

# Sustainability Promotion System

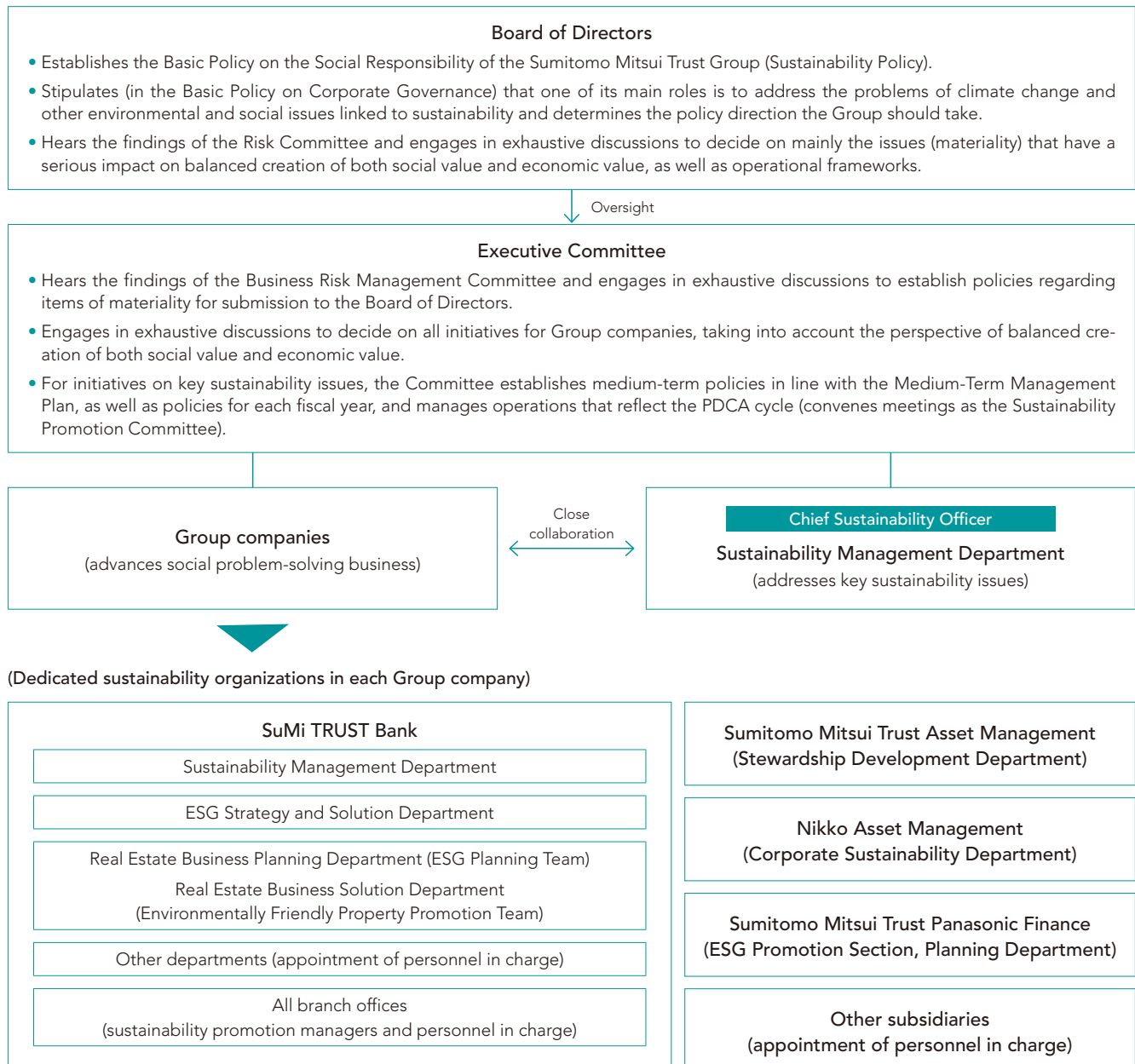
The SuMi TRUST Group defines its reason for existence (“Purpose”) as “Creating new value with the power of trusts and let prosperous future for our clients and society bloom,” and places the “balanced creation of both social value and economic value” at the core of its management. As a result, sustainability has literally become a part of our daily conversation and is being emphasized in every aspect of our business. Our sustainability promotion system can be described as a framework for promoting the integration of sustainability into our existing business strategy.

## 1. Sustainability Promotion System

At SuMi TRUST Holdings, the Board of Directors sets the Sustainability Policy, and based on this policy, the Executive Committee, which is the executive body, deliberates and decides on various measures to promote sustainability, and the Board of Directors supervises the execution of these measures.

In the Executive Committee, the Sustainability Management Department serves as the secretariat for the Sustainability

Promotion Committee, which is held to discuss initiatives related to important sustainability issues. The Executive Committee makes decisions on the sustainability initiatives of each Group company after thorough discussions, while taking into account the balanced creation of both social value and economic value.



## Roles of Sustainability Promotion Committee

The Sustainability Promotion Committee is responsible for the following functions. We started holding Sustainability Promotion Committee meetings more frequently starting in FY2021. Particularly in the area of climate change, since

making the Carbon Neutral Commitment in October 2021, we have been reporting the progress of the Climate Change Adaptation and Mitigation PT on a monthly basis.

Management	<ul style="list-style-type: none"> <li>Promoting materiality management</li> <li>Devising and promoting plans for sustainability work (manages the progress of social problem-solving businesses at Group companies)</li> <li>Tackling climate change issues</li> <li>Conducting strategic information disclosure by issuing Sustainability Reports and other publications</li> <li>Earning the trust of investors and other stakeholders and working to improve their assessment of the Group</li> </ul>
Business development	<ul style="list-style-type: none"> <li>Developing innovative financial products and services that help solve key sustainability issues</li> <li>Strategically providing value to the community through "With You" activities*</li> </ul> 
Employee education	<ul style="list-style-type: none"> <li>Ensure employees understand strategies by distributing the Group's employee integrated report to all directors, officers, and employees</li> <li>Facilitate the swift acquisition of practical knowledge by promoting in-house activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the "With You" activities</li> </ul>
Dialogue	<ul style="list-style-type: none"> <li>Encouraging dialogue with, and ascertaining the needs of, various stakeholders, including shareholders, investors, NPOs and NGOs in Japan and overseas, international organizations, government agencies, and universities</li> <li>Utilizing internal engagement to absorb the needs of stakeholders into the Group and improve initiatives</li> </ul>

\*This is the name for the community-based sustainability activities developed by the branch offices of SuMi TRUST Bank in order to forge strong relationships of trust with local communities.

## Internal Engagement in FY2021

Internal engagement (see page 21) is one of the important roles under the jurisdiction of the Sustainability Promotion Committee that is designed to reflect the voices of stakeholders

in management. In FY2021, the following themes were selected for engagement.

Theme	Related Materiality	Points raised by investors and assessment organizations
Corporate governance	Corporate governance	Independence, diversity, and expertise of the Board of Directors Enhancement of executive compensation disclosure
Information security/ Cyber attack response	Systems maintenance and combatting cyber attacks	Strengthening management involvement and going beyond legal compliance
Human rights	<ul style="list-style-type: none"> <li>Bolstering human resources and developing workplace environments</li> <li>Considering impacts on society and the business environment of companies to whom we extend investments and loans</li> </ul>	Carrying out comprehensive initiatives by globally addressing human rights issues and expanding supply chain responses
Human capital	Bolstering human resources and developing workplace environments	Enhancement of information disclosure on human resource skill improvements
Climate change/ Policy on investments and loans	<ul style="list-style-type: none"> <li>Climate change</li> <li>Considering impacts on society and the business environment of companies to whom we extend investments and loans</li> </ul>	Carbon neutrality of investment and loan portfolios Enhancement of policies for specific sectors Making early progress in disclosing information in line with TCFD
Risk management	Risk management and resilience	Responding to the rapidly expanding scope of risk from a global perspective
Compliance	Compliance	Enhancement of whistleblowing programs
Policy on political involvement	Compliance	Taking a proactive approach to disclosure with an emphasis on transparency as a financial institution
Tax governance	Compliance	Clarifying tax policy and commitment to tax compliance Enhancement of management systems and information disclosure

## Message from Chief Sustainability Officer

With the entire world being simultaneously struck by the unthinkable COVID-19 pandemic, I feel that there is a rapidly growing awareness that sustainability issues such as climate change are a crisis common to all humanity. The finance world has an important role to play in working together with governments and the business community to change the social system in a sustainable direction. We are determined to meet society's expectations by accelerating the creation of positive impacts to solve problems, while also making use of scientific knowledge.

Fellow Officer, Chief Sustainability Officer  
**Tsukasa Kanai**



## Sustainability Promotion System

### Establishing Climate Change Governance

SuMi TRUST Holdings understands that climate change is a source of risk and opportunity that can have a significant impact on financial markets, and has established a governance system for supervision and execution centered on the Board of Directors. The Board of Directors, which is a supervisory body, has established the Risk Committee as an advisory body to ensure the execution of our climate change response, and to conduct flexible and in-depth deliberations

on climate change to ensure appropriate supervision.

The Executive Committee, which is an executive body, has established the Business Risk Management Committee as an advisory body, as well as the Climate Change Adaptation and Mitigation Project Team to formulate strategies and respond promptly to climate change in each business as well as across all Group companies.

### Key Initiatives in fiscal year 2020-2021

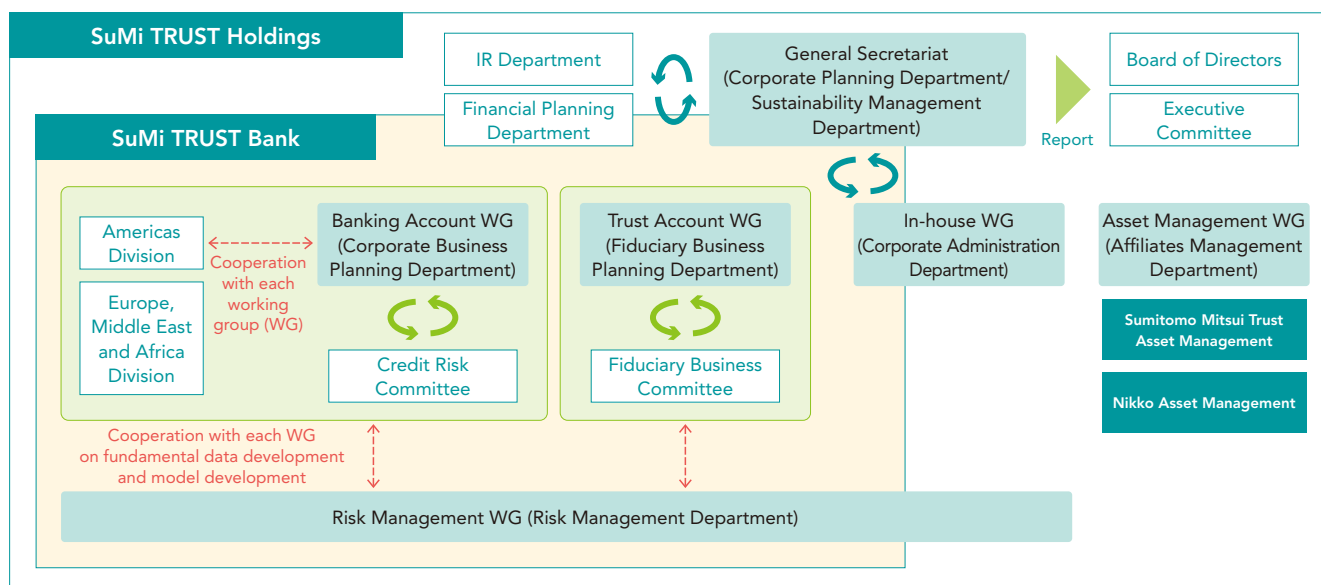
Meeting systems, etc.	Activities	
Board of Directors	<ul style="list-style-type: none"> <li>Held focused deliberations on climate change (including Carbon Neutral Commitment) as a management theme</li> </ul>	Supervisory body
Risk Committee	<ul style="list-style-type: none"> <li>Set climate change as a key issue for focused deliberations in fiscal year 2021, periodically checked the status of the Group's efforts and conducted deliberations on climate change issues by including external members with expert knowledge</li> </ul>	Advisory to the Board of Directors
Executive Committee	<ul style="list-style-type: none"> <li>Reviewed the climate change adaptation system</li> <li>Discussed and resolved to join the NZBA and externally announcing the 2050 Carbon Neutral Commitment to external</li> <li>Provided monthly reports on the progress of the Climate Change Adaptation and Mitigation PT</li> </ul>	Executive body
Business Risk Management Committee	<ul style="list-style-type: none"> <li>Reviewed the climate change adaptation system and provided advice and listened to opinions about joining the NZBA and externally announcing the 2050 Carbon Neutral Commitment to external</li> </ul>	Advisory to the Executive Committee
Climate Change Adaptation and Mitigation PT Steering Committee	<ul style="list-style-type: none"> <li>Held monthly discussions on the progress of the Climate Change Adaptation and Mitigation PT</li> </ul>	Executive body

### Establishment of Climate Change Adaptation and Mitigation Project Team

In 2019, we established the TCFD Project Team (TCFD PT) to strengthen our risk management and information disclosure related to climate change. In October 2021, however, we restructured and further enhanced this team, and established the Climate Change Adaptation and Mitigation Project Team with the aim of specifically implementing our Carbon Neutral Commitment. This team covers the entire SuMi TRUST Group and consists of each of our

corporate management departments and each business under SuMi TRUST Bank, as well as Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, the Europe, Middle East and Africa Division, and the Americas Division.

In addition, SuMi TRUST Bank has issued about 80 personnel appointments (mainly for concurrent positions) in line with this, and has literally launched a company-wide response to climate change issues.



\*Departments in parentheses are those in charge of the secretariat.

## Sustainability Management Department and Technology-based Finance (TBF) Team

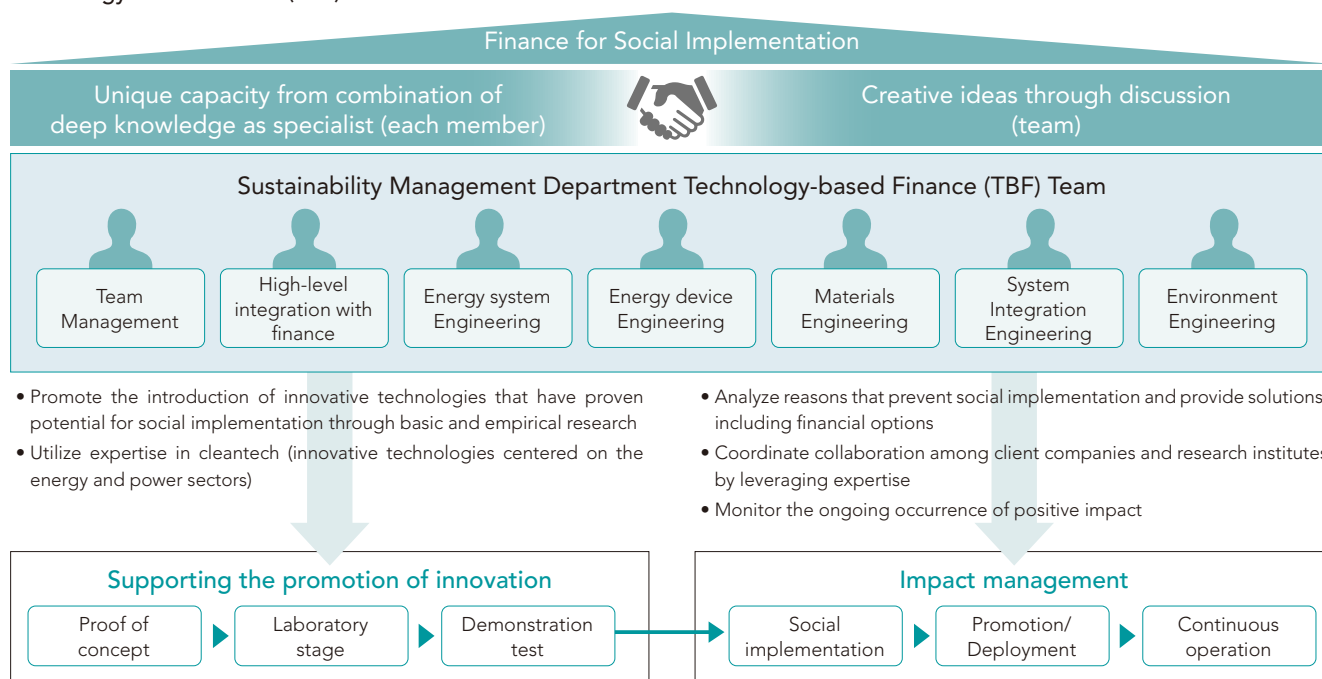
One of the important functions of the Sustainability Management Department is the research and development of new sustainability-related businesses. With this in mind, we launched a Technology-based Finance (TBF) team in April 2021.

Solving the challenges presented by the Sustainable Development Goals (SDGs) and the Paris Agreement will require vast amounts of funding, and innovative technologies will be key. Going forward, we need to understand the latest technologies, deepen our dialogue with our clients, and approach finance from a scientific perspective. This is why we established the TBF team to support the social implementation of technology from a financial perspective.

We have teamed up with researchers and experts who

have doctoral degrees in science and engineering in the fields of hydrogen, storage batteries, organic chemistry, and inorganic chemistry, with the aim of realizing a carbon-free society that is in harmony with nature. By incorporating the knowledge of our team members into the impact evaluation process and implementing innovative technologies in society, we will accelerate initiatives to promote positive impact and control negative impact, thereby contributing to solving social issues. The TBF team's activities represent a new challenge for us and for the financial community. By applying existing technologies, developing new technologies, or a combination of the two, we aim to build a social system that will solve environmental and social problems.

### Technology Based Finance (TBF) Initiatives



### Examples of businesses led by the TBF team in FY2021 (see pages 68-69 for details)

1. Promotion of impact evaluation advisory business for venture capital firms including Real Tech Holdings
2. Start of an experimental pilot program to commercialize an innovative hydrogen value chain
3. Impact evaluation based on collaboration agreement with Odawara City, Bank of Yokohama, and Hamagin Research Institute on local production and local consumption of energy, etc.
4. Promotion of various operations based on the collaboration agreement on ESG regional finance, etc. concluded with the Hokkaido Regional Environment Office of the Ministry of the Environment
5. Participation in the Center for Co-creation of a Resource Recycling Society Using Renewable Polysaccharide Plant-Based Plastics
6. Providing a variety of decarbonization-related solution services to regional financial institutions and local governments throughout Japan

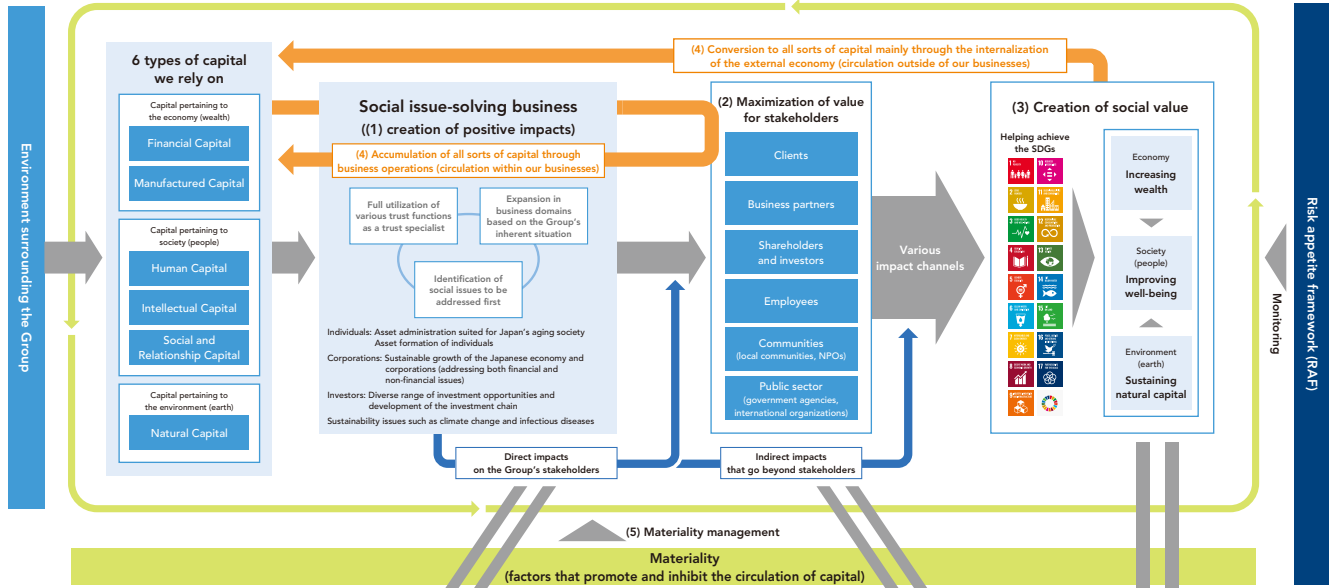
2. Value Creation Process

The SuMi TRUST Group's reason for existence, or "Purpose"

**Creating new value with the power of trusts and let prosperous future for our clients and society bloom**

Our ideal vision

Roles expected by society



### Value Creation Process

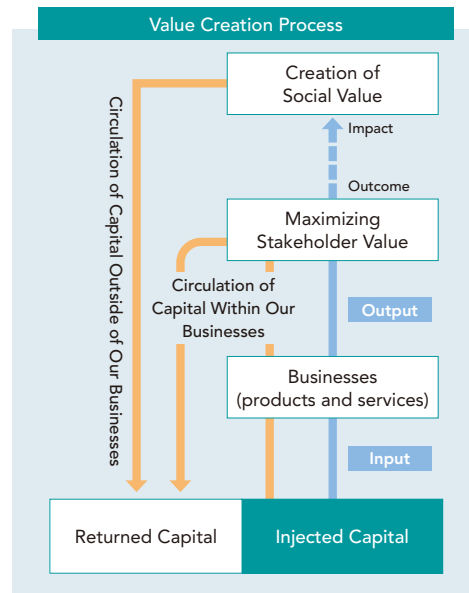
To achieve the balanced creation of both social value and economic value, we need a process of creating positive impact while maximizing stakeholder value based on our "Purpose." It is also necessary to organically combine this process with the process of sustainably strengthening our

own financial and non-financial management foundation (six types of capital), and establish a system to appropriately manage these processes at the management level. We call this system the "value creation process."

### Circulation of Capitals

The capital needed to execute business operations usually consists of cash, equipment, and other tangible assets that appear on financial statements, as well as intangible assets that do not convert so easily into money, like human resources, know-how, and networks. We call the process of injecting both financial and non-financial capital into our businesses to generate profits through business execution, develop human resources, and expand our client base the "circulation of capital within our businesses." By leveraging the circulation of capital both within and outside of our businesses, we must establish a mechanism through which our launching pad for growth is enhanced in a sustainable manner so that benefits that extend beyond the Group come back to the Group in the long term owing to the internalization of the external economy. The SuMi TRUST Group's unique value creation process, which illustrates how the Group circulates capital through social issue-solving businesses, is the platform for incorporating the so-called "integrated thinking"\* into corporate management.

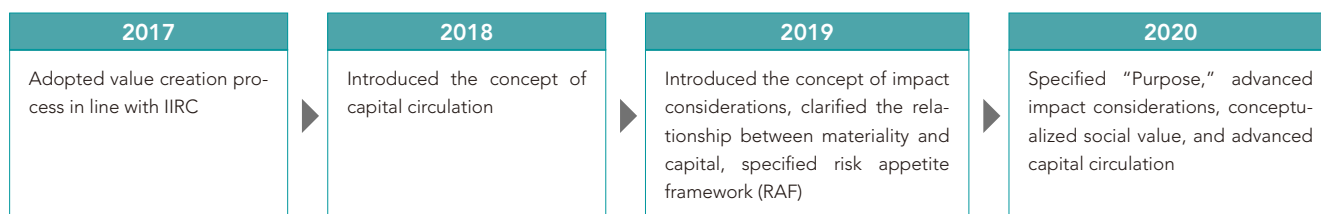
\*A way of thinking that takes a medium- to long-term view of management and utilizes all financial and non-financial capital which the company's business model depends on and is affected by.



### To Deepen Integrated Thinking

Since adopting the value creation process of the International Integrated Reporting Council (IIRC) in FY2016, every year we have continued to deepen its content by incorporating our own original elements. In FY2017 and FY2018 we introduced the concepts of capital circulation and impact

considerations, respectively, to clarify the relationship between materiality and capital. In FY2019 we clearly stated our reason for existence ("Purpose") and summarized the notion of social value by examining the chain of impacts (impact considerations).



To further advance our materiality management, we are working to define capital, visualize the relationship between the impact we create and the social value we create, and develop the concept of combining our value creation process with business portfolio analysis. Specifically, in addition to setting KPIs from a medium- to long-term perspective to promote sustainable growth, we will also focus on setting non-financial indicators (number of clients, service quality,

etc.) that will help improve future financial indicators as part of our management planning process going forward, and will develop a system that facilitates monitoring medium- to long-term growth from a supervisory perspective.

We believe that by incorporating a non-financial capital perspective into our business portfolio analysis and review in this way, we can achieve real integrated thinking.

### 3. Materiality Management

#### (1) Definition of Materiality

The circulation of capital is similar to the circulation of blood. If capital is steadily accumulated in the same way blood flows freely around the body, the ability to generate value will continue to increase in a sustained fashion. Too much bad cholesterol in the body causes arteries to harden, which prevents blood flow.

Conversely, good cholesterol in the body helps prevent the arteries from hardening. Applying this analogy to priority issues (materiality) that affect our value creation process over the medium to long term, we consider materiality to be comprised of factors that either inhibit (bad cholesterol) or promote (good cholesterol) the circulation of capital.

**Materiality is a matter that has a significant impact on the process of improving the ability to generate value sustainably through the accumulation of financial and non-financial capital**

#### (2) Materiality Identification Process

The Company identified materiality in FY2015 and conducted a materiality review in FY2019. In the FY2015 identification process, we identified 17 materiality items which had been selected from a list of 28 items that were considered highly important to a banking group after interviewing external directors, external experts, and relevant internal departments about their medium- to long-term impact on the Group’s enterprise value and the Group’s impact on stakeholders.

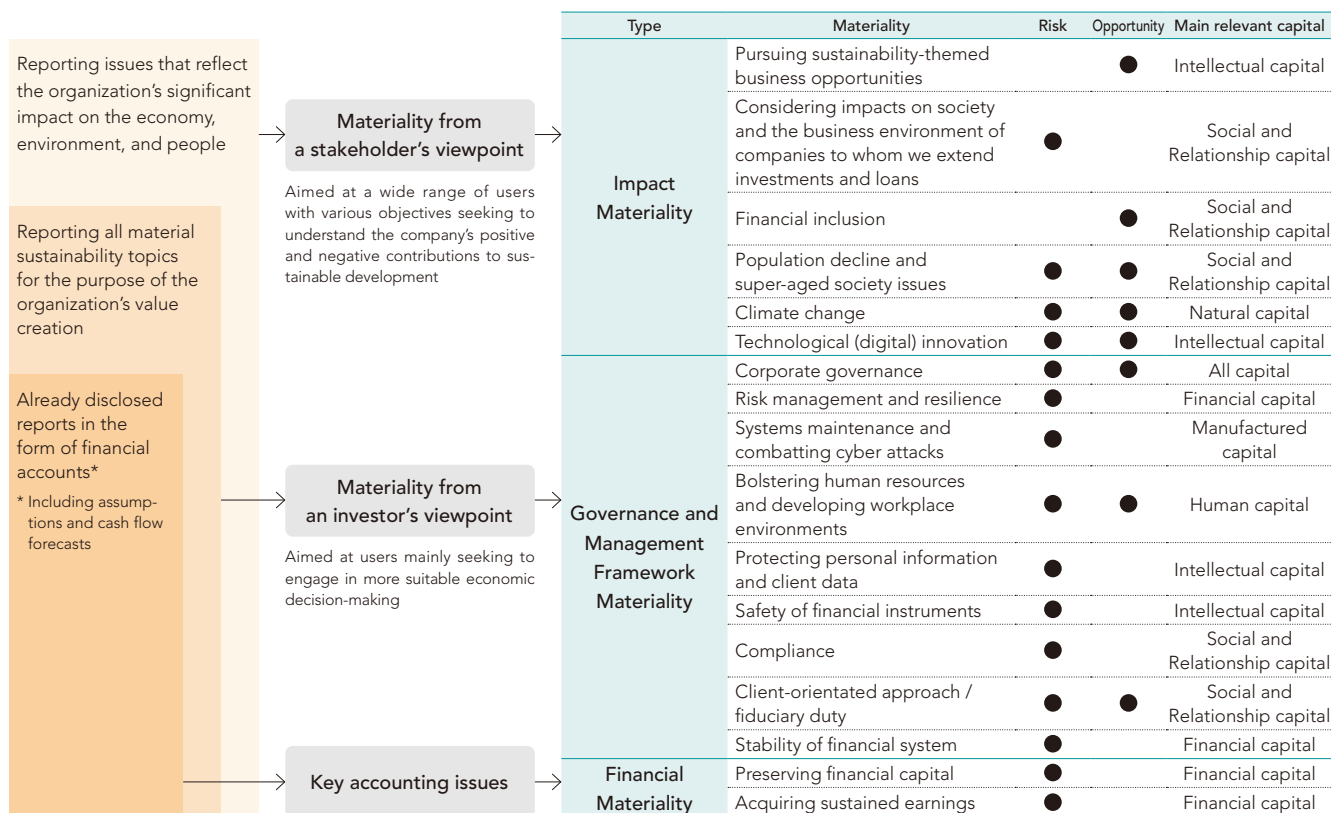
Subsequently, with the “balanced creation of both social value and economic value” placed at the very core of our growth strategy, we integrated our separately managed top

risks that are likely to have a significant impact on our financial position into our materiality, then adopted the new set of materiality at the Board of Directors meeting in FY2019.

As a result, we have established a system in which we comprehensively identify key issues in terms of both risks and opportunities with respect to both the impact on our financial position and the impact on society and determine the most appropriate response to these issues.

#### (3) Three Materiality Categories

Discussions about how to approach materiality are gaining momentum worldwide. Considering this trend, in FY2020



we incorporated the unified concept of materiality outlined in some of the leading international standards (GRI, SASB, IIRC, CDP, CDSB) for information disclosure and classified our materiality into three categories. To be more precise, we categorized the SuMi TRUST Group's materiality as either "impact materiality" (the positive or negative impacts our corporate activities have on the economy, society, and the environment), "governance and management framework materiality" (the issues that impact the core elements of our value creation), or "financial materiality" (the issues that directly affect financial performance). We have also identified which kind of capital each materiality issue is mostly connected to in terms of the circulation of capital, and in addition to understanding the significance of, and managing, materiality as part of the value creation process, we make use of internal engagement and other methods to ensure we manage materiality appropriately.

#### (4) Management and Administration of Materiality

The management and administration of each materiality item is carried out by the designated department in charge to facilitate the capital circulation.

In addition, we have introduced a system called internal engagement (described in more detail below) to incorporate the perspectives of stakeholders into the management and administration of materiality, and the status is reported to the Board of Directors. Furthermore, the Risk Committee receives consultations from the Board of Directors on matters related to materiality, deliberates on the appropriateness of such matters based on its expertise, and reports back to the Board of Directors.

As part of our materiality management and administration, we review our materiality as necessary according to the concept of dynamic materiality, which is based on the idea that social conditions and values change and these changes in turn affect our corporate value.

## 4. Internal Engagement

### Basic Philosophy

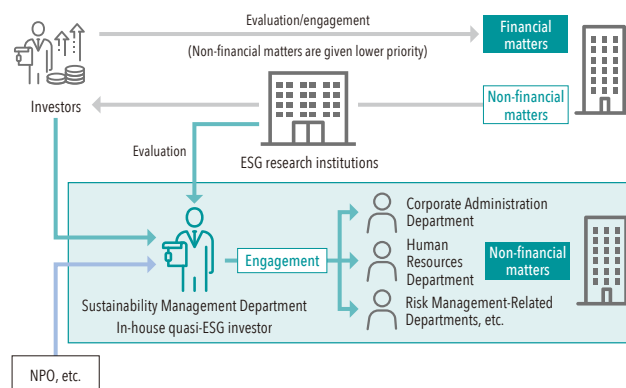
At SuMi TRUST Holdings, the Sustainability Management Department engages in investor-like dialogue with relevant departments on non-financial materiality items in the finance sector that ESG investors are most interested in and for which the Group's initiatives may face challenges, in order to improve our approaches and enhance information disclosure. We refer to this initiative as internal engagement, and consider it to be a check and balance function based on an external perspective on day-to-day operations, which is different from the supervisory function of the Board of Directors from a management perspective. Internal engagement is primarily aimed at advancing the internal management structure on the execution side, but the Board of Directors, after coordinating information with the Corporate Secretariat, will identify and address corporate governance issues.

### The Internal Engagement Process

The Sustainability Management Department selects themes for internal engagement based on ESG-related letters from investors and NGOs, the latest assessments and feedback from ESG assessment organizations, and the latest high-profile issues related to ESG and SDGs. In addition, the Sustainability Management Department first engages in direct dialogue with NPOs and other organizations on economic, social, and environmental issues that are material to our stakeholders.

Starting from this fiscal year, we made the officers in charge of relevant departments the target of our engagement, thereby speeding up the implementation of measures and ensuring that all officers are aware of the issues involved. In addition, we aim to further enhance effectiveness by utilizing experts within the Group. Going forward, we will strengthen collaboration and confirmation of the appropriateness of issues set and the status of responses by the relevant departments by sharing engagement themes identified by the Sustainability Management Department with the Corporate Planning Department (Planning Team and Internal Control System Office); see page 15 for the internal engagement themes for FY2021.

### Internal Engagement



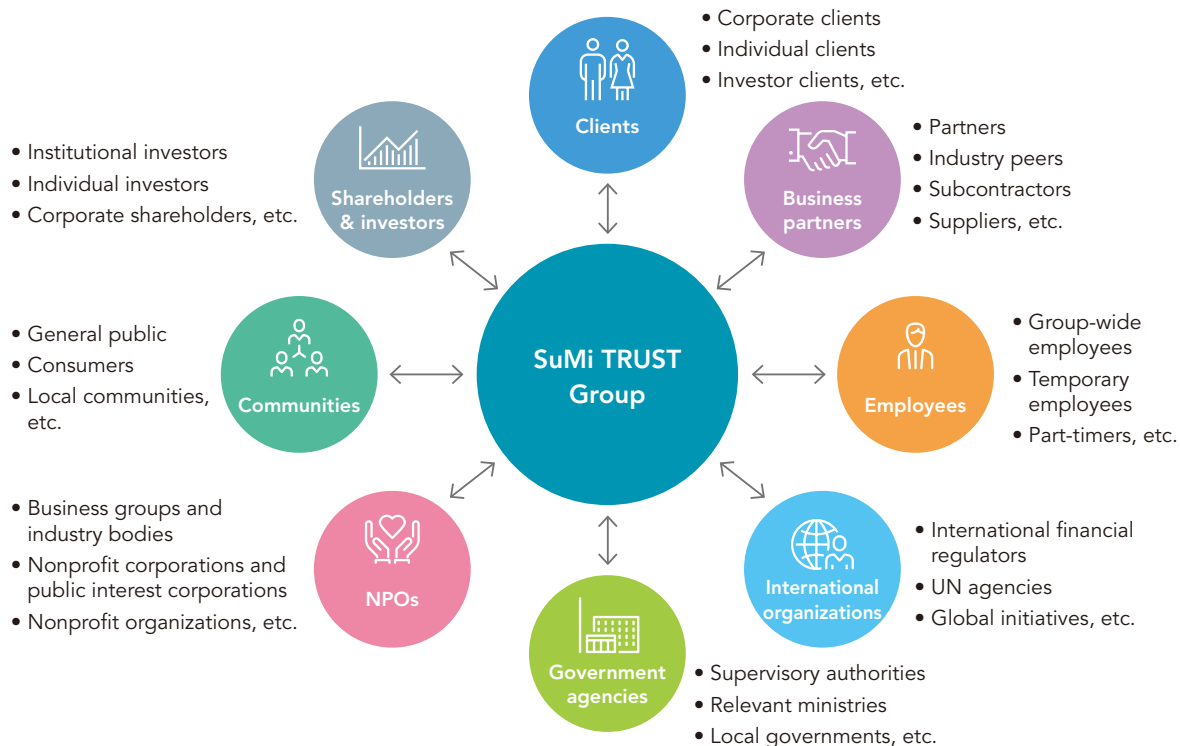


## 5. Stakeholder Engagement

The Company places clients, shareholders, employees, and society as its stakeholders in the Management Principles (“Mission”). In addition, in the basic policy on the social responsibility (the “Sustainability Policy”), the Company further broadens the scope of stakeholders, listing clients, shareholders, investors, employees, business partners, local

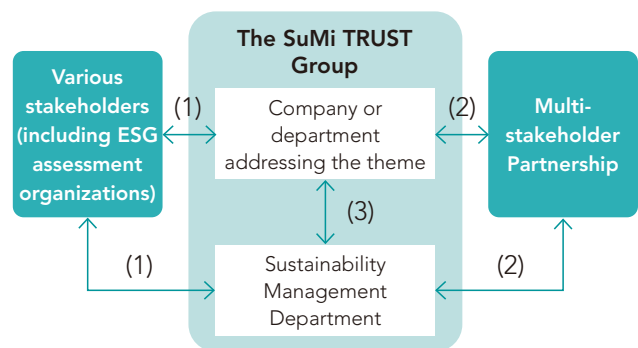
communities, NPOs, government authorities, and international institutions as major stakeholders, and declares its commitment to respect dialogue and play an active role in building a sustainable society. By identifying stakeholders in this way, we aim to have a clear understanding of how the Group relies on and impacts each stakeholder.

### Stakeholders of the Group



### Three Approaches to Stakeholder Engagement

The Group’s stakeholder engagement is divided into three approaches: (1) direct engagement by relevant affiliates/ relevant departments (in the case of SuMi TRUST Bank) according to the theme (see page 23), (2) direct participation in multi-stakeholder partnerships by relevant affiliates/ relevant departments (see page 24), and (3) internal engagement by the Sustainability Management Department with relevant affiliates/relevant departments based on its own dialogue with stakeholders and information gathered from ESG assessment organizations (see page 21). These approaches are used to diversify dialogue channels and enhance the quality and quantity of inputs.



## Engagement with Major Stakeholders

Clients	<p>The SuMi TRUST Group strives to be our clients' "Best Partner," who provides the maximum value to clients, by accurately capturing their needs through various dialogues with individual and corporate clients, and by offering "Total Solutions" that provide the best highly specialized products and services in a wide range of areas. For example, in SuMi TRUST Bank's Retail Total Solution Services Business, we not only receive feedback from sales branches and sales counters nationwide, but also capture opinions and requests through "Customer Services Promotion Office," "Voice of Customers Questionnaires," and "Sumitomo Mitsui Trust Direct" to improve client satisfaction (see pages 142-144 for details).</p>
Shareholders/ Investors	<ul style="list-style-type: none"> <li>The SuMi TRUST Group strives to disclose corporate information in a timely and appropriate manner, and aims for highly transparent corporate management through proactive IR activities and constructive dialogue with shareholders and investors in Japan and overseas. More specifically, in addition to disclosing corporate information in a timely, appropriate, and accurate manner, we strive to ensure that our shareholders and investors have a deeper understanding of our Group's performance, business conditions, business strategies, and other matters by having our top executives actively participate in information briefings and other events (see page 130 of the 2021 Integrated Report for details).</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>The SuMi TRUST Group's Sustainability Policy 6 states the following: "We aim to revitalize communities and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contributions such as educational and cultural activities." Based on this, our Group companies are engaged in a variety of activities, including the "With You" activities of SuMi TRUST Bank (see pages 161-195 for details).</li> </ul>
NPOs	<ul style="list-style-type: none"> <li>As a member of industry associations such as the Japanese Bankers Association, Trust Companies Association of Japan, and the Japan Business Federation (Keidanren), we engage in discussions with other participating companies on how financial institutions and companies should fulfill social roles, and reflect these discussions in our corporate activities.</li> <li>In the Principles for Financial Action for the 21st Century, which about 300 financial institutions are members, we chair the Sustainable Community Support Working Group, promoting dialogue with various stakeholders in community finance and working with other signatory financial institutions to promote sustainable finance in local communities (see page 27 for details).</li> <li>The SuMi TRUST Group has built long-term relationships with highly specialized NPOs, working closely with organizations such as the Ecosystem Conservation Society-Japan to make proposals on biodiversity issues from the private sector's perspective, and actively engaging in initiatives aimed at solving social and environmental issues.</li> </ul>
Government authorities	<ul style="list-style-type: none"> <li>The SuMi TRUST Group engages in daily dialogues with supervisory bodies and various government authorities to discuss how we can play a role in stabilizing the financial system and proactively contribute to the creation of a sustainable society.</li> <li>The SuMi TRUST Group is a member of various committees led by various government authorities (the Ministry of the Environment, the Cabinet Office, the Financial Services Agency, the Ministry of Land, Infrastructure, Transport and Tourism, etc.), and makes a wide range of proposals aimed at building a sustainable society from the perspective of a financial institution.</li> </ul>
International institutions	<ul style="list-style-type: none"> <li>The SuMi TRUST Group participates in various international initiatives and plays a proactive role in resolving global issues related to society and the environment (multi-stakeholder partnerships; see pages 24-27 for details).</li> </ul>
Employees	<ul style="list-style-type: none"> <li>To ensure a culture that fosters motivation and job satisfaction, SuMi TRUST Bank takes advantage of events where employees congregate, such as rank-based training, and provides opportunities where the President and other officers talk about topics including management policy and their leadership with a question-and-answer session (see page 114 for details).</li> <li>SuMi TRUST Bank periodically holds management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department consultation meetings, which are attended by representatives of labor and management at individual branches and departments, to discuss working condition for union members and how to maintain the working environment, as well as to reflect employees' views in management. At other Group companies as well, there are initiatives to ensure smooth business operation and maintain and improve the workplace environment through dialogue between the company and the union or representatives of employees (see page 115 for details).</li> <li>SuMi TRUST Bank conducts an "awareness survey" of all employees in order to objectively identify employees' perception of the dissemination of measures taken by the company, the personnel system and its operation, and the workplace environment and engagement (see page 116 for details).</li> <li>In view of the need for appropriate workforce management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk (LGBT Consultation Desk), at which all employees (including course employees, professional employees, associate employees, part-time workers, and temporary employees) can receive consultation without going through the regular reporting line when problems related to personnel and labor affairs management, such as unfair or unjust labor affairs management practices or workplace harassment, occur (see page 116 for details).</li> <li>In order to promptly and appropriately respond to any serious violation of laws/regulations and internal rules, to acts that likely constitute such violation, or to acts that are inappropriate, the SuMi TRUST Group has established a compliance hotline system where all officers and employees, etc. can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels (see page 30 for details).</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>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 96 for details).</li> </ul>

## 6. Multi-Stakeholder Partnership

Goal 17 of the SDGs promotes a diverse range of partnerships. Given the vital role of finance in the formation of a sustainable society, the Group places a strong emphasis on taking action, in partnership with various stakeholders, including other financial institutions, to tackle solutions to difficult challenges. We participate actively in partnerships within Japan and overseas.



### Abbreviations for each company

Company name	Abbreviation
Sumitomo Mitsui Trust Holdings, Inc.	SMTH
Sumitomo Mitsui Trust Bank, Limited	SMTB
Sumitomo Mitsui Trust Asset Management Co., Ltd.	SMTAM
Nikko Asset Management Co., Ltd.	NAM

#### United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is an international network to encourage financial institutions to consider sustainability in their behavior. In 2003, we were the first Japanese trust bank to become a signatory. In addition, we have participated in various working groups under UNEP FI and have contributed to strengthening initiatives in the finance industry, both in Japan and globally. Since January 2019, we have endorsed the Principles for Positive Impact Finance, the theoretical backbone of the Principles for Responsible Banking (PRB), and have participated in the Positive Impact Initiative, working with overseas banks to establish more advanced measures.



#### The Principles for Responsible Banking (PRB)

The Principles for Responsible Banking were formulated for the purpose of making bank operations conform with social goals, such as the SDGs and action on human rights problems and global warming countermeasures indicated by the Paris Agreement on climate change. In September 2019, SMTH announced that it will do its utmost to practice strategic business operations in conformity with the SDGs and the Paris Agreement, becoming the first signatory institution to the Principles for Responsible Banking (see pages 203-211).



#### The Principles for Responsible Investment (PRI)

SMTB, SMTAM, and NAM signed the PRI, which were formulated by the United Nations Global Compact and the United Nations Environment Programme Finance Initiative (UNEP FI) as a joint secretariat. The Principles call on institutional investors such as pension funds and asset managers to consider ESG (Environmental, Social, Governance) when making investment decisions. SMTAM is participating in the Water Risk Working Group, and both SMTAM and NAM are participating in the Palm Oil Working Group and other groups to practice engagement with relevant companies.



#### Net-Zero Banking Alliance (NZBA)

The NZBA is an international initiative among banks to achieve net-zero greenhouse gas (GHG) emissions through their investment and loan portfolios by 2050, and was launched in April 2021 under the leadership of the United Nations. SMTH became a signatory in October 2021.

#### Net Zero Asset Managers initiative (NZAMI)

The NZAMI is an initiative led by global asset managers to achieve net-zero greenhouse gas emissions from their assets under management by 2050. We pledged to achieve net-zero greenhouse gas emissions from our holdings by 2050. SMTAM and NAM became a signatory in July 2021 and November 2021, respectively.

### United Nations Global Compact (UN Global Compact)

The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, we became the first Japanese bank to sign the compact, and declared our resolve to act as a good corporate citizen by complying with and promoting the code of conduct. We also became a member of the "Global Company Network Japan (GCNJ)," in which signatory companies of the UN Global Compact participate.



### Climate Action 100+

"Climate Action 100+" is a program of collaborative engagement with companies believed to have major impacts on global warming, taking place for five years from December 2017. This program is conducted based on the Task Force on Climate-related Financial Disclosures (TCFD), lists over 100 companies around the world that have high emissions of greenhouse gas, then practices engagement with them, in collaboration with PRI, Ceres, and other signatory institutions to call for information disclosures. SMTAM and NAM participate in this initiative.



### TCFD (Task Force on Climate-related Financial Disclosures)

The FSB (Financial Stability Board), recognizing climate change as a risk affecting finance, announced its Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017, calling for even higher levels of transparency in disclosures related to climate change. SMTH, along with SMTAM and NAM, supports the TCFD recommendations, and are working on information disclosures in line with the recommendations (see 2021/2022 TCFD Report).



### CDP

The Carbon Disclosure Project, founded in 2000 by international NGOs active on environmental issues such as climate change, is the forerunner of the CDP. This project sends annual questionnaires to companies with high market capitalizations in leading countries. The response rate it obtains from companies is rising year after year. Questionnaire responses are basically published, and scores based on action each company takes are published to the world. SMTAM and NAM participate in this initiative.



### TCFD Consortium

The TCFD Consortium is a public-private partnership of signatories promoting the disclosure of climate-related information within the TCFD framework. We are participating in roundtables and exchanging views with signatories regarding initiatives on climate change issues. SMTH, SMTAM, and NAM joined the consortium when it was formed in May 2019.



### The Equator Principles

The Equator Principles are international guidelines for private-sector institutions to ensure that impacts on the environment and regional communities are fully taken into consideration when implementing loans such as project finance loans. SMTB became a signatory in February 2016 (see pages 50-51). The fourth revision passed in 2019 enhanced considerations for indigenous peoples in developed countries and reinforced initiatives to address climate change risks.



### Partnership for Carbon Accounting Financials (PCAF)

The PCAF is an international initiative to discuss and develop guidelines among financial institutions around the world regarding measurement methods and disclosure of greenhouse gas emissions from financial institutions' investment and loan portfolios. Over 150 financial institutions across the globe are members of the initiative, with rapid growth in North America, Latin America, Europe, Africa, and the Asia-Pacific regions. SMTH joined as a member in January 2022. We will work together with the other members to contribute to the reduction of greenhouse gas emissions worldwide, and to promote the advancement of the measurement and disclosure of our Group's greenhouse gas emissions.



### The Poseidon Principles

In March 2020, SMTB became the first financial institution in Asia to sign the Poseidon Principles, which is an initiative established to help financial institutions address climate change risks in the shipping industry. Financial institutions that are signatories to the Principles will annually evaluate the level of achievement of CO2 emission reduction efforts for ships covered by ship finance, and calculate and announce the contribution of each bank's overall ship finance portfolio to CO2 emission reduction efforts (see pages 52-53).



**Taskforce on Nature-related Financial Disclosures (TNFD)**

The TNFD is an international initiative to discuss disclosures of risks and opportunities from the perspective of natural capital. SMTAM has been participating in informal working groups since before its inception in June 2021 to promote the project for its official launch. We currently serve as a member of the TNFD Forum.



**FAIRR**

SMTAM has joined FAIRR (Farm Animal Investment Risk & Return), an engagement group that mainly targets the fisheries and livestock industries, and participates in the “Sustainable protein supply chains,” one of the group’s current collaborative engagement programs. It aims to raise awareness among target companies of the large ESG risks and opportunities of products made from fisheries and livestock produce, linking that awareness to improvements in corporate activities. SMTAM aims to globalize its engagement activities, and gain knowledge and presence as a result.



**Business and Biodiversity Initiative “Biodiversity in Good Company” Leadership Declaration**

At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, SMTH, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative “Biodiversity in Good Company,” which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue (see page 75).



**Access to Medicine**

Access to Medicine is a collaborative body which has major Western asset managers and asset owners as signatories. Its activities address major global pharmaceutical companies to raise their awareness of medical treatment services in developing countries, and to call for improved access to medicines. SMTAM aims to strengthen its engagement with global pharmaceutical companies.



**Natural Capital Finance Alliance (formerly the Natural Capital Declaration)**

SMTH signed the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) in June 2012. The Natural Capital Declaration will be reorganized as the Natural Capital Finance Alliance to expand its initiatives (see page 75).



**The 30% Coalition (USA), 30% Club (UK), and 30% Club Japan**

This is an investor network that works to raise diversity in company boards of directors. SMTAM has signed and engaged in the activities of the Thirty Percent Coalition in the USA and the 30% Club Investor Group in the UK. It also became a signatory to the 30% Club Japan Investor Group when it was founded in May 2019, with NAM following suit in July 2019, and both companies began activities in Japan.



**Global Principles for Sustainable Securities Lending (GPSSL or Global PSSL)**

The GPSSL is a set of principles to promote sustainable financial transactions with the aim of establishing best practices in securities lending from an SDG/ESG perspective, including transparency, collateral, and the principles for exercising voting rights. SMTB became an inaugural signatory institution in September 2021.



**Ceres**

Ceres (Coalition for Environmentally Responsible Economies) is an NGO that encourages companies to take action on environmental issues, such as global warming. It practices positive engagement through an investor network that includes 150 participating institutional investors, mainly in North America. SMTAM participates in this initiative.



### International Corporate Governance Network (ICGN)

The ICGN is an investor organization that provides support and advice for the implementation of corporate governance practices. SMTAM was appointed to the Board of Governors as a representative from Japan in September 2021. We have stepped up efforts to engage with governments, authorities, exchanges, and other parties around the world to enhance corporate governance. SMTAM, NAM, and SMTB participate as members.



### Principles for Financial Action for the 21st Century (PFA21)

We have played a central role in the Principles for Financial Action for the 21st Century (PFA21) since the Principles were drafted in 2011. Moreover, since 2013 we have been a member of the Financial Principles Steering Committee (the "Steering Committee"), and served as chair of the Sustainable Community Support Working Group (WG), which practices outreach and education in sustainable finance in regional areas. We also participate in the Ministry of Environment's High Level Panel on ESG Finance as an observer. SMTH, SMTAM, NAM, and Sumitomo Mitsui Trust Panasonic Finance are participants.



### Council of Institutional Investors (CII)

The CII is an NPO that shares information and views on corporate governance, shareholder rights, and other matters. It collects information on corporate governance, financial markets and regulations, accounting and auditing, and diversity-related matters. SMTAM and SMTB are participating members.



### Japan Sustainable Investment Forum (JSIF)

The JSIF is an NPO dedicated to promoting the sound development of sustainable investment and financing in Japan. An SMTAM officer serves on JSIF's Board of Directors. We have contributed articles to the White Paper on Sustainable Investment in Japan and dispatched lecturers to sustainable finance courses at universities sponsored by JSIF. SMTH, SMTAM and NAM became signatories in March 2005.



### AIGCC

The AIGCC (Asia Investor Group on Climate Change) is a group of Asian investors concerned with climate change. It is an initiative to generate awareness among Asian asset owners and financial institutions of the risks and opportunities associated with climate change and low-carbon investment. SMTAM and NAM participate vigorously in engagement through the AIGCC.



### Well-being Initiative

The Well-being Initiative is an initiative that aims to build a global consensus for the development of new indicators to measure well-being, the promotion of well-being management, and recommendations to governments and international organizations, in collaboration with European and American academic researchers and consultants. SMTH joined the initiative when it was launched in March 2021.



### Investor Agenda

The Investor Agenda was founded in February 2018 by asset managers (around 480 groups and agencies) that had signed the PRI, CDP, and Ceres. It is an initiative of institutional investors promoting low carbon in climate change-related behavior. Its purpose is collaboration and liaison on investment, corporate engagement, information disclosure by investors, and policy proposals. SMTAM and NAM participate in this initiative.



### COLTEM

COLTEM (Collaboration Center of Law, Technology and Medicine for Autonomy of Older Adults) is a social technology development center, supported by the Japan Science and Technology Agency under the Ministry of Education, Culture, Sports, Science and Technology. It integrates law, engineering, and medicine to provide seamless support for older adults to live in the community in conditions ranging from health to cognitive impairment. SMTB participates in COLTEM, and contributes to the creation of systems for supporting those with dementia in making decisions and smoothly managing their financial transactions and assets (see page 154).

