

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.

Business model

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 across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

The Sumitomo Mitsui Trust Group (hereinafter referred to as "SuMi TRUST Group" or the "Group") owns a variety of group companies engaged in banking, asset management & administration, real estate services, and other business under our bank holding company, Sumitomo Mitsui Trust Holdings, Inc. (hereinafter referred to as "SuMi TRUST Holdings") Based on our unified Group management strategy, the SuMi TRUST Group operates across a variety of business segments, mostly focusing on Sumitomo Mitsui Trust Bank, Ltd. (hereinafter referred to as "SuMi TRUST Bank"), our central Group company. The SuMi TRUST Group is comprised of SuMi TRUST Holdings, 58 consolidated subsidiaries, and 30 equity-method affiliates.

The Group's Gross Business Profits by Segment in the year ended March 2023

	Gross Business Profits (in 100 million JPY)
Retail Business	2,028
Corporate Business	2,293
Investor Services Business	1,273
Real Estate Business	697
Global Markets Business	693
Asset Management Business	847
Others	307

A breakdown of our ordinary profits by geographic area is included below. Our domestic business in Japan accounts for majority of the profits.

(in 100 million JPY)

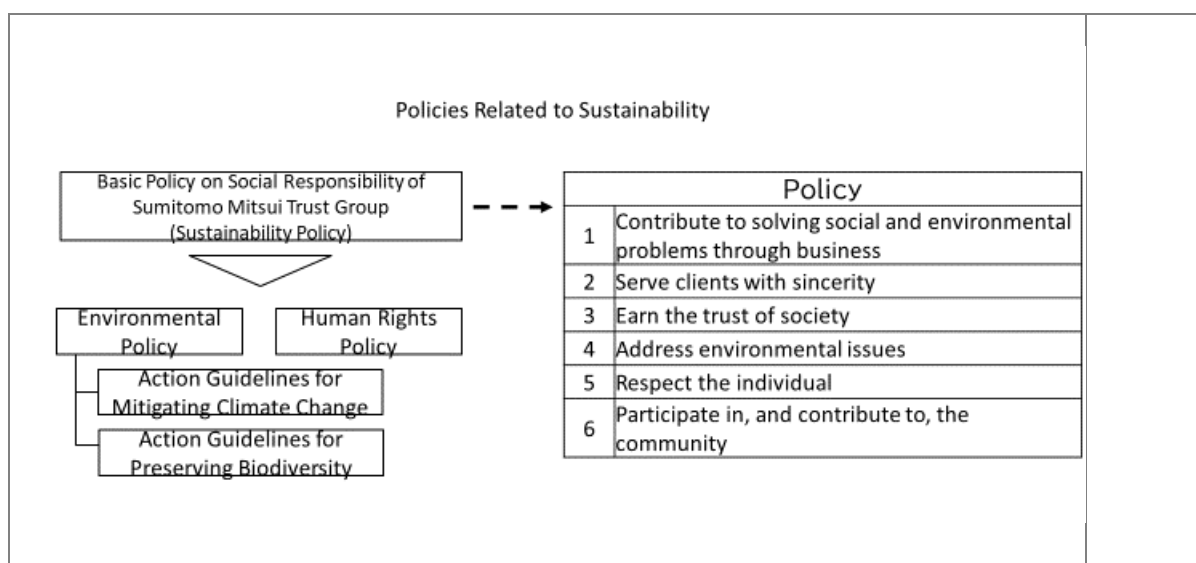
Japan	Americas	Europe, Middle East and Africa	Asia & Oceania	Total
13,124	2,209	1,509	1,349	18,191

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<p>SuMi TRUST Holdings holds approximately 32 trillion JPY in outstanding loans, with 26 trillion JPY for domestic lending and the remainder for overseas lending(*1). With our retail clients, we have approximately 11.4 trillion JPY in deposits & trusts (*2) and approximately 10.4 trillion JPY in residential mortgage loans.</p> <p>(*1) “Domestic” here applies to SuMi TRUST Holdings, SuMi TRUST Bank (excluding overseas branches) and Japanese domestic consolidated subsidiaries. “Overseas” applies to SuMi TRUST Bank’s overseas branches and overseas consolidated subsidiaries.</p> <p>(*2) Breakdown of retail deposits & trusts Fixed-Rate Time Deposits: approximately 10.4 trillion JPY, Variable-Rate Time Deposits & trusts/others: approximately 1.0 trillion JPY</p>	
<p>Strategy alignment</p> <p>Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p> <p>Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?</p> <p><input checked="" type="checkbox"/> UN Guiding Principles on Business and Human Rights</p> <p><input checked="" type="checkbox"/> International Labour Organization fundamental conventions</p> <p><input checked="" type="checkbox"/> UN Global Compact</p> <p><input type="checkbox"/> UN Declaration on the Rights of Indigenous Peoples</p> <p><input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD</p> <p><input checked="" type="checkbox"/> Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: <u>The UK Modern Slavery Act</u></p> <p><input type="checkbox"/> None of the above</p>	
<p>Response</p> <p>In light of growing importance of sustainability issues, at SuMi TRUST Holdings, the Board of Directors sets the Sustainability Policy. 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.</p> <p>In terms of policy and guidelines, we have established our “Basic Policy on Social Responsibility of Sumitomo Mitsui Trust Group” and under this Basic Policy we have established our “Environmental Policy” and “Human Rights Policy.” Under our Environmental Policy, we have established our “Action Guidelines for Mitigating Climate Change” and our “Action Guidelines for Preserving Biodiversity.” These policies and guidelines have been formulated under the premise of compliance with laws applicable to our business activities as well as with various internationally recognized standards.</p>	<p><i>Links and references</i></p> <p>Integrated Report</p> <p>Link</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.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²:

- a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response	Links and references
<p>The SuMi TRUST Group has 6 major business segments – retail, corporate, investor services, real estate, global markets, and asset management.</p> <p>Within the business segments, we have identified corporate and retail business as two major segments by gross business profit (see Principle 1), as subject to analysis.</p> <p>For our corporate segment, we have conducted impact analysis on domestic lending in Japan, our primary area of business. Similarly, for our retail segment, we have conducted impact analysis on our Japanese domestic transactions with retail clients (deposits and residential mortgage loans). Both of these areas</p>	<p><i>Annual Securities Report (Japanese Only)</i> Link</p>

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

are major products and services in the banking business so we have selected them for our impact analysis.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response

The portfolio composition of our corporate business segment is as follows (as of March 31, 2023).

Loans by industry (in Japan)

(in 1million JPY)

Sector	Balance
Manufacturing	2,916,158
Agriculture and Forestry	5,741
Fisheries	43
Mining, Quarrying and Gravel Gathering	72,064
Construction	233,582
Electricity, Gas, Heat Supply and Water	1,438,593
Information and Communications	257,970
Transport and Postal Services	1,124,588
Wholesale and Retail Trade	1,300,497
Finance and Insurance	1,423,539
Real Estate	3,499,382
Goods Rental and Leasing	1,137,154
Local Government Services	18,955
Others	13,023,303
Residential Mortgage Loans Therein	10,461,500

In our retail business segment, deposits & trusts (approximately 11.4 trillion JPY) and residential mortgage loans (approximately 10.4 trillion JPY) are subject to our impact analysis (as of March 31, 2023).

Owing to the focus on asset administration & asset succession business, a large portion of SuMi TRUST Bank's clients are senior citizens. Over 40% of its retail clients are aged 65 or older.

(For reference, approximately 30% of Japan's total population is aged 65 or older.)

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³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response	Links and references
<p>When considering topics related to sustainable development in Japan, we take the following into consideration.</p> <ol style="list-style-type: none"> 1. The Japanese Government's "SDGs Action Plan 2022" 2. The Cabinet Office's "2030 Outlook and Reformation Task Force" 3. Japanese Bankers Association's "FY2023 SDGs Key Initiatives of JBA" 	<ol style="list-style-type: none"> 1. Japanese Government's "SDGs Action Plan 2022" (<i>Japanese only</i>) Link 2. Cabinet Office's "2030 Outlook and Reformation Task Force" (<i>Japanese only</i>) Link 3. Japanese Bankers Association's "FY2023 SDGs Key Initiatives of JBA" Link

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Response	Links and references
<p>Using the impact analysis tools provided by UNEP FI (United Nations Environment Programme Finance Initiative), we have identified positive and negative impact areas, assigned priorities, and reported them to the Board of Directors through resolution of the Executive Committee as follows.</p> <p>In our corporate business segment, we have identified infrastructure and circularity as positive impacts, and climate change as a negative impact. For our retail business segment, we have identified financial inclusion as both a positive and negative impact.</p> <p>Using results obtained from the impact analysis as a reference, we have prioritized climate change and financial inclusion as significant impact areas.</p>	

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

With regards to financial inclusion in our retail business segment, asset management becomes more difficult due to dementia and other challenges accompanying the ageing of society which is regarded as a social issues specific to Japan, and we view this point as a major negative impact.

d) For these (min. two prioritized impact areas): *Performance measurement*. Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response

Climate Change

The SuMi TRUST Group has, in order to ensure steady progress as a financial institution, joined the NZBA (Net-Zero Banking Alliance) which aims to achieve net-zero GHG emissions in investment and loan portfolios across the banking industry. We will set intermediate reduction targets for GHG emissions in our investment and loan portfolios and disclose them in a gradual manner. In the 2022 fiscal year, we set and disclosed intermediate reduction targets for the electric power and oil & gas (upstream) sectors. We plan to complete setting and disclosing 2030 intermediate reduction targets for the carbon-intensive sectors outlined by the NZBA by September 2024.

Financial Inclusion

Japan has been facing extreme population aging, and the number of individuals with dementia has been increasing. When dementia and other factors result in deteriorating decision making capability, it becomes more difficult for individuals to manage their own assets and handle contracts, leading to a loss in use of their assets freely. This is a current social issue in Japan.

At SuMi TRUST Bank, approximately 40% of our retail clients are aged 65 or older, and by providing products and services to these major clients of ours, we aim to suppress such negative impacts.

*Links and
references*

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

How recent is the data used for and disclosed in the impact analysis?

- ☒ Up to 6 months prior to publication
- ☐ Up to 12 months prior to publication
- ☒ Up to 18 months prior to publication
- ☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:
(optional)

⁶ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and 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.

You can build upon the context items under 2.1.

Response	Links and references
<p><u>Climate Change</u></p> <ul style="list-style-type: none"> The SuMi TRUST Group aims to achieve net-zero GHG emissions in our investment and loan portfolios by the year 2050. The SuMi TRUST Group aims to achieve a cumulative total of 15 trillion JPY in Sustainable finance (from 2021 to 2030 fiscal years) <p>* Sustainable finance</p> <p>Sustainable finance is a general term for financial services to businesses and clients which contribute to solving environmental/social issues based on international standards such as the Green Bond Principle and the Social Bond Principle (loans, syndicated loans, fixed income investment services, fund investments, financial advisory services, trustee services or impact equity investments, etc.)</p> <p><u>Financial Inclusion</u></p> <p>With regard to Services relating to financial inclusion for senior citizens, the SuMi TRUST Group aims to achieve a total of 53,000 contracts of the following services by March 31, 2030.</p> <ol style="list-style-type: none"> 100-Year Life Solution Trust Civil Trust Support Services <p>* Services relating to financial inclusion for senior citizens Products and services designed to avoid difficulties in asset management arising from dementia and other issues, protect individuals' assets, and promote circulation of assets to the next generation, which are regarded as social issues in Japan with its super-aged society.</p>	<p><i>TCFD Report</i> Link</p>

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	A1.1-A1.5	Refer to the contents in this report.
	...	
	...	

Impact area	Indicator code	Response
	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response	Links and references
<p><u>Climate Change</u></p> <ul style="list-style-type: none"> The SuMi TRUST Group aims to achieve net-zero GHG emissions in our investment and loan portfolios by the year 2050. The SuMi TRUST Group aims to achieve a cumulative total of 15 trillion JPY in Sustainable finance (from 2021 to 2030 fiscal years) <p>*While we have included the estimates as of March 31, 2022, in our TCFD report, we are currently working on enhancing these figures.</p> <p><u>Financial Inclusion</u> (as of March 31, 2023) Number of contracts for Services relating to financial inclusion for senior citizens: 22,000 contracts</p>	<p><i>TCFD Report Link</i></p>

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

c) SMART targets (incl. key performance indicators (KPIs)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response

Climate Change

- The SuMi TRUST Group aims to achieve net-zero GHG emissions in our investment and loan portfolios by the year 2050.
- The SuMi TRUST Group aims to achieve a cumulative total of 15 trillion JPY in sustainable finance (from 2021 to 2030 fiscal years)

Financial Inclusion

With regard to Services relating to financial inclusion for senior citizens, the SuMi TRUST Group aims to achieve a total of 53,000 contracts by March 31, 2030.

(Includes 100-Year Life Solution Trusts and Civil Trust Support Services)

*Links and
references*

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response

Climate Change

The SuMi TRUST Group aims to achieve net-zero GHG emissions in our investment and loan portfolios by the year 2050. To bolster this commitment, we have joined the UNEP FI-convened NZBA.

Regarding our 2030 sector-specific intermediate reduction targets—in line with the NZBA framework—we disclosed our electric power and oil & gas sector information in FY2022. In addition, we will disclose our information on the other seven NZBA-specified sectors by the end of September 2024. Similarly, we are planning to disclose our specific transition plans for our sector-specific intermediate reduction targets, including the electric power sector by October 2023 and the oil & gas sector by February 2024. The SuMi TRUST Group's policy is to strive to dialogue (engage) with companies based on our intermediate reduction targets and specific transition plans in order to support the plans of clients to achieve carbon neutrality.

In addition, SuMi TRUST Bank has set long-term targets for Sustainable finance and aims to handle a cumulative total amount of 15 trillion JPY from FY2021 to FY2030.

In terms of Sustainable finance initiatives, starting from FY2022, we set impact equity investment targets by utilizing the capital surplus created by selling

*Links and
references*

*TCFD Report
[Link](#)*

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

cross-shareholding shares. We will also enhance our equity investment in corporations, funds, and other projects that have a positive impact on society and the environment. Our policy is to expand our investment-target fields to include not only renewable energy (solar/wind power, etc.), a field in which SuMi TRUST Bank already has a track record of strong investment performance, but also next-generation technologies expected to have a medium- to long-term impact (hydrogen, storage batteries, smart mobility, next-generation healthcare, fintech, etc.). By FY2030, in addition to our goal of achieving a cumulative total of 500 billion JPY of our own funds in impact equity investment, as an opportunity to invest our own funds, we will call for investment by other institutional investors (expand our off-balance business) to supply a total of at least 2 trillion JPY in equity funds with the aim of creating or expanding new markets.

Integrated Report
[Link](#)

Financial Inclusion

Japan has already become a super-aged society and the number of individuals with dementia has been increasing. When dementia and other factors result in deteriorating decision making capability, it becomes more difficult for individuals to manage their own assets and handle contracts, leading to a loss in use of their assets freely, and this is regarded as one of the social issues in Japan.

In addition, it is said that the elderly in Japan own a disproportional amount of personal assets and we believe that circulating these funds to the next generation is a necessary part of creating a sustainable society.

At the SuMi TRUST Group, in response to these social issues, we aim to establish a model for increasing positive impacts on society and provide solutions to a large number of customers through in-depth consulting across a wide range. In achieving this goal, we will work to enhance our consulting, products, services, channels, procedures, settlements, and more.

As a part of this, we are currently working on disseminating our services relating to financial inclusion for senior citizens.

We regularly monitor the progress status of the goals we have set in order to achieve them.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	Climate Change	Financial Inclusion	
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	
Baseline	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes	

	<input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> In progress <input type="checkbox"/> No	
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Climate Change

1. Net-zero GHG emissions in our investment and loan portfolios

In line with NZBA framework, we have set and disclosed intermediate targets.

Electric Power Sector: October 2022

Oil & Gas Sector: February 2023

2. Cumulative total of Sustainable finance (15 trillion JPY by FY2030)

Totals for Sustainable finance products, which include Positive Impact Finance and Impact Equity Investments, are as below (as of March 31, 2023).

- Positive Impact Finance: approximately 354.5 billion JPY (from April 2021 onwards)
- Impact Equity Investments: approximately 28.0 billion JPY (from April 2022 onwards)

* Positive Impact Finance (PIF)

Finance which is based on the Principles for Positive Impact Finance of the UNEP FI. With PIF, we comprehensively analyze and assess the impacts of a company's business activities on the environment, society, and the economy based on specific KPIs for increasing

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<p>positive impacts and limiting negative impacts, and require the client commit to them.</p> <p>* Impact Equity Investments</p> <p>Impact Equity Investments are those which have been determined to conform to the Global Impact Investing Network's (GIIN) definition of "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return," and which "expand positive impacts (or mitigate negative ones) on society and the environment." Such investments are further defined by the following four elements.</p> <ol style="list-style-type: none"> 1. Intentionality 2. Investment with return expectations 3. Include a range of asset classes 4. Impact measurement and reporting are conducted <p><u>Financial Inclusion</u></p> <p>Number of Services relating to financial inclusion for senior citizens (goal of 53,000 contracts by March 31, 2030)</p> <p>This goal was set in April 2023, and we plan to continue monitoring the status.</p> <ul style="list-style-type: none"> • Number of contracts as of March 31, 2023: 22,000 contracts 	
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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.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

☐ Yes ☒ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

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 activities¹¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response

Climate Change

The SuMi TRUST Group aims to achieve net-zero GHG emissions in our investment and loan portfolios by the year 2050. To bolster this commitment, we have joined the UNEP FI-convened NZBA.

Regarding our 2030 sector-specific intermediate reduction targets, in line with the NZBA framework, we disclosed our electric power sector information in October 2022 and oil & gas sector information in March 2023. In addition, we will disclose our information on the other seven NZBA-specified sectors by the end of September 2024. Similarly, we are planning to disclose our specific transition plans for our sector-specific intermediate reduction targets, including the electric power sector by October 2023 and the oil and gas sector by February 2024. The SuMi TRUST Group's policy is to strive to dialogue (engage) with companies based on our intermediate reduction targets and specific transition plans in order to support the plans of clients to achieve carbon neutrality.

Specifically, up until now, the SuMi TRUST Group has implemented various initiatives to achieve an impact in environmental and social fields. We promote engagement and carbon neutrality responses through sustainable finance and consulting activities, including renewable energy plant projects and impact equity investments.

Regarding engagement (dialogue), the SuMi TRUST Group has pledged to fulfill an active role in the construction of a sustainable society and carry out stakeholder engagement through dialogue with customers, investors,

Links and
references

TCFD Report
[Link](#)

governments, international organizations, NPOs, and others. As part of this, we have been actively carrying out engagement (dialogue) with our customers in order to increase positive impacts and mitigate negative ones.

Financial Inclusion

At the SuMi TRUST Group, in response to the social issues accompanying Japan becoming a super-aged society, we aim to establish a model for increasing positive impacts on society and provide solutions to a large number of customers through in-depth consulting across a wide range. In achieving this goal, we will work to enhance our consulting, products, services, channels, procedures, settlements, and more.

As a part of this, we are working to disseminate our services relating to financial inclusion for senior citizens.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

The SuMi TRUST Group provides the following products and services in relation to the increase of positive impacts and the reduction of negative ones.

In Relation to Climate Change

The SuMi TRUST Group will engage in sincere dialogue with various stakeholders regarding climate change issues and emphasize various approaches (engagement) based on a deep understanding and analysis of the relevant issues and needs. In addition, the SuMi TRUST Group will fully utilize its internal functions, including banking, trusts, real estate, asset management, and asset administration, to take on the challenge of developing and providing innovative products and services (solutions), thereby contributing to the transition of borrowers and investees as well as society as a whole.

Surveys:

We will work on governance, real estate ESG, and other surveys and through gap analysis, clarify issues which contribute to increase in enterprise value.

Engagement:

SuMi TRUST Bank and asset management companies (e.g., Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co.,) will implement their own engagements with stakeholders to understand their issues and needs.

Solutions:

We will develop and provide products and services for the transition to a decarbonized society.

Links and references

Sustainability Report (Japanese Only)

[Link](#)

¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

- Sustainable finance
- Decarbonization transition consulting
- TCFD consulting
- ESG related reporting
- CASBEE real estate certification support consulting(*1)
- Decarbonization-related equity funds(*2)
- Impact investment funds(*3)

(*1) The comprehensive assessment system for built environment efficiency (CASBEE) is an environmental performance evaluation system for buildings which is developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

(*2) Equity funds which invest in global companies active in decarbonization

(*3) Equity funds which aim to balance measurable positive impacts on the environment/society with economic returns

Financial Inclusion

In the era of the 100-year lifespan, many individuals would deal with a deteriorating decision making ability due to dementia or other factors which make it difficult for them to withdraw money from a savings account, manage their home and real estate, and perform other tasks on their own. SuMi TRUST Bank has prepared a number of services to support the asset management of elderly clients and can provide these clients with the best possible combination to suit each unique situation.

- Services relating to financial inclusion for senior citizens
 - 100-Year Life Solution Trust (100-Year Passport, 100-Year Passport Plus)
 - Civil Trust Support Services
- Security Trust
- Guardianship System Support Trust
- Discretionary Guardianship System Support Trust
- Anshin Support Trust

Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response

In our Management Principles ("Mission"), the SuMi TRUST Group identifies customers, shareholders, employees, and society as our stakeholders.

In addition, in its Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (the "Sustainability Policy"), the SuMi TRUST Group further broadens the scope of stakeholders to customers, 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.

The SuMi TRUST Group's stakeholder engagement is divided into three approaches: direct action by related companies and relevant departments, direct participation in national and international initiatives by related companies and relevant departments, and internal engagement with related companies and relevant departments undertaken by the Sustainability Management Department based on dialogue with its stakeholders and information gathered from ESG assessment organizations. Our dialogue channels have been diversified, which has increased both the quality and quantity of input.

Links and references

Sustainability Report (Japanese Only)
[Link](#)

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please 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 the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

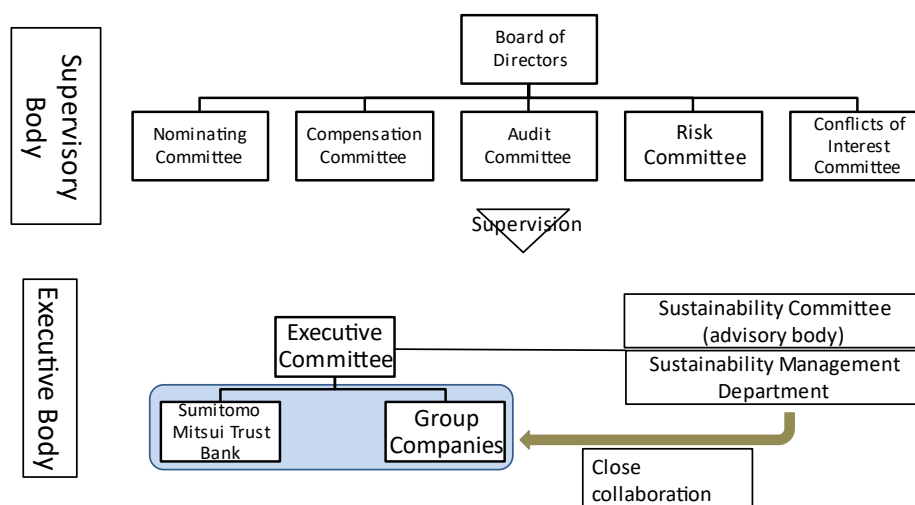
Response

At SuMi TRUST Holdings, the Executive Committee, being an executive body, discusses and decides various measures for promoting sustainability based on our Sustainability Policy. The Board of Directors has a supervisory role in this process. The Board of Directors receives reports from the Risk Committee and decides on issues (materiality) that have a serious impact on the balanced creation of both social and economic value, as well as operational frameworks. The Executive Committee makes decisions on the sustainability initiatives of Group companies from the perspective of balanced creation of both social and economic value.

In fiscal 2023, the Sustainability Committee was established in SuMi TRUST Holdings and in SuMi TRUST Bank as an advisory body to the Executive Committee, as part of the reorganization of the Committees under management. The Committee is chaired by the Officer in Charge of the Sustainability Management Department and its members include the Officers in Charge of the Corporate Planning Department, the Human Resources Department, and the Investor Relations Department, and the Committee deliberates on matters related to sustainability. Through deliberation by the Committee and submission of the results to the Executive Committee, we will seek to clarify the universe of issues related to sustainability and strengthen the structure to systematically carry out a series of initiatives, including issue recognition, policy formulation, response implementation, and disclosure.

Links and references

Integrated Report
[Link](#)



The identification of positive and negative impacts as well as target setting thereof is carried out by the Executive Committee as an executive body. This information is then reported to the Board of Directors who act as a supervising body.

Status monitoring is discussed by the Sustainability Committee, which acts as an advisory body to the Executive Committee, and the results are reported back to the Executive Committee. In addition, targets are incorporated into business strategies for each business segment and periodically reviewed by the Executive Committee.

These activities are also reported back to the Board of Directors.

Executive Compensation

Compensation for directors and executive officers is intended to function effectively as an incentive for the improvement of corporate performance and enhancement of enterprise value. Rather than focusing on a single-year performance evaluation in which short-term contributions to profit are emphasized, we are building a compensation system with a balance of near-term incentives and medium- to long-term incentives.

In principle, compensation is paid with a combination of monthly compensation (comprised of fixed compensation and individual role performance compensation), bonuses for directors and executive officers (performance-linked bonuses), and stock compensation (share delivery trusts).

Regarding stock compensation, from FY2022 we changed the performance evaluation system to more strongly emphasize contributions made to ESG related matters. Specifically, a 1:1:1 ratio for Short-term Performance, Medium-term Performance, and overall ESG score is reflected in the performance evaluation for stock-based remuneration. Regarding overall ESG scores, we have selected the following 5 categories in light of materiality: climate change, fiduciary duties (FD) & client satisfaction (CS), employee engagement, DE&I (empowerment of women, etc.), and assessments from

<p>ESG assessment organizations. These categories are assessed quantitatively and qualitatively, and the results are reflected in executive compensation.</p>	
<p>5.2 Promoting a culture of responsible banking: Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).</p>	
<p>Response In order to foster a culture of responsible banking, the SuMi TRUST Group promotes understanding of Group strategies among all its directors, officers, and employees via the initiatives listed below.</p> <p><u>Employee Education Activities</u> The SuMi TRUST Group defines its Purpose—or reason for existence—as “Creating new value with the power of trusts and let prosperous future for our clients and society bloom,” and seeks to achieve the balanced creation of both social value and economic value. From April 2021, we have begun holding “Town Hall Meetings,” via which the President seeks to explain the Purpose of the Group directly to its employees. For our staff at SuMi TRUST Bank, our core group company, we have implemented these Meetings a total of 38 times for roughly 14,000 staff members as of September 2022.</p> <p><u>Employee Self-Directed Activities</u> “With You Activities,” which are a type of sustainability activity and aim to build strong relationships with local communities, are being carried out across our entire Group. In addition to this, progress is being made with initiatives such as “Challenge for SDGs” and “Our Own SDGs Declaration,” and activities autonomously directed by our diverse staff in each department are actively supported on a group-wide base.</p>	<p><i>Links and references</i></p>
<p>5.3 Policies and due diligence processes Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe. Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.</p>	
<p>Response</p>	<p><i>Links and references</i></p>

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

As risk management relating to sustainability, we developed a system for responding to climate change, revised our human rights policy, and identified important human rights risks in the 2022 fiscal year. We also developed a system for sustainability-related risk management, including human rights and other environmental and social risk management, based on the framework for climate-change-related risk management.

Specifically, in April 2023 we established a dedicated sustainability-related risk team within the Risk Management Department of SuMi TRUST Bank to examine the details of our business activities to implement risk management flows such as due diligence utilizing external data on sustainability-related risks. The management flow is scheduled to start in fiscal 2023 for certain businesses, such as credit services, and will be upgraded thereafter in light of the consolidation of business operations and other matters.

The SuMi TRUST Holdings Board of Directors has formulated the Action Guidelines for Mitigating Climate Change as the Group's basic policy related to climate change. In addition, in May 2022, in terms of climate change-related risk management, the Climate Change Risk Management Policy was added to the Risk Management Rules stipulated by our Board of Directors, and this policy spells out our basic approach to climate change risks, the roles and responsibilities of our Board of Directors, Executive Committee, and directors and officers, our Three Lines of Defense system, our basic policy on risk management with climate change considerations specific to each risk category, and other policies.

(1) Managing environmental and social (ES) risks related to SuMi TRUST Bank's loan business

Given that it is necessary to prohibit, control, or engage in careful efforts related to loans that have a major negative impact on society, SuMi TRUST Bank has stipulated "policies for specific sectors," which are regularly reviewed by the Executive Committee, etc. These policies are carefully followed during the investment-and-loan initiative judgment process.

(2) Managing borrower and investee climate change transition risks

In addition to establishing a Climate Change Risk Management Team in its Risk Management Department, SuMi TRUST Bank has designed an investment-and-loan-portfolio transition risk management framework for the purpose of controlling the GHG emissions of investment and loan portfolios in each high-carbon sector to keep them in line with the Paris Agreement.

This framework includes the departments related to the first and second lines of defence of our Three Lines of Defence system, team roles and responsibilities, how our policies for specific sectors should be, business processes for managing borrower transition risks as part of our first line of defence (evaluation of borrower and investee transition risk categories based on consideration of our climate change transition risk sector heat map, discussion aimed at risk reduction through engagement, monitoring, etc.), and how the checks and balances in the second line of defence should work. These risk management processes are implemented via an integrated approach along with managing our progress related to our GHG emission reduction targets in each sector and managing our reputational risk.

(3) Project finance initiatives

SuMi TRUST Bank recognizes the fact that financing large-scale development projects may indirectly have a negative impact on the natural environment and

Integrated Report
[Link](#)

TCFD Report
[Link](#)

local communities. Based on this awareness, we deemed it necessary to introduce a risk management framework that monitors whether a project's impact on the environment and society has been duly considered in the decision-making process for project finance and, in February 2016, we signed the Equator Principles, a set of international private sector guidelines for assessing environmental and social risks in mainly project finance. The fourth revision (EP4) of the Equator Principles was adopted in November 2019. SuMi TRUST Bank currently applies EP4 to projects for which it acquired a client mandate after October 1, 2020. Starting with EP4, SuMi TRUST Bank will continue to contribute to achieving a sustainable environment and society by making sure that projects take environmental and social considerations into account based on the Equator Principles.

(4) Ship finance initiatives

For more than 50 years, SuMi TRUST Bank has given top priority to steadily providing ship finance to meet the varied needs of clients in the marine transportation industry. The marine transportation market is heavily influenced by mainly global economic fundamentals and the supply and demand for ships, but decarbonization initiatives in the marine transportation industry are not only urgent issues but also movements that decide the direction in which the marine transportation sector should proceed, and have a significant impact on market trends. For this reason, in 2020, SuMi TRUST Bank signed on to the Poseidon Principles, an initiative launched with the intent of financially supporting action toward decarbonization of the maritime transportation industry. As a financial institution that is a signatory to the Poseidon Principles, SuMi TRUST Bank conducts a quantitative assessment of the contribution of its ship financing portfolio to the reduction of GHG emissions from international shipping based on the GHG emission reduction target set out by the International Maritime Organization (IMO) and publishes the results as a Portfolio Climate Alignment once a year.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

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.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes ☐ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

Response

Response portions included in sections "2.1 Impact Analysis," "2.2 Target Setting," "2.3 Target Implementation and Monitoring," and "5.1 Governance Structure for Implementation of the Principles" of this Report have received limited assurance from KPMG AZSA Sustainability Co., Ltd.

Links and references

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☒ GRI
☒ SASB
☒ CDP
☐ IFRS Sustainability Disclosure Standards (to be published)
☒ TCFD
☐ Other:

Response

Sustainability information of SuMi TRUST Holdings is disclosed through a variety of reports including integrated reports, sustainability reports, and TCFD reports.

Links and references

Integrated Report
[Link](#)
Sustainability Report (Japanese Only)
[Link](#)
TCFD Report
[Link](#)

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

Response

After becoming a signatory to the Principles for Responsible Banking, the SuMi TRUST Group has promoted a variety of initiatives towards target setting and achievement in relation to important impact areas while also working towards more sophisticated governance.

Going forward, we will tackle financial inclusion in addition to climate change and aim for a balance in social and economic value.

Links and references

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input checked="" type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input checked="" type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.



Independent Assurance Report

To the Director, President of Sumitomo Mitsui Trust Holdings, Inc.

We were engaged by Sumitomo Mitsui Trust Holdings, Inc. (the “Company”) to undertake a limited assurance engagement to report on its responses (the “Responses”) included in the sections “2.1 Impact Analysis,” “2.2 Target Setting,” “2.3 Target Implementation and Monitoring” and “5.1 Governance Structure for Implementation of the Principles” of its Principles for Responsible Banking Report (the “PRB Report”) for the fiscal year ended March 2023.

The Company’s Responsibility

The Company is responsible for the preparation and presentation of the Responses in accordance with the requirements provided in the United Nations Environment Programme Finance Initiative’s PRB Reporting and Self-Assessment Template - Reviewed version (V2) from September 2022 (the “Criteria”).

Our Responsibility

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries primarily of persons responsible for the preparation of information presented in the PRB Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the PRB Report.
- Inquiring about the design of the internal control system and process used to prepare the Responses.
- Examining, on a test basis, evidence supporting the preparation of the Responses in conformity with the Criteria.
- Evaluating the overall presentation of the Responses.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Responses in the PRB Report are not prepared and presented, in all material respects, in accordance with the Criteria.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 29, 2023