Page 45</p> <p>TCFD Report 2020/2021 Page 22</p> |
| <p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p> | | |
| <p>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> | | |
| <p>2.4 Progress on Implementing Targets</p> <p>For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. 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>(1) Sustainable finance target (2) Medium- to long-term CO₂ reduction targets Both (1) and (2) were set in 2020, therefore we plan to publicly announce our progress on achieving these targets starting with results from fiscal year 2020.</p> <p>(3) Other Guided by its general business owner action plan commitment based on the Act on Promotion of Women's Participation and Advancement in the Workplace, SuMi TRUST Bank aimed to have 300 female employees in managerial positions (section manager or higher) by the end of March 2020. This target was achieved ahead of schedule in October 2019 with 357 female employees appointed to such positions.</p> | <p>Sustainability Report 2020/2021 Page 96</p> |
| <p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.</p> | | |
| <p>As our sustainable finance target and medium- to long-term targets have only just been set, we will report on our progress up ahead as we work towards achieving them.</p> | | |
| <p>Principle 3: Clients and 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.</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>So that we can provide our clients with the products and services best suited to meet their genuine interests as their "Best Partner" and in order to carry out and instill fiduciary duties across all our business operations, in September 2016 we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group and since then we have continued to further strengthen our initiatives by revising them whenever necessary.</p> <p>In order to clearly communicate to our clients the results of these initiatives, we periodically publish a report entitled Status of implementation and KPIs for initiatives pursuing to be "Best partner" for our clients. These KPIs include those commonly used by financial institutions regarding investment trust sales.</p> | <p>Sustainability Report 2020/2021 Pages 129-140 See details about Providing Value to Clients</p> |

| 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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| <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>Positive Impact Finance (PIF) In March 2019, SuMi TRUST Bank was the first in the world to develop 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 we comprehensively analyze and assess the impacts of a company's supply chain on the environment, society, and economy. We then have the client commit to achieving specific KPIs that aim to increase the positive impacts and limit the negative ones. We then encourage the client in their efforts to contribute to the SDGs by monitoring the impacts and disclosing the results. We also support their efforts on boosting the competitiveness of their business, products, and services from a global perspective.</p> <p>Addressing Issues of a Super-Aged Society SuMi TRUST Bank hosts Silver College seminars right across Japan. They offer senior generation clients the chance to acquire information about leading a reassuring and fulfilling "second life." Leading experts in various fields are invited to these seminars to talk about what kind of thorough preparations are required in order to lead a safe and fulfilling second life. As we enter an age in which more people are likely to live to 100, the issues faced by society continue to pile up. In addition to the series of seminars for a fixed number of attendees focusing on four basic topics (health, safety and security; late-life housing; the issue of dementia; how to lead an enriched life in old age), each branch also plans and runs Silver College seminars under their own format.</p> | <p>Sustainability Report 2020/2021 Pages 50–51</p> <p>Sustainability Report 2020/2021 Pages 113–125 See Addressing the Issues of a Super-Aging Society for details</p> |

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

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| <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 the Group's management principles (mission), we identify our stakeholders to be clients, shareholders, employees, and society, whilst in our Basic Policy on Social Responsibility (also known as our Sustainability Policy), we consider the key stakeholders to be clients, shareholders, investors, employees, business partners, communities, NPOs, government agencies, and international organizations. We are committed to engaging in dialogue with these stakeholders and playing an active role in building a sustainable society. Thus, clarifying who is who lets us easily gauge how the Group depends on each stakeholder and how they are affected by our corporate activities. This also serves as a strategic foundation for the creation of social value.</p> | <p>Sustainability Report 2020/2021 Pages 20–21</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.

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| <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>We have incorporated a basic strategy for generating positive impacts geared towards solving social issues and have placed sustainability at the core of the Group's management. Our policy on strengthening sustainability through our core business is to have each SuMi TRUST Bank business and its affiliated companies independently select the social issues that must be addressed first. Meanwhile, for climate change and other key sustainability issues in Japan and overseas, our Sustainability Promotion Committee functions as a command center for the entire Group and formulates strategies to swiftly implement initiatives whilst collaborating with international organizations and the like.</p> <p>Board of Directors</p> <ul style="list-style-type: none"> Establishes the Basic Policy on Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy). Stipulates (in the Basic Policy on Corporate Governance) that one of its main roles is to address the problems of climate change and other environmental and social issues concerning sustainability and determines the policy direction the Group should take. Hears the findings of the Risk Committee and engages in exhaustive discussions to decide on mainly the issues (materiality) that have a serious impact on the approach of balancing the creation of both social value and economic value, as well as operational frameworks. <p>Executive Committee</p> <ul style="list-style-type: none"> Hears the findings of the Business Risk Management Committee and engages in exhaustive discussions to establish policies regarding items of materiality for submission to the Board of Directors. Engages in exhaustive discussions to decide on initiatives for Group companies, taking into account the perspective of balancing the creation of both social value and economic value. For initiatives on key sustainability issues, the Committee establishes medium-term policies in line with the Medium-Term Management Plan, as well as policies for each fiscal year, and manages operations that reflect the PDCA cycle (convenes meetings as the Sustainability Promotion Committee). | <p>Sustainability Report 2020/2021 Page 16</p> |
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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>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, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p> | <p>We make sure employees understand strategies by mainly distributing the Group's Employee Integrated Report to all directors, officers, and employees. We facilitate the acquisition of practical knowledge as quickly as possible by promoting in-house hands-on activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the "With You" activities.</p> <p>In principle, compensation for directors and executive officers is paid with a combination of monthly compensation (comprising fixed compensation and individual performance compensation), bonuses for directors and executive officers (performance-linked bonuses), and stock compensation (share delivery trust). We have also introduced a framework that encourages management to promote sustainability by incorporating ESG-related activities and rating agency scores, etc. as one of the KPIs for determining stock compensation for executives.</p> | <p>Sustainability Report 2020/2021 Page 16</p> |
| <p>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.</p> | <p>a) Even though our sustainable finance target and CO₂ reduction targets were established by the Executive Committee, each business division draws up a concrete action plan and monitors progress towards achieving the targets. b) Progress on achieving the targets and any negative impacts that may arise are reported to the Sustainability Promotion Committee, which then immediately considers if remedial action is required.</p> | |
| <p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p> <p>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.</p> | | |

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.

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| <p>6.1 Progress on Implementing the Principles for Responsible Banking 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. Based on this, it has defined priorities and ambitions to align with good practice. 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>Initiatives since signing onto the PRB in 2019</p> <ul style="list-style-type: none"> • Review of materiality • Revisions to policies for specific sectors • 11 positive impact finance transactions <p>• Setting of sustainable finance target • Setting of medium- to long-term CO₂ reduction targets • Release of TCFD Report</p> <p>• Participation in PRB promotional video coinciding with the first-year anniversary of the Principles • Participation in the PRB's Reporting Working Group</p> | <p>Sustainability Report 2020/2021 Pages 18–19 & 46 Pages 50–51</p> <p>TCFD Report 2020/2021 Pages 19 & 22</p> <p>Participation in PRB first-year anniversary event https://www.smth.jp/en/news/2020/E201001.pdf</p> |
| <p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.</p> <p>In the first 18 months after signing onto the PRB, as measures to address climate change, we not only became a signatory to the Poseidon Principles and revised our policies for specific sectors, but we also formed a TCFD Project Team and released our first-ever TCFD Report. We also disclosed information about biodiversity in a report on natural capital, but going forward, we intend to take the necessary steps to further enhance our policies for specific sectors.</p> | | |