



SUMITOMO MITSUI TRUST HOLDINGS

**SuMi TRUST**  
SUMITOMO MITSUI TRUST HOLDINGS

Sustainability Report  
2021/2022



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## Reason for Existence ("Purpose")

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

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## Management Principles ("Mission")

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- (I) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (II) Adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society.
- (III) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (IV) Offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions.

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## Ideal Model ("Vision")

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### —Towards "The Trust Bank"—

Based on the fiduciary spirit and with significant expertise and comprehensive capabilities, the Sumitomo Mitsui Trust Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

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## Codes of Conduct ("Value")

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In order to pursue the Management Principles of the Sumitomo Mitsui Trust Group, the executives and employees commit themselves to comply with the six Codes of Conduct described below.

#### **Completely Client-oriented—Truthfulness and Loyalty**

We will adhere to the highest degree of "Truthfulness and Loyalty" as well as credibility and sureness, and will carry out all our responsibilities for client satisfaction and comfort as our top priority.

#### **Contribution to Society—Dedication and Development**

We will remain dedicated in all our efforts, with "Frontier Spirit," and continue to contribute to society.

#### **Realization of Organizational Capability—Trust and Creativity**

We will realize our organizational capabilities with full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust.

#### **Establishment of Individuality—Self-help and Self-discipline**

With a spirit of self-help and self-discipline as well as a sense of ownership, we will carry out our responsibilities.

#### **Strict Compliance with Applicable Laws and Regulations**

We will strictly comply with all applicable laws, rules and regulations, and will ensure that all our corporate activities meet the highest standards of social norms.

#### **Resolute Stance against Antisocial Forces**

We will continue to take a resolute stance against antisocial forces, which may threaten public order and the security of civil society.

# Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group

## (Sustainability Policy)

At Sumitomo Mitsui Trust Group, based on our Reason for Existence ("Purpose"), our Management Principles ("Mission"), our Ideal Model ("Vision") and our Codes of Conduct ("Value"), we respect dialogue with all stakeholders, such as clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities and international institutions, and play an active role in building a sustainable society.

### 1. Contribute to Solving Social and Environmental Problems through Business

- We work to solve social and environmental problems from a global perspective through our core businesses.
- We integrate the diverse functions that are unique to a trust bank group and develop new business models and innovative products and services to help solve social and environmental problems.

### 2. Serve Clients with Sincerity

- We strive to provide in-depth explanations and proposals so that clients can fully understand the details of our products and services. In addition, we make efforts to quickly meet the demands of clients and link their feedback to business improvements and product and service enhancement.
- We strive to undertake meticulous management of client information.
- We engage in educational and awareness-raising activities by cooperating with educational institutions, government authorities, NPOs, etc., to enable clients to take the lead in rationally selecting financial products and building sound assets.

### 3. Earn the Trust of Society

- We strictly adhere to all laws, regulations and rules, and conduct our activities in a sincere and fair manner that conforms to societal norms.
- We build sound and proper relationships with stakeholders, and fulfill our responsibilities as a member of society, engaging in fair competition and appropriate disclosure of corporate information, etc.
- We maintain a resolute stance against antisocial forces which threaten public order and safety, and work to prevent improper use of financial functions by organized crime.

### 4. Address Environmental Issues

- We aim to build a low-carbon society, a natural symbiosis society which fosters biodiversity, and a circulatory society, and will work to solve problems which obstruct these aims through our core businesses by cooperating with various stakeholders.
- We work on energy and resource conservation to reduce the environmental burden caused by our own activities.

### 5. Respect the Individual

- We respect individual rights and diverse values, rejecting unjustifiable acts of discrimination in all our activities.
- We create a safe and pleasant workplace environment, respect employees' diverse ways of working, and strive to achieve work-life balance.
- We work to develop the skills of employees and strive to build sound minds and bodies.

### 6. Participate in and Contribute to the Community

- We aim to revitalize the community 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 contribution such as educational and cultural activities.

## Management Commitment



### Continuing to solve numerous social issues as a provider of trust schemes that facilitates a safe and secure society.

Two years have passed since the COVID-19 pandemic spread to all corners of the globe and even now it continues to wreak havoc with still no end in sight. I pay my respects to those who have lost their lives to COVID-19 and offer my deepest condolences to their families. I also express my heartfelt sympathy to those currently afflicted, to their families, as well as to the many people whose livelihoods and businesses have been deeply affected by the pandemic.

One of the SuMi TRUST Group's key measures is to strengthen sustainability in management and society and we are therefore working to enhance the creation of value in the Group. We have published this Sustainability Report so that readers can gain an understanding of some of the aspects of our approach. As with last year, this year's Sustainability Report again employs the common metrics for measuring stakeholder capitalism that were announced at the conclusion of the World Economic Forum (Davos Summit) in January 2020 and provides an overview of the Group's initiatives from four perspectives: Principles of Governance, Planet (Environment), People (Society), and Prosperity (Economy). It also serves as the second report and self-assessment concerning the Principles for Responsible Banking (PRB) as required of signatories to the PRB, and fulfils our disclosure requirements regarding our progress towards achieving sustainability targets.



As the fight against COVID-19 continues to rage, interest in climate change and various other social issues are escalating rapidly on a global scale. People's values are changing drastically and the carbon neutrality movement, in particular, will most likely gain increased momentum going forward.

At the COP26 summit held in the UK in November 2021, an agreement that further builds on the objectives of the Paris Agreement was reached in the form of the Glasgow Climate Pact. The pact aims to have every countries in the world work together in fighting climate change and pursue efforts to limit the global average temperature increase to 1.5°C above pre-industrial levels. Even before the agreement was reached at the COP26 summit, in October 2021 we announced the Carbon Neutral Commitment for the SuMi TRUST Group with the aim of reducing greenhouse gas emissions from our own business activities and in investment and loan portfolios overall to net zero. An enormous amount of capital is required to achieve the goal of carbon neutrality. We see this as an opportunity for the SuMi TRUST Group to actively invest in hydrogen, storage batteries, renewable energy, and fields that contribute to the reduction of greenhouse gases, as well as sectors related to the building of new infrastructure. Alongside the Group's new investments, we hope to tackle climate change and other social issues head-on and lead the way in creating a virtuous circulation of funds, assets, and capital in Japan by providing a mechanism that facilitates the circulation of funds for investors and individuals or households confronted with a challenging asset management environment.

Another aspect of climate change is that it is triggering large-scale natural disasters and so the longing for a more secure, safer, and sustainable society is growing increasingly stronger. Ever since our establishment and over the course of our long history, the Group has continued to contribute to the development of Japan by solving various social challenges as demanded by the changing times based on strong relationships of trust with our clients. We think an environment of shifting values and growing uncertainties in society is the opportune time for the Group to come into its own as a purveyor of trust schemes that can help deliver a safe and secure society.

Guided by the Group's "Purpose" to create new value with the power of trusts and let prosperous future for our clients and society bloom, we intend to further enhance our ability to adapt to change and do everything in our power to hand over a more prosperous society to the next generation.

I look forward to the continued warm support of all our stakeholders.

February 2022

Sumitomo Mitsui Trust Holdings, Inc.  
Director, President

*Toru Takakura*

# Editorial Policy

This report focuses on the ESG (Environmental, Social and Governance) initiatives of the SuMi TRUST Group, which strives for the balanced creation of both social value and economic value. The Group has been publishing integrated reports with investors as the primary reader since 2017, and this report provides comprehensive disclosure to investors and non-investor stakeholders seeking more detailed ESG information.

This report was prepared based on the Common Metrics presented in the white paper “Measuring Stakeholder Capitalism-Toward Common Metrics and Consistent Reporting of Sustainable Value Creation,” which was compiled by the four major global accounting firms based on recommendations from the World Economic Forum’s International Business Council. In addition, at the end of the report, there is a comparison table with these common metrics, the US non-financial disclosure standard SASB (Sustainability Accounting Standards Board) and financial sector accounting metrics, and the GRI (Global Reporting

Initiative) international non-financial disclosure standards, as well as annual disclosure information as mandated by the Principles for Responsible Banking to which the Group became a signatory in September 2019.

## Scope of This Report

Sumitomo Mitsui Trust Group (comprised of Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited, and other group companies)

## Target Readers

All stakeholders, including customers, shareholders and investors, employees, business partners, local communities, NPOs, governments, international institutions, etc.

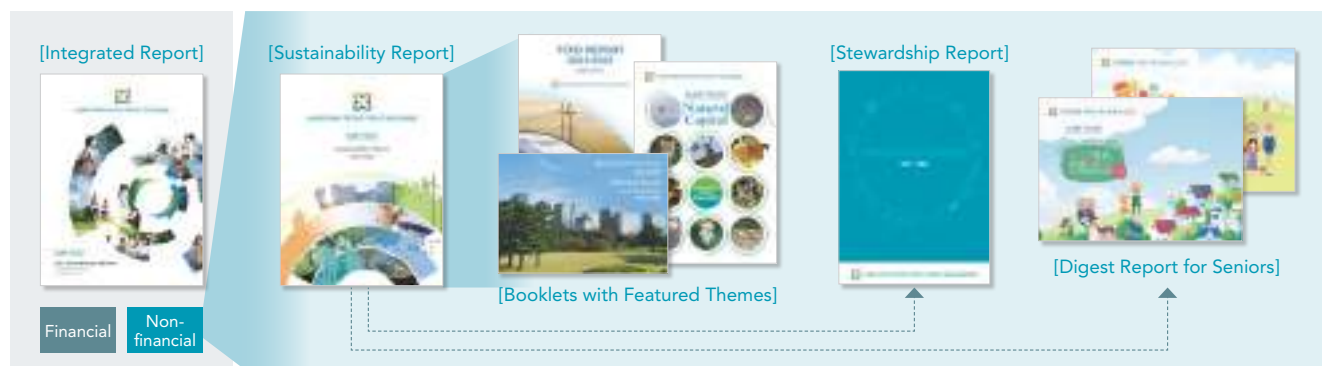
## Period Covered by This Report

October 1, 2020 to September 30, 2021

\*This report also includes the most recent information on activities before fiscal year 2020 as well as after October 2021.

## Sustainability Information Disclosure Outline

In addition to this report and the Integrated Report, the Group discloses a variety of information on sustainability. First, there are separately published versions spun off from this report, which are the TCFD (Task Force on Climate-related Financial Disclosures) Report (formerly the “Climate Change Report”), the Natural Capital Report, and the ESG Real Estate (formerly the “Environmentally Friendly Property Report”). In addition, SuMi TRUST Bank publishes two types of digest reports for seniors (“Considering the Problems of Dementia” and “Senior-Generation Housing”) every other year, and publishes the SuMi TRUST With You Social Contribution Report every quarter. Meanwhile, asset management business Sumitomo Mitsui Trust Asset Management publishes the Stewardship Report and Nikko AM publishes the Sustainability Report annually to disclose details of their respective ESG investment initiatives. Our website carries extensive information on the Sustainability activities that Sumitomo Mitsui Trust Group does not cover in this report.



Specifically, the website provides more detailed information on our initiatives related to issues such as successful aging and support for the environment and living creatures.

Sustainability in Sumitomo Mitsui Trust Group

<https://www.smth.jp/en/csr/index.html>

The quarterly journal “SuMi TRUST With You” reports on the “With You” social contribution activities of SuMi TRUST Bank (four issues per year).



# Contents

## 002 Management Commitment

- 004 Editorial Policy
- 006 The SuMi TRUST Group's Reason for Existence ("Purpose")
- 008 SuMi TRUST Bank — President's Message
- 009 Sumitomo Mitsui Trust Asset Management — President's Message  
Nikko Asset Management — President's Message



- 011 The Group's Approach to Principles of Governance
- 012 Corporate Governance
- 014 Sustainability Promotion System
- 028 Compliance and Fair Business Conduct
- 035 Initiatives to Enhance and Sophisticate Operational Quality
- 036 Ensuring Appropriate Tallying Operations of Voting Rights Exercise Forms at the Shareholders' General Meetings and Promotion of Electronic Voting
- 037 Risk Management and Materiality Management
- 046 Responding to the COVID-19 Pandemic
- 048 Considering the Environmental and Social Impacts of Corporate Clients



- 101 The Group's Approach to Social Issues
- 102 Human Capital
- 119 Respecting Human Rights
- 123 Addressing Issues of a Super-Aged Society



- 065 The Group's Approach to Environmental Issues
- 066 Actions for Adapting and Mitigating Climate Change
- 074 Natural Capital (Biodiversity Issues)
- 080 ESG in Real Estate
- 092 Environmental Burden Reduction Measures



- 135 The Group's Approach to Prosperity (Economic Considerations)
- 136 Creation of Employment and Wealth
- 138 Providing Value to Clients
- 150 Helping Invigorate Communities and Society
- 196 Trust Future Forum
- 197 The Sumitomo Foundation

- 198 Comparative Table of Common Metrics for Sustainable Value Creation
- 203 PRB Initiatives
- 212 SASB Index
- 214 Comparative table of GRI Guidelines
- 231 Financial Highlights
- 232 Basic Information About the SuMi TRUST Group

# The SuMi TRUST Group's Reason for Existence ("Purpose")

The SuMi TRUST Group's reason for existence, or "Purpose," is to create new value with the power of trusts and let prosperous future for our clients and society bloom. We have also placed at the core of management the notion of balancing the creation of both social value and economic value. This "Purpose" reflects our awareness of the Group's mission to take responsibility for the next generation and contribute to the building of a society that is even more capable of coping with change and to also achieve sustained growth ourselves by actively helping to solve issues in society as the "Best Partner" most trusted by our clients based on the Group's client-oriented philosophy that remains unchanged since our founding.

Our ideal vision

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**

Roles expected  
 by society

## Achieving our "Purpose" with the power of trusts

### Ability conversion function

#### Leveraging our high level of expertise to manage and administer assets

By taking advantage of our extensive expertise in managing and administering the valuable assets entrusted to us, our trusts deliver high added value to our clients.

### Asset conversion function

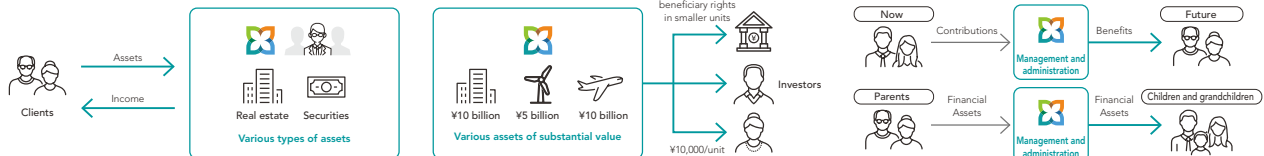
#### Flexible alteration of asset composition and quantity

By converting assets held in trust to trust beneficiary rights, even assets that essentially are indivisible, or property of substantial value, can be divided into smaller units for circulation, thus facilitating the smooth circulations of funds, assets, and capital.

### Time conversion function

#### Transcending time to ensure client wishes are fulfilled in the future

In order to assist our clients to realize and enjoy a prosperous future, our trusts have a function to manage and safeguard assets for extended period of time. Under certain scenarios, trust assets and the accompanying wishes of clients can be passed on to the next generation.



The "power of trusts" mentioned in our "Purpose" is a wide-ranging concept—it refers to the numerous functions of our trust schemes, our significant expertise and comprehensive capabilities, and even the basic principle of fiduciary duty. The SuMi TRUST Group has long addressed the issues of clients and society by flexibly exercising these trust functions. Climate change and the transformation of social structures, such as Japan's declining birthrate and ageing population, are growing increasingly sophisticated and complex. We think these times represent a business opportunity, which is why we intend to leverage the power of trusts to create new value (opportunities and markets) and contribute to a more prosperous and happy future for everyone. In other words, the development of a sustainable society and improvements in well-being for all people.

## COLUMN Seeking to realize our "Purpose"

SuMi TRUST Bank has handed out information about the Group's "Purpose" and the president has used online channels to directly communicate information about the Medium-Term Management Plan and "Purpose" to all employees (roughly 12,000). The directors, officers, branch managers, and general managers instill an awareness of the purpose among employees by linking it to the ideal image of each business or workplace. Furthermore, each branch and department recognize and share with their work colleagues the positive impacts and social values directly or indirectly generated by their operations and connects them to the day-to-day actions that originate from the Group's "Purpose." In this way, the "Purpose" of the SuMi TRUST Group not only links the Group with society, but it also serves as a bridge between each and everyone of us and the Group and society. Achieving our "Purpose" by providing value and being of service as a member of society is our inspiration, pride, and motivation. Even in these ever-changing times, guided by our "Purpose"—the origin of the Group's best efforts in keeping with our fiduciary spirit—we will aim to bring about a prosperous future for our clients and society and achieve a virtuous cycle of growth for the Group and for each and every one of us.

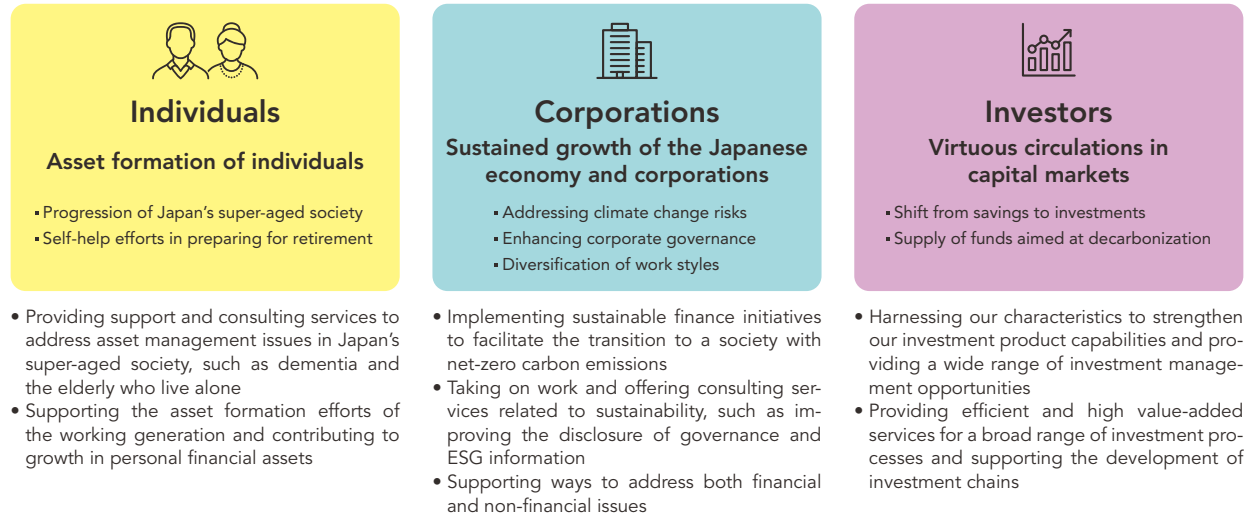
## New value created through business

### Businesses that harness the power of trusts to solve social issues

#### Value provided to stakeholders (three economic agents)

The SuMi TRUST Group draws on its wide array of trust functions to deliver high value-added products and services to clients based on the keyword of "cycle" to address the social issues that confront individuals, corporations, and investors.

#### Addressing social issues through the creation of new value



#### Three strategic areas for creating new value

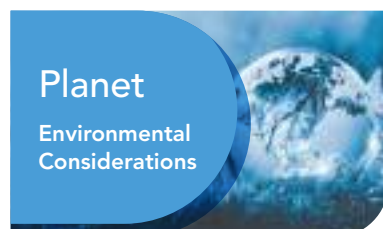
With a view to the kind of society and vision for the Group we hope to realize by 2030, we identified the following three strategic areas for value creation to encourage a virtuous cycle: (1) age of more centenarians; (2) carbon neutrality; and (3) regional ecosystems and global investment chains.

As issues in society grow increasingly sophisticated and complex, it will be much harder to solve longstanding social issues solely with our inherent managerial resources and client base. We will therefore look to team up with various stakeholders, build platforms, and generate new markets and opportunities. And to attain these goals we will need to strengthen our human capital and manufactured capital.



## Blooming of a prosperous future

#### Highly Relevant SDGs



Prosperity and happiness for all = improvements in well-being



## SuMi TRUST Bank

### President's Message



Two years have passed since the COVID-19 pandemic spread to all corners of the globe. I would like to express my heartfelt sympathy to those afflicted by COVID-19, as well as their families, and my deepest gratitude to the healthcare professionals and others still fighting the pandemic.

In the past year we turned our attention to stopping the spread of infections and firmly adopted ways of doing business that eliminated restrictions of time and place. During that time we were amazed at the sheer power of digital technology that enabled us to forge ahead with new working styles and patterns of behavior. In addition, a movement that aspires towards stable prosperity in society clearly emerged with governments and corporations setting themselves lofty targets for tackling climate change and other universal social issues.

This trend represents a major opportunity to us, especially because the idea of “balanced creation of both social and economic value” is at the very core of our management approach. A society with net-zero carbon emissions—one of the most important challenges in the future world—requires immeasurable money but the public sector alone does not have the resources to cover such costs. That is why the injection of private capital is required and there is currently an international movement that aims to entrust financial institutions with the responsibility of covering such costs for the entire industrial sector. It should also be noted that the cumulative decarbonization efforts of individual companies have their limits. It is vital that funds are directed to certain areas in view of the entire value chain where the biggest impact can be realized and continuously monitored. This is the very essence of “impact finance”—an initiative currently in the global spotlight. In this field we have not only expanded the breadth of operations with loans, equity investments, real asset investments, and venture capital, but we have employed experts with doctorate or master's degrees in such fields as hydrogen and battery technology, chemicals, and electric power to develop a business model unsurpassed by any of our rivals by combining scientific knowledge with impact analysis.

Going forward, we will assume the mantle of creating positive impacts and make substantial contributions towards decarbonization whilst also building a virtuous circulation of funds, assets, and capital by connecting the demand for capital in the business community with global ESG money.

In April 2020 the SuMi TRUST Group's “Purpose” was defined. On the occasion of my appointment as president of SuMi TRUST Bank, I took the opportunity to hold discussions with some 12,000 employees by way of 26 online meetings in total with the objective of personally communicating my expectations and intentions regarding this “Purpose.”

When commencing those sessions, my initial expectation was to envisage and execute together with employees an ideal future vision the Bank ought to create, but the frank opinions of everyone also yielded up many other issues, not just ideals, particularly concerning the near term. In this sense, these meetings turned out to be extremely worthwhile.

I am sure that teamwork wins the day. By sharing the “Purpose” with our diverse workforce, I believe we can come up with solutions together. Being responsible for the future and ensuring that our generation deals with challenges now rather than burdening future generations is how we will resolutely and squarely tackle financial and social challenges up ahead.

## Sumitomo Mitsui Trust Asset Management President's Message



### Yoshio Hishida

Representative Director and President  
Sumitomo Mitsui Trust Asset Management Co., Ltd.

I offer my heartfelt sympathy to those afflicted by COVID-19, as well as their families, and to the many people whose livelihoods and business activities have been deeply affected by the pandemic.

Currently in many parts of the world, people are reconsidering the significance of companies and work. The discussion around achieving a carbon-neutral society by 2050 is also not entirely unrelated to this movement. More so than in the past, I believe the first step in rethinking, even in the slightest, one's relationship with a company and society is the start of a much larger groundswell. At the same time, as a responsible institutional investor, I believe it is our mission to utilize our asset management services and help people achieve the goals and ideal images they envision for the future. To that end too, I think our stewardship activities—i.e., contributing to improvements in corporate value through dialogue with investee companies and promoting activities in ESG fields—are extremely important.

In January 2021 we established ESG criteria for director appointment proposals in our guidelines for the exercise of voting rights for Japanese equity investments. In July, we joined the Net Zero Asset Managers Initiative, a global initiative comprising asset managers committed to supporting the goal of net-zero greenhouse gas emissions at investee companies by 2050. Then in November we were the only Japanese asset management firm to endorse and sign the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation announced at the 26th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26).

Through our participation in these kinds of global initiatives we seek to express our opinion as a Japanese asset manager. At the same time, we will aim to contribute to a higher level of sustainability on a global scale by actively incorporating progressive ESG activities from abroad into our global ESG perspectives when engaging with Japanese companies.

## Nikko Asset Management President's Message



### Junichi Sayato

Chairman, President & CEO  
Nikko Asset Management Co., Ltd.

In 2021 a whole host of social challenges surfaced worldwide, including the spread of the COVID-19 pandemic, climate change, economic disparity, and human rights. It was a year during which the awareness of sustainability was called into question once again.

As an asset management company, the mission of Nikko Asset Management (Nikko AM) is to always act in the best interests of its clients. For that reason, our corporate philosophy hinges upon fiduciary and ESG principles. We incorporate ESG principles into every investment decision-making process and endeavor to fulfil our fiduciary duties.

We have long supported sustained value creation at corporations through active engagement with investee companies. In 2021 we further strengthened our approach to fighting climate change by joining the Net Zero Asset Managers Initiative, a project that aims to reduce greenhouse gas emissions to net zero by 2050.

2021 was also a year in which we made progress with our own sustainability initiatives. In environment- and climate-related fields, we updated our environmental policy and set a target of reducing the Nikko AM Group's greenhouse gas emissions per employee by 40% by the year 2030 compared to our 2019 level. Also, in the area of diversity, we set a group target for women in management positions to reach 30% by 2030. We consider diversity to be a source of innovation and believe that achieving a gender balance at the decision-making level is absolutely essential.

For a corporation, strategies are vital, but corporate culture is even more important. We believe that the entrenchment of sustainability concepts into Nikko AM's corporate culture is not only necessary to fulfill our social responsibilities, but will also lead to sustainable corporate management.

# 1

# Principles of Governance

## —Sustainability as a Management Strategy

Governance is foundational for a company in setting purpose and provides oversight for a company's activities that contribute to a prosperous, sustainable society. Without good governance, companies lack the supportive context within which to make progress on the other three pillars: Planet, People, and Prosperity.

From the World Economic Forum White Paper "Measuring Stakeholder Capitalism"

010

- 011 The Group's Approach to Principles of Governance
- 012 Corporate Governance
- 014 Sustainability Promotion System
- 028 Compliance and Fair Business Conduct
- 035 Initiatives to Enhance and Sophisticate Operational Quality
- 036 Ensuring Appropriate Tallying Operations of Voting Rights Exercise Forms at the Shareholders' General Meetings and Promotion of Electronic Voting
- 037 Risk Management and Materiality Management
- 046 Responding to the COVID-19 Pandemic
- 048 Considering the Environmental and Social Impacts of Corporate Clients



# The Group's Approach to Principles of Governance

In order to adhere to the principles of sound management, based on a high degree of self-discipline with the background of fiduciary spirit, and to establish strong credibility with society, SuMi TRUST Holdings commits itself to enhancing its corporate governance system in line with the basic philosophy indicated below, with the objective of supporting sustainable growth and medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In addition, the SuMi TRUST Group has defined its reason for existence ("Purpose") and identified high priority issues (materiality) such as the declining birthrate and aging population, climate change, and digitalization. At the same time, the Group has made solving social issues its mission, while recognizing it as an opportunity for the Group's own growth, and placed the "balanced creation of both social value and economic value" at the core of its management. The Board of Directors sets out and discloses the SuMi TRUST Group's Reason for Existence ("Purpose"), Management Principles ("Mission"), Ideal Model ("Vision"), and Codes of Conduct ("Value") as the anchor for all of our activities, which is shared by all of the directors, officers, and employees of the Group.

## Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effectively equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees," and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Considering impacts on society and the business environment of companies to whom we extend investments and loans	Risk	Clients, communities, NPOs	Minimizing negative impacts through business (e.g., investments and loans in line with sector policies and ESG guidelines, and engagement that takes into account how borrowers and investees impact society and the environment)

### Governance and Management Framework Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Corporate governance	Risk/Opportunity	All stakeholders	Sustainable improvement of the management framework that balances the creation of both social value and economic value and enables us to realize our Purpose (please see Integrated Report for details)
Risk management and resilience	Risk	Shareholders, investors, employees, governments	Response to risks, including event risks such as natural disasters (identifying risks and formulating clear policies, establishing a comprehensive management system, and developing a risk-response culture through employee training)
Systems maintenance and combatting cyber attacks	Risk	Clients, governments	Response to cyber attacks (ransomware, DDoS attacks, information theft), prevention of system development delays and cost increases
Safety of financial products	Risk	Clients	Appropriate management of risks inherent in financial products (including proper sales to customers)
Compliance	Risk	Clients, employees, governments, international organizations	Fostering a corporate culture that does not deviate from corporate ethics and codes of conduct, elimination of transactions with antisocial forces, crime prevention (money laundering, terrorist financing, special frauds such as bank transfer scams, etc.)

### Financial Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Risks (For detailed guidelines, please refer to our Annual Report -Financial Data Section)
Preserving financial capital	Risk	Shareholders, investors, governments	Deterioration in creditworthiness of certain large creditors, unfavorable real estate market conditions, and decline in value of cross-shareholdings
Acquiring sustained earnings	Risk	Shareholders, investors, governments	Decrease in gross business profit in the loan and deposit business

Highly  
Relevant  
SDGs



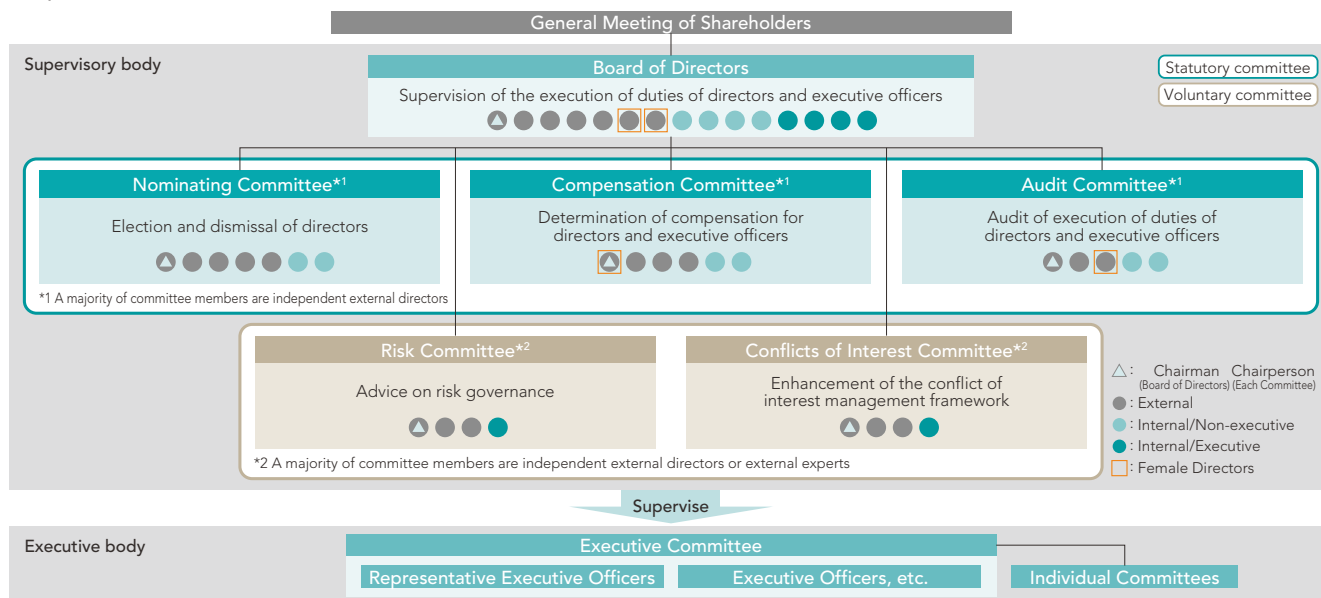
# Corporate Governance

## Perspectives Regarding the Corporate Governance System

SuMi TRUST Holdings is a financial holding company with subsidiaries such as SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management, and aims to be our clients' "Best Partner," by providing "Total Solutions" that combine our banking business, asset management and administration business, and real estate business, based on a fiduciary spirit, and by making full

use of our significant expertise and creativity. To fulfill our principles and meet the expectations of stakeholders, SuMi TRUST Holdings endeavors to ensure the soundness and reliability of its business model and the transparency of the management of the SuMi TRUST Group, and will work to further enhance the Group's corporate governance.

## Corporate Governance System



## Board of Directors

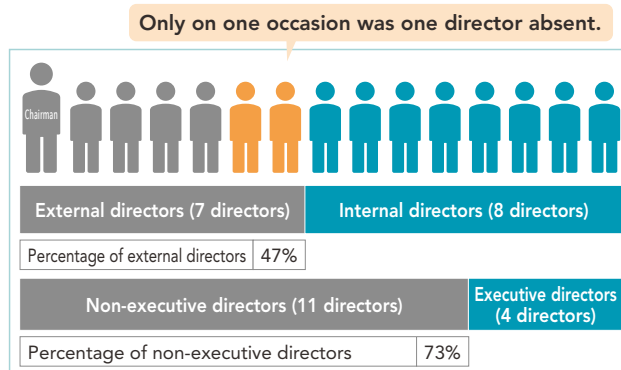
The Board of Directors ensures the fairness and transparency of the SuMi TRUST Group's corporate management as its central role, by setting out the basic management policy of the SuMi TRUST Group and supervising the overall management of the Group. In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy on the social responsibility that is to be implemented by each Group company (the "Sustainability Policy"). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of the SuMi TRUST Group.

In light of the importance of the functions of external directors in corporate governance, as a general rule, at least one-third of the directors on the Board of Directors are independent external directors. The Board of Directors establishes and discloses Independence Standards of Independent Directors. In determining candidates for directors, based on the reason for existence ("Purpose") of the SuMi TRUST Group, we strive to secure a diverse and well-balanced composition of the Board that ensures appropriate supervision of a wide range of business areas in which we have dealings as a financial group specialized in trust banking. Accordingly, we select members from among those who have a high level of insight and a wealth of experience in corporate management, finance, accounting, legal affairs, risk management,

and compliance, as well as in creation areas, including skills specific to the trust business, sustainability, digitalization, and IT, which lead to the creation of new value, to address our high priority issues (materiality\*). In addition, by assigning highly specialized experts to the statutory and voluntary committees established as supervisory bodies, we intend to strengthen the supervisory function and build a diverse and balanced formation as a whole to sustainably increase the Group's enterprise value.

\*For more information on materiality, please refer to pages 20-21.

## Composition of the Board of Directors



- All seven external directors have been registered as independent officers with the relevant securities exchange.
- Breakdown of 15 directors: 13 men, 2 women
- 18 Board of Directors meetings were convened during the period July 1, 2020 through June 30, 2021.



Skill Matrix for Board Members (● : External, ● : Internal (non-executive), ● : Internal (executive), □ : Female directors)

Name	Internal directors							
	Toru Takakura	Jiro Araumi	Nobuaki Yamaguchi	Kazuya Oyama	Tetsuo Ohkubo	Masaru Hashimoto	Kuniyuki Shudo	Kouji Tanaka
Area of expertise and experience	Corporate management	●	●	●	●	●	●	●
	Finance/Accounting	—	—	●	●	●	—	—
	Legal affairs/Risk management/Compliance	●	●	—	●	●	●	●
	Value creation	●	●	●	●	●	●	●
Name	External directors							
	Isao Matsushita	Shinichi Saito	Hiroko Kawamoto	Mitsuhiro Aso	Nobuaki Kato	Masanori Yanagi	Kaoru Kashima	
Area of expertise and experience	Corporate management	●	●	□	—	●	●	□
	Finance/Accounting	●	●	—	—	—	—	□
	Legal affairs/Risk management/Compliance	—	●	□	●	—	—	□
	Value creation	●	●	□	●	●	●	□

To further improve the effectiveness of our corporate governance, we regularly hold external directors' meetings, which are only attended by external directors. By having external directors exchange information and share their views, we help foster trusting relationships and strengthen the supervisory function of the Board of Directors.

## Committees

In addition to the Nominating Committee, Compensation Committee, and Audit Committee, which are required under the Companies Act, we have established the Risk Committee and Conflicts of Interest Committee as advisory bodies to the Board of Directors. As a financial group specialized in

trust banking, the Conflicts of Interest Committee possesses supervisory functions unlike at any other financial group. Also, every year each committee conducts a self-evaluation in an effort to improve its autonomous management.

## Members of Committees

(▲ : Chairperson, ● : Member (external), ● : Member (internal/non-executive), ● : Member (internal/executive), □ : Female Directors)

			Nominating	Compensation	Audit	Risk	Conflicts of Interest
External	Directors	Isao Matsushita	▲	●			
		Shinichi Saito	●		▲		
		Hiroko Kawamoto	●	□			
		Mitsuhiro Aso			●		
		Nobuaki Kato	●	●			
		Masanori Yanagi	●	●			
		Kaoru Kashima			□		
	Experts	Hideki Kanda*					▲
		Kenji Fujii				▲	
		Takeshi Suzuki					●
		Mikio Araki				●	
		Haruyuki Toyama				●	
		Akiko Hosokawa					●
Internal	Directors	Tetsuo Ohkubo	●	●			
		Masaru Hashimoto	●	●			
		Kuniyuki Shudo			●		
		Kouji Tanaka			●		
	Executive Officer	Yasuyuki Suzuki				●	●

\* Mr. Hideki Kanda is an external director of SuMi TRUST Bank.

## Evaluation of the Board of Directors

SuMi TRUST Holdings conducts an annual evaluation of the Board of Directors and examines and implements improvement measures for the issues identified, thereby leveraging the PDCA cycle and improving the effectiveness of the Board of Directors.

\*For more information on corporate governance, including the evaluation of the effectiveness of the Board of Directors, succession plan, and compensation system for directors and executive officers, please refer to pages 96-103 of the 2021 Integrated Report.

# Sustainability Promotion System

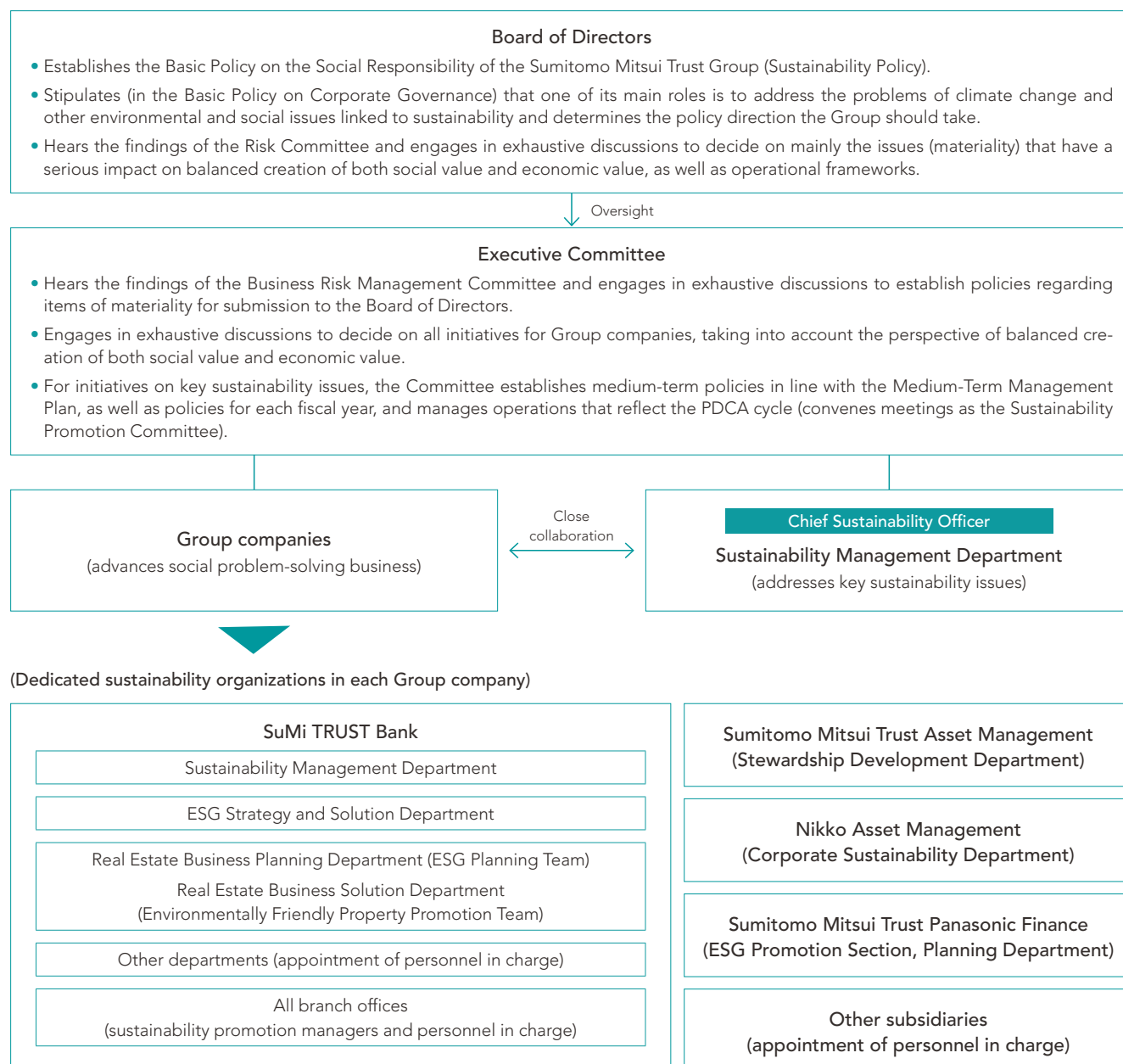
The SuMi TRUST Group defines its reason for existence ("Purpose") as "Creating new value with the power of trusts and let prosperous future for our clients and society bloom," and places the "balanced creation of both social value and economic value" at the core of its management. As a result, sustainability 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**



### 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

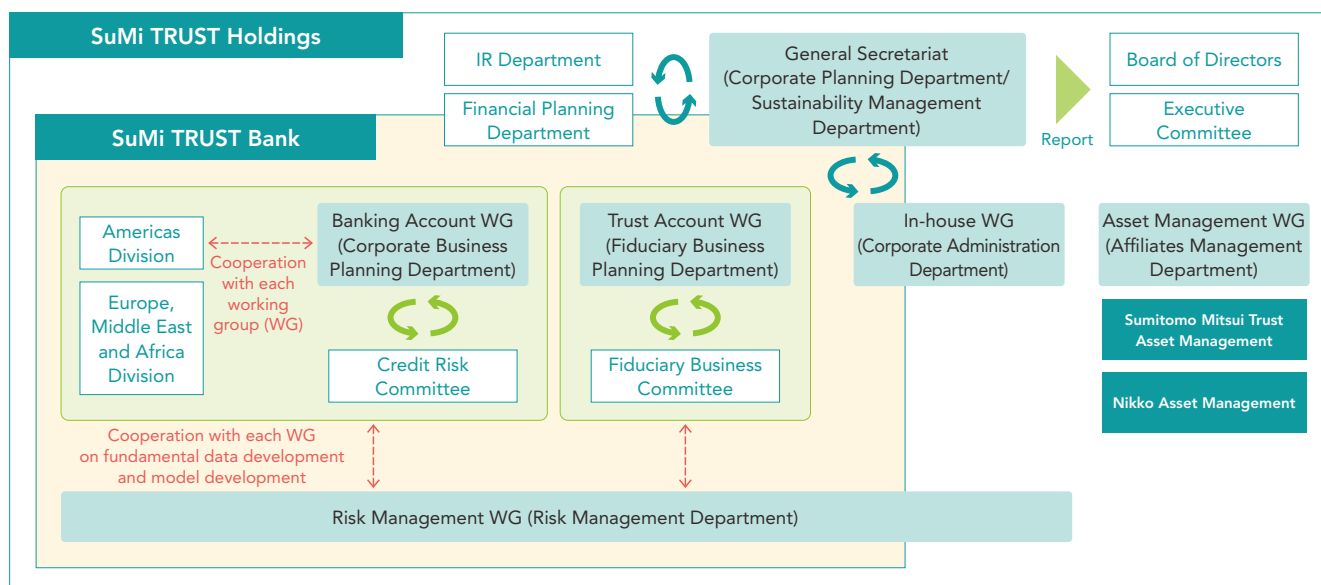
Meeting systems, etc.	Activities	
Board of Directors	<ul style="list-style-type: none"> <li>Held focused deliberations on climate change (including Carbon Neutral Commitment) as a management theme</li> </ul>	Supervisory body
Risk Committee	<ul style="list-style-type: none"> <li>Set climate change as 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

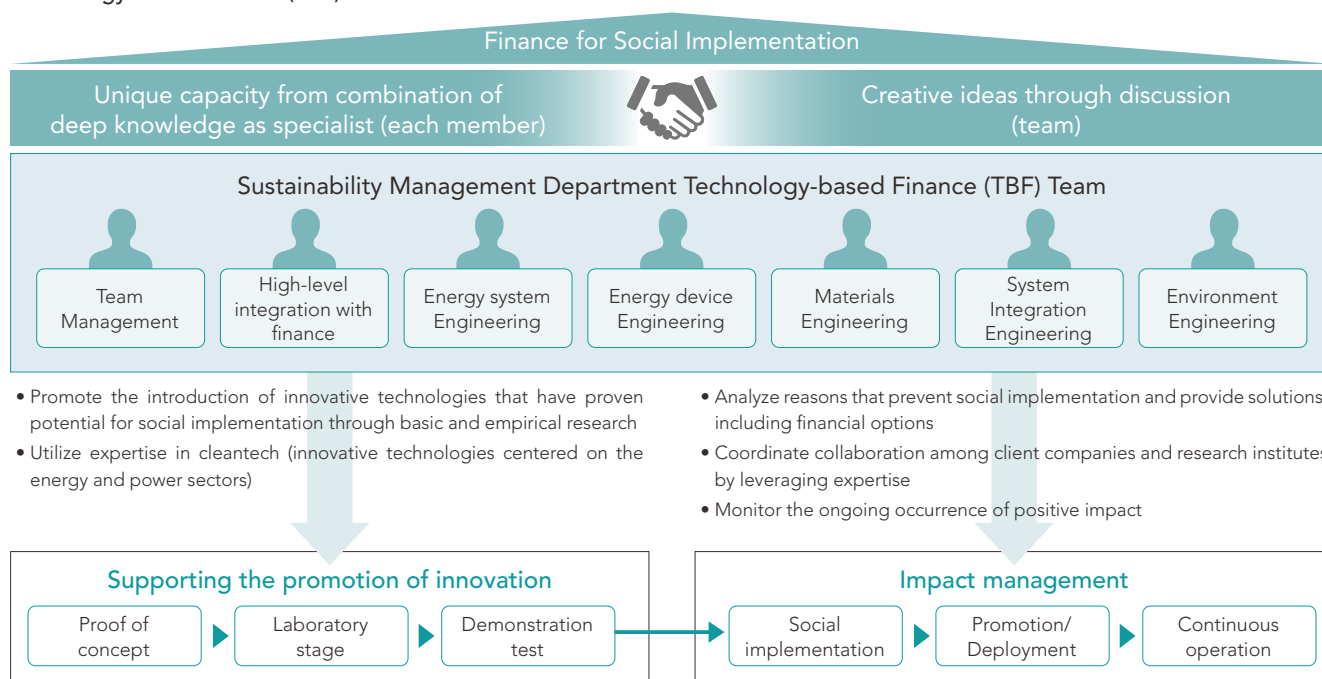
One of the important functions of the Sustainability Management Department is the research and development of new sustainability-related businesses. With this in mind, we launched a Technology-based Finance (TBF) team in April 2021.

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



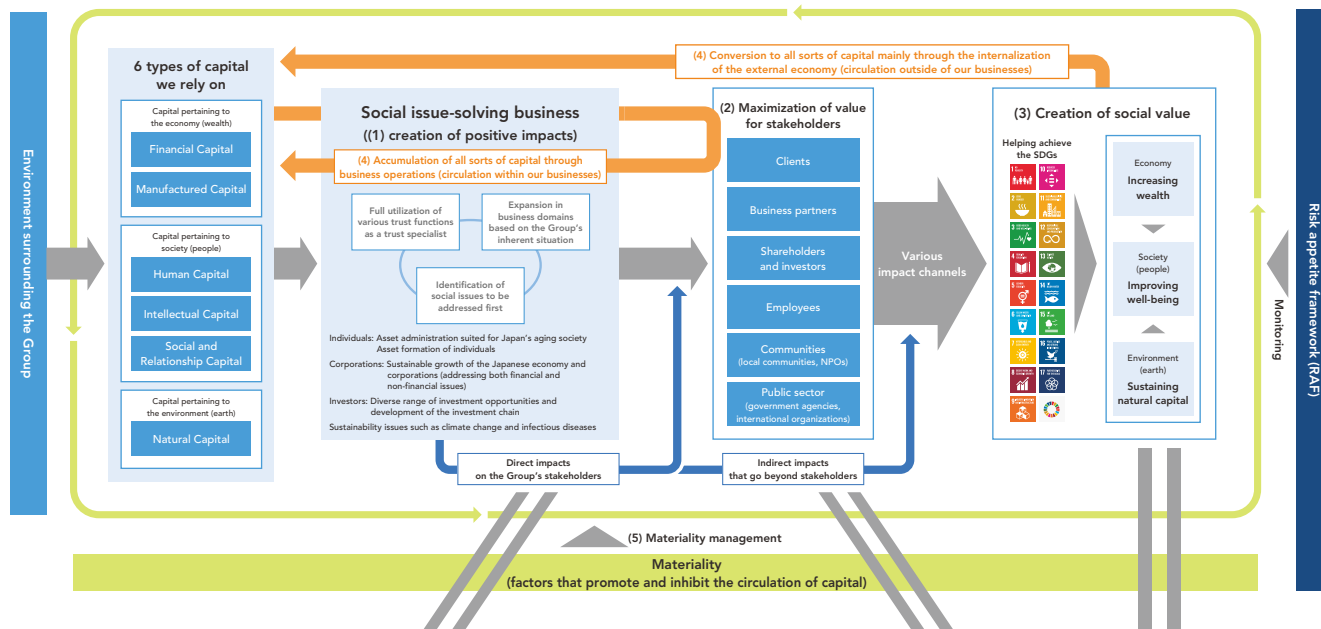
## 2. Value Creation Process

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

Our ideal vision

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

Roles expected by society



## Power of trusts

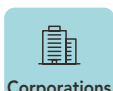
Ability conversion function  
Asset conversion function  
Time conversion function

## Value provided to stakeholders (three economic agents)



Individuals

- Providing support and consulting services to address asset administration issues in Japan's aging society, such as dementia and the elderly who live alone
- Supporting the asset formation efforts of the working generation and contributing to growth in personal financial assets



Corporations

- Implementing sustainable finance initiatives to facilitate the transition to a society with net-zero carbon emissions
- Taking on work and offering consulting services related to sustainability, such as improving the framework of governance and the disclosure of ESG information
- Supporting ways to address both financial and non-financial issues



Investors

- Enhancing our investment product capabilities that take advantage of the Company's strengths and providing a wide range of investment opportunities
- Providing efficient and high value-added services for a broad range of investment processes and supporting the development of investment chains

## Chain of Impact

## Three strategic areas for creating new value

1. Age of 100-year life
2. Carbon neutrality
3. Regional ecosystems and global investment chains

A prosperous future for clients and society

## Value Creation Process

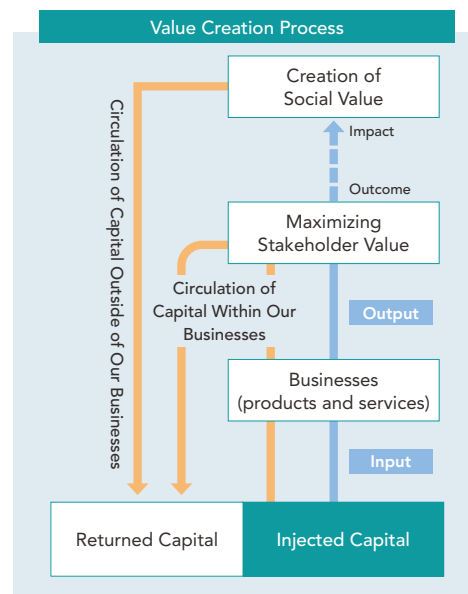
To achieve the balanced creation of both social value and economic value, we need a process of creating positive impact while maximizing stakeholder value based on our "Purpose." It is also necessary to organically combine this process with the process of sustainably strengthening our

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.

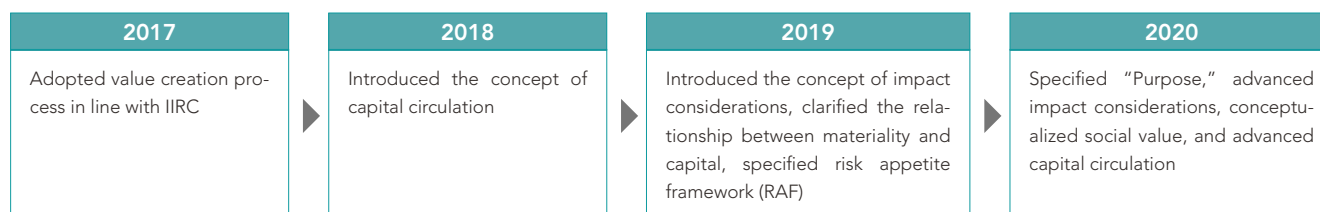
\*A way of thinking that takes a medium- to long-term view of management and utilizes all financial and non-financial capital which the company's business model depends on and is affected by.



## 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.

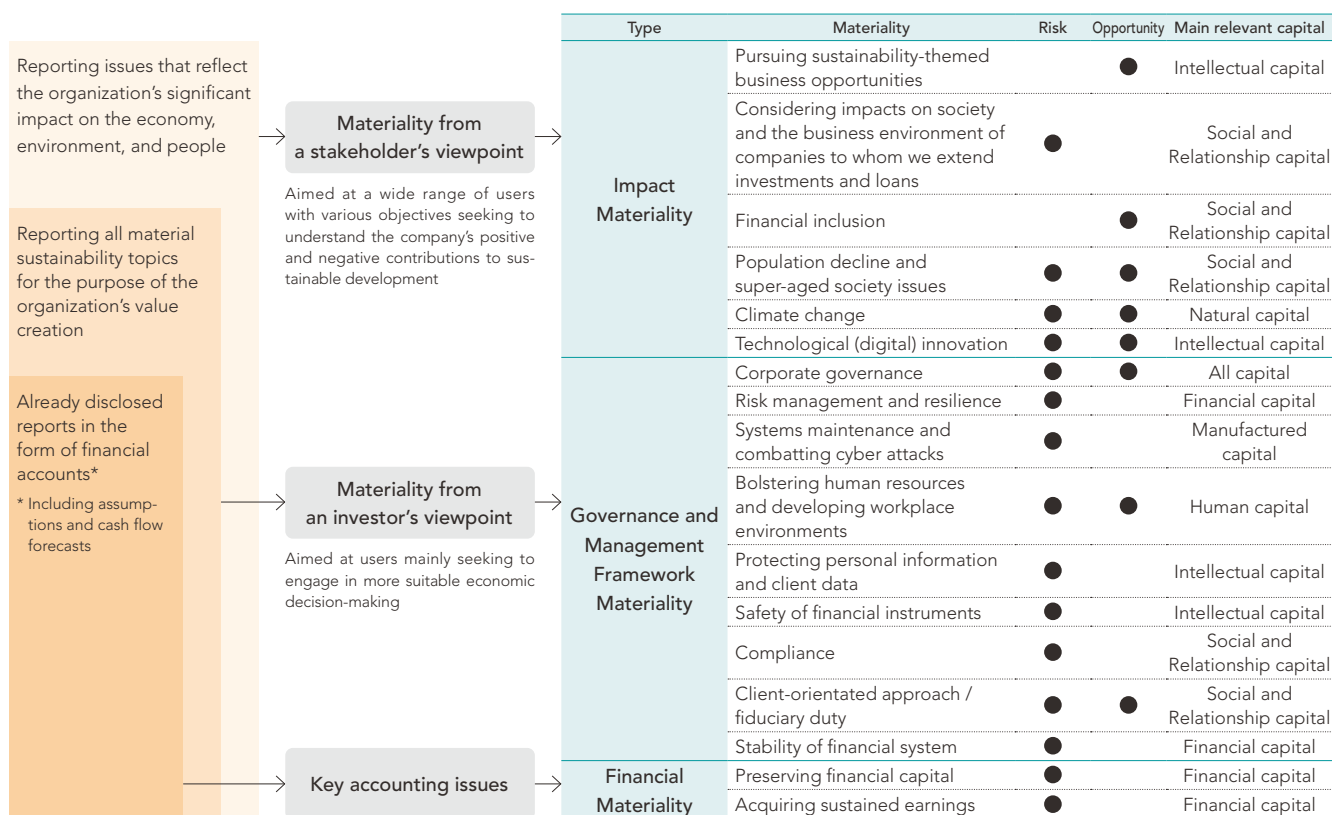
Subsequently, with the "balanced creation of both social value and economic value" placed at the very core of our growth strategy, we integrated our separately managed top

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

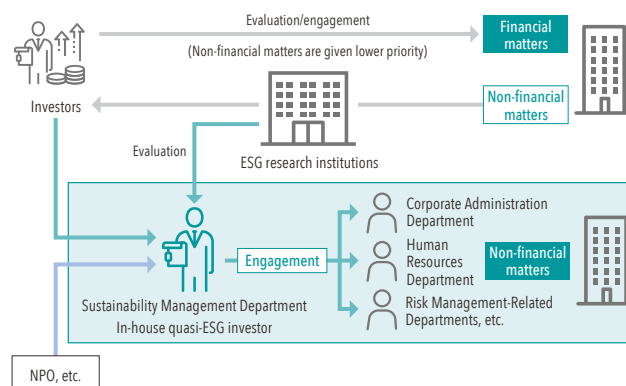
At SuMi TRUST Holdings, the Sustainability Management Department engages in investor-like dialogue with relevant departments on non-financial materiality items in the finance sector that ESG investors are most interested in and for which the Group's initiatives may face challenges, in order to improve 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

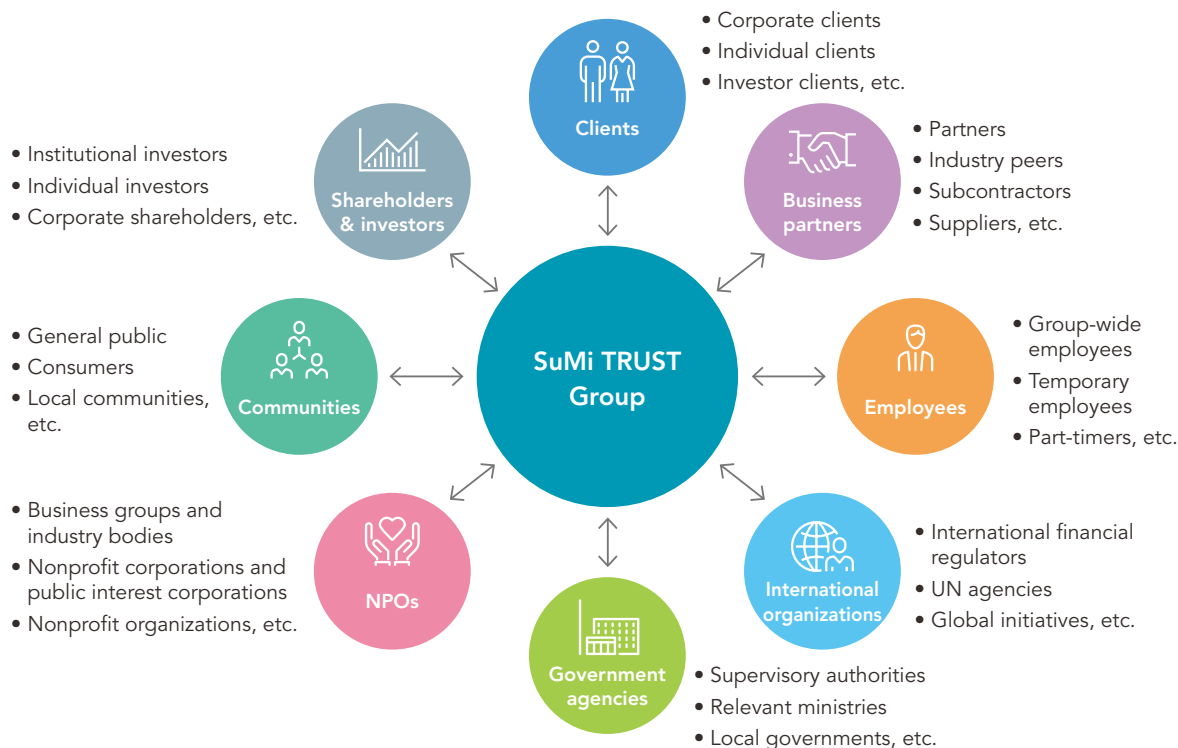


## 5. Stakeholder Engagement

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

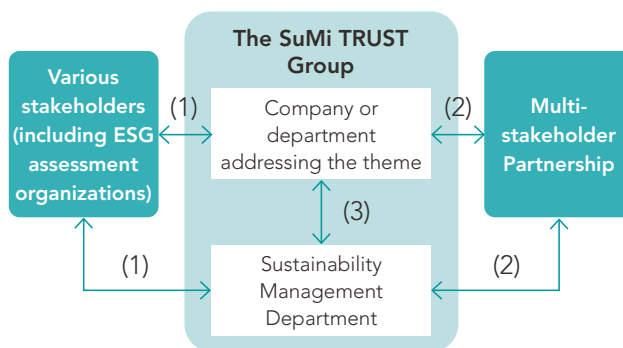
communities, NPOs, government authorities, and international institutions as major stakeholders, and declares its commitment to respect dialogue and play an active role in building a sustainable society. By identifying stakeholders in this way, we aim to have a clear understanding of how the Group relies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

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).



# Compliance and Fair Business Conduct

## 1. Basic Initiative Policy

The SuMi TRUST Group sees compliance as adhering to laws, regulations, market rules, and internal company rules, etc., in addition to conformity to social norms, so we can fulfill the expectations of the stakeholders (clients, communities and society, shareholders, and employees) and earn their trust as stated in our Management Principles (“Mission”). The Group positions compliance as one of the most important management issues necessary for creating “The Trust Bank (Vision)” we aspire to be, and is working to implement better best practices.

So that the Group can implement a proper compliance framework at “The Trust Bank,” the Codes of Conduct (“Value”) declare our “strict compliance with applicable laws

and regulations” and the Compliance Rules stipulate what directors, officers, and employees need to comply with.

In addition, the Compliance Manual, a detailed companion guide to the Codes of Conduct, offers (1) explanations of codes of conduct that must be followed regardless of one’s duties and (2) clarification on how to respond when one discovers illegal behavior, while the Compliance Handbook and Company Rules provide specifics of the understanding and awareness directors, officers, and employees need to have according to their duty. We thus implement compliance by following these codes of conduct strictly in our daily business operations.

### Compliance Standards for Directors, Officers, and Employees

1. Earn the Trust of Society	We must establish public trust through awareness of our social responsibilities and public mission, as well as through sound business administration founded on strong self-discipline.
2. Offer Quality Financial Products and Services	We must carry out all the functions of a trust bank group and endeavor to provide clients with quality financial products and services.
3. Be Firm against Antisocial Forces	We must be firm against antisocial forces.
4. Prevent Abuse of Financial Functions by Organized Crime	In accordance with the “Anti-Money Laundering Compliance Policy,” we must make efforts to prevent abuse of our financial services by taking a firm stance against money laundering and terrorist funding, and by strictly complying with relevant laws and regulations.
5. Ensure Management Transparency	We must strive toward appropriate and fair disclosure of how we manage our business and information about SuMi TRUST Holdings to ensure management transparency.
6. Construct Sound and Normal Relationships with Concerned Parties	In accordance with the “Anti-Bribery and Corruption Compliance Policy,” we must strictly comply with applicable laws and regulations on preventing bribery and corruption as we avoid pursuing profits by improper means. With respect to public servants/deemed public servants, as well as shareholders and other concerned parties with a business interest, we shall not offer entertainment, favors, or the like beyond socially accepted courtesies, nor shall we accept such entertainment or favors from concerned parties or other third parties (unless permitted under laws, regulations, internal company rules, or the like).
7. Pursue Comprehensive Fairness	We shall always distinguish between business and personal matters, and in the course of business operations, we shall not take a position contrary to SuMi TRUST Holdings’ interests nor use one’s position to advance personal interests or those of a third party.
8. Pursue Comprehensive Information Management	We shall not release to others any information obtained in the course of business or confidential matters of SuMi TRUST Holdings. We shall not, for any reason, use important unpublicized information, SuMi TRUST Holdings’ business secrets, or the like for illicit gain, to cause harm to SuMi TRUST Holdings or others, or for other illegitimate purposes.
9. Recognize Duties as a Fiduciary	With regard to the trusts offered by the Group, we must recognize our obligation as a fiduciary toward settlors and beneficiaries, and as a fiduciary we must faithfully carry out our trust operations with the care of a good manager.
10. Prohibit Compensation for Losses	In the event that a client or other party suffers a loss originating from a financial product or service provided by the Group, losses shall not be compensated without rational grounds.
11. Improve Workplace Orderliness	We must respect individual people’s personalities and traits without discriminating in any situation. We must also emphasize, and constantly endeavor to sustain and improve, order in the workplace, thus ensuring a pleasant work environment.
12. Uphold our Fiduciary Duties	In accordance with the “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group,” we must endeavor to uphold our fiduciary duties.

### Initiatives to Foster Compliance Awareness

With the approval of the Board of Directors, the SuMi TRUST Group has created a compliance manual which provides an explanation on the background and purpose of the Codes of Conduct and rules concerning laws, regulations, and other conventions to be adhered to, and measures to be taken in the event of any compliance infractions. The contents of

this manual have been made widely known to all directors, officers, and employees across the Group.

Furthermore, the Group is improving training on compliance throughout the entire Group to help foster an awareness of compliance matters. Specifically, support is provided with trainings carried out by supervising departments responsible for compliance at each Group company, such



as by providing training materials, dispatching instructors, and planning and implementing discussion-based study sessions on themes that span the whole Group.

In addition to the above, efforts are being made at each Group company to raise awareness and ensure thorough implementation of compliance matters through training and study sessions tailored to the characteristics of business and products at each company and the aspects of their clients, as well as through e-learning programs on specific themes and guidance on a daily basis.

Furthermore, in order to accurately ascertain how matters of compliance are being understood, the Group conducts an annual survey on compliance awareness each fiscal year at major subsidiaries and elsewhere, in an effort to understand the actual situation and improve any issues. The survey is an attempt to understand the situation of the entire Group by, for example, setting common questions in order to grasp Group-wide issues and to implement any effective measures.

## 2. Outline of Initiatives

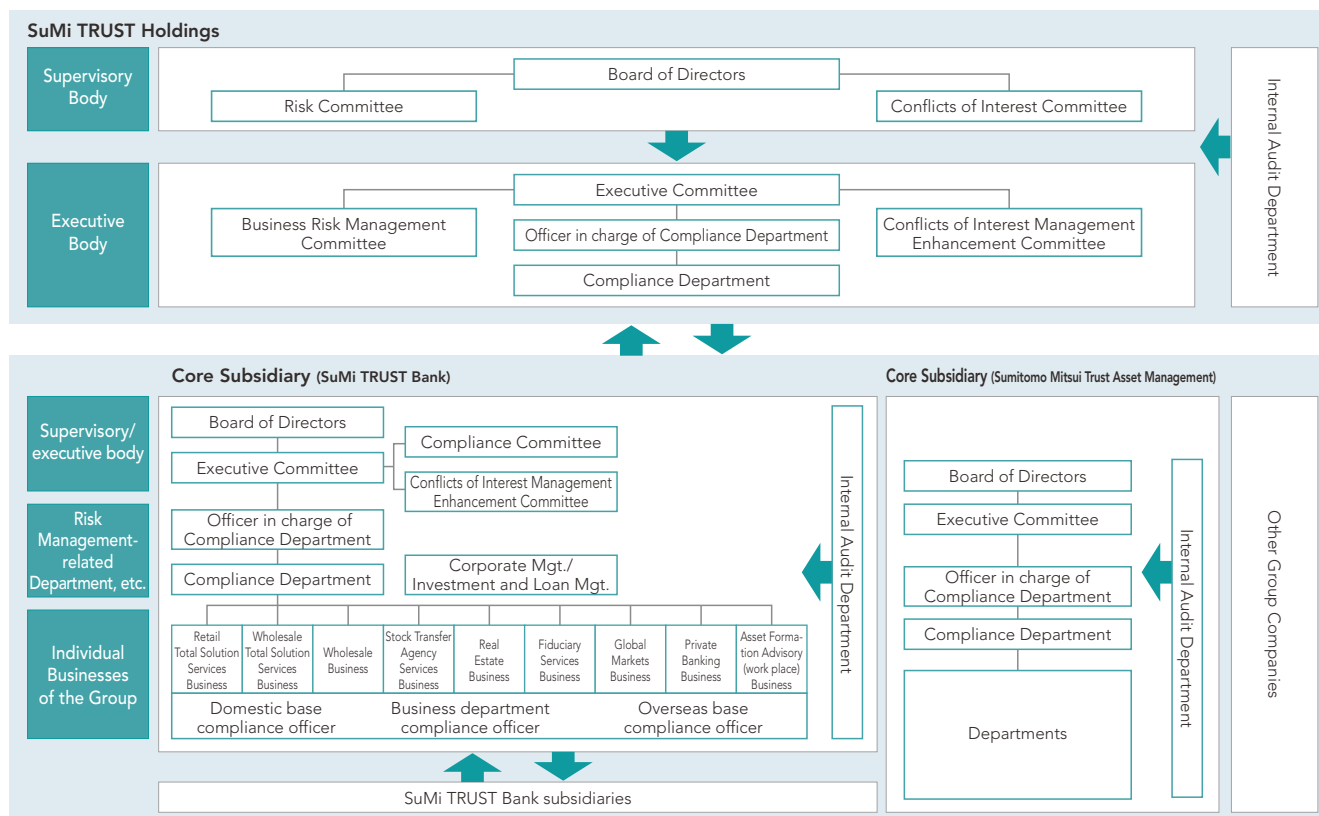
### Compliance System of the Group

With the approval from the Board of Directors, the Group formulates a compliance program consisting of a detailed implementation plan for compliance each fiscal year, and the Board of Directors regularly monitors and evaluates the program's progress.

Furthermore, in order to maintain an appropriate compliance framework in line with the business characteristics of each Group company, we manage the compliance framework for the entire Group, such as by formulating compliance programs for each company and providing guidance and oversight on the state of progress and achievement of these programs. Additionally, risks related to compliance are designated as legal and compliance risk, which is one of the risk subcategories under operational risk.

Group companies create compliance structures that are suited to their operations and founded on the compliance policy and other guidelines prescribed by SuMi TRUST Holdings.

For example, the supervising unit for compliance at core subsidiary SuMi TRUST Bank is the Compliance Department. In accordance with SuMi TRUST Holdings' compliance policy, SuMi TRUST Bank formulates its own compliance policy and a Compliance Program, while also monitoring the state of management and administration. In addition, the state of management and administration and other states are reported to the Executive Committee and the Board of Directors upon verification by the Compliance Committee, which is chaired by the officer in charge of the Compliance Department.



### The Roles of the Board of Directors, Executive Committee, and Compliance Department Officers

Board of Directors	<ul style="list-style-type: none"> <li>• Establish the Group's compliance framework, supervise execution</li> <li>• Set policy and organizational structure pertaining to compliance</li> <li>• Prepare the compliance manual, assess preparation, progress, etc. of the compliance program</li> </ul>
Executive Committee	<ul style="list-style-type: none"> <li>• In advance examine Board of Directors decisions and reports (decisions on compliance matters and matters on constructing frameworks for supervisory departments)</li> <li>• Matters concerning the approval and publicity of rules and regulations</li> <li>• Analyze the state of compliance, look into problems</li> </ul>
Directors/Executive Officers	<ul style="list-style-type: none"> <li>• Execute compliance-focused management while keeping in mind important points such as compliance's importance and laws and regulations pertaining to assigned duties</li> </ul>
Compliance Department Officers	<ul style="list-style-type: none"> <li>• Review policies and concrete measures that establish and entrench a proper compliance framework based on an accurate understanding on the state of compliance in the Group</li> </ul>
Compliance Department	<ul style="list-style-type: none"> <li>• Generally supervise compliance in the Group</li> <li>• Prepare required rules for our compliance framework, implement action and guidance, address issues, augment the training system</li> <li>• With regard to the compliance program, formulate plans and manage progress, etc., provide guidance by monitoring the state of administration</li> <li>• Bring up and report to the Board of Directors, the Executive Committee, etc. on compliance matters</li> </ul>

### Compliance Hotline System

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\*<sup>1</sup> where all officers and employees, etc. (including part time employees, dispatched employees, retired employees, and officers and employees, etc. of partner business operators, etc.) can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels. The compliance hotline system operated by SuMi TRUST Holdings is registered under the Whistleblowing Compliance Management System (Self-Adaptation Declaration Registration System)\*<sup>2</sup>.

This hotline system enforces rigorous control of information and protection of whistleblower privacy to ensure their protection, and prohibits adverse treatment of whistleblowers who utilize the system appropriately and those who cooperate with investigations. In addition, in order to make the hotline system more accessible, we have also established simple reporting methods, giving whistleblowers the option to call external law firms or use SuMi TRUST Bank's web-based 24-hour anonymous reporting system. Furthermore, in order to ensure unified management of the Group, SuMi TRUST Holdings has its subsidiaries establish systems equivalent to this system (as necessary). The reported information is consolidated at SuMi TRUST Holdings, so that the Company can utilize this information to enhance its compliance system going forward. Moreover, in order to promote the appropriate use of the system, SuMi TRUST Bank, one of the major subsidiaries, has taken the lead in establishing and providing Q&As and training tools for employees and others. Compliance awareness surveys are also implemented at major subsidiaries, etc. in order to gauge their level of awareness. As a result of the measures implemented to

promote the use of the hotline system, the number of reported cases has increased since fiscal 2019.

In addition to the above, the SuMi TRUST Group has established an accounting hotline system since fiscal 2017 to report inappropriate accounting, etc., and has disclosed contact points on its website\*<sup>3</sup> while also raising awareness of the system among subsidiaries and others. In addition, SuMi TRUST Bank has a personnel consultation desk (LGBTQ Consultation Desk) and other services to provide various consultations regarding unfairness and injustice in personnel management as well as on workplace harassment and human rights issues (see page 116 for details).

The table below shows the number of reported cases across the various systems.

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Compliance Hotline System	15	12	16	30	31
Accounting Hotline System	—	0	0	0	0
Personnel Consultation Desk	78	65	76	68	99

\*Cases reported to SuMi TRUST Bank

\*<sup>1</sup> Overseas offices can report in their local language.

\*<sup>2</sup> The Whistleblowing Compliance Management System (Self-Adaptation Declaration Registration System) is a system in which businesses evaluate their own whistleblowing system and then submit an application to the designated registration body of the Consumer Affairs Agency. If certain certification criteria are met, the business is registered with the Agency and granted authorization to use the designated WCMS mark.

\*<sup>3</sup> For more information on the Accounting Hotline System, see the following page: [https://www.smth.jp/english/about\\_us/management/compliance](https://www.smth.jp/english/about_us/management/compliance)

### Response at the Time of Compliance Violations

To effect an appropriate response when compliance violations by directors, officers, or employees are discovered, the Group clarifies "How to Respond to the Discovery of Illegal Behavior" in the Compliance Manual, a detailed companion

guide to the Codes of Conduct, and obligates directors, officers, and employees to report to the Compliance Department through higher-ups. When the Compliance Department receives a report from a department committing a compliance violation, the Compliance Department will conduct an investigation with the reporting department, coordinate with clients to reach a solution, submit reports in-house and to the authorities, determine whether a public announcement

is necessary, and otherwise provide guidance and advice on executing the required response in order to settle the issue. Along with verifying the appropriateness of measures to prevent recurrence by the violating department and its supervising unit, the Compliance Department will improve the report and control framework to deter and curtail accidents and to raise the quality of work.

### 3. Response to Major Compliance Risks

#### Major Compliance Risks

- Leakage of customer information
- Inappropriate acquisition and use of personal information
- Lack of credibility in products and services offered
- Violation of the principle of suitability
- Inadequate explanations to customers
- Insincere responses to customer consultations and complaints
- Relationships with customers that lack moderation
- Transactions with conflicts of interests
- Inappropriate accounting treatment
- Disregard for information disclosure
- Illegal payoffs
- Inhibiting free and fair competition
- Insider trading and other forms of unfair trading
- Violation of Foreign Exchange and Foreign Trade Act
- Infringement of intellectual property rights
- Opaque relationships with government authorities
- Dealings with antisocial forces
- Money laundering
- Financing of terrorism

#### Prevention of Money Laundering<sup>\*1</sup>

With the approval of the Board of Directors, the Group has published its Anti-Money Laundering Compliance Policy, making clear its resoluteness in standing up to money laundering.

In order to prevent abuse of financial services throughout the entire Group including at its overseas offices, the Company has established its global guidelines on AML/CFT<sup>\*2</sup> as guidance across the Group for establishing a preventive framework. The Company oversees the Group's anti-money laundering framework and provides guidance on improvements towards any issues through regular risk assessments of the anti-money laundering framework at each Group company and by checking the implementation status of risk mitigation measures.

Each Group company implements risk mitigation measures for those identified risks. Specifically, in addition to checks based on laws and regulations at the time of opening an account or accepting remittances (Act on Prevention of Transfer of Criminal Proceeds, Foreign Exchange and Foreign Trade Act, etc.), rigorous screening is carried out including the hearings on aspects of the client and the purpose and details of the transaction. Additional hearings are also implemented depending on the degree of risk associated with money laundering.

Moreover, even after the start of a transaction, the system

monitors whether there has been any unlawful account activity, etc., and in the event that any transaction is suspected to be related to money laundering or the financing of terrorism, such activity will be properly reported to authorities in accordance with the reporting standards and procedures set forth in the internal regulations, with reference to the Suspicious Transaction Reference Cases published by the competent authorities. Should the use of financial services for fraudulent purposes become apparent, measures are taken, such as by promptly restricting transactions as necessary, to prevent further abuse of financial services.

Furthermore, in order to enhance the above framework, the Group provides support through in-house training on the prevention of money laundering, etc. in line with the business characteristics of each Group company and provides training materials and advice on obtaining professional qualifications, etc. By doing so, efforts are being made to improve the preventive framework against money laundering and other crime activities throughout the Group.

<sup>\*1</sup> Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments in order to make it appear as if the money had been obtained through legitimate means. Financing of terrorism refers to providing terrorists with the necessary funds to perform terrorist acts, such as bombings and hijacking. The Group terms the prevention of our financial services from being used for financial crime activities, such as money laundering and the financing of terrorism, as anti-money laundering measures.

<sup>\*2</sup> AML: Anti-Money Laundering, CFT: Combating the Financing of Terrorism

### Anti-Money Laundering Compliance Policy

#### 1. Organizational structure

The SuMi TRUST Group has established and developed a comprehensive organizational structure and its Anti-Money Laundering Compliance Program for preventing money laundering and terrorist financing.

#### 2. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Money Laundering Compliance Program.

#### 3. Assessing money laundering risk

The SuMi TRUST Group conducts a periodic money laundering risk assessment, and based on it, implements and enforces its Anti-Money Laundering Compliance Program.

#### 4. Customer Due Diligence

The SuMi TRUST Group has established and maintains risk-based customer due diligence, identification, verification and know your customer (KYC) procedures.

#### 5. Sanctions list screening

The SuMi TRUST Group fully complies with applicable sanctions laws and regulations in every jurisdiction in which it operates, including filtering customers and other persons.

#### 6. Suspicious activity monitoring and reporting

The SuMi TRUST Group conducts transaction monitoring on an ongoing basis to detect and report suspicious transactions to the appropriate regulatory body.

#### 7. Training

All officers and employees are required to take appropriate training regarding anti-money laundering compliance on a regular basis.

#### 8. Record keeping

The SuMi TRUST Group maintains appropriate records for the minimum prescribed record-keeping periods.

#### 9. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

#### 10. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Money Laundering Compliance Program through a risk-based approach.

### Response to Antisocial Forces\*

In order to realize the Group's Management Principles and Ideal Model of "The Trust Bank," the Group has declared its resolute stance against antisocial forces in its Codes of Conduct ("Value"), taking initiatives to prevent transactions with antisocial forces.

Specifically, in addition to incorporating a clause to exclude the involvement of organized crime group in various products and services as a check against antisocial forces and as a contractual justification to cancel any transactions if they are determined to be antisocial forces after the start of any transaction, a framework has been established to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of Japan, mainly for new loans for individual clients. In addition, we have a framework in place to check whether the counterparty to a transaction is an antisocial force after the commencement of the transaction. In cases where the counterparty is found to be an antisocial force, we have established a framework that allows us to take measures in close coordination with external specialist organizations, such as the police, for the eventual cancellation of the transaction.

Additionally, training for the prevention of transactions with antisocial forces is provided to directors, executive officers, and employees once every fiscal year to improve awareness of preventing such transactions.

\*Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies related to these groups that threaten the order and security of civil life.

### Prevention of Insider Trading

In order to prevent insider trading, the Group strictly manages and stipulates the reporting obligations, delivery and management practices for insider information that may be obtained during the execution of working duties in its Rules on Insider Information Management.

In 2018, the asset management function of SuMi TRUST

Bank was integrated into Sumitomo Mitsui Trust Asset Management Co., Ltd. (SMTAM) to strengthen the asset management business, which is positioned as the Group's growth business, thereby establishing a strict information blocking system with other Group companies.

As well as having particularly strict controls and information blocking to prevent insider information from being leaked to departments that handle investments (asset management), SMTAM has established its Guidelines on Contact, etc. with Securities Companies, etc. prohibiting improper contact between our employees in charge of investing and sales persons at securities companies.

In addition, the Group has established a training framework for preventing insider trading in a way that is tailored to each company's situation. For example, our core subsidiary SuMi TRUST Bank conducted two rounds of training for all employees (in addition to four rounds a year for Fiduciary Services Business), while all directors, officers, and employees submit a vow twice a year (four times a year in the Fiduciary Services Business) that includes a pledge to comply with internal company rules on preventing insider trading.

### Progress in the implementation of the measures to prevent recurrences of insider trading

We have implemented all the measures to prevent recurrence of insider trading that were announced by the SuMi TRUST Group in March and June 2012.

In addition, while investment services at SuMi TRUST Bank were integrated with Sumitomo Mitsui Trust Asset Management on October 1, 2018, SuMi TRUST Bank is still working to prevent recurrent insider trading as SuMi TRUST Holdings continues to take a lead in conducting regular monitoring of how the preventive measures are being implemented and entrenched.

\*Details of the violation of insider trading regulations that occurred in 2012 are described in the 2012 CSR Report.

URL: [https://www.smth.jp/english/-/media/th/english/sustainability/report/2012/2012e\\_04.pdf](https://www.smth.jp/english/-/media/th/english/sustainability/report/2012/2012e_04.pdf)

### Initiatives to Prevent Bribery and Corruption\*

In order to prevent the exchange of entertainment and gifts in violation of laws, regulations, social practices, and customs, the Group has published its Anti-Bribery and Corruption Compliance Policy with the approval of the Board of Directors, and is implementing a program against bribery and corruption under the supervision of the management team. The program is reviewed and improved through regular risk assessments on bribery and corruption, and at overseas offices where bribery and corruption risks are particularly high, the Group is working to improve its system for preventing bribery and corruption, such as by building close coordination with local legal offices to allow for swift and proper responses. In addition, the Group complies with laws and regulations regarding political funds, etc., such as only targeting political parties and political fund organizations for donations related to political activities, and appropriately obtains the necessary prior approval for the expenditure of donations (the Group's political donations amounted to 10 million yen in fiscal 2021).

Next, to make sure we abide by anti-bribery initiatives, the Group periodically conducts monitoring to confirm the state

of implementation, and every fiscal year conducts training for directors, officers, and employees. These training sessions are aimed at raising awareness of the Group's stance on bribery and corruption, the necessary pre-approval procedures such as the absence of conflicts of interest with counterparties (e.g., licensing, subsidies, contracts), and acceptable guidelines (e.g., when dealing with public officials who are not stakeholders of the Company). Additionally, departments that are more likely to face bribery risks, such as business management, wholesale, and investment and loan-related departments, are required to undergo additional specialized training and submit a pledge of compliance. For more effective training at overseas offices, the Group provides training based on the regulations of the country in which the office is located, as well as lecture-based training with local lawyers as lecturers.

There have been no incidents of bribery or corruption in the Group.

\*The Group defines bribery and corruption as the act of offering, promising, or providing entertainment, gifts of money or goods, or other benefits with the intent to improperly influence the counterparty, and the act of receiving or requesting goods or services with the intent to improperly benefit the provider.

### Example Initiatives in Anti-Bribery and Corruption Programs

Prior authorization system for entertainment, gift-giving, etc.	For corporate action that could lead to bribery or corruption—including of course entertainment and gift-giving, as well as bearing expenses, making donations, or providing aid—we manage this action to require prior authorization, even if the said action is permitted under relevant laws, regulations or other rules
Centralized Hiring and Trainee Acceptance	To prevent illegitimate provision of benefits through hiring or trainee acceptance, we have built mechanisms that are centrally managed by HR departments
Obligatory due diligence before concluding certain contracts, training for directors, officers, and employees	To address the risk of funds being provided through consultants or other third parties, due diligence on the said third parties is obligatory before concluding certain kinds of contracts
Monitoring and testing (including internal audits)	Periodic monitoring and testing verify the state of implementation on an individual basis

### Anti-Bribery and Corruption Compliance Policy

#### 1. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Bribery and Corruption Compliance Program.

#### 2. Assessing bribery and corruption risk

The SuMi TRUST Group conducts a periodic bribery and corruption risk assessment, and based on it, implements and enforces the Anti-Bribery and Corruption Compliance Program.

#### 3. Pre-approval before providing entertainment and gifts

All officers and employees are required to obtain pre-approval before providing any form of facilities such as entertainment, gifts, or donations to any governmental official or any related persons even where it is specifically permitted by law or regulation.

#### 4. Compliance with laws and regulations regarding political activities and political funds

The SuMi Trust Group complies with all laws and regulations regarding political activities and funds, such as limiting donations related to political activities to political parties and political fund-managing organizations. In addition, the necessary prior approvals are required for the expenditure of donations related to political activities to be appropriately dealt with.

#### 5. Conducting an appropriate due diligence

When establishing a relationship with a new third party, including an

agent or consultant, or merger and acquisition targets, the SuMi TRUST Group conducts a due diligence regarding bribery and corruption risk through a risk-based approach.

#### 6. Overseeing employment and trainee acceptance

The SuMi TRUST Group assesses the appropriateness of hiring employees and accepting trainees to avoid even the appearance of unlawfully offering a benefit to any governmental official or any related persons.

#### 7. Training

All officers and employees are required to take appropriate training regarding anti-bribery and corruption compliance on a regular basis.

#### 8. Whistle-blowing system

If a violation related to bribery or corruption is detected, all officers and employees can use a whistle-blowing system with a prohibition against any retaliation of anyone who makes a report in good faith.

#### 9. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

#### 10. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Bribery and Corruption Compliance Program through a risk-based approach.

### Prevention of “Dango” Bid-Rigging and Cartels

To comply with the Antimonopoly Act, the Group has instituted the Company Code of Conduct for the Antimonopoly Act in the compliance manual. This code of conduct spreads awareness among directors, officers, and employees by providing them with comprehensible and relatable content, which includes specific examples using problems that could occur in the course of business at the Group.

Furthermore, at group companies we have created rules for checking up on prohibited concerted action, abuse of one’s dominant position, false or exaggerated advertising and the like as a means of strict management to remain compliant with the Antimonopoly Act.

### Protection of Intellectual Property Rights

The Group’s compliance manual contains a policy on respecting intellectual property rights. Directors, officers, and employees are strictly prohibited from engaging in the unauthorized duplication or use of other people’s copyrighted materials or the like. To further properly defend intellectual property rights, the Group writes internal rules for the proper use of such rights belonging to group companies.

### Financial Losses Related to Compliance Risks

Between 2020-2021, the Group experienced incidents of improper handling of operations concerning tallying of client voting rights exercise forms as well as misconduct by a former employee. Please refer to the news releases below for overviews of the respective situation and details regarding our response to the incidents.

In the case of the misconduct by a former employee, SuMi TRUST Bank provided compensation to the affected clients on behalf of the former employee (the amount equivalent to the principal and the full amount of the damages for delay caused by the former employee’s embezzlement and temporary misappropriation of funds). SuMi TRUST Bank is demanding payment for the full amount of compensation from the former employee.

- September 18, 2020: Notice regarding Operations concerning Tallying of our Client’s Voting Rights Exercise Forms  
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/200918.pdf>
- September 24, 2020: Notice regarding the Findings of the Investigation into Operations concerning Tallying of our Client’s Voting Rights Exercise Forms  
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/200924.pdf>
- December 17, 2020: Notice regarding Reforms and Preventative Measures, etc. in Operations for the Tallying of Voting Rights Exercise Forms  
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/201217.pdf>
- October 22, 2021: Status of Reforms and Improvements in Operations for the Tallying of Voting Rights Exercise Forms  
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/211022.pdf>
- January 22, 2021: Notice regarding Incident of Misconduct by a Former Employee  
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/210122.pdf>
- November 2, 2021: Notice regarding the Status of the Investigation into the Misconduct of a Former Employee, etc.  
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/211102.pdf>

### The SuMi TRUST Group’s Basic Policies on Tax Compliance

The Group recognizes that properly fulfilling tax obligations is an important social responsibility.

The Group has established the basic policy on tax compliance by resolution of the Executive Committee in order to raise the tax awareness of the Group’s officers and employees, appropriately manage taxation, and conduct corporate activities while balancing the interests of all stakeholders, including clients, investors, national governments, and local communities.

Based on this policy, we comply with the tax laws, notices and guidelines of each country, tax treaties, OECD transfer pricing guidelines, BEPS\*<sup>1</sup> action plan, etc., and strive to pay appropriate taxes and prevent tax avoidance activities in violation of these laws\*<sup>2</sup>.

The Group does not engage in transactions solely for the purpose of aiding tax avoidance or transfer of income. Under the direction of the Chief Financial Officer, who is responsible for taxation, the Group’s tax team and the management of the Group’s domestic and overseas offices work together to carry out tax-related work in line with this basic policy. In addition, we strive to improve tax literacy by utilizing specialists in order to comply with the tax laws of each country and contribute to proper tax payment.

In addition, highly important matters are reported to and resolved by the Board of Directors.

\*1 BEPS: Base Erosion and Profit Shifting

\*2 UK tax strategy

[https://www.smtb.jp/-/media/th/about\\_us/management/compliance/pdf/UK\\_Tax\\_strategy.pdf](https://www.smtb.jp/-/media/th/about_us/management/compliance/pdf/UK_Tax_strategy.pdf)

#### Tax Compliance Policy

##### Tax Law Compliance

We comply with rules regarding taxes such as national tax laws, directives and tax treaties and properly fulfill our tax obligations.

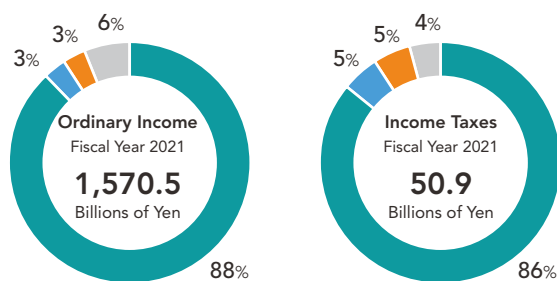
##### Response to Tax-related Risks

The Group recognizes risks relating to taxes as an important issue from a management viewpoint. In a context where we balance the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, we appropriately manage tax-related risks and conduct our corporate activities.

##### Relationship with the Tax Authority

We build a relationship of trust with the tax authority by enhancing transparency through information disclosure and other means.

The Group documents transactions that comply with the principle of arms’ length transactions between independent companies for transactions that cross borders but are between Group companies. We have put into place systems we can explain to the tax authority of each country where we operate.



■ Japan ■ Europe ■ Asia ■ Others

Ordinary income and tax payments by Country are posted based on the Country-by-Country Report submitted to the tax authorities.



# Initiatives to Enhance and Sophisticate Operational Quality

In 2020, it became evident that SuMi TRUST Bank has been handling the tallying operations of voting rights exercise forms for the general meeting of shareholders of client companies in an inappropriate manner. There was also a case of misconduct in which a former employee of SuMi TRUST Bank embezzled client funds. These incidents undermine the expectations and trust of clients and society towards our

Group, and we have taken the issues very seriously.

We acknowledge anew that maintaining high operational quality is the source of strength of our trust banking Group and the foundation sophisticated that earns the trust of our clients and society. We will therefore strive to enhance and sophisticate our operational quality in order to respond and exceed the expectations of stakeholders.

## Process of Remedial Actions

### (1) Identify structural issues

We identified the structural issues inherent to the Group through interviews with each business and business management department.

- Supervision across the Group
- Risk management system that suits the trust business
- Sophistication of operational processes

### (2) Strengthen organizational functions

We strengthened the functions of the organization, including defining the roles of the organization in the action towards resolving the structural issues identified in (1).

### (3) Develop an operational structure to improve operational quality autonomously

We are undertaking step-by-step actions to ensure the effectiveness of organizational functions, embed risk culture in the organization, and develop a robust operational structure that can improve operation quality continuously and autonomously.

(Initiatives for FY2021 and beyond)

## Specific Actions

### (1) Restructure the risk management structure

In an aim to drive the strategies of our Group companies and optimize the allocation of resources, we established an Affiliates Management Department to consolidate and strengthen the supervisory functions over Group companies within the Corporate Planning Department including the Asset Management Business Planning Department. In addition, we added the functions to manage operational quality and operational risks within the Business Process Management Department of SuMi TRUST Bank.

We have clarified that the Business Process Management Department of SuMi TRUST Holdings is responsible for management and supervision of all the operational quality and quality verification functions across the entire Group, and work to evaluate and enhance each operational process based on a unified standard.

### (2) Enhance visualization of the processes

In order to make the Three Lines of Defense model work effectively, we must better visualize the processes and continually monitor and optimize the value chain of the entire Group.

With better visualization of the processes, we can redevelop from scratch any process that was to date considered routine and eliminate potential risks at the First Line. By conducting objective reviews of the visualized processes, the Second Line can strengthen the capability to detect problems within a process, and the Third Line can improve the effectiveness of the audits. By clearly defining the roles of the First, Second, and Third Lines of Defense as such and establishing common ground for risk awareness, we can promote mutual understanding, which will lead to

preventing the occurrence of potential risks and fostering a risk-conscious culture.

The visualization of processes can also help us identify similar operations which have been handled by different departments within the Group. We will seek to increase efficiency and reduce costs by standardizing the similar operations that are identified. In addition, obtaining and managing quantitative information on resources that are necessary to execute the operational processes will facilitate business portfolio reviews and enable us to enact faster and more flexible decision-making that meets the needs of clients and society.

### (3) Strengthen supervision by the Board of Directors

The Board of Directors receives regular reports on the status of the initiatives from the Internal Audit Department and Audit Committee, exercises supervision on an ongoing basis, and provides appropriate advice and recommendations depending on the status of the initiatives. In particular, we will focus our supervision on the following points to further strengthen the internal controls over the entire Group: (1) status of initiatives to improve/enhance operational quality; (2) status of instilling sound corporate culture; (3) status of the effects of internal control functions based on communication and containment of information; and (4) status of the effects of the Board of Directors' check and balance function over management.

Please refer to pages 50-52 of the 2021 Integrated Report for detailed information on our initiatives for improving and enhancing operational quality.

# Ensuring Appropriate Tallying Operations of Voting Rights Exercise Forms at the Shareholders' General Meetings and Promotion of Electronic Voting

## Reforms and Improvements in Procedures and System of New Tallying Operations

Japan Stockholders Data Service Company, Limited (hereinafter, "JaSt"), to which the Group entrusts its tallying operations, has replaced the inappropriate treatment of forward processing\*<sup>1</sup> with a new method of tallying operations based on the actual date the voting rights exercise forms are received from the post office, starting with the general meetings of shareholders entrusted by our client companies (hereinafter, "entrusting companies") held in March 2021. In addition, instead of receiving the voting rights exercise forms by delivery from the post office, we established a post office box where JaSt collects the voting rights exercise forms.

The review of the new tallying operation flow is implemented upon confirming the appropriateness and legality with outside legal counsel, accountants, and consultants (hereinafter, "external experts"). In addition, as a result of our efforts to increase tallying staff and system devices, as well as improve capacity for tallying tasks by enhancing system functionalities, we were able to complete tallying operations without delay at the general meetings of shareholders of entrusting companies held in June 2021, during the busy months when shareholders' meetings are concentrated.

\*<sup>1</sup> Forward processing refers to the process by which JaSt, in order to secure time to conduct the tallying of a large number of voting rights exercise forms during the busy months of March, May and June when general meetings of shareholders are usually concentrated, coordinated with the post office to receive the posted forms on the day prior to the delivery date on which the prescribed postal office tasks relating to said items were to be completed, but aggregated the forms based on the date on the Certificate of Delivery, which bore the date on which the forms should have been delivered to JaSt. As a result of forward processing, voting rights exercise forms received before the deadline for exercising voting rights were excluded from the aggregation.

## Implementation of Preventive Measures

Based on a root cause analysis of the incident (forward processing), the Group has implemented measures to prevent recurrence, including strengthening our organizational structure and management system, enhancing effectiveness, and ongoing efforts to increase awareness of compliance. At SuMi TRUST Bank, the verification was conducted by a project team consisting mainly of external experts as well as various risk management-related departments, which are responsible for monitoring and supervising operations independently from the Stock Transfer Agency Services Business.

We believe the causes of this incident include inadequate verification at the time of implementing forward processing, insufficient verification of the appropriateness and legality of the operational rules themselves, and lack of opportunities to reexamine operations due to the restricted rotation of staff in the Stock Transfer Agency Services Business. Accordingly, we have implemented measures to address each of these issues with respect to our legal compliance framework, outsourcing management, internal audit structure, and fiduciary duties.

## Promotion of Electronic Voting\*<sup>2</sup>

With the aim of contributing to the sound and sustainable development of capital markets by providing a highly convenient system to entrusting companies and ensuring the prompt and appropriate tallying operations of voting rights exercise forms, the Group is working to expand the number

of companies using the electronic voting scheme and encouraging shareholders of entrusting companies to exercise their voting rights electronically.

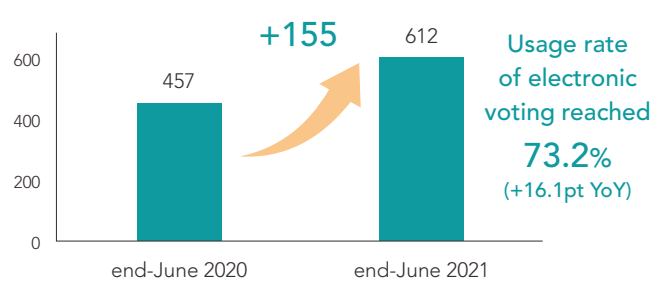
In addition, starting from general meetings of shareholders held in May 2021, SuMi TRUST Bank has implemented a present campaign\*<sup>3</sup> for shareholders of entrusting companies with the aim of increasing awareness and utilization of Smart Exercise\*<sup>4</sup>, which is one of the most convenient electronic voting options for individual shareholders. As a result, the number of companies using the electronic voting scheme rose substantially year-on-year at general meetings of shareholders held in June, when about 60% of entrusting companies hold their meetings, as shown in the chart below.

\*<sup>2</sup> The figures in the text and chart represent companies that entrust stock transfer operations to SuMi TRUST Bank.

\*<sup>3</sup> A brochure promoting the use of Smart Exercise is enclosed with the notice of convocation. QUO prepaid cards are awarded by drawing to shareholders who actually used the Smart Exercise service and responded to the survey.

\*<sup>4</sup> Smart Exercise is a service that enables shareholders to exercise their voting rights by scanning the QR Code® on the voting form with a smartphone and logging into the dedicated website without entering their ID and password.

Number of companies that entrusted their shareholders' meeting held in June



For the 401 companies that participated in the Smart Exercise present campaign noted above, which was particularly effective, the percentage of electronic voting increased 35.6pt year-on-year to 54.4%, and the percentage of voting rights exercised improved substantially to 44.3%, up 9.1pt year-on-year.

In promoting the electronic voting for institutional investors, we worked with ICJ, Inc., which operates the electronic voting platform (the "Platform"), to encourage the adoption and use of the Platform by entrusting companies. As a result, the number of companies using the Platform among the entrusting companies that hold their general meeting of shareholders in June rose by 36 year-on-year to 331 companies.

In addition, we held discussions with key relevant parties through industry associations such as trust associations and eliminated the process of obtaining consent from asset owners, which had been a prerequisite for asset management companies to use the Platform through their asset administration bank (custodial bank). This will lower the burden on asset owners and encourage institutional investors and others to use the Platform.

The Group recognizes anew its responsibility as a trust bank group to continue to serve as the backbone of corporate governance and to meet social expectations for steady and robust execution of operations, and will endeavor to contribute to the sound development of capital markets.

# Risk Management and Materiality Management

## 1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, evaluation, monitoring, control and mitigation, validation for advancement, and review, based on the Group's management policy

and basic policy on the internal control system.

The Group's risk management framework encompasses the Risk Appetite Framework (RAF)\*, and integrates it to function organically within the Group.

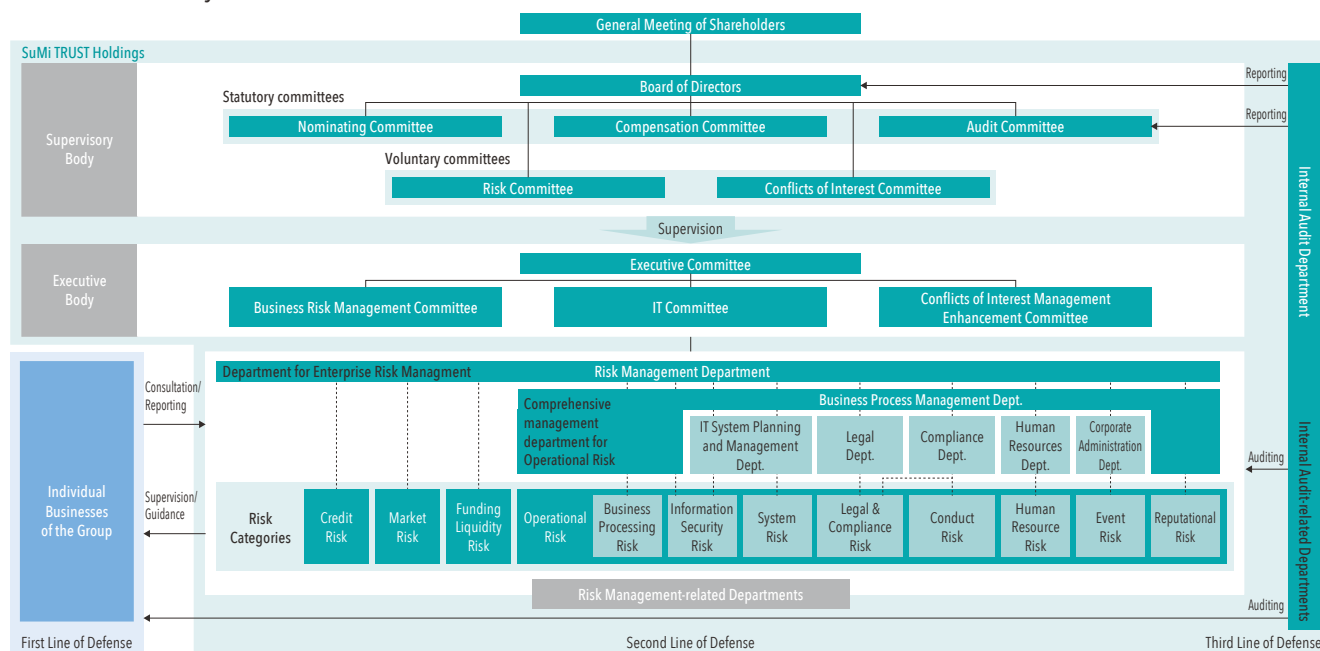
\*The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve management strategies formulated based on the Group's reason for existence ("Purpose") and management principles, together with an internal control system that monitors the process and ensures its appropriateness and sufficiency.

## 2. Risk Governance System

For the group-wide risk governance system, the Group has developed a Three Lines of Defense system under the Risk Appetite Framework consisting of risk management by individual businesses (first line of defense), risk management

by the Risk Management Department and individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).

### Risk Governance System



### (1) First Line of Defense

Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business. Each business takes risks within the scope of its risk appetite in accordance with its risk-taking policy, evaluates risks, and swiftly implements risk control at the on-site level when risks materialize. In addition, the status of risk management is reported to the second line of defense in a timely manner.

### (2) Second Line of Defense

The Risk Management Department and risk management-related departments act as control departments responsible for the management of each risk category. In accordance with the Group-wide basic policy on risk management approved by the Board of Directors, the Risk Management Department and risk management-related departments act as a check-and-balance function for the risk taking of the first line of defense, and supervise and provide guidance regarding the risk governance system from an independent standpoint.

## Risk Management and Materiality Management

The Risk Management Department, as an Enterprise Risk Management Department, performs overall risk management, identifies and evaluates group-wide risks, creates a risk management process, and sets risk limits in accordance with the group-wide risk management policy determined by the Board of Directors. In addition, it formulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize. Furthermore, it shares information with risk management-related departments appropriately, monitors the overall status of risks and risk management in an integrated manner, and reports the status to the Executive Committee and the Board of Directors.

### (3) Third Line of Defense

The Internal Audit Department verifies the effectiveness and appropriateness of the Group-wide risk governance system and processes from a standpoint independent of the first and second lines of defense.

### (4) Executive Committee

The Executive Committee is composed of representative executive officers and executive officers designated by the President. It makes decisions on matters concerning risk management and undertakes preliminary discussions regarding matters to be resolved by and reported to the Board of Directors.

### (5) Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group's management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises its implementation. The Board of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies, based on the business strategies and risk characteristics of the Group.

### Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on matters concerning the business circumstances surrounding the Group and the effectiveness of its risk management, etc., reviews their appropriateness, and reports its findings.

### Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on matters concerning the Group's fiduciary duties and conflict of interest management, which are the foundation on which the Group seeks to become the "Best Partner" of its clients based on a fiduciary spirit, reviews their appropriateness, and reports its findings.

## 3. Risk Management Process

In the Group, the Risk Management Department and individual risk management-related departments act as the second line of defense, performing risk management using the following procedure. This risk management process, along with its associated systems, undergoes regular auditing by the Internal Audit Department, which acts as the third line of defense.

### (1) Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group's operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks. Of note, risks that are particularly important are managed as material risks.

### (2) Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles. We periodically evaluate material risks in terms of frequency of occurrence, degree of impact, and severity to determine whether they can be classified as "top risks" (risks that could have a material impact on the Group's business capabilities and earnings targets within one year) or "emerging risks" (risks that could have a material impact in the medium to long term).

### (3) Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group's internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to each of the Group's businesses based on the risk conditions. Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

### (4) Risk Control and Mitigation

If any incidents that could have a significant impact on the soundness of management occur, such as the risk amounts exceeding the risk limits, or the existence of concerns that it might do so, appropriate reports are presented to the Board of Directors, the Executive Committee, and other bodies, and the necessary countermeasures are implemented according to the severity of the risk.

## 4. The Group's Risk Characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a trust banking group, strives to create distinct value through a total solution business model that combines its banking, asset management and administration, real estate businesses and others.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group's businesses.

In this context, as a basis for improving management of risks related to trust business operations, we have established Group-wide Trust Business Guidelines to provide information about basic matters that warrant caution. SuMi TRUST Bank primarily manages these risks in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee. In addition, SuMi TRUST Bank regularly assesses the status of major conduct risks and strives to reduce and manage risks and prevent risks from materializing by instilling and fostering awareness among executives and employees through internal training and other means.

From a forward-looking perspective, the Group's top management regularly identifies top risks and emerging risks, monitors and controls these risks, implements countermeasures, and reports to the Board of Directors and other relevant parties. The Group's main top and emerging risks related to ESG and the countermeasures taken to address them are listed below.

### Risks related to the global COVID-19 pandemic

#### [Risk Details]

A prolonged global COVID-19 pandemic could have a negative impact on the global economy. For the Group, this may have a negative impact on our business strategy, or lead to the deterioration of the quality of our credit portfolio and an increase in total credit costs resulting from the negative impact on the business and other activities of obligors. In addition, a rise in infections among our Group employees and related parties may pose a threat to our business continuation. These factors could have a negative impact on our business operations and performance.

#### [Countermeasures]

- The Group conducts periodic stress tests of its credit portfolio based on macroeconomic scenarios and formulates

action plans in preparation for times of stress. Based on the economic environment and changes in internal credit ratings, and in accordance with the degree of impact of the spread of COVID-19 on business performance and the degree of recovery expected after its containment, we make assumptions regarding the degree of future deterioration in credit risk for each industry and re-estimate the credit losses expected to occur in the future for a portion of credit in these industries and record additional allowance for doubtful accounts.

- To address risks related to business continuity, we established an emergency task force and set our basic stance of "ensuring the health and safety of our employees and their families," "maintaining business continuity as a key piece of social infrastructure," and "preventing the spread of infection in population (including activities that make the population less vulnerable)." In accordance to our stance, we have flexibly implemented measures while taking into account the COVID-19 infection situation in Japan and overseas, government requests, client trends, etc. In addition, we have implemented various business continuity measures as stipulated in our BCP and actively utilize teleworking in order to balance the maintenance of services with safety considerations.

### Risks related to cyberattacks

(See pages 43-45 for details)

### Legal & compliance risk

#### [Risk Details]

The Group strictly complies with the Banking Act, the Financial Instruments and Exchange Act, the Act on Engagement in Trust Business by a Financial Institution, and other laws and regulations. However, any failure by executives and employees to comply with these laws and regulations could result in penalties or administrative action against the Group, or loss of reputation in the market. In addition, there is a possibility that the products and services provided by the Group may not meet client expectations, and that the Group may be sued for damages due to various problems and claims that arise in the course of conducting its business. These factors could adversely affect the Group's business operations, performance, and financial condition.

#### [Countermeasures]

- The Group has formulated a compliance program and manages the state of progress and achievement of the program in order to maintain an appropriate compliance framework in line with the business characteristics of each Group company.

## Risk Management and Materiality Management

- The Group is improving training on compliance throughout the entire Group to help foster an awareness of compliance matters. Specifically, we provide training materials used in e-learning programs and discussion-based study sessions to Group companies on themes that span the whole Group. Each Group company conducts training and study sessions tailored to the characteristics of business and products at each company and the aspects of their clients, as well as e-learning programs on specific themes.
- The Group will continue to confirm that the process of improving and enhancing service quality has truly taken root in all of its businesses, starting with the voting rights exercise form aggregation service.

### Risks related to data management

#### [Risk Details]

The Group uses many systems to provide various services to clients and for external reporting, etc., and these systems contain various types of information, including personal information. With respect to managing such management information, it is necessary to expand and upgrade the scope of operations to apply the data governance system established in accordance with the Basel Committee on Banking Supervision's Principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239). Inadequacies in the data management process for such management information and other data could result in erroneous management decisions, etc., which could reduce the Group's corporate value and cause a loss of trust in the Group. This may negatively impact the Group's business operations and performance.

#### [Countermeasures]

- The Group has established rules for the management of personal and management information, and is continuously enhancing data management processes and upgrading data governance in line with BCBS 239.
- The Group has established policies and administrative procedures for information management, and ensures that all employees are fully aware of the importance of information management through education and training programs.

### Risks related to climate change

#### [Risk Details]

Medium- to long-term climate change could potentially have a negative impact on the Group's performance and financial condition owing to greater risk of physical damage to, for example, the natural environment, social infrastructure, and client assets (physical risks), as well as the risk of a rapid transition to a low-carbon society owing mainly to

policy changes, changes in social norms, financial market preferences regarding climate change, and technological innovation (transition risks).

More specifically, there is the risk that natural disasters impair the credit standing of obligors and the value of their pledged assets and thereby negatively impact the Group's credit portfolio (physical risk), and the risk that the value of the Group held assets, such as securities issued by companies with large amounts of CO<sub>2</sub> emissions and loans to those companies, could be dragged down due to a rapid transition to a low-carbon society (transition risk).

#### [Countermeasures]

- In October 2021, the Group announced its carbon neutrality declaration and joined the Net-Zero Banking Alliance (NZBA) in order to steadily advance its commitment.
- The Group will manage climate change-related risks within an enterprise-wide risk management framework in accordance with the final recommendations (June 2017) of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD).
- As part of our credit risk management, we have established a sector policy that in principle prohibits new loans to coal-fired power plants, which emit large amounts of greenhouse gases, and we monitor related indicators on a regular basis.
- We conduct simulations to measure the impact of transition and physical risks on the Group over the medium to long term.

### Risks related to innovation

#### [Risk Details]

The advancement of fintech and other technologies related to the financial business is progressing beyond the boundaries of the industry and changing the behavior of clients. If the Group is unable to adapt to these changes, our competitiveness may decline or the scale of our business may shrink, which may adversely affect our business performance and financial condition.

#### [Countermeasures]

- We will work to improve the efficiency of existing business operations by utilizing digital technology and create new platforms in areas unique to trust banks.

### Risks related to Japan's declining birthrate and aging population

#### [Risk Details]

The demographic changes in Japan will result in changes in age composition of the Group's clients over the medium to long term. The number of clients for the Group's individual



consulting and mortgage loan services may decline over the medium to long term, which may adversely affect the Group's performance and financial condition.

#### [Countermeasures]

- As we enter an age of 100-year life, there is growing interest in asset formation due to concerns over retirement savings, and we are working to evolve and upgrade our business model to one unique to our Group, utilizing the diverse functions of a trust bank.

## 5. Enterprise Risk Management

### (1) Enterprise Risk Management System

We manage risks by comprehensively grasping the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength (enterprise risk management).

We evaluate the effectiveness of our risk management and risk control annually, and when the need arises due to changes in the business environment or other circumstances, we will consider revisions to our risk category system, risk management system, and other policies.

Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as VaR\*, and compare the combined value against our corporate strength (capital position), thereby managing risks (integrated risk management).

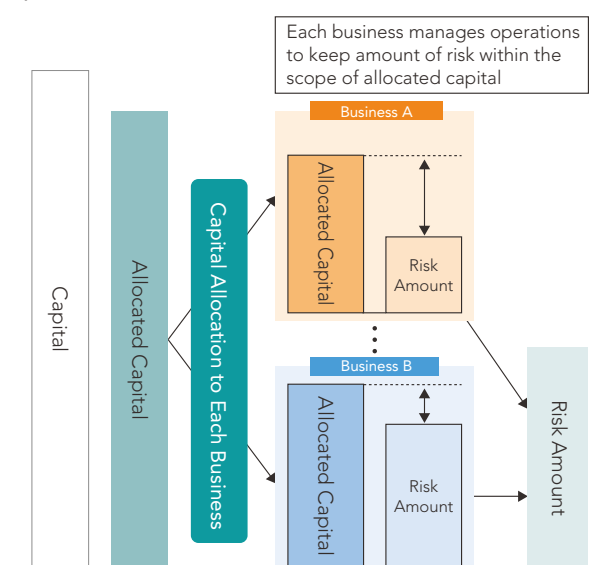
\*VaR = Value at Risk

### (2) Capital Allocation Operations

For the purpose of the Group's capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category (credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group's risk appetite.

Each business is operated within both the allocated amount of risk capital and its risk appetite. The Risk Management Department measures the risk amount on a monthly basis, and reports regularly on the risk conditions, compared to the allocated capital and risk appetite, to the Board of Directors, and others.

### Capital Allocation Scheme



### (3) Stress Tests and Assessment of Capital Adequacy Level

The Risk Management Department performs three types of stress tests (hypothetical scenario stress testing, historical scenario stress testing, and examination of probability of occurrence) each time a capital allocation plan is formulated or reviewed, with the aim of ensuring capital adequacy from the standpoint of depositor protection. Based on the results of these stress tests, it assesses the level of capital adequacy, and reports to the Board of Directors, and others.

#### Hypothetical Scenario Stress Testing

We assess capital adequacy level by formulating stress scenario that has a sufficiently strong impact and a realistic probability of occurrence and then estimating capital adequacy ratio, etc. in times of stress.

## Risk Management and Materiality Management

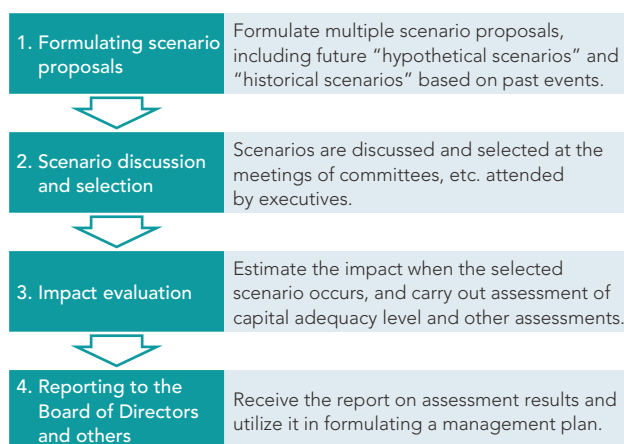
### Historical Scenario Stress Testing

We also assess capital adequacy level through estimation of capital adequacy ratio, etc. in times of stress using parameters from stress times that had occurred in the past.

### Examination of Probability of Occurrence

We further assess capital adequacy level by comparing the risk with 99.9% confidence interval with total capital defined under capital adequacy requirements.

### Stress Test Framework



## 6. Developing Positive Risk Culture

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group, as well as its executives and employees, that flexibly excute risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture so that it will take root across the Group, we define risk-taking policies for each

business when formulating its management plan, and encourage appropriate risk-taking by all officers and employees. In this way, the Group aims to build sustainable business models that contribute to increasing corporate and stakeholder value. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used as a common language in lively discussions concerning risk appetite within the Group.

## 7. Crisis Management and Business Continuity Plan (BCP) in Disasters

### (1) The Group's Initiatives

SuMi TRUST Holdings and SuMi TRUST Bank have developed contingency plans in order to quickly implement emergency response measures in the event of emergencies, such as natural disasters, computer system breakdowns and outbreaks of new infectious diseases.

Moreover, regarding important business operations, such as financial settlement, SuMi TRUST Holdings and SuMi TRUST Bank have developed systems to continue business, including BCPs (business continuity plans) and backup offices. In order to ensure the effectiveness of such systems, they periodically conduct exercises and revise BCPs.

When the crisis is serious and its impact is extensive, causing serious disruptions to the normal business operations of SuMi TRUST Bank and the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish an emergency task force as a company-wide response organization and will quickly implement emergency response measures.

In particular, in preparation for the possible occurrence of a major earthquake, SuMi TRUST Bank, which has branches across Japan, periodically conducts exercises in order to

make a response that gives consideration to the safety of clients and employees and to business continuity and ensure the effectiveness of the response.

As for company-wide response, in order to enhance the effectiveness of the functions of the emergency task force, the Group is strengthening systems for information gathering and information coordination, in addition to periodically conducting exercises, and it is also promoting the enhancement of emergency response systems in the Osaka area on the assumption of a disaster in the Tokyo area.

Meanwhile, branches are striving to strengthen response capability through periodic exercises and are promoting disaster countermeasures in light of individual branches' specific circumstances such as the location condition and the status of principal facilities. Branches are also developing a system for mutual support among them.

### (2) Response to Threat of Cyberattack

SuMi TRUST Holdings has implemented various measures in order to protect its clients' precious assets from the ever-increasing threat of cyberattack in Japan and overseas (see pages 43-45 for details).

### Code of Conduct for Executives and Employees

1. Executives and employees must fully recognize and understand the importance of crisis management and prepare for emergencies. At the same time, they must strive to develop their knowledge in normal times so that they can quickly and appropriately respond in the event of an emergency.
2. In the event of an emergency, executives and employees must make judgments and take actions based on the following principles:

#### (1) Securing the Safety of Life

In the event of an emergency, the top priority must be placed on securing the safety of customers, executives and employees, and their families. Executives and employees must also always give priority to humanitarian considerations when taking various emergency response measures.

#### (2) Protection of Sumitomo Mitsui Trust Bank's Corporate Assets

By taking disaster prevention and mitigation measures in preparation for the possible occurrence of emergencies, executives and employees must protect Sumitomo Mitsui Trust Bank's corporate assets in the event of an emergency. They must also do their utmost to take risk mitigation measures to guard against adverse effects that may disrupt business activities.

#### (3) Business Continuity and Early Restoration

In the event of an emergency, executives and employees must strive to quickly restore and continue priority business operations.

#### (4) Cooperation with Local Communities

In the event of an emergency, executives and employees must strive to cooperate with local communities in rescue and other local activities.

## 8. New Product and Service Examination System and Post-Introduction Management System

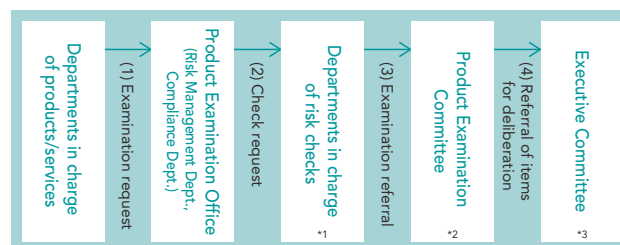
When introducing a new product or service, it is necessary to develop various systems in order to continue offering the product or running the operation, including making an advance determination regarding the existence of any inherent risks and identifying their types, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a new product and service examination system.

In the examination process, multiple departments carry out verification from various angles, with an emphasis on introducing products and services that will earn the trust of clients.

For products and services that have been examined by the Product Examination Committee, after they are introduced, we regularly monitor the status of our post-introduction initiatives, including from a risk management perspective. Regular monitoring is also carried out from the viewpoint of providing clients with appropriate explanations for products and services that are expected to be affected due to changes in the environment and so on, regardless of whether or not they have been deliberated by the Product Examination Committee. The results of these verifications are reported

to the Product Examination Committee, and in the event that a situation arises that differs from the assumptions at the time of review, we discuss how to address and report the details to the officers in charge of the Risk Management Department and the Compliance Department.

### Product Examination Process (SuMi TRUST Bank)



\*1 Risk Management Dept., Compliance Dept., Legal Dept., Planning and Coordination Dept., Fiduciary Duties & Customer Satisfaction Planning and Promotion Dept., Financial Planning Dept., Business Process Management Dept., etc.

\*2 Held jointly with the Conflicts of Interest Management Enhancement Committee as necessary to consider merchantability and the perspective of conflicts of interest.

\*3 When new products and services that may have a significant impact on the Group's management are referred to SuMi TRUST Bank's Executive Committee, discussions are held with SuMi TRUST Holdings, and a framework is provided for bringing up matters at the Executive Committee and reporting to the Board of Directors.

## 9. Information Security Risks and Cybersecurity Measures

### Information Security Risk Management Framework

The SuMi TRUST Group considers information assets to be one of the most important managerial resources, and has set the protection of personal information and customer data as one of the management foundation materialities. In addition, the Group also identifies information security risk as "Risk that the Group may incur losses due to the improper management or maintenance of information assets, including through information leaks, information errors, and misuse of information, as well as an inability to use the

information system," and positions it as one of the risk sub-categories under operational risk. It has assigned an officer in charge and established a control department to properly manage customer information and implement cybersecurity measures.

In addition, we have established and announced our Declaration for the Protection of Personal Information, which is a set of policies designed to ensure the protection of the personal information of our clients and shareholders, and have declared to abide by them.

## Risk Management and Materiality Management

We will establish internal rules regarding the management framework and handling of information in accordance with the Personal Information Protection Act, related laws and regulations, and the “Guidelines for Personal Information Protection in the Financial Field” established by the Financial Services Agency. We will also hold regular training sessions for all employees twice a year to ensure that they are fully acquainted with the points of concern regarding the handling of information in their daily operations and to promote a principles-based understanding of information security.

### Regulation related to information security risk management

Regulations	Declaration for the Protection of Personal Information, Risk Management Rules
Rules	Risk Management Rules, Operational Risk Management Rules, Information Security Risk Management Rules, System Risk Management Rules
Guidelines	Information security risk management guidelines, system risk management guidelines, personal information handling guidelines, personal data management administrative guidelines, CSIRT operation guidelines, internal OA management guidelines, guidelines for taking client information outside the company, etc.

### Organizational structure, etc.

Matters related to information security risk, as a risk subcategory within operational risk, are deliberated comprehensively by the Business Risk Management Committee at SuMi TRUST Holdings and by the Operational Risk Management Committee at SuMi TRUST Bank, covering a series of processes such as the development of a management framework, formulation of plans, and the identification, evaluation, monitoring, and control of risks. In addition, policies and plans are decided by the Board of Directors after deliberation by the Executive Committee. Based on the rules regarding authority, the series of processes are executed by the Business Process Management Department, the IT System Planning and Management Department, and other control departments responsible for information security risk management. The officer in charge of the Business Process Management Department and the officer in charge of the IT System Planning and Management Department are responsible for overall information security risk management.

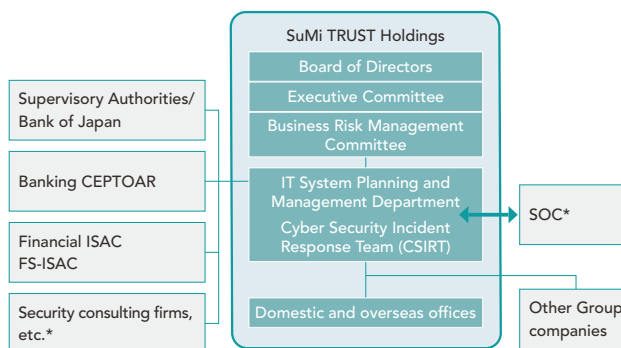
Organizational structure	Board of Directors, Executive Committee Business Risk Management Committee (SuMi TRUST Holdings) Operational Risk Management Committee (SuMi TRUST Bank)
Officer in charge	Officer in charge of Business Process Management Department or officer in charge of IT System Planning and Management Department
Control departments	Business Process Management Department and IT System Planning and Management Department

## Cybersecurity Management Framework

The Group has designated cyber-attacks as one of the governance and management framework materiality as well as a top risk, and has formulated the “Cybersecurity Management Declaration” to plan and promote cybersecurity measures under the leadership of our management team.

- We have established SuMiTRUST-CSIRT\*<sup>1</sup> as a specialized organization for cybersecurity measures, and have built a management framework that collects and analyzes threat and vulnerability information from within and outside the Group, plans and implements security measures, and reports to management. We are also promoting the advancement of security measures through security review meetings and our IT Committee, as well as by utilizing outside expertise.
- The Group has established internal rules and regulations based on US security standards, and has developed processes for responding to cyberattacks both in normal times and in emergency situations.
- In addition to conducting cybersecurity risk assessments and system vulnerability assessments on a regular basis for the SuMi TRUST Group and its subsidiaries and affiliates, we are promoting the standardization of cybersecurity rules and regulations to enhance and standardize the cybersecurity framework for the Group as a whole.

### Cybersecurity Management System



\*SOC: Abbreviation for Security Operation Center. The SOC monitors networks to detect and analyze cyberattacks.

### Monitoring System

The Group has built a common infrastructure for internet communications, and the Security Operation Center (SOC) monitors the common infrastructure network 24 hours a day, 365 days a year and detects threats by conducting correlation analysis of various types of data. This information is consolidated in SuMiTRUST-CSIRT, and we have established a monitoring system centered on the CSIRT.

### Enhancing Cybersecurity Measures

We have established perimeter defense measures (multi-layered defense consisting of entry, exit, and internal measures) as a technical countermeasure against cyberattacks, and are

working to reduce risk by implementing various measures to counter DDoS attacks, detect and block phishing websites, and handle other threats.

In addition, we periodically conduct risk analysis using cybersecurity heat maps and third-party assessments using international cybersecurity assessment tools such as FFIEC-CAT<sup>\*2</sup>. We also participate in cyber exercises organized by the Financial ISAC<sup>\*3</sup> and the Cabinet Cybersecurity Center, running through the PDCA cycle to enhance our countermeasures and cyber resilience. Furthermore, we are also prepared for emergencies through our cyber insurance.

Key technical measures	
Entry measures	<ul style="list-style-type: none"> <li>• Detect and block malicious traffic (including countermeasures to DDoS)</li> <li>• Stop viruses and malware (suspicious applications) from intruding</li> </ul>
Exit measures	<ul style="list-style-type: none"> <li>• Restrict suspicious traffic through behavior detection</li> <li>• Assess and enhance the internet route through vulnerability assessment through vulnerability assessment</li> </ul>
Internal measures	<ul style="list-style-type: none"> <li>• Detect of malware behavior that has infiltrated endpoints (internal office automation terminals and servers)</li> </ul>
Integrated monitoring	<ul style="list-style-type: none"> <li>• Improve detection accuracy through integrated analysis of multiple access logs obtained from firewalls, proxy servers, etc.</li> <li>• Expand scope of detection by decrypting encrypted communications (e.g., HTTPS) before analysis</li> </ul>

### Responding to the New Normal

In response to the COVID-19 pandemic, work from home and telework environments are rapidly expanding in the Group. For cybersecurity risks related to teleworking, we implement thorough security measures and information management for remote terminals and other equipment, and confirm safety through risk assessments and penetration tests.

### Security Personnel Development

To develop personnel with advanced expertise in cybersecurity, CSIRT collaborates with external experts in internal review meetings, participates in external communities such as Financial ISAC and FS-ISAC<sup>\*4</sup>, provides external training and certification support, and sends employees to graduate schools.

We also make ongoing efforts to educate employees through information security training for all employees, phishing e-mail drills, and cyber exercises in cooperation with external organizations.

### System Risk Management Framework

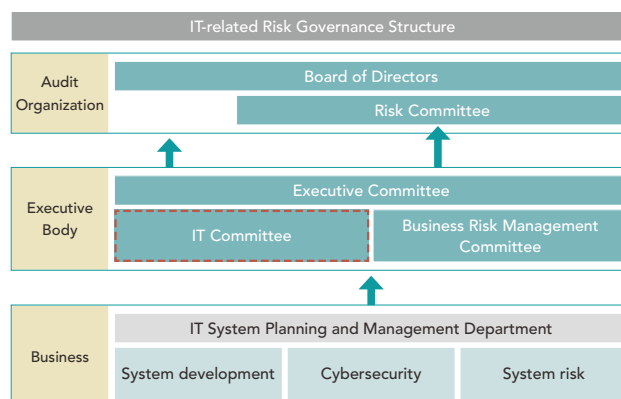
In order to minimize the impact of large-scale failures and disasters on our information systems and prepare for early recovery and business continuity, we are working to strengthen our resilience by specifying the Group's communication

and response systems in detail, developing workarounds and recovery procedures, and conducting education and training in operations.

In addition, to address the risk of delays and cost increases resulting from system development over a certain scale, we monitor the progress and quality management of large-scale system development projects and report them to the IT Committee for discussion in an effort to ensure appropriate management of system development.

### IT Committee

The IT Committee is composed of the Officers and general managers in charge of each business management department, including the IT System Planning and Management Department, as well as external members, and examines and discusses important system investments and system technology from a multifaceted perspective. In terms of risk management, the IT Committee shares and discusses risks arising from system development, cybersecurity, and system risks, etc., and as an advisory body to the Board of Directors, actively utilizes the knowledge of external committee members, who are experts from outside the company, to enhance discussions and improve management.



<sup>\*1</sup> CSIRT (Computer Security Incident Response Team): In-house organization that collects, analyzes, and responds to early warning information about attacks

<sup>\*2</sup> FFIEC-CAT (Cybersecurity Assessment Tool): A cybersecurity risk assessment tool published by FFIEC (Federal Financial Institutions Examination Council) for financial institutions

<sup>\*3</sup> Financial ISAC (Information Sharing and Analysis Center): Information sharing organization for Japanese financial institutions

<sup>\*4</sup> FS-ISAC (Financial Services Information Sharing and Analysis Center): Information sharing organization for financial institutions, mainly in the United States

# Responding to the COVID-19 Pandemic

The Group has been focusing on supporting various stakeholders in the prolonged efforts to combat the COVID-19 pandemic. To continue providing services in an unprecedented situation as a financial group specialized in trust banking, we will continue to take action based on three basic stances: ensuring business continuity as a key piece of social infrastructure, ensuring the health and safety of employees and their families, and preventing the spread of infection in society (including activities to create a society that is less prone to the spread of infection).

As a financial institution that plays an important role in social infrastructure, we will continue to ensure the stable continuation of business operations while maintaining the safety, security, and health of our clients and employees as our top priority.

## Response Policy 1 Ensuring business continuity as a key piece of social infrastructure (response to clients)

Considering the safety of our clients, each of the Group's sales branches is taking steps to prevent the spread of infection by holding online seminars and erecting transparent acrylic boards to minimize transmission from respiratory droplets.

### Banking business

- Establish procedures for accepting deposits and investment trusts using the Internet, procedures for address change by postal mail, etc.
- Encourage clients to make appointments before visiting a branch and open business on holidays in order to avoid the Three Cs (crowded places, closed spaces and close-contact settings) for visitors
- Flexibly respond to consultations on personal and corporate loans
- Establish a consultation counter for interest-free and unsecured loans
- Expand coverage contents of "housing loans with special clauses of guarantees against the eight major diseases," and newly introduce loan repayment guarantee coverage during unemployment period

We also strive to enhance convenience for our clients by switching the handling of various procedures and consultations to websites and online tools or by telephone, and by developing new products that respond to COVID-19.

### Trust-related business

- (Pension) Continued administrative, management, and reporting tasks to ensure reliable delivery of pension and lump-sum payments
- (Stock Transfer Agency Services) Provided support for preparation and operation of General Meeting of Shareholders
- (Asset Management) Continued operations to maintain the flow of capital markets
- (Asset Administration) Continued to settle securities and funds for smooth capital market operations
- (Real Estate) Continued accounting and settlement reporting services for real estate securitization trusts and J-REITs
- Strengthened customer service through online face-to-face channels

### Strengthen contactless online client support

- Opened trust type next generation branch
- SuMi TRUST Bank is striving to improve client convenience in the COVID-19 era, providing online consultation services at all branches from July 2020, and opening the first trust type next generation branch that offers online consultation in the Chukyo area in November 2020.

Clients are able to receive online consultations from the comfort of their own home, with a representative reviewing the materials with them on a computer screen, just as if they were meeting in person at the office. Family members who live far away can also join the consultation session. Our online consultation services have become easier and safer than before because of the enhanced convenience of online procedures.

- Online consulting on personal business
- The number of services offered has increased because of growing familiarity.

	FY2020			FY2021	
	2Q	3Q	4Q	1Q	2Q
Number of online consultations	574	2,317	5,318	12,545	13,113

- Opening of Online Consultation Plaza
- In July 2021, SuMi TRUST Bank opened an office to provide consulting, as well as products and services via online and telephone, with financial consultants and other experts also posted on-site. We serve a wide range of needs for our many clients.



## Response Policy 2 Ensuring the health and safety of employees and their families

Each Group company is focusing on initiatives to avoid the “three Cs” (crowded, close contact, confined) in the workplace and to promote diverse work styles among employees.

SuMi TRUST Bank has strived to take various preventive measures such as the addition of partitions in office spaces and the distribution of masks and portable disinfectant sprays to all employees. It also distributes homecare kits (daily necessities such as food, daily supplies, etc.) to COVID-19 patients and their close contacts in case of emergency. We have also established a total of 30 satellite offices (as of June 2021) by utilizing the extra space at branch offices in the Tokyo metropolitan area, Chukyo area, and Kansai area, which allow employees to temporarily work at a branch close to their home. We also distributed devices for teleworking to establish a system allowing employees to work from home. In addition, Sumitomo Mitsui Trust Asset Management and Sumitomo Mitsui Trust Research Institute

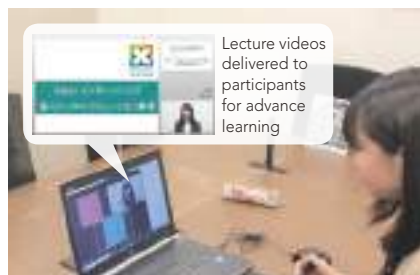
are making group-wide efforts to promote teleworking through various initiatives such as distributing devices for teleworking to all employees.

While it has become more difficult for people to gather since the spread of COVID-19, the increasing use of web conferencing has made it easier for people to communicate without being bound to a specific location. SuMi TRUST Bank has held 26 meetings where the president explained the ideas behind the Group’s Purpose to all employees using web conferencing, with approximately 12,000 employees from Japan and overseas participating.

In addition, to ensure smooth communication even when the work place is scattered among offices, home offices, satellite offices, etc., we introduced a business chat system, conducted remote management training for section managers, and provided company support for informal online receptions.



Employees can utilize satellite offices in Ichikawa, Urawa, and Fuchu, depending on their department and responsibilities.



Students are offered internships online and lecture videos are distributed in advance to deepen participants’ understanding of the lectures.



Monitor installed near the entrance of the head office building to measure the body temperature of people entering.

## Response Policy 3 Preventing the spread of infection in society (including activities to create a society that is less prone to the spread of infection)

The Group carried out a workplace vaccination program from June to September 2021 to help reduce the healthcare burden of local communities and accelerate the vaccine roll-out. Approximately 18,000 people, including employees of Group companies, their families, and clients, took part in the workplace vaccination program. We also plan to administer booster vaccines.

In addition, SuMi TRUST Bank launched the “Medical Support Donation Trust” (the “Trust”) in April 2021 to assist universities that conduct medical research. The Trust enables donors to select a recipient from among the 13

participating universities under the common theme of medical support, based on a comparison of specific research and activities such as the creation of future medical care, research to overcome serious diseases, and the improvement of medical systems.

Furthermore, in addition to the previous testamentary gifts/donations, we have released the “Testamentary Donation Trust” (also known as “Donation to the Future”) to respond to the request of those who simply wish to donate a portion of their assets in case of passing, taking into account the needs of diversifying donation methods.

\*See pages 159-160 for more information on the Medical Support Donation Trust.

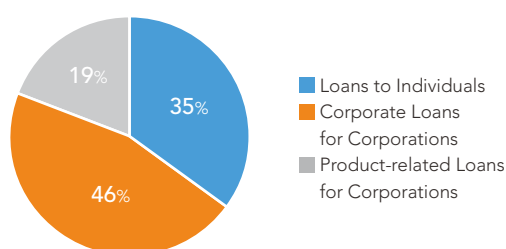
# Considering the Environmental and Social Impacts of Corporate Clients

## 1. Initiatives for Loans (Banking Business)

### Sector Exposure

Outstanding loans account for approximately 48% of the Group's total assets of ¥63.6 trillion. Of the total loan balance, about 35% is for individuals, centered on home mortgages, and the remaining 65% is for corporations. The balance of loans for corporations is divided into corporate and product-related loans, with the corporate loan balance accounting for nearly 1/2 of the total loan balance.

#### Breakdown of Loan Balance

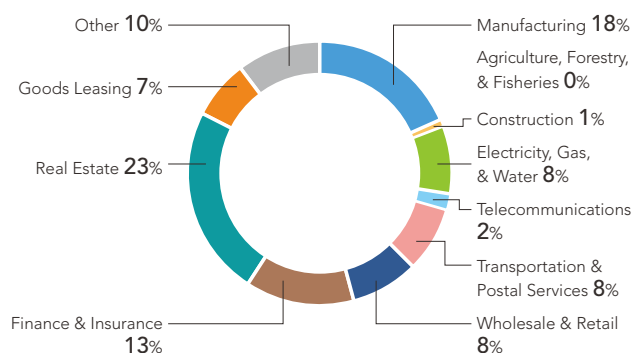


The table on the right shows the loan balance of approximately ¥30 trillion categorized by industry. The following chart shows exposure by sector, with approximately ¥15 trillion in loan balance for corporations at domestic branches as the denominator. This excludes the loan balance in the Overseas Branches category and loan balance for individuals which is included in the Other category. The Real Estate sector accounts for the largest share, followed by Manufacturing, and Finance and Insurance. The top three sectors account for approximately 55% of the total. Second tier sectors include Electricity, Gas, & Water, Transportation & Postal Services, and Wholesale & Retail, with a combined share of about 24%.

#### Loans by Industry

(Unit: trillion yen)

Manufacturing	3.0
Agriculture, Forestry, & Fisheries	0.1
Construction	0.2
Electricity, Gas, & Water	1.3
Telecommunications	0.3
Transportation & Postal Services	1.3
Wholesale & Retail	1.2
Finance & Insurance	2.1
Real Estate	3.7
Goods Leasing	1.2
Other	12.2
Loans to individuals	10.6
Other	1.7
Domestic branches	26.6
Overseas Branches	4.0
Total	30.6



(Note) Share ratio calculated based on the assumption that the balance of loans for corporations at domestic branches is 100%.

Sector exposure is managed by the Corporate Business Planning Department of SuMi TRUST Bank, and the credit portfolio is reported quarterly to the Credit Risk Committee, the highest decision-making body for investments and loans. From the viewpoint of environmental and social considerations in investments and loans, the Sustainability Management Department fulfills the check function for projects that have a risk of violating SuMi TRUST Bank's policy on investments and loans.

In October 2021 the SuMi TRUST Group issued a carbon neutral declaration.

In it, we set a target of net zero by the year 2050 for not only the GHG emissions generated by the Group itself, but also for the GHG emissions from the Group's investment and loan portfolios—that is, the portion our investments and loans contribute to the volume of GHG emissions produced by the activities of companies and individuals to whom we extend investments and loans.

As we work towards achieving the 2050 goals, our policy going forward will be to formulate specific milestone targets (chronological GHG emission reduction targets through 2030), as well as concrete initiatives and action plans for reducing GHG emissions, beginning sequentially with the major industry sectors in line with the framework of the Net Zero Banking Alliance (NZBA).

### Policies for specific sectors

As shown on the next page, SuMi TRUST Bank has established policies for specific sectors that promote businesses with a large impacts on society, and prohibits or restricts investments and loans to companies and projects that have a

negative impact on society, while sharing awareness of environmental and social issues and contributing to building a sustainable society through engagement with loan clients. These policies were reviewed in December 2021 as follows.

**(1) Prohibited transactions**

- Transactions that are considered immoral
- Transactions with anti-social forces
- Transactions where the use of funds is speculative
- Transactions that involve cluster munitions manufacturers as well as credit transactions with companies that have material involvement in the manufacturing process through lending and other activities with cluster munitions manufacturers.
- Businesses that negatively impact wetlands designated under the Ramsar Convention (newly added)
- Businesses that negatively impact UNESCO World Heritage Sites (newly added)
- Businesses that contravene the Washington Convention (newly added)
- Businesses that use child labor or forced labor (newly added)

**(2) Transactions warranting special attention****Cross-sector transactions**

- Businesses that negatively impact indigenous communities
- Businesses that negatively impact high conservation value areas
- Businesses involved in the expropriation of land leading to the forced removal of residents

**Sector-specific transactions**

- Coal-fired power generation  
SuMi TRUST Bank, in principle, will not engage in new projects for the construction of coal-fired power plants.
- Weapons manufacturing  
SuMi TRUST Bank will avoid lending and other activities where funds will be used for manufacturing weapons of mass destruction such as nuclear weapons, chemical weapons, biological weapons, or for manufacturing inhumane weapons such as antipersonnel landmines.
- Forestry  
The rapidly developing global deforestation is creating various problems such as reduction in biodiversity, decline in the stability of ecosystems, lower watershed protection, lower fixation of carbon dioxide and other items. SuMi TRUST Bank engages with timber manufacturers and manufacturers using timbers as raw materials only after careful consideration such as checking their international forest certification status<sup>\*1</sup> as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.

<sup>\*1</sup> FMC (Forest Management Certification) issued by FSC (the Forest Stewardship Council) for forestry management and forestry business operations; CoC (Chain of Custody Certification) for processing and distribution management of certified forest products, and others.

- Palm oil  
Palm oil is derived from "oil palms" grown on plantations. While palm oil demand is rapidly growing owing to its convenience and rising preference for wholesome foods, environmentally destructive developments are the main causes for the devastation of tropical rainforests and the decline in biodiversity. SuMi TRUST Bank engages with producers of palm oil and manufacturers using palm oil as a raw material only after careful consideration such as checking their international/local sustainable palm oil certification status<sup>\*2</sup> as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.

<sup>\*2</sup> RSPO (Roundtable on Sustainable Palm Oil) and others that aim to observe NDPE (No-deforestation, No-peat and No-exploitation) and the preservation of HCS (High Carbon Stock) forests

- Coal mining (newly added)

The extraction of coal from the ground has the risk of negatively impacting the environment and society, mainly owing to the impact that hazardous waste from coal mines has on the ecosystem, the deaths of workers as a result of cave-ins, and violations of human rights. And also given the likelihood that coal mining contributes to higher greenhouse gas emissions, which in turn is driving climate change, our basic policy is not to provide financing for any new coal extraction projects (general coal) or coal mining businesses that use the mountaintop removal method.

- Oil and gas (newly added)

Oil and gas exploration projects carry the risk of negatively impacting ecosystems, biodiversity, the living conditions of residents, and the natural environment. We carefully engage with such businesses after taking into full account environmental impacts and the existence of any problems involving indigenous peoples and local communities. We adopt a particularly cautious approach to oil sands extraction, shale oil and gas projects, exploration of minerals in the Arctic Circle, and pipeline laying.

- Hydroelectric power generation (newly added)

Large-scale hydroelectric power generation carries the risk of negatively impacting ecosystems, biodiversity, the living conditions of residents, and the natural environment. We carefully engage with such businesses after taking into full account environmental impacts and the existence of any problems involving indigenous peoples and local communities. We adopt a particularly cautious approach to large-scale hydroelectric power generation projects (output of at least 25MW) that involve the construction of dams.

- Large-scale plantations (newly added)

Plantation development carries the risk of deforestation, violations of human rights, and negatively impacting ecosystems, biodiversity, the living conditions of residents, and the natural environment. We carefully engage with such businesses after taking into full account environmental impacts and the existence of any problems involving indigenous peoples and local communities. We adopt a particularly cautious approach to projects that involve developments in forests and peatlands.

**(3) Review of Sector Policies**

SuMi TRUST Bank regularly reviews the suitability of established sector policies and the status of how transactions are being addressed at Sustainability Promotion Committee in our Executive Committee, etc., to reconsider the policies as well as make improvements to our operations as necessary.

**(4) Education and Training**

As a member of a responsible trust bank group, to ensure that SuMi TRUST Bank's directors and employees deepen their understanding of ways to reduce environmental impact, policies for human rights, and sector policies, the Bank continually conducts educational training. The company also spares no effort to ensure that directors and employees comply with all relevant regulations and procedures.

**(5) Communication with Stakeholders**

SuMi TRUST Bank continues to engage in dialogues and collaborations with various stakeholders on themes that are relevant to the sector policies that it has established. The Bank trusts that dialogues and collaborations with these stakeholders will prove useful when considering reviews to improve the sector policies to stay in line with the changing social environment and to continue improving their effectiveness.

## Project finance initiatives

We are cognizant of the fact that financing large-scale projects may indirectly have an adverse effect on the natural environment and regional 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 community has been duly considered in the decision-making process for project finance. As such, in February 2016 we signed on to the Equator Principles, a set of international private sector guidelines for assessing environmental and social risks in mainly project finance.

The revised Equator Principles, known as EP4, were adopted in November 2019 and we currently apply EP4 to projects for which we acquired a client mandate after October 1, 2020. With EP4, we will continue to contribute to the achievement of a sustainable environment and society by making sure that projects take into account environmental and social considerations based on the Equator Principles.

### Application of the Equator Principles

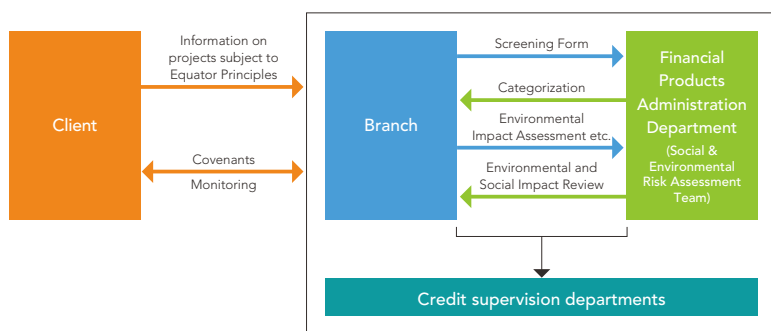
Taking into account how borrowers and investees impact society and the environment is, in our view, a priority issue (materiality) concerning sustainability. We therefore incorporate

risk management procedures based on the Equator Principles into our project finance decision-making process to ensure that due consideration is given to each project's impact on the natural environment and the local community. In fiscal 2020 (April 1, 2020 to March 31, 2021) there were 14 projects to which we applied the Equator Principles.

In EP4, the principles were expanded in scope to include refinancing and certain other transactions and updated to strengthen commitments to indigenous peoples in developed countries, among other changes. Efforts to address climate change were strengthened by updating the due diligence requirements to include a transition risk analysis in TCFD alongside the consideration of alternative proposals for projects with annual greenhouse gas emissions in excess of 100,000 t-CO<sub>2</sub>, as well as a physical risk analysis for projects expected to generate substantial or greater impacts.

We have in place internal operational rules that set out the steps for assessing environmental and social impacts based on the framework of the Equator Principles. The Financial Products Administration Department (Social & Environmental Risk Assessment Team) undertakes the assessment of environmental and social impacts for each individual project.

### Systems and Processes for Evaluating Environmental and Social Considerations



**Application processes:** Following internal policies based on procedures for evaluating social and environmental considerations, the Equator Principles Department carries out assessments of environmental and social impacts relating to individual projects.

**Implementing environmental and social impact reviews:** Reviews of the environmental and social impacts of a project proposed by developers take into account its industry, the country where it is sited, and whether it meets the standards called for by the Equator Principles, and from there, a comprehensive risk is judged.

**Monitoring compliance:** Compliance with important items concerning environmental and social impacts have been reflected into loan agreements, and compliance with these is regularly confirmed through such methods as reports on project compliance status on these fronts.

**Company training programs:** Regular training sessions are provided for employees in departments and sections relating to sales, assessment, and screening to foster a thorough understanding of internal operations supporting environmental and social impact reviews and raise their awareness about related concepts.

### Types of Financial Instruments and Other Criteria Including Financing Size for the Application of the Equator Principles

Type	Application criteria including financing size
Project finance	All projects with total project capital costs equivalent to USD 10 million or more
FA services* <sup>1</sup>	Same as the above
Project-Related Corporate Loans (PRCL)* <sup>2</sup>	If all four of the following criteria are met: 1. The majority of the borrowing amount is intended for a single project in which the borrower has effective control (either direct or indirect) of the project; 2. The total borrowing amount is equivalent to USD 100 million or more; 3. The commitment amounts (at syndication or prior to sell-down) of the individual signatories are equivalent to USD 50 million or more; and 4. The loan term is two years or more.
Bridge loans	Bridge loans with a loan term of less than two years that are intended to be re-financed by a project finance meeting the above criteria or PRCL

\*<sup>1</sup> Project finance advisory services

\*<sup>2</sup> PRCL includes the buyer's credit-type export financing but does not include the supplier's credit-type export financing. Furthermore, it does not include asset financing, M&A financing, hedging transactions, leases, L/C transactions, general funds and general working capital to maintain operations of a company.

## Implementing Environmental and Social Impact Reviews

In our processes for assessing project finance for projects subject to the Equator Principles, we conduct environmental and social impact reviews to confirm whether the response of project implementers in taking into account environmental and social impacts satisfies the standards set by the Equator Principles. In environmental and social risk/impact reviews based on screening forms, the relevant project is categorized into one of three categories—A, B, and C as shown below—reflecting its environmental and social risks and/or impacts. The Structured Finance Department conducts detailed reviews based on environmental impact assessment reports that take into account the risk/impact category, the status of the country (designated\* or non-designated country) where the project is sited, and industry. The results of the environmental and social risk/impact reviews are sent to a credit supervision department, where it devises a comprehensive risk assessment based on the review results.

\*Designated countries are those countries deemed to have built robust environmental and social governance, legal systems, and institutional capacity to protect their people and the natural environment. Specifics can be viewed at the Equator Principles Association's website.

<https://equator-principles.com/about-the-equator-principles/designated-countries/>

## Company Training Programs

In adopting the Equator Principles in February 2016, we provide multiple training sessions for the employees of sales, assessment, screening and other departments and sections involved to foster a thorough understanding of Equator Principles concepts as well as implementation processes for environmental and social risk/impact reviews. Through regular training programs, we strive to go further to raise awareness regarding environmental and social impacts among our employees and deepen their understanding of Equator Principles concepts and implementation processes for environmental and social risk/impact reviews.

## Monitoring Compliance with Equator Principles

As a rule, projects subject to the Equator Principles are engaged to submit regular reports in the loan agreement stipulating compliance with important items concerning environmental and social laws, regulations and rules as well as approvals and permits. Based on regular reports submitted by the borrower of the projects, we monitor compliance with rules relating to the environment and communities.

## Number of Projects Subject to Equator Principles

13 projects were subject to the Equator Principles in fiscal 2020. Projects featuring the mark have received thirdparty certification from PwC Sustainability LLC.

## Applying the Equator Principles to project finance

	FY2020			
	A	B	C	Total
	3 ✓	10 ✓	0 ✓	13 ✓
Sector	A	B	C	Total
Mining	0 ✓	0 ✓	0 ✓	0 ✓
Infrastructure	0 ✓	0 ✓	0 ✓	0 ✓
Oil & Gas	1 ✓	1 ✓	0 ✓	2 ✓
Power	2 ✓	9 ✓	0 ✓	11 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	0 ✓	0 ✓	0 ✓
Region	A	B	C	Total
Americas	0 ✓	1 ✓	0 ✓	1 ✓
Europe, Middle East, and Africa	2 ✓	0 ✓	0 ✓	2 ✓
Asia and Pacific	1 ✓	9 ✓	0 ✓	10 ✓
Country Classification	A	B	C	Total
Designated Country	0	10	0	10
Non-Designated Country	3	0	0	3
Independent Review	A	B	C	Total
Implemented	3	10	0	13
Not implemented	0	0	0	0

## Project-related refinance and project-related acquisition finance

	FY2020	
	Number of Cases	
	1	
Sector	Number of Cases	
Mining	0	
Infrastructure	0	
Oil & Gas	0	
Power	1	
Petrochemical	0	
Others	0	
Region	Number of Cases	
Americas	0	
Europe, Middle East, and Africa	0	
Asia and Pacific	1	
Country Classification	Number of Cases	
Designated Country	1	
Non-Designated Country	0	

In addition to those shown in the table above, there is one other project-related refinancing transaction.

Category	Definition
A	Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.
B	Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
C	Projects with minimal or no adverse environmental and social risks and/or impacts.

## 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 shipping market is heavily influenced by mainly global economic fundamentals alongside supply and demand for vessels, but efforts aimed at decarbonization in the maritime shipping industry have become pressing issues and will most likely alter the future direction of the sector and significantly affect shipping market trends up ahead. In March 2020, SuMi TRUST Bank was the first financial institution in Asia to sign on to the Poseidon Principles—established for the purpose of supporting decarbonization efforts in the marine transportation industry from a financial perspective. As a signatory financial institution to the Poseidon Principles, SuMi TRUST Bank will quantitatively assess global shipping GHG emission reduction efforts in its own ship finance portfolio in line with the GHG emission reduction targets of the International Maritime Organization (IMO)\*1 and publish the results in an annual portfolio climate alignment report starting with fiscal 2021.

**SMTB's portfolio climate alignment: -0.8%**

(as of end-Dec 2020)

By becoming a signatory to the Poseidon Principles, and as a member of the maritime cluster of Japan, we will continue to support the business activities of clients as a financial institution that offers ship finance worldwide, and will aim to contribute to mitigating climate change risks in the marine transportation industry.

### Overview of the Poseidon Principles

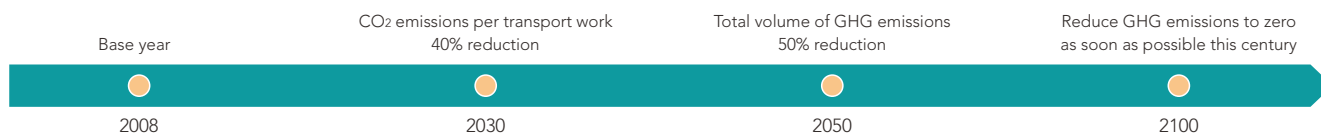
As an initiative spearheaded by private financial institutions to align with the greenhouse gas (GHG) reduction targets adopted by the IMO for global shipping, as well as the IMO's comprehensive GHG reduction strategy\*2, the Poseidon Principles were established in June 2019 by 11 major global banks that provide ship finance. The management and administration of the Poseidon Principles is carried out by the Poseidon Principles Association, which comprises all signatory financial institutions. There are four principles—Principle 1: Assessment of climate alignment; Principle 2: Accountability; Principle 3: Enforcement; and Principle 4: Transparency.

\*1 The IMO is a United Nations' specialized agency responsible for shipping safety, preventing marine pollution by ships, and promoting international cooperation on marine affairs.

\*2 GHG reduction strategy: This strategy was adopted by the IMO in April 2018 with a vision to reduce GHG emissions from international shipping to zero as soon as possible in this century. Specifically, the strategy aims to reduce total annual GHG emissions by at least 50% by 2050 compared to 2008.

### IMO's GHG reduction strategy

International shipping accounts for around 2% of global CO<sub>2</sub> emissions



### Portfolio climate alignment

In the Poseidon Principles, trajectory values of annual CO<sub>2</sub> emission efficiency (per transport work, referred to as carbon intensity) are prescribed for each ship type and size class based on the IMO's stated aim (adopted in April 2018) of

reducing total annual GHG emissions from global shipping by at least 50% by 2050 compared to 2008. SuMi TRUST Bank compares the annual carbon intensity (actual value) of each ship subject to calculation under the Poseidon Principles with the trajectory value in order to calculate the degree



of divergence, which is referred to as the vessel climate alignment. It then calculates portfolio climate alignment as required under the Poseidon Principles as a weighted average of the vessel climate alignment deltas using debt outstanding for each ship in the Bank's ship finance portfolio. The portfolio climate alignment represents the degree of

contribution the Bank is making towards the CO<sub>2</sub> emission reduction target in its own ship finance portfolio. A negative or zero alignment score means the portfolio is aligned with the decarbonization trajectory of the Poseidon Principles, whereas a positive score means the portfolio is misaligned.

#### Financial institutions publish climate alignment of ship finance portfolios

- Every year, signatory financial institutions calculate CO<sub>2</sub> emissions for vessels in their portfolio.
- Every year, each financial institution calculates and publishes the climate alignment of their overall ship finance portfolio based on the CO<sub>2</sub> emissions of each aforementioned vessel.
- SMTB publishes climate alignment calculation results from fiscal 2021.

#### Scope of the Poseidon Principles

1	Vessels with at least 5,000 gross tonnage
2	Vessels that trade on international voyages
3	Vessels secured with a loan

Vessels that satisfy the three conditions above are included in the scope of the Poseidon Principles

#### Example of disclosure

Total loan balance of ship finance	\$1,000m
Climate alignment	-1%

Note: Actual format of disclosure may differ

#### Climate alignment

- In order to reduce CO<sub>2</sub> emissions by 50% by fiscal 2050, the secretariat of the Poseidon Principles determines the amount of CO<sub>2</sub> emissions considered currently fair for each ship type and size class (decarbonization trajectory).
- The actual volume of carbon emissions for each single vessel is compared with the aforementioned decarbonization trajectory and the difference represents the vessel's climate alignment.
- A positive climate alignment score means a vessel is misaligned (above the decarbonization trajectory), whereas a negative or zero score means a vessel is aligned.

Along with the Poseidon Principles, SuMi TRUST Bank signed the Call to Action for Shipping Decarbonization that was announced by the Getting to Zero Coalition (GZC) in an effort to encourage decarbonization in the maritime shipping industry. All the signatories are committed to achieving net-zero GHG emissions from international shipping by 2050 and urge governments to take action on formulating policies with the aim of deploying commercially viable zero-emission ships by 2030.

#### Transition finance for LNG-fueled vessels

In March 2021, SuMi TRUST Bank signed a syndicated loan agreement with Kawasaki Kisen Kaisha, Ltd. for Japan's first transition loan subject to evaluation in line with the Climate Transition Finance Handbook published by the International Capital Markets Association (ICMA). Kawasaki Kisen used the loan funds to acquire a next-generation environmentally friendly LNG-fueled car carrier vessel. LNG fuel emits 25%–30% less CO<sub>2</sub> than conventional heavy fuel oil used by ships and is therefore a more environmentally friendly source of energy. The acquisition of LNG-fueled ships is a recognized decarbonization transition initiative in the marine transportation industry.

Furthermore, in September 2021 SuMi TRUST Bank, in collaboration with the Development Bank of Japan, arranged a syndicated transition loan for Mitsui O.S.K. Lines (MOL) with the participation of 10 regional banks and other financial institutions. A transition loan was provided to MOL and one of its group companies, Ferry Sunflower Limited, to finance the introduction of Japan's first two LNG-fueled ferries scheduled to operate between Osaka and Beppu.

#### SMTB entrusted with impact evaluation of ship investment fund

In February 2021, SuMi TRUST Bank was entrusted with the task of carrying out impact evaluation and monitoring of the ¥600 billion impact investment fund (Anchor No. 5 Ship Investment Fund) launched by ship investment fund manager Anchor Ship Partners Co., Ltd. (ASP). The fund is the first of its kind in Japan to invest in real assets. By conducting evaluations and monitoring with reference to the IMO's decarbonization strategy and other global benchmarks, the Bank will support this fund's objective of contributing to carbon-neutrality efforts in the marine shipping industry (see pages 52–53).

## Sustainable Loan Initiatives

SuMi TRUST Bank has set a new long-term target for sustainable finance in the banking sector (loans to corporate clients): ¥5.0 trillion in cumulative loans over the 10-year period from fiscal 2021 through 2030, including ¥3.0 trillion in environment-related fields. The Bank will aim to solve climate change and other environmental and social issues and help realize a sustainable society together with clients by actively supplying funds to environmental and social fields.

Category		Type	Examples of sustainable finance
Sustainable finance	Environmental (green) fields	Green finance	✓ Businesses that adapt to, or mitigate, climate change. For example, renewable energy, energy efficiency improvement, and green buildings.
	Other environmental fields	Social finance	✓ Employment creation, poverty reduction, nurturing of startup firms, regional revitalization, basic infrastructure like public transport and water supply, and essential services such as hospitals and schools.
		Finance based on assessments of ESG/SDGs	✓ Positive impact finance ✓ Sustainability-linked loans
		Transition finance	✓ Businesses that help society transition to net-zero carbon emissions. ✓ Businesses that help society adapt to a rapidly aging population.
		Other	✓ Other businesses that help solve environmental problems and social issues.

### Positive impact finance (PIF)

In positive impact finance (PIF), we comprehensively analyze and assess from the viewpoint of industry sector, business area, and the supply chain, the impacts (both positive and negative) of a client's corporate activities on the environment, society, and economy and then work together with the client to set goals for mitigating the negative impacts and expanding the positive ones. The client then commits to achieving those goals as a condition for financing. In March

2019, SuMi TRUST Bank concluded the world's first PIF loan agreement with a business in which the use of loaned funds is unspecified. Ever since, the Bank has steadily increased its number of PIF loan transactions. Moreover, SuMi TRUST Bank keeps tabs on the targets and KPIs that were set at the time a PIF loan agreement was concluded and discloses the results on its website. If deemed necessary, the Bank also undertakes a process of engagement with the client.



PIF x SuMi TRUST

### Example of Climate Change-Related KPIs in Positive Impact Finance

Client	Theme	Content	KPI metrics and goals
Kawasaki Heavy Industries, Ltd.	<ul style="list-style-type: none"> <li>Realization of a carbon-free society with energy and environmental solutions</li> </ul>	<ul style="list-style-type: none"> <li>Stable volume supply and more widespread use of clean energy in the form of hydrogen and realizing a low-carbon society</li> </ul>	<p>(a) <b>Transportation amount of hydrogen</b> Target: Transportation of 225,000 tons per year of hydrogen by Kawasaki hydrogen supply chain by 2030 *Japan's installed hydrogen capacity target is 3 million tons per year KPI: Transportation amount of hydrogen by Kawasaki hydrogen supply chain</p> <p>(b) <b>Amount of CO<sub>2</sub> reduction utilizing hydrogen energy generated by Kawasaki hydrogen supply chain (theoretical value)</b> Target: 1.6 million tons of CO<sub>2</sub> reduction utilizing hydrogen energy generated by Kawasaki hydrogen supply chain by 2030 KPI: Amount of CO<sub>2</sub> reduction utilizing hydrogen energy generated by Kawasaki hydrogen supply chain</p> <p>(c) <b>Reduction of CO<sub>2</sub> emissions</b> Target: Zero CO<sub>2</sub> emissions in business activities of the Kawasaki Group in 2050 (Scopes 1 and 2) KPI: CO<sub>2</sub> emissions from business activities of the Kawasaki Group (Scopes 1 and 2)</p>
Meidensha Corporation	<ul style="list-style-type: none"> <li>Climate change countermeasures (minimizing environmental impacts through business activities)</li> <li>Climate change countermeasures (minimizing environmental impacts through products)</li> </ul>	<ul style="list-style-type: none"> <li>Curbing GHG emissions by adopting climate change measures</li> <li>Minimizing impacts on the environment by providing products</li> </ul>	<p>Target: 30% reduction (vs. FY2019) in Scope 1 and 2 emissions from business activities by 2030 KPI: GHG emissions (Scopes 1 and 2; kt of CO<sub>2</sub>)</p> <p>(a) <b>Reduction of GHG emissions at the product use stage</b> Target: 15% reduction (vs. FY2019) in Scope 3 Category 11 emissions at the product use stage by 2030 KPI: Volume (kt of CO<sub>2</sub>) of GHG emission reductions from products</p> <p>(b) <b>Reduction of GHG emissions (Scope 3 Category 11) through the provision of EV products</b> Target: Reduce GHG emissions by 1,700,000 t-CO<sub>2</sub> in FY2024 and by 8,700,000 t-CO<sub>2</sub> in FY2030 (on the basis of substituting gasoline vehicles with equivalent grade EVs) KPI: Volume (kt of CO<sub>2</sub>) of GHG emission reductions</p> <p>(c) <b>Reduction in SF<sub>6</sub> use by providing SF<sub>6</sub>-free products</b> Target: Reduce amount of SF<sub>6</sub> used in society by expanding range of SF<sub>6</sub>-free products KPI: Amount (kg) of reduction in SF<sub>6</sub> use</p>

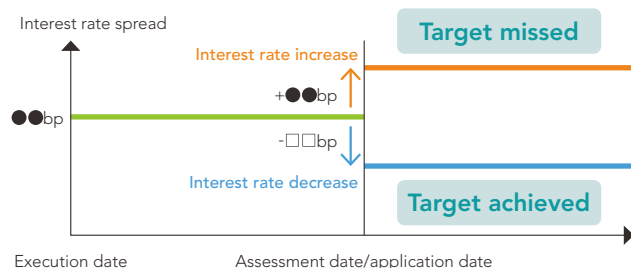
Client	Theme	Content	KPI metrics and goals
Sumitomo Metal Mining Co., Ltd.	• Climate change	<ul style="list-style-type: none"> <li>• Promotion of copper mining projects, promotion of nickel mining projects and improvement in productivity</li> <li>• Recovery and stable supply of nonferrous metals through the development of technologies to separate, fix, and transform impurities extracted from the mines and produced in the smelting processes into useful materials</li> <li>• Demonstration and commercialization of recycling technology for automotive secondary batteries</li> <li>• Creation of new products and businesses that contribute to society by utilizing the company's strengths</li> <li>• Aim for zero greenhouse gas (GHG) emissions (Scope 1, 2)</li> </ul>	<ul style="list-style-type: none"> <li>• Aim for early achievement of 300,000 tons/year of copper and 150,000 tons/year of nickel production as a world leader in non-ferrous metals</li> <li>• Commercialize recycling technology for automotive lithium-ion batteries by 2022</li> <li>• R&amp;D and commercialization of new functional materials in the energy, automotive, and information and communications fields, commercialization of NiO for fuel cells, and maintain leading global market share in the expanding cathode electrode materials market</li> <li>• (KPI for the anticipated impact of achieving the above KPIs) GHG reduction contribution from low-carbon footprint products by 2030: over 600 kilotons-CO<sub>2</sub></li> <li>• Formulate a plan for achieving zero emissions in the second half of this century by 2030</li> <li>• Total GHG emissions in 2030 ≤ Total GHG emissions in FY2013</li> <li>• Reduce GHG emissions per unit of production by over 26% in 2030 (compared to FY2013)</li> </ul>
Nippon Paper Industries Co., Ltd.	• Initiatives to address climate change	<ul style="list-style-type: none"> <li>• Transition to non-fossil fuels</li> <li>• Promote energy conservation in manufacturing and distribution processes</li> <li>• CO<sub>2</sub> absorption and stabilization through appropriate management of company-owned forests</li> </ul>	<ul style="list-style-type: none"> <li>• 10% reduction in greenhouse gas emissions by FY2020 (compared to FY2013)</li> <li>• Long-term targets are under consideration and are expected to be disclosed by May 2021</li> </ul>
Subaru Corporation	• Mitigation of climate change	<ul style="list-style-type: none"> <li>• Reduce Scope 1 and 2 greenhouse gas emissions resulting from company activities</li> <li>• Improve fuel efficiency, incorporate electric technology and switch to electric and hybrid vehicles, and reduce CO<sub>2</sub> emissions from vehicles manufactured and sold</li> </ul>	<p>Based on the Environmental Action Plan, consider and implement all possible measures from a company-wide perspective, including energy conservation and the introduction of renewable energy sources, while taking into account external factors such as technological innovation, markets, and regulations</p> <ul style="list-style-type: none"> <li>• 30% reduction of CO<sub>2</sub> emissions in FY2030 (compared to FY2016)</li> <li>• Raise electric and hybrid vehicle sales to over 40% of global sales by 2030</li> </ul>
Sumitomo Forestry Co., Ltd.	• Sustainability and biodiversity-conscious sourcing	<ul style="list-style-type: none"> <li>• Forest management that balances global warming countermeasures and biodiversity conservation</li> <li>• Expand the use of sustainable forest resources and create a biodiversity-conscious environment</li> </ul>	<ul style="list-style-type: none"> <li>• Raise domestic and overseas forest certified area to 221,467 ha by FY2021</li> <li>• Reach company-made tree sapling planted area of 7,920 ha and supplied volume of 7.26 million trees by FY2021</li> <li>• Achieve chips and pellets for main fuel use handling volume of 1,363,930 tons by FY2021</li> <li>• Raise percentage of sustainable timber and timber products handled to 100% by FY2021</li> <li>• Achieve company-made seedling unit sales of 500,000 in FY2021</li> </ul>
Toyo Aluminum K. K.	• Climate change	<ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions across the entire Group by developing initiatives such as energy visualization and rolling it out horizontally in a way that meets the requirements of each facility</li> </ul>	<p>Reduction of CO<sub>2</sub> emissions from business activities</p> <ul style="list-style-type: none"> <li>• 30% reduction in CO<sub>2</sub> emissions in FY2031 (compared to FY2013)</li> </ul>
Sumitomo Rubber Industries, Ltd.	<ul style="list-style-type: none"> <li>• Greening</li> <li>• Mitigation of climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Global warming prevention and biodiversity conservation</li> <li>• Development of environmentally friendly products</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a method for calculating the amount of CO<sub>2</sub> absorbed by tree planting as a KPI, then set a target</li> <li>• Reduce global lifecycle CO<sub>2</sub> emissions per tire by at least 14% in FY2022 compared to FY2005</li> </ul>
Mitsui Chemical, Inc.	• Realization of a symbiotic society in harmony with the environment	<ul style="list-style-type: none"> <li>• Reduction of greenhouse gas emissions and conservation of energy and resources through the use of natural energy and non-fossil raw materials, and by making products lighter and more durable</li> <li>• Reduction of greenhouse gas emissions and chemical emissions through promotion of energy conservation, fuel conversion, and creation of innovative process technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Raise sales ratio of Blue Value® products to at least 30% in FY2025</li> <li>• Number of Blue Value® Rose Value® products newly certified</li> <li>• Blue Value® product-related investment, R&amp;D expenses</li> <li>• Greenhouse gas emissions reduction rate by FY2030: at least 25.4% (compared to FY2005)</li> <li>• Energy consumption rate reduction target: Maintain a five-year average reduction rate of at least 1%</li> </ul>
Toray Industries, Inc.	• Acceleration of climate change measures	<ul style="list-style-type: none"> <li>• Realization of a world where global greenhouse gas emissions and absorption are equal</li> </ul>	<ul style="list-style-type: none"> <li>• Increase CO<sub>2</sub> emissions reduction contribution to the value chain by 8 times by FY2030 (compared to FY2013) through expanding the supply of Green Innovation products</li> <li>• Reduce GHG emissions per unit of operating revenue by 30% by FY2030 (compared to FY2013)</li> </ul>
DIC Corporation	• Climate change response	<ul style="list-style-type: none"> <li>• Achieve CO<sub>2</sub> emission reduction targets through production activities by promoting energy conservation and low carbon emissions (Scope 1, 2)</li> </ul>	<ul style="list-style-type: none"> <li>• 30% reduction in CO<sub>2</sub> emissions in FY2030 (compared to FY2013)</li> </ul>
Rengo Co., Ltd.	• Climate change	<ul style="list-style-type: none"> <li>• Promote the Green New Deal to save energy and utilize new energy sources to reduce CO<sub>2</sub> emissions</li> <li>• Expand the use of renewable energies by proactively introducing solar power generation, biomass boilers, and other equipment to diversify energy sources, effectively use resources, and prevent global warming</li> </ul>	<ul style="list-style-type: none"> <li>• 26% reduction in CO<sub>2</sub> emissions (Scope 1 &amp; 2) by FY2030 (compared to FY2013)</li> <li>• Increase the ratio of renewable energy sources to 25% by FY2030</li> </ul>

## Considering the Environmental and Social Impacts of Corporate Clients

Client	Theme	Content	KPI metrics and goals
Ricoh Leasing Company, Ltd.	• Mitigation of climate change	<ul style="list-style-type: none"> <li>• Curb global warming by reducing CO<sub>2</sub> emissions from business activities</li> <li>• Reduce environmental impact by expanding environment-related business areas</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions from business activities (Scope 1 &amp; 2) to 774 t-CO<sub>2</sub> in FY2022 (30% reduction from FY2015), 410 t-CO<sub>2</sub> in FY2030 (63% reduction from FY2015), and zero in 2050</li> <li>• Realize a decarbonized society through promoting energy creation and energy conservation</li> </ul>
Sumitomo Dainippon Pharma Co., Ltd.	• Environmental initiatives	<ul style="list-style-type: none"> <li>• Reduce greenhouse gas emissions</li> </ul>	<ul style="list-style-type: none"> <li>• 35% reduction in greenhouse gas (GHG) emissions (Scope 1 &amp; 2) by FY2030 (compared to FY2017)</li> </ul>
Sapporo Holdings Limited	• Environmental protection	<ul style="list-style-type: none"> <li>• Taking steps to protect the environment at each stage of business so future generations can inherit the blessings of nature with every employee taking it upon themselves to promote environmental activities</li> </ul>	<b>Fighting global warming</b> Target: Zero CO <sub>2</sub> emissions at company locations by 2050 KPI: CO <sub>2</sub> reduction volume
Furukawa Electric Co., Ltd.	• Contribution to a carbon-free society	<ul style="list-style-type: none"> <li>• Undertaking business activities mindful of climate change</li> </ul>	(i) Target: At least 26% reduction in GHG emissions from business activities by FY2030 versus FY2017 KPI: GHG emissions (Scopes 1 and 2) (ii) Target: 3% improvement in renewable energy ratio by FY2025 versus FY2017 KPI: Renewable energy ratio
Tokyu Fudosan Holdings Corporation	• Minimizing environmental footprint	<ul style="list-style-type: none"> <li>• Undertaking urban development in harmony with the environment</li> </ul>	<b>(a) CO<sub>2</sub> reduction initiatives</b> Targets: <ul style="list-style-type: none"> <li>• Quickly establish long-term CO<sub>2</sub> emission reduction goals for the year 2050 and obtain SBTi certification</li> <li>• Achieve the long-term goals established above</li> </ul> KPIs: <ul style="list-style-type: none"> <li>• Establishment of long-term CO<sub>2</sub> emission reduction goals as soon as possible and acquisition of SBTi certification</li> <li>• CO<sub>2</sub> emissions (Scopes 1, 2, and 3)</li> </ul> <b>(b) Increased use of renewable energy</b> Target: Adopt renewable energy sources for all power used in business activities by 2050. Aim to achieve milestone goals of 60% by 2030 and 90% by 2040. KPI: Weighting of renewable energy sources as a percentage of power used in business activities. <b>(c) Acquisition of environmentally-friendly property certification</b> Target: 100% environmentally-friendly property certification rate for newly built large office buildings and commercial facilities (CASBEE: A or higher; DBJ: 4 stars of higher; BELS: 4 stars or higher) KPI: Rate of acquisition of environmentally-friendly property certifications <b>(d) Appropriate management and use of water resources</b> Target: Quickly establish long-term water consumption reduction targets KPIs: <ul style="list-style-type: none"> <li>• Quick establishment of long-term water consumption reduction targets</li> <li>• Water consumption per total floor space of business sites and portfolio properties</li> </ul> <b>(e) Reduction of waste generated</b> Target: Quickly establish long-term targets for reducing the amount of waste generated KPIs: <ul style="list-style-type: none"> <li>• Quick establishment of long-term targets for reducing the amount of waste generated</li> <li>• Waste generated per total floor space of business sites and portfolio properties</li> </ul>
Fuji Oil Holdings Inc.	<ul style="list-style-type: none"> <li>• Employment, Climate, Biodiversity and Ecosystem Services, and Inclusive and Healthy Economy</li> <li>• Climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain improvement activities and RSPO initiatives aimed at NDPE (No Deforestation, No Peatland development, No Exploitation) in the sourcing process</li> <li>• Energy used and CO<sub>2</sub> emitted in the manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>• Traceability scores for palm oil all the way back to the oil extraction plant (target: 100%)</li> <li>• Number of incidents registered in the grievance mechanism</li> </ul> Environmental Vision 2030 (reviewed CO <sub>2</sub> emission reduction targets in April 2020) <ul style="list-style-type: none"> <li>• Scope 1 &amp; 2: 40% reduction by 2030 (compared to 2016)</li> <li>• Scope 3 (Category 1): 18% reduction by 2030 (compared to 2016)</li> </ul>
J.Front Retailing Co., Ltd.	• Climate change	<ul style="list-style-type: none"> <li>• Reduce Scope 1 &amp; 2 greenhouse gas emissions resulting from company activities</li> <li>• Reduce Scope 3 emissions by promoting the Supplier Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• 40% reduction in CO<sub>2</sub> emissions by 2030 (compared to 2017)</li> <li>• Zero CO<sub>2</sub> emissions by 2050 (compared to 2017)</li> <li>• 100% adoption of Supplier Code of Conduct by 2030</li> <li>• 40% reduction in Scope 3 emissions by 2030 compared to FY2017</li> </ul>

## Sustainability Linked Loan

SuMi TRUST Bank is also working on sustainability linked loans, which are not based on comprehensive KPIs like Positive Impact Finance, but rather on a mechanism that enables SuMi TRUST Bank to set ambitious Sustainability Performance Targets (SPTs) on specific themes with the borrower company, and to vary the interest rate depending on the achievement of the targets. The SPTs are selected after thorough consultation with clients from the following categories: energy efficiency (energy conservation and renewable energy), water consumption, sustainable procurement, circular economy (recycling rate), biodiversity, and global ESG evaluation. Then, a third-party organization such as a rating agency evaluates the appropriateness of the established SPTs in light of the overall corporate CSR strategies of the borrower company.



## Green bonds

SuMi TRUST Bank issued its first green bond (€500 million) in September 2018 in overseas markets and then its second (\$500 million) in March 2021 for mainly ESG investors and asset managers overseas. The proceeds raised from the issuance of these green bonds have been used to fund 10 renewable energy (solar) power generation projects in Japan, thus contributing to an annual CO<sub>2</sub> reduction of 102,008 tons\*<sup>1</sup> (as of March 31, 2021). Information about the allocation of green bond proceeds and how they are helping to enhance the improvement is disclosed on our website\*<sup>2</sup> and subjected to a third-party review.

\*1 Figure calculated by multiplying the CO<sub>2</sub> reduction effects of the projects by SuMi TRUST Bank's loan ratio

\*2 For details, please follow the following link.

[https://www.smth.jp/english/sustainability/Initiatives\\_achievements/esgi/greenbond](https://www.smth.jp/english/sustainability/Initiatives_achievements/esgi/greenbond)

## Sustainability-linked derivatives

In August 2021, SuMi TRUST Bank concluded a forward foreign exchange contract (ESG foreign exchange contract) with ASICS Corporation that is aligned with the Sustainability-Linked Loan Principles developed by the Loan Market Association and other institutions. SuMi TRUST Bank believes this is the first time a Japanese financial institution has concluded such a contract with a listed company in Japan. By setting sustainability performance targets (SPTs) that align with the sustainability goals of Asics and linking the terms and conditions of the forward exchange contract to ASICS' performance against the SPT, Asics will be motivated to achieve it. Accordingly, this sustainability-linked derivative financial instrument aims to accelerate and support sustainable economic activity and growth that benefits the environment and society. Should ASICS fail to achieve the SPT, it can still generate a positive impact for society by making a donation through SuMi TRUST bank to an organization that suits the objectives of its sustainability vision.

## Green deposits

In May 2021, SuMi TRUST Bank launched its first Green Deposit for corporate clients. Green Deposit is a foreign currency time deposit, the proceeds of which are used to fund green projects that help improve the environment, including renewable energy such as solar and wind power generation, or the acquisition or construction of environmentally friendly property. This service was also rolled out to individual clients beginning in June 2021.

## Selected in the BoJ's climate change response operations

In December 2021, SuMi TRUST Bank was selected to receive financing under the Bank of Japan's funds-supplying operations to support financing for climate change responses. Based on this, the Bank established a ¥100 billion "green operations" framework for corporate finance in order to make best use of the BoJ's operations and provide stronger financial support to clients tackling climate change.

## Environmental Improvement Impact of Projects Financed with Proceeds from the Green Bond Issuance

Category	Subcategory	Country	Number of projects	Annual power output (MWh)	Annual CO <sub>2</sub> reduction (metric tons)	
						Company contribution
Renewable energy	Solar power generation	Japan	10	438,155	192,711	102,008

## Towards the creation of positive impacts



Press conference for the Japan Impact-driven Financing Initiative (November 29, 2021)

### Launch of Japan Impact-driven Financing Initiative

On November 29, 2021, a group of 21 private sector financial institutions, as founding signatories, announced the Japan Impact-driven Financing Initiative. The aim of the initiative is to have signatories proactively participate in impact creation and further the implementation of impact-driven investment and lending.

SuMi TRUST Holdings served as chair of the initiative's Joint Drafting Committee. Going forward, we intend to work closely with the other signatories and take a leading role in the expansion of impact finance in Japan.

### Why positive impacts are required

The Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI) define positive impact as "that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental, and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated."

The concept of ESG that was spelled out in the Principles for Responsible Investment in 2006 quickly gained momentum in no time at all and went mainstream in the finance

industry. Now in the industry, ESG initiatives need to be not just assessed, but also put into practice. In other words, in order to make society more sustainable, we must play an independent and active role in the creation of positive impacts.

### Initiatives of the SuMi TRUST Group

The first instance of the Group's initiatives was in March 2019 when SuMi TRUST Bank executed the world's first positive impact finance loan agreement (whereby the use of loaned funds is unspecified) (see page 54). We have since expanded our initiatives to equity investments, real assets (ships), and venture capital and we have come to holistically consider positive impacts as part of our value creation process by focusing on impacts on a management level as we do business in various asset classes.

Also, in October 2021, SuMi TRUST Bank set up an Impact Business Development Office within the ESG Strategy and Solution Department. The role of finance in shaping a sustainable society is now greater than ever before. The policy of the Group going forward will be to uncover potential positive impacts by deeply analyzing not only our clients, but also their value chains, and actively working out how to best manifest such impacts.



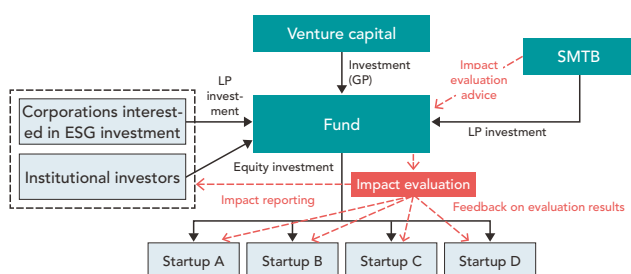
## Expanding into various asset classes

Investments and loans	Equity investments	Real assets	Venture capital
<p><b>March 2019</b></p> <p>SuMi TRUST Bank concluded the world's first positive impact finance agreement with Fuji Oil Group Inc. whereby the use of loaned funds is unspecified</p>	<p><b>October 2019</b></p> <p>Sumitomo Mitsui Trust Asset Management launched and started managing the Japan Equity Impact Investment Fund (global equity fund also launched in January 2021)</p>	<p><b>February 2021</b></p> <p>SuMi TRUST Bank started providing ship investment fund impact analysis services to Anchor Ship Partners</p>	<p><b>April 2021</b></p> <p>SuMi TRUST Bank started providing scientifically-based impact analysis services to the investment targets of a venture capital fund managed by Real Tech Holdings</p>

## Impact evaluations based on scientific knowledge

In April 2021, the SuMi TRUST Group established the Technology-based Finance (TBF) Team that brings together a group of experts within the Sustainability Management Department (see page 17). By leveraging impact evaluations based on the scientific knowledge of the TBF Team, the Group can raise impact measurement and management (IMM) to an extremely high level. Impact evaluation advisory services for venture capital firms is one classic example.

### Impact evaluation services for VC



#### Impact management process

- Quantitative and qualitative evaluations are carried out following an identification of the impacts of the investee's activities, products, and services on society and the environment.
- Targets and KPIs for maximizing the positive impacts and minimizing the negative ones are established and then the attainment of KPIs over the investment period are monitored. The results are delivered as feedback to the investee company to improve management practices and enhance corporate value.

## Recognition of initiatives

The SuMi TRUST Group's progressive initiatives on impact finance have been highly rated. In particular, in recognition of its positive impact finance solutions, SuMi TRUST Bank was awarded the gold prize in the financing category of the Ministry of the Environment's inaugural ESG Finance Awards Japan in 2020.

The Bank's positive impact finance solutions were also gonged with the Chairman's Award in the 17<sup>th</sup> LCA Society of Japan Awards. The practice of using the life cycle



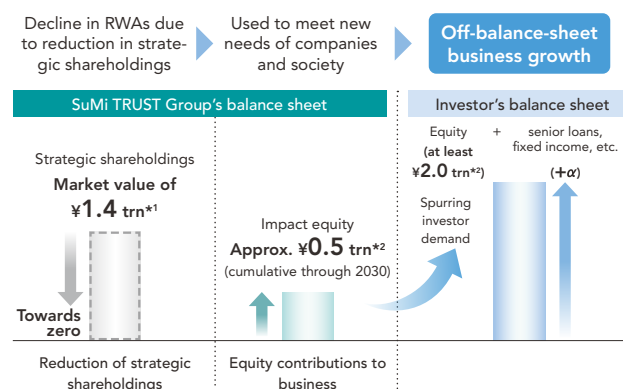
assessment (LCA) thought process and methodology in the decision-making process for financing was recognized as a meaningful practice, and it is for this reason that SuMi TRUST Bank became the first financial institution to be recognized in the LCA Society of Japan Awards.



Awards ceremony of the 17<sup>th</sup> LCA Society of Japan Awards

## Launch of impact equity fund

We are currently using surplus capital generated from our ongoing reduction of strategic shareholdings to invest up to ¥500 billion in impact equity to meet demand for capital for mainly climate change and decarbonization measures. We hope this will have a pump-priming effect and stimulate demand for more than ¥2.0 trillion in capital from investors in an effort to generate social and economic value and forge new commitments with corporations.



\*1 As of September 2021

\*2 Estimated amounts generated from the Group's initiatives on the assumption that roughly ¥50 trillion will be required in Japan through to 2030 for investments in climate change measures, decarbonization, and infrastructure



## 2. Initiatives in the Asset Management Business

### Initiatives of Sumitomo Mitsui Trust Asset Management

#### Approach to ESG

ESG issues reside in non-financial domains and do not manifest themselves in financial reporting, but they can have a considerable impact on corporate financial value over time. Based on this thinking, SMTAM considers the actions taken to address such issues to be integral to stewardship activities, alongside engagement and the exercise of voting rights. Through these activities, SMTAM aims to maximize returns for its clients and contribute to the achievement of the SDGs by actively fulfilling its role as an asset manager in the investment chain.

#### Specific ESG initiatives

##### (1) Initiatives for engagement

There are three approach methods: (1) top-down approach; (2) market cap approach; and (3) risk approach. In the top-down approach, SMTAM identifies companies for engagement based on the 12 topics formulated in accordance with the ESG materiality of SuMi TRUST Holdings. In the market cap approach, it selects companies in light of the importance of management issues and their market capitalization. In the risk approach, SMTAM identifies companies mainly by focusing on those against which it cast dissenting votes in the exercise of voting rights (low ROE, etc.) or companies where misconduct has occurred. With these three approaches, SMTAM seeks to carry out efficient and exhaustive engagement activities.

#### Total assets under management

¥85.7 trillion  
(as of end-September 2021)

#### ESG initiative asset balance

¥30.9 trillion  
(as of end-September 2021)

##### (2) Initiatives for the exercise of voting rights

SMTAM views the exercise of voting rights as an opportunity to call for the minimum standard of governance and considers it one method for expressing its views on governance. SMTAM emphasizes three key points: (1) high-quality governance that respects shareholder interests; (2) efficient utilization of shareholders' equity for sustainable growth; and (3) appropriate action in the event an incident occurs that damages corporate value. It has published detailed guidelines for the exercise of voting rights. SMTAM has also established criteria pertaining to ESG issues and it makes decisions on shareholder proposals in the same way as company proposals from the perspective of whether or not they will help maximize shareholder value over the medium to long term.

#### ESG guideline

As a signatory to the PRI, SMTAM engages investee companies to help resolve ESG issues and enhance their corporate value over the medium to long term based on the values expressed in the UN Global Compact and the SDGs, while at the same time focusing on ESG investment activities. In carrying out these activities, SMTAM has established 12 materialities to systematize the evaluation items. In addition, for in-house managed active products, fixed-income passive products, and individually designated passive products, SMTAM will suspend new and additional purchases of securities issued by companies involved in the manufacture of inhumane weapons, as listed below, and may sell existing holdings depending on the results of engagement.

\*Inhumane weapons: Cluster bombs, anti-personnel landmines, biological weapons, chemical weapons

#### ESG engagement policy

SMTAM will engage in dialogue and express opinions that will contribute to the enhancement of corporate value over the medium to long term through the resolution of ESG issues of investee companies, positioning it as an opportunity to call for best practices from companies. It has designated 12 key topics, including climate change and improvements in corporate governance, through which it will conduct top-down engagement activities. At the same time, SMTAM will also employ a bottom-up approach linking these key topics to the business strategies of each corporation. On top of SMTAM's own engagement activities, the company will also participate in and collaborate with global initiatives for agendas related to greenhouse gases, palm oil, forest conservation, healthcare access, and diversity (promotion of women).



## Initiatives of Nikko Asset Management

### Approach to ESG

As an asset management company, Nikko AM's mission is to always act in the best interests of its clients. For that reason, it places utmost importance on fiduciary and ESG principles in its corporate philosophy and corporate activities. Guided by the belief that reflecting ESG in investment practices enhances the long-term value of corporations and contributes to sustainable economic growth, Nikko AM strives to incorporate ESG principles into all investment decision-making processes so that it can fulfill its fiduciary duties.

### Specific ESG initiatives

#### (1) ESG Global Steering Committee

Formed in November 2016, Nikko AM's ESG Global Steering Committee is chaired by the Global Head of Investment. Its members include investment managers from Japan and overseas, as well as a large number of observers. The Committee is tasked with promoting and discussing the incorporation of ESG investment, methods for implementation, and new approaches. It also reports on its activities to the Board of Directors and is incorporated into Nikko AM's governance structure.

#### Total assets under management

¥32 trillion  
(as of end-September 2021)

#### ESG initiative asset balance

¥12 trillion  
(as of end-September 2021)

#### (2) ESG investment strategy

Nikko AM believes that appropriately incorporating ESG into investment processes is key to achieving excess returns over the medium to long term. Its active Japan equity investment strategies incorporate Creating Shared Value (CSV) evaluations, which take ESG factors into consideration. The evaluation score is based on the application of the CSV theory and assesses how companies balance their engagement of ESG issues, the pursuit of market competitiveness, and financials, as well as their creation of shareholder value by solving social issues. Through continuous engagement with companies, Nikko AM's research analysts actively evaluate how proactive they are in addressing ESG issues.

### ESG guideline

**Principle 1:** Nikko AM will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** Nikko AM will be active owners and incorporate ESG issues into ownership policies and practices.

**Principle 3:** Nikko AM will seek appropriate disclosures on ESG issues by the entities in which it invests.

**Principle 4:** Nikko AM will promote acceptance and implementation of the Principles within the asset management industry.

**Principle 5:** Nikko AM will work together to enhance effectiveness in implementing the Principles.

**Principle 6:** Nikko AM will report on activities and progress towards implementing the Principles.

### ESG engagement

Nikko AM's engagement involves exchanging opinions not only on the business continuity and financial strategies of investee companies, but also on management policies, business strategies, shareholder returns, ESG issues, and other matters referred to in publicly disclosed non-financial information, from a long-term perspective and in line with the company's growth phase. Nikko AM's engagement activities cover a wide range of stakeholders, from senior management to finance, corporate planning, and business managers. In addition, for companies that are particularly reluctant to provide information, Nikko AM proposes meetings with senior management to increase the effectiveness of engagement. Nikko AM is working to achieve closer engagement with investee companies, with the aim of sharing the company's situation from a third-person perspective and supporting the creation of corporate value over the medium to long term.

### 3. Consulting Business Initiatives

#### Consulting to support the adoption of sustainable management practices

There is no shortage of economic, social, and environmental problems that affect us, such as the spread of COVID-19, the escalation of climate change, and the widening disparity of wealth. As such, there is a growing call for companies, which play a leading role in the economy, to incorporate sustainability-conscious management and play a proactive role in solving issues.

SuMi TRUST Bank's approach to sustainable management is to establish a process that creates value for stakeholders as well as for itself from the three angles of economy, society,

and environment and then fully incorporate it into management. The Bank offers consulting services to support the introduction of sustainable management by drawing on its strengths of bringing together the perspectives of ESG institutional investors accumulated over many years in investment management with the perspectives of forward-thinking sustainable management practitioners. More specifically, we have assembled a project team of highly experienced, expert consultants to accommodate the needs of clients and provide convincing advice.

##### Factors that hamper the implementation of sustainable management

- Insufficient understanding of global trends (assuming sustainability does not suit Japanese culture).
- Sustainability being viewed as “corporate social responsibility” and not integrated into core strategic issues.
- Incomplete instructions and information sharing with employees caused by vague motives for promotion of sustainability. Lack of a sense of conviction among employees preventing the progress of initiatives in the field.
- Insufficient involvement of the board of directors and lack of awareness among management. Department in charge not given enough authority to promote sustainability.
- Lack of balanced dialogue with a variety of stakeholders, including NGOs (inadequate response to negative external criticism).

##### Sustainable Management Implementation Support

The Sustainable Management Implementation Support service is designed to support clients in creating a roadmap for accelerating sustainable management based on the existing implementation system, status of initiatives, and information disclosure, as well as solidifying the internal mindset.

##### Sustainable Management Promotion Support

The Sustainable Management Promotion Support service helps clients develop their value creation process and enhance their impact management and materiality management, which are an essential part of promoting sustainable management.

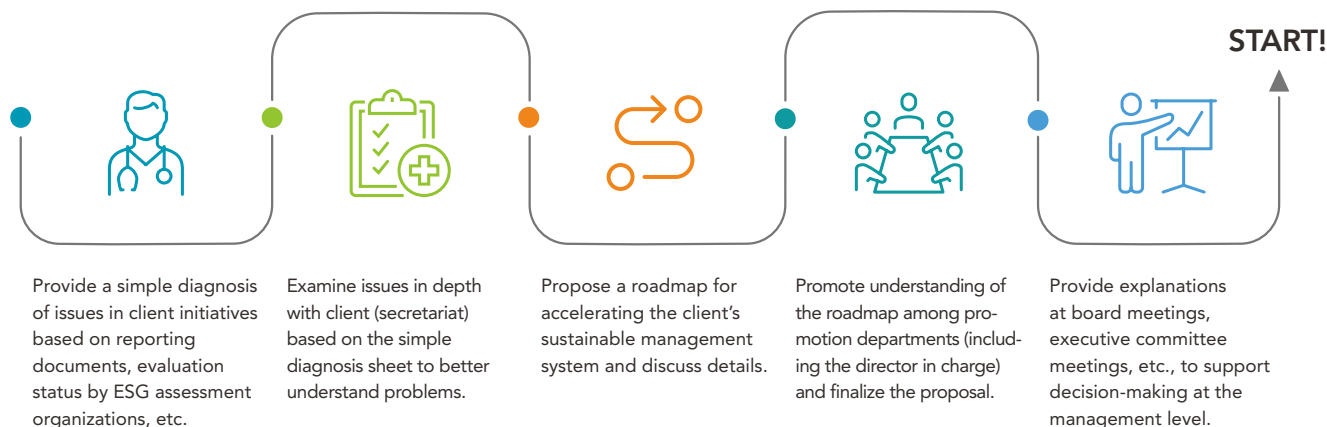
##### Sustainable Management Disclosure Support

The Sustainable Management Disclosure Support service aids clients in improving information disclosure with a focus on integrated reports as a means of communicating sustainable management to stakeholders in an easy-to-understand and concrete manner.

##### Sustainable Management Dialogue Support

The Sustainable Management Dialogue Support service assists clients in enhancing dialogue with investors, who have become increasingly interested in sustainable management and are beginning to incorporate ESG factors into their engagement and exercise of voting rights.

#### Process for supporting the introduction of sustainable management



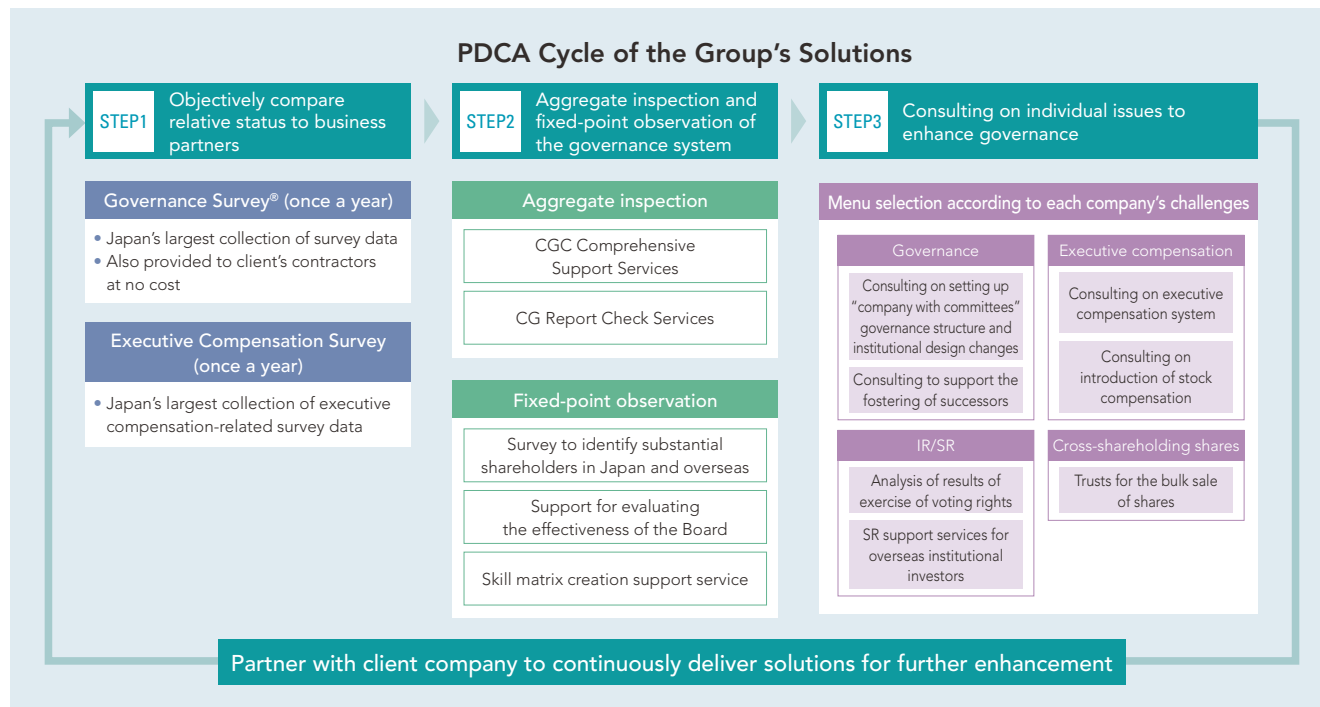
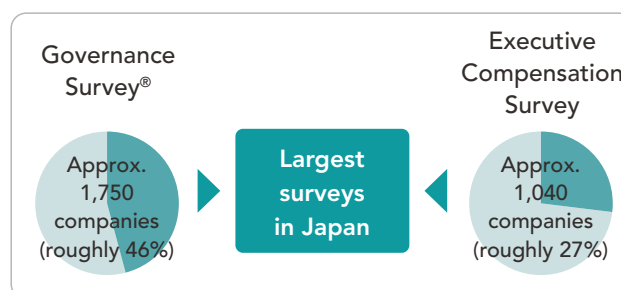
## Governance Consulting

Corporate governance reforms in Japan have strengthened governance on the part of both companies and investors through the introduction and revision of the Stewardship Code and the Corporate Governance Code. Based on the revised codes and various guidelines/guidance, companies are now expected to implement more sophisticated initiatives to strengthen governance. The Group's Stock Transfer Agency Services Business supports the corporate governance initiatives of Japanese companies with our Governance Survey® and Executive Compensation Survey, which leverage the industry's leading client base\*.

Now in its fifth year, the Governance Survey® attracted the participation of some 1,750 companies, making it the largest such survey in Japan. Nearly 50% of all listed companies in Japan took part and the distribution of those companies is quite similar to that of Japan's stock markets. The survey is supervised by Professor Kunio Ito and is characterized by providing governance index data (indexed to substantive progress) along with results compared alongside benchmark companies. The Executive Compensation Survey, conducted in collaboration with Deloitte Tohmatsu Consulting, is also in its fifth year and is also the largest in Japan in terms

of company participation, with approximately 19,600 executive compensation data points from some 1,040 companies broken down by company attribute. In addition to compensation levels, the survey intensively reviews compensation decision policies and the practical operation of compensation systems and compensation committees. Building on the data in the Governance Survey and the Executive Compensation Survey, the Group is able to partner with client companies to identify their specific challenges, deliver optimal solutions, and provide continuous and multifaceted support aimed at enhancing governance.

\*As of the end of September 2021, 1,656 listed companies under management for a market share of 42.4%, the highest in the industry



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

provide further solutions.

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



# 2 Planet

## —Environmental Considerations

Without a healthy planet to provide the clean air, fresh water, agriculture, forests and fisheries on which human life depends, societies cannot succeed and companies cannot create long-term value.

*From the World Economic Forum White Paper “Measuring Stakeholder Capitalism”*

064

- 065 The Group’s Approach to Environmental Issues
- 066 Actions for Adapting and Mitigating Climate Change
- 074 Natural Capital (Biodiversity Issues)
- 080 ESG in Real Estate
- 092 Environmental Burden Reduction Measures





# The Group's Approach to Environmental Issues

With regard to the three elements of a sustainable society, namely the economy, society, and the environment, the spread of COVID-19 demonstrated how social dysfunction can cause immeasurable damage to the economy, while also highlighting how global environmental issues such as climate change can undermine the very foundation of society's existence. This implies that an economy can function only in a healthy society, and that society must stay within the limits of the environment. Based on this perspective, we have established an environmental policy that considers global environmental issues in relation to the economy, and we are accelerating our various environmental initiatives.

## Sumitomo Mitsui Trust Holdings Environmental Policy

### 1. Provision of Products and Services

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

### 2. Environmental Burden Reduction

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

### 3. Pollution Prevention

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

### 4. Regulatory Compliance

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

### 5. Monitoring

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

### 6. Education & Training

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

### 7. Information Disclosure

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

\*The Action Guidelines for Mitigating Climate Change (see page 66) and the Action Guidelines for Preserving Biodiversity (see page 74) are specific guidelines that were drawn up based on this Environmental Policy.

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Key Stakeholders	Main Responses
Pursuing sustainability-themed business opportunities	Opportunity	Clients, communities	Maximization of positive impact through business (e.g., development of innovative financial products that contribute to solving environmental issues, and engagement that encourages positive behavioral change among borrowers and investees)
Considering impacts on society and the business environment of companies to whom we extend investments and loans	Risk	Clients, communities, NPOs	Minimization of negative impact through business (e.g., investment and loan operations in line with policies for specific sectors and ESG guidelines, engagement that encourages the reduction of negative environmental impacts of borrowers and investees)
Climate change	Risk/Opportunity	Clients, shareholders/investors, governments, international organizations, employees, NPOs	Development of climate-conscious governance, finalization of strategies, enhancement of risk management, establishment of metrics and goals, information disclosure in line with TCFD, and pursuit of business opportunities

Highly  
Relevant  
SDGs



# Actions for Adapting and Mitigating Climate Change

The most pressing environmental problem facing the world today is climate change.

At COP21, held in Paris in December 2015, signatory nations agreed to limit the increase in the global average temperatures to well below 2°C, and to pursue efforts to limit the temperature increase to 1.5°C; they also agreed to draw up a draft of further international targets. Since developed countries are responsible for 80% of historical carbon dioxide emissions, signatory nations also agreed that developed countries and developing countries had “common but differentiated responsibilities.” Countries across the globe have since accelerated moves toward realizing carbon-free societies. Through abnormal weather, rises in sea levels, and other phenomena, climate change is already impacting people’s lives, economic activity, and ecosystems in a number of ways. Moreover, the negative impacts of climate change are greatest on developing countries and the vulnerable, and

this is creating additional societal issues such as inequality and poverty.

At the same time, measures taken to ease or adapt to climate change are leading to improvements in ecosystem services through the enrichment of natural capital, while the migration of social systems driven by investment promotion and technological innovation is generating economic growth. Global sustainability now hinges on how quickly societies can achieve net zero CO<sub>2</sub> emissions.

## Target SDGs for Climate Change Initiatives



### Action Guidelines for Mitigating Climate Change

#### 1. Implementation of Measures and Support to Help Mitigate Climate Change

In addition to actively taking measures to reduce greenhouse gas emissions in our own business operations, we are making efforts, as a corporate citizen, to support activities that mitigate and adapt to climate change.

#### 2. Provision of Products and Services

We are working on developing and providing products and services that help mitigate climate change. Our financial functions are being leveraged to promote energy conservation and encourage the use of renewable energy.

#### 3. Collaboration with Stakeholders

We engage in dialogue and cooperation with our stakeholders as we work to mitigate climate change.

#### 4. Education and Training

We will ensure that these guidelines are fully implemented at Group companies, and will actively conduct education and training to mitigate climate change.

#### 5. Information Disclosure

We will actively disclose information related to our efforts to mitigate climate change.

## Summary of Activities in 2020/2021

	Targets for 2020/2021	Results
Long-term sustainable finance target <sup>*1</sup>	<ul style="list-style-type: none"> <li>Undertake a total of ¥5 trillion in projects in the 10-year period from FY2021 to FY2030 (including ¥3 trillion in the environmental field)</li> </ul>	<ul style="list-style-type: none"> <li>¥328.5 billion, as of September 30, 2021</li> </ul>
Climate change mitigation	<ul style="list-style-type: none"> <li>Further expand renewable energy finance portfolio</li> <li>Reduce CO<sub>2</sub> emissions by 50% from FY2019 levels by FY2030<sup>*2</sup></li> </ul>	<ul style="list-style-type: none"> <li>170 projects generating a total of 16,245 MW</li> <li>4.4% less than in FY2020</li> </ul>
Disclosure of climate-related information	<ul style="list-style-type: none"> <li>Enhance TCFD Report</li> </ul>	<ul style="list-style-type: none"> <li>Published TCFD Report in January 2022</li> <li>Announced Carbon Neutral Commitment</li> </ul>

<sup>\*1</sup> For initiatives carried out by SuMi TRUST Bank

<sup>\*2</sup> For initiatives carried out by SuMi TRUST Bank; in the Carbon Neutral Commitment announced in October 2021, the bank changed its policy to achieving net-zero greenhouse gas emissions from the SuMi TRUST Group by FY2030

## Carbon Neutral Commitment

In October 2021, SuMi TRUST Bank announced the following Carbon Neutral Commitment, with the aim of reducing greenhouse gas emissions worldwide and solving other

climate change-related issues in society. In order to steadily promote this commitment, SuMi TRUST Holdings has also joined the Net Zero Banking Alliance (NZBA).

- 1) Contribute to achieving carbon neutrality in society by leveraging trust banking group's wide-range and flexible functions
- 2) Target net-zero GHG emissions in investment and loan portfolios by 2050\*<sup>1</sup>  
To achieve net-zero emissions by 2050, a milestone target for 2030 will be formulated in FY2022 in line with the framework of the NZBA
- 3) Achieve net-zero GHG emissions in the SuMi TRUST Group by 2030\*<sup>2</sup>

\*1 Scope 3 Standard (emissions of other companies related to the SuMi TRUST Holdings' activities) of the GHG Protocol, a GHG emissions measurement and reporting standard developed by the global GHG Protocol Initiative

\*2 Scope 1 and Scope 2 of the GHG Protocol

Scope 1: A reporting organization's direct GHG emissions

Scope 2: A reporting organization's indirect emissions associated with the generation of electricity, heating/cooling, or steam purchased from other companies for its own consumption

## Participation in International Initiatives

In order to more steadily promote its initiatives toward carbon neutrality, the SuMi TRUST Group has become a member of the Net-Zero Banking Alliance (NZBA); NZBA is a financial sub-sector net-zero initiative of the Glasgow Financial Alliance for Net-Zero (GFANZ), a sector-wide coalition of net-zero finance initiatives.

NZBA is an international initiative for banks committed to aligning their lending and investment portfolios with net-zero GHG emissions by 2050; it was convened by the UN in April 2021. NZBA members are required to systematically reduce operational and attributable GHG emissions from their lending and investment portfolios, with the goal of achieving net-zero emissions by 2050 or earlier.

The SuMi TRUST Group became a member of NZBA in October 2021. Going forward, in line with NZBA guidelines, the Group will draw up interim reduction targets and

concrete reduction schedules for GHG emissions, and promote initiatives aimed at achieving net-zero.

The Net-Zero Asset Managers initiative (NZAMI) is an international group of asset managers committed to achieving net-zero GHG emissions in investee companies by 2050; it was launched in December 2020. NZAMI members are required to systematically reduce GHG emissions in assets under their management, with the goal of achieving net-zero emissions by 2050 or earlier.

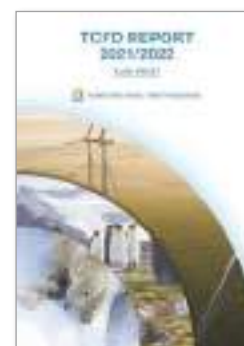
Sumitomo Mitsui Trust Asset Management became a signatory of NZAMI in July 2021, with Nikko AM following in November 2021. Going forward, in line with NZAMI guidelines, both companies will formulate interim GHG emissions reduction targets for assets under their management, and promote initiatives aimed at achieving net-zero.

## TCFD Report Publication

TCFD stands for "Task Force on Climate-related Financial Disclosures." It was established by the Financial Stability Board (FSB) to develop recommendations for how companies ought to disclose climate-related financial information. SuMi TRUST Holdings declared its support for TCFD and its recommendations in 2018. Since then, Group companies have followed these recommendations in their activities, with a focus on the core recommendations related to information disclosure. The Group has published a TCFD Report

covering its Group-wide initiatives every year since fiscal 2020.

URL: [https://www.smth.jp/-/media/th/sustainability/report/2021/tcfcd\\_all.pdf](https://www.smth.jp/-/media/th/sustainability/report/2021/tcfcd_all.pdf)



## Initiatives Led by the Technology Based Finance Team

### Partnership Agreement with Hokkaido Regional Environment Office, Ministry of the Environment

In September 2021, SuMi TRUST Bank signed a partnership agreement with the Hokkaido Regional Environment Office, Ministry of the Environment, with the twin aims of popularizing ESG regional finance and of promoting the resolution of regional issues in Hokkaido. This forms part of the Group's wider goals of realizing its Carbon Neutral Commitment by 2050, and of creating a Regional Circular and Ecological Sphere,

which seeks to construct a recycling-based, carbon-free society that exists in harmony with nature.

Both parties will leverage their respective functions, knowledge, and networks to popularize ESG regional finance, and to promote the resolution of regional issues by creating model businesses focused on regional benefits and providing support for the implementation of impact evaluations. In this way, they will undertake new initiatives aimed at realizing regional sustainability.



The partnership agreement signing ceremony, September 16, 2021

#### <Agreement Overview>

1. Promote the popularization of ESG regional finance at regional financial institutions
2. Promote the simultaneous resolution of regional problems and of global warming, by focusing on decarbonization
3. Promote the introduction of renewable energies, etc., with a focus both on environmental friendliness and regional benefits
4. Support the implementation of impact evaluations for ESG regional finance projects
5. Promote innovation and implement outstanding technologies across society
6. Create regional financial opportunities such as co-financing

### Partnership Agreement for Impact Evaluations on Local Production for Local Consumption of Energy

SuMi TRUST Bank has signed a partnership agreement with The Bank of Yokohama, Ltd., Hamagin Research Institute, Ltd., and Odawara City, Kanagawa Prefecture, to carry out impact evaluations on local production for local consumption of energy in Odawara City. This is the first time in Japan that a regional public entity and regional financial institutions have signed a partnership agreement to carry out in-depth impact evaluations.

Odawara City is working with private enterprises on

projects to promote the construction of local microgrids for the local production for local consumption of energy. Together with The Bank of Yokohama, the leading financial institution in the region, and Hamagin Research Institute, The Bank of Yokohama's thinktank, SuMi TRUST Bank will identify and assess the impact of these projects on regional finance, local communities, and the environment; their goal is to realize a model for local production for local consumption of energy in Odawara City.

Title	Partnership Agreement to Assess the Impact of the Local Production for Local Consumption of Energy Project in Odawara City
Target	<ul style="list-style-type: none"> <li>• Establish a platform for cooperating with The Bank of Yokohama, Ltd., Hamagin Research Institute, Ltd., and Odawara City, with the goal of carrying out impact evaluations and formulating impact finance methods for the Local Production for Local Consumption of Energy Project</li> <li>• Carry out impact evaluations on renewable energy management, including the use of primarily solar-based distributed power supplies, and the multi-purpose use of electric vehicles (for transport, BCP, and adjusting supply and demand)</li> <li>• Select groups of companies to promote the project, and carry out impact evaluations on them; construct a logic model for understanding the collective impact of the initiatives of each company group</li> </ul>
The role of SuMi TRUST Bank	<ul style="list-style-type: none"> <li>• Identify businesses and projects to undergo impact evaluations</li> <li>• Carry out practical affairs related to impact evaluations</li> <li>• Provide know-how and support for the execution of practical affairs related to impact evaluations, including conducting interviews with Odawara City and companies involved in the project; managing changes in external environments; and tracking both the quantitative and qualitative effects of the project on regional finance</li> <li>• Provide support for understanding the technologies required for Odawara City's local production for local consumption of energy model</li> <li>• Provide support for minimizing negative impacts and for creating and enhancing positive impacts</li> </ul>

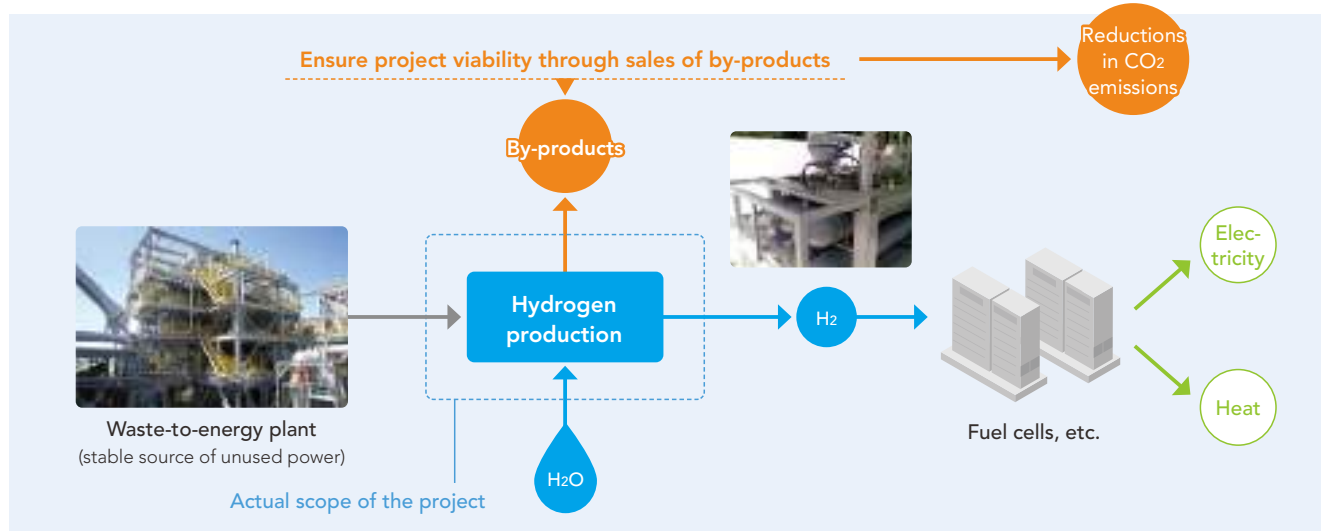
### Establishing a Green Hydrogen Supply Chain

Asahi Pretec Corp., FC Development Co., Ltd., X-Scientia Co., Ltd., and SuMi TRUST Bank have started developing systems and carrying out verification tests on building a green hydrogen supply chain through the effective use of by-products. The parties proposed the “Development of a system for building a green hydrogen supply chain through the effective use of by-products” project for consideration as part of the “2021 Low Carbon Technology Research, Development and Demonstration Project,” promoted by the Ministry of the Environment’s Global Environment Bureau, and have been awarded a partial subsidy.

The project seeks to develop hydrogen co-production systems capable of utilizing unused electricity from waste-to-energy plants to jointly produce both hydrogen and by-products, with the goal of significantly reducing hydrogen

production costs. After the completion of the project, the parties will discuss utilizing renewable energy and unused regional energy; their goal is to contribute to regional decarbonization by producing affordable hydrogen, and creating a green hydrogen supply chain that uses both hydrogen and any valuable by-products locally.

In April 2021, SuMi TRUST Bank established a technology-based finance (TBF) team—a group of experts in the fields of environment and energy—with the aim of financing the social implementation of decarbonization technologies. The TBF team’s first proposal was to collaborate with X-Scientia to actualize the design of the green hydrogen supply chain project; the team’s role is to stimulate demand with a view to future commercialization, and to establish business schemes.



### Participation in “Renewable plant polysaccharide-based plastic resource-oriented society co-creation hub”

Recycling-oriented societies contribute significantly to climate change mitigation by reducing the amount of energy required for producing products. It was for this reason that, in December 2021, SuMi TRUST Bank chose to participate in the Kanazawa University-led “Renewable plant polysaccharide-based plastic resource-oriented society co-creation hub” project, which was selected by the Japan Science and Technology Agency as a full-scale (10-year project) program for open innovation platforms for industry-academia co-creation (COI-NEXT) for fiscal 2021.

This project views polysaccharide agricultural waste as a resource, and seeks to establish a bioplastic recycling platform that incorporates the following steps: tailoring the design of bioplastic products—which do not generate plastic waste—to their usage scenarios; producing only the necessary quantities of plastic; and collecting and recycling used plastic so that it can continue to be reused.



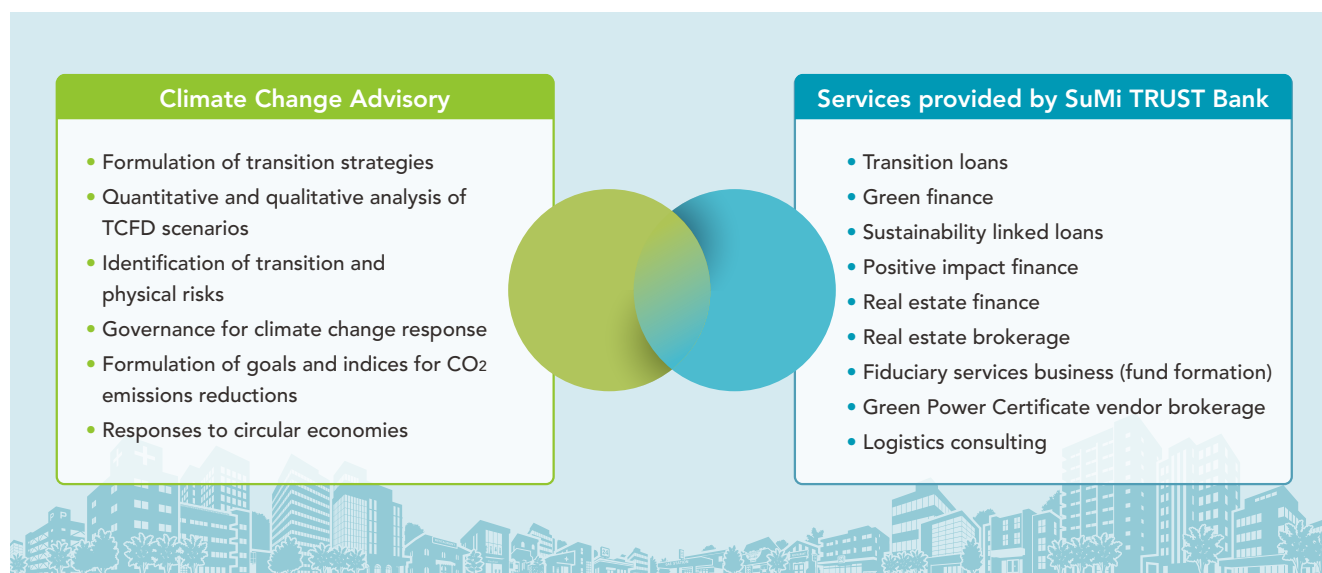
## SuMi TRUST Bank Initiatives

### Solutions to Climate Change

SuMi TRUST Bank established the Sustainable Business Promotion Office in April 2020. The organization was dedicated to developing and promoting ways to accelerate the growth of the Bank's solutions business for corporate enterprises, and to increase the corporate value (solutions business for social issues) of its clients through the provision of new ESG products and services.

In light of the increasing ESG needs of its clients, in April 2021 SuMi TRUST Bank reorganized the office as

the Sustainable Business Promotion Department with the aim of strengthening its functions in various areas: the cross-business development of ESG solutions; human resources; product development; business infrastructure establishment; and branding. The Sustainable Business Promotion Department will provide a comprehensive climate change response consultation service and a diverse array of solutions.



### Financing Renewable Energy Projects

Through project finance, SuMi TRUST Bank promotes the implementation of large-scale wind power generation, solar power generation, and other renewable energy projects; in addition, it has established and manages a renewable energy fund that specializes in large-scale renewable energy power generation projects.

The Bank is expanding its project finance for both onshore

and offshore wind power generation overseas, and further increasing its financing activities for solar power generation in Japan. The SuMi TRUST Bank is involved in projects with a total power generation capacity of 16,245 MW, and a total annual output of 43,674 GWh; this equates to an annual CO<sub>2</sub> reduction effect of 18.976 million tons, of which SuMi TRUST Bank's contribution accounts for 2.961 million tons.

### Reducing CO<sub>2</sub> Emissions through Project Finance

	Number of projects	Potential capacity (MW)	Annual output (GWh/year)	CO <sub>2</sub> reduction (PJ-based) (1,000t)	CO <sub>2</sub> reduction (contribution by the company) (1,000t)
Solar	118	5,896	8,804	4,625	1,313
Wind	26	3,577	9,598	3,450	574
Offshore wind	12	5,874	19,464	8,114	507
Biomass	13	779	5,764	2,767	565
Power generation from waste	1	120	44	21	2
Total	170	16,245	43,674	18,976	2,961

Eligibility inclusion: Project financing involving SuMi TRUST Bank (inside and outside Japan)

Capacity calculations: Numerical values of potential generation capacity, gigawatt hours of output per year, and CO<sub>2</sub> reduction effect cover all projects in each category.



## Solar Power Generation Project Loans for Infrastructure Investment Corporations

In November 2020, SuMi TRUST Bank originated a loan of approximately ¥27.9 billion to an infrastructure fund that primarily invests in renewable energy power generation facilities; the loan will be used to finance the acquisition of a large-scale solar power generation plant. Following the acquisition, the infrastructure fund is expected to become one of the largest listed infrastructure funds in Japan, with total assets of approximately ¥58.8 billion.

The loan is a syndicated loan involving a total of 13

regional and national financial institutions, and is the largest loan that a listed infrastructure fund has ever received in Japan. The land (superficies) and power generation equipment included in the large-scale solar power plant acquisition funded by this loan is under a trust beneficiary right scheme, with SuMi TRUST Bank as the trustee. This marks the first time that SuMi TRUST Bank has been the trustee of a property with superficies.

## Renewable Energy Funds and Investment Products for Investors

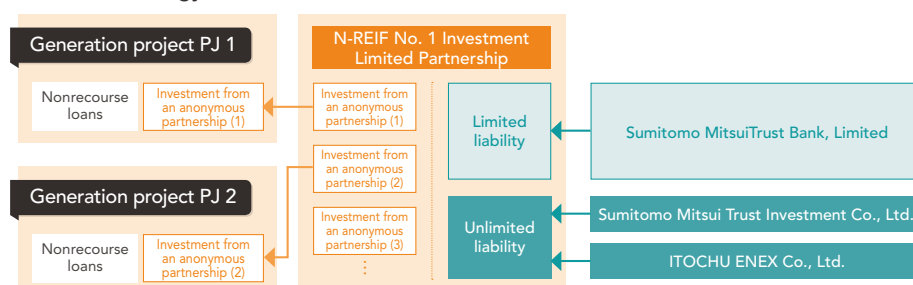
SuMi TRUST Bank established and operates funds that invest in renewable energy power generation projects. In addition, SuMi TRUST Bank launched a domestic renewable energy business investment fund for institutional investors.

As of March 2021, these funds have supplied equity funding for 27 mega-solar power generation projects and 1 wind power generation projects with total potential generation

capacity of 365 MW. Of the ¥142.0 billion in aggregate equity investment directed into these projects, our funds supplied total equity investment of ¥25.5 billion. These projects generate annual power output of 412 GWh, commensurate to CO<sub>2</sub> emission reduction of over 220,000 metric tons.

\* For CO<sub>2</sub> emission reduction calculations, we use the emission coefficient of each electricity supplier in the electricity supply system of the region where each project is located.

### Renewable Energy Fund Scheme



- We contribute by providing equity-like funding for the spread of renewable energy projects.
- We are building up an investment track record in solar and wind power generation, and plan to broaden the scope of our renewable energy investments.

The first fund of the Domestic Renewable Energy Business Investment Fund for Institutional Investors was established as a trust in April 2018 with an AUM of ¥12.7 billion (¥11.5 billion from external investors). The fund completed its investment phase in April 2020 following investment in seven projects and has moved into the management phase. The

total power generation capacity of all the projects included in the first fund is 119 MW, with annual power output reaching 138 GW, commensurate to CO<sub>2</sub> emission reduction of over 820,000 metric tons. We are currently considering the establishment of a second fund.

## Establishing an Investment Fund for Renewable Energy Projects

There is a growing need for renewable energy in Japan. For this reason, in December 2021, NTT Anode Energy Corporation, Tokyo Century Corporation, SuMi TRUST Bank, and Sumitomo Mitsui Trust Investment established an investment fund with the goal of promoting the expansion

of solar power generation and other renewable energy projects. The four companies will combine their financial power and expertise in developing and operating renewable energy and, through this fund, seek to acquire renewable energy projects worth a total of around ¥100 billion.

## Sumitomo Mitsui Trust Panasonic Finance Initiatives

### Solar Power Generation for Self-Consumption

Sumitomo Mitsui Trust Panasonic Finance formed a partnership with an experienced solar power equipment manufacturer to help companies develop optimal investment plans for solar power generation for self-consumption based on their power utilization records, and reduce their initial costs

through subsidies.

This venture helps companies reduce their CO<sub>2</sub> emissions, reduce their Scope 3 emissions, and participate in SBT and RE100 initiatives; it also contributes to the Japanese government's Low Carbon and Decarbonization initiatives.

### Contributing to Decarbonization through Corporate PPAs

Sumitomo Mitsui Trust Panasonic Finance is collaborating with power generation companies to promote the procurement of electricity through corporate power purchase agreements\* (PPAs). Corporate PPAs offer three merits to clients: 1) the removal of solar power generation facilities from their balance sheets; 2) the procurement of renewable

energy with no initial investment; and 3) the effectively use of non-operational or idle land.

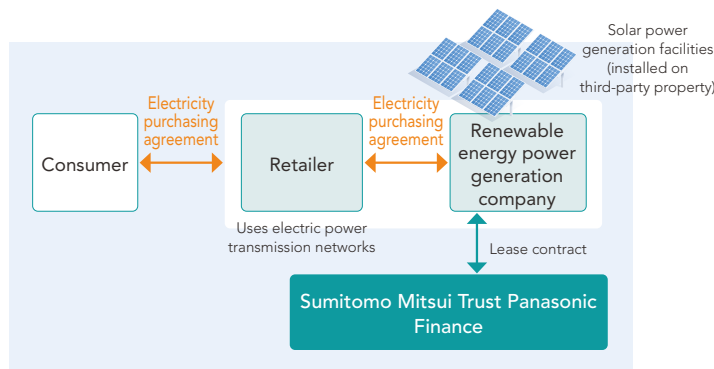
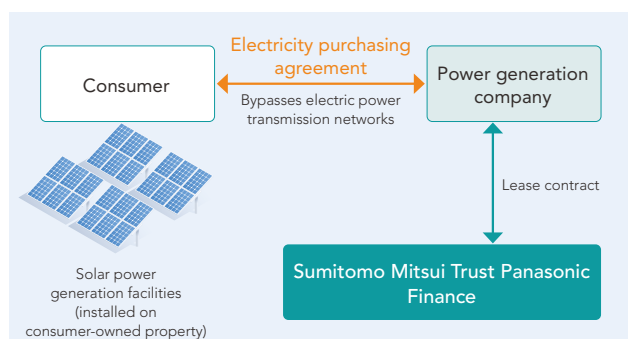
\*Corporate PPAs are long-term agreements for consumers to purchase renewable electricity from power generation companies; they are available in various forms. Sumitomo Mitsui Trust Panasonic Finance has practical experience in the provision of subsidized on-site and off-site PPAs.

#### On-site PPAs

An on-site PPA is an electricity purchasing agreement in which a consumer purchases electricity that has been generated on its own property: the consumer provides a power generation company with use of privately owned property (rooftops, idle land, etc.); the power generation company uses this space to establish, operate, and maintain power generation facilities; the consumer purchases and consumes the electricity generated. Since on-site PPAs are exempt from renewable energy levies, consumers are not affected by rises in the unit price of electricity, so facilitating the stable procurement of electrical power.

#### Off-site PPAs

An off-site PPA is an electricity purchasing agreement in which a consumer purchases electricity that has been generated on third-party property: power generation facilities are installed on third-party property; electricity is sent from these facilities to the consumer via transmission networks. Off-site PPAs are targeted at consumers who face difficulties installing facilities on their own property, or whose demand exceeds their on-site generation capacity. Off-site PPAs incur consignment fees and costs related to supply and demand adjustments.



### Mega-Solar Installations Using Leases

Leasing power generation facilities helps lower the initial investment cost for construction; projects can also earn stable income by using the feed-in tariff (FIT) system. Leases are therefore an effective method of financing that enhances business planning stability.

In addition to new projects, Sumitomo Mitsui Trust Panasonic Finance also provides lease-based financing options for fully operational projects that have been put up for sale to investors (secondary transactions). And it also started a leasing and installment plan support service for offshore floating mega-solar power plants. The Group will continue to fuse its extensive know-how honed thus far with financial services to offer schemes that best meet the needs of increasingly sophisticated renewable energy projects.



## Micro-Power Generation in Water Supply Systems

Sumitomo Mitsui Trust Panasonic Finance proposes ideas for adopting micro-power generation systems in water supply systems across Japan, and promotes global warming mitigation measures and the use of natural energy in the regions.

Japan's water supply systems possess an enormous amount of untapped energy in the form of unutilized vertical drops in non-pressure flow pipes, surplus pressure in pumped supply pipes, and reduced pressure from pressure-reducing valves—all of which can be used for power generation. To utilize this untapped energy, Sumitomo Mitsui Trust Panasonic Finance operates a leasing system

### Characteristics of micro-power generation systems

**High efficiency:** Efficient power generation system developed with inverter controls

**Low cost:** System configuration uses general-purpose pumps, low-cost magnets, and standardized parts

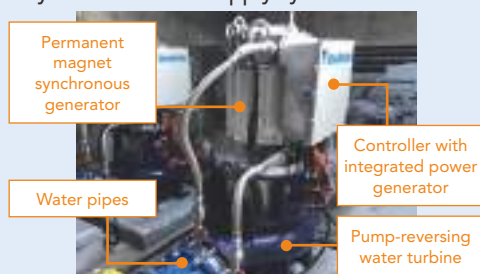
**Compactness:** Power generator and control device are stacked on top of each other to minimize installation space

### Characteristics of leasing system

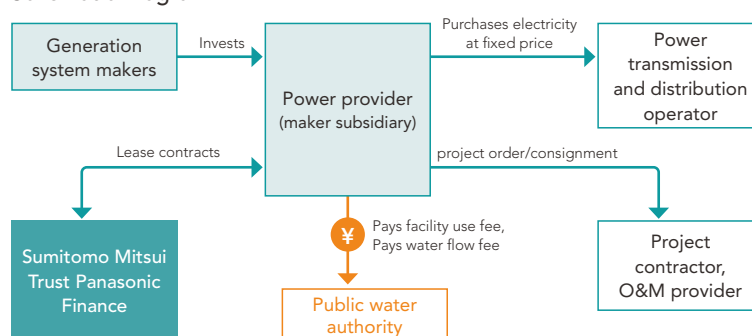
(advantages for local governments)

- No upfront investment costs on project launch
- Power provider manages and maintains the system
- Stable lease revenue and receipt of property tax

### Newly developed micro-power generation system for water supply systems



### Schematic Diagram



## Home Renovation Loans for Smart Houses

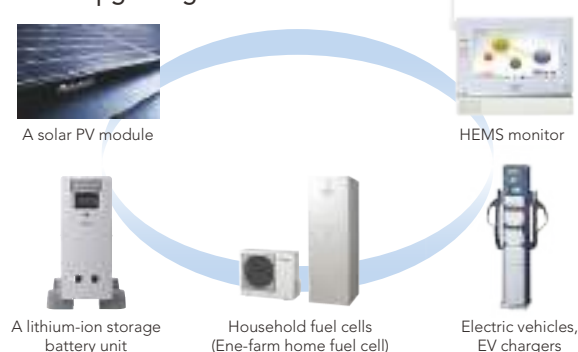
Homes continue to evolve, and are now able to generate electricity on-site, and use this electricity in a smart manner. Through its home renovation loans, Sumitomo Mitsui Trust Panasonic Finance is supporting the conversion of homes into "smart houses." Today, smart houses are capable of efficiently generating and storing power through a combination of solar panels, storage batteries, and household fuel cells. Improved energy-saving functions also enable homeowners to tailor their electricity consumption to their lifestyles and the prevailing weather conditions. The ten-year Excess Electricity Purchasing Scheme for Photovoltaic Power commenced in 2009; as such, since 2019 there has been significant growth in household solar power generation equipment whose feed-in tariff contracts have expired. Going forward, the conversion of existing homes into "smart houses" will be a key topic in the fight against

global warming.

Following the liberalization of retail sales of electricity and gas to households in Japan, energy and telecommunication sector services are increasingly being integrated; examples include sales of packages that combine telecommunications or broadcasting services with various forms of electricity. The development of houses, home appliances, and vehicles with multiple functions is also advancing. Through its solar loans, Sumitomo Mitsui Trust Panasonic Finance has contributed to the popularization of household solar panels since the Excess Electricity Purchasing Scheme for Photovoltaic Power was established.

Going forward, by partnering with equipment vendors and installers, Sumitomo Mitsui Trust Panasonic Finance will continue to support the conversion of homes into "smart houses" via its renovation loans.

### Equipment for Upgrading to a Smart House

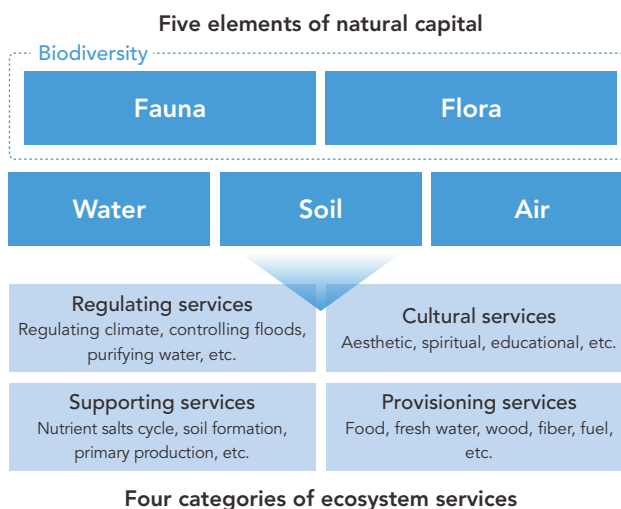


A smart house

# Natural Capital (Biodiversity Issues)

The global environment is the foundation for sustaining the life of various living creatures. It comprises of natural capital, such as water, air, soil, as well as marine and terrestrial fauna and flora that are grown in such resources under the blessings of the sun. Humans also depend on natural capital and have utilized it to build social systems and develop the economy. In this process, however, humans have also caused significant consequences.

Natural capital is not inexhaustible. Supplies may be exhausted sooner or later unless we accurately track and manage our dependence and impacts on natural capital. This is closely interlinked with humans' day-to-day activities. For this reason, all SDGs are connected with natural capital. Primarily from the perspective of corporate activities, the Group focuses on natural capital in Japan, where we lay our business foundation, as well as natural capital outside Japan, where we rely on highly for the procurement of raw materials and parts. We have selected goals that contribute to proper dependence on and management of such natural capital.



## Sumitomo Mitsui Trust Holdings Action Guidelines for Preserving Biodiversity

### 1. Implementing Measures and Providing Support for Biodiversity Preservation

We will strive to actively protect rare and native species. In our role as a corporate citizen, we will work to support activities for the preservation of biodiversity.

### 2. Providing Products and Services

We will endeavor to develop and provide products and services that contribute to the preservation of biodiversity, by conducting appropriate economic and social evaluations of the ecosystem and encouraging the sustainable use of living resources through our financial functions.

### 3. Collaboration with Stakeholders

We will engage in dialogue and cooperation with our stakeholders while working to preserve biodiversity.

### 4. Education and Training

We will ensure thorough implementation of these action guidelines at all Group companies and will work to provide education and training aimed at the preservation of biodiversity.

### 5. Information Disclosure

We will actively disclose information about our efforts to preserve biodiversity.

## KPIs for Solving the Challenges

2020/2021	Target	Result	2021/2022	Target
Promotion through proposals to clients, seminars, school education, etc.	20 times or more	56 times	More advanced management system	Establishment of internal system
More advanced information disclosure	Issuing TNFD reports	Start consideration (framework to be released in 2023)	Enhancement of information disclosure	Participating in TNFD forums and information gathering
More advanced sector-specific policies	To be implemented within fiscal year 2021	Revise in fiscal year 2021 4Q	Promotion of related business	Accelerate inclusion in policy on investments and loans

## Target SDGs for Natural Capital Initiatives



Also refer to Natural Capital, a separately published version of this report.  
URL: <https://www.smth.jp/en/csr/report/2020/NC-E-all.pdf>



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

SuMi TRUST Holdings became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development “Rio+20” held in Rio de Janeiro in June 2012. SuMi TRUST Holdings is the only financial institution in Japan to have signed the declaration when it originally promulgated.

The initiatives of NCD signatories have been expanded through NCD’s reorganization into Natural Capital Finance Alliance (NCFA).



### Status of Business and Biodiversity Initiative “Biodiversity in Good Company”: Leadership Commitment

At the ninth meeting of the Conference of the Parties (COP 9) to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, SuMi TRUST Holdings signed the Leadership Commitment under the Business and Biodiversity Initiative “Biodiversity in Good Company,” which was led

by the German government. Since then, we have continued to use this commitment as a guideline for our activities.



Leadership Commitment	Initiatives in 2020-2021
1. Analyze impacts of corporate activities and current operational dependencies with regards to biological diversity.	We provided environmental rating loans with natural capital evaluation and Positive Impact Finance (PIF) solutions that comprehensively analyzes economic, social, and environmental impact of corporate activities, and also analyzed investee initiatives during our asset management company engagements.
2. Integrate the protection of biological diversity, the sustainable use of components and the equitable sharing of benefits derived from use (the three objectives of CBD) into sustainability management systems.	In our Sustainability promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually.
3. Appoint a responsible individual within the company to steer all activities in the biodiversity sector and report to the Managing Board.	The head of the Sustainability Management Department steers all activities and reports to the Executive Committee.
4. Define realistic and measurable objectives to improve the protection of biological diversity and its sustainable utilization, to be monitored and adjusted every two to three years, and identify challenges.	We set targets based on the challenges for achieving SDG goals (see page 74).
5. Publish activities and achievements related to biological diversity in the company’s annual, environmental or sustainability report.	We publish the Natural Capital Report on an annual basis. Initiated research with a view to preparing a report in compliance with TNFD (Taskforce on Nature-related Financial Disclosures).
6. Inform suppliers about the company’s biodiversity objectives and integrate suppliers accordingly and step by step.	We continue to pay attention to procurement of copier paper and office supplies linked to illegal logging in tropical rain forests, which has large detrimental impacts on biodiversity. In the asset management business, we also engaged as an investor in tropical rainforests. In the PIF solutions business, we continued to set and monitor nature-related KPIs with our borrowers.
7. Explore the potential for cooperation with scientific institutions, non-governmental organizations and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate biodiversity management system.	Sumitomo Mitsui Trust Asset Management participates in working group TNFD.

### Major Initiatives in the Group’s Business to Date

2000	SuMi TRUST Bank is entrusted with the Keidanren Nature Conservation Fund, a charitable trust from the Keidanren Committee on Nature Conservation
2008	SuMi TRUST Holdings signs the Leadership Declaration of the Business and Biodiversity Initiative SuMi TRUST Holdings establishes the Basic Policy for Addressing Biodiversity Issues (currently Action Guidelines for Preserving Biodiversity) SuMi TRUST Bank translates the TEEB (The Economics of Ecosystems and Biodiversity) Interim Report
2010	Asset management company develops Ikimonogatari, a Japanese equity investment trust specializing in biodiversity
2012	SuMi TRUST Holdings signs the Natural Capital Declaration (now the Natural Capital Finance Alliance) proposed by UNEP FI at the United Nations Conference on Sustainable Development (Rio+20)
2013	SuMi TRUST Bank develops environmental rating loans with natural capital evaluation; SuMi TRUST Bank forms the the Natural Capital Study Group
2016	SuMi TRUST Bank signs the Equator Principles
2018	Asset management company joins Farm Animal Investment Risk & Return (FAIRR), an engagement organization working primarily with the fisheries and livestock industries
2019	SuMi TRUST Bank develops Positive Impact Finance (PIF)
2020	SuMi TRUST Bank establishes financing policies for specific sectors SuMi TRUST Bank is entrusted with a forestry trust by Okayama Prefecture’s Nishiwakura Village
2021	Asset management company participates in working group TNFD (Task force for Nature-related Financial Disclosures)



## Natural Capital (Biodiversity Issues)

### Positive Impact Finance

SuMi TRUST Bank is working on Positive Impact Finance (PIF), which considers not only the relationship with clients but also the relationship between clients and society, and helps transition to a sustainable society by ensuring an optimal relationship (see page 54). Many companies have some

level of exposure to natural capital in their supply chain. SuMi TRUST Bank supports client initiatives by identifying these impacts, setting KPIs for reducing negative impacts and increasing positive impacts, and monitoring them.

### Example of Monitoring of KPIs and Results Set on the Theme of Natural Capital in PIF (Client) Fuji Oil Group Headquarters (From March 2019)

Theme	Target	KPI	Result	
Biodiversity and ecosystem services	Sustainable sourcing that considers the environment and human rights Supply chain improvement activities and RSPO initiatives aimed at NDPE (No Deforestation, No Peatland development, No Exploitation) in the sourcing process	Traceability scores for palm oil all the way back to the oil extraction plant	Fiscal year 2018 First half: 98% Second half: 99%	Fiscal year 2019 First half: 99% Second half: 100%

### (Client) Sumitomo Forestry Co., Ltd. (From March 2020)

Theme	Target	KPI	Fiscal year 2019 result
Sourcing that considers sustainability and biodiversity	<ul style="list-style-type: none"> <li>Forest management that balances global warming prevention and biodiversity conservation</li> <li>Expansion of sustainable use of forest resources</li> <li>Environment creation that considers biodiversity</li> </ul>	Raise domestic and overseas forest certified area to 221,467 ha by fiscal year 2021	221,101 ha
		Reach company-made tree sapling planted area of 7,920 ha and supplied volume of 7.26 million trees by fiscal year 2021	7,770 ha, 4.14 million trees
		Achieve chips and pellets for main fuel use handling volume of 1,363,930 tons by fiscal year 2021	1,112,224 t
		Raise percentage of sustainable timber and timber products handled to 100% by fiscal year 2021	89.8%
		Achieve company-made seedling unit sales of 500,000 in fiscal year 2021	424,000 trees

## Initiatives in the Real Estate Business

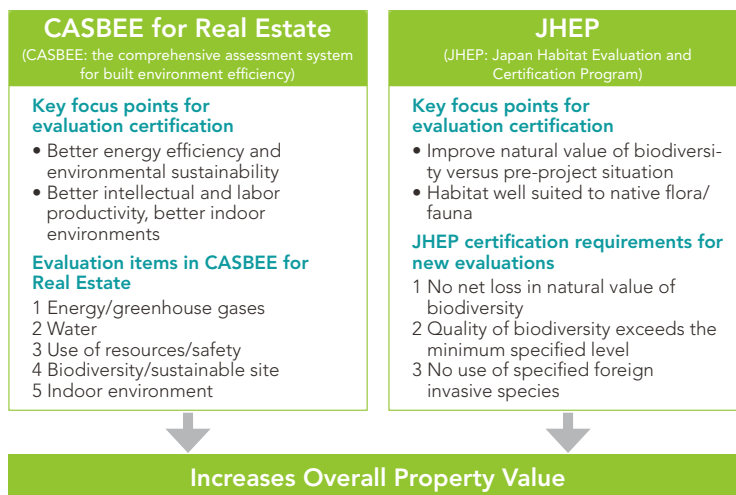
### Construction Consulting on How to Foster Biodiversity and Ecosystems

Through the use of CASBEE for Real Estate\*1 and JHEP\*2 together, the environmental performance of properties can be improved across many dimensions, helping to increase overall property value.

At SuMi TRUST Bank, biodiversity considerations are included in our menu of construction consulting services.

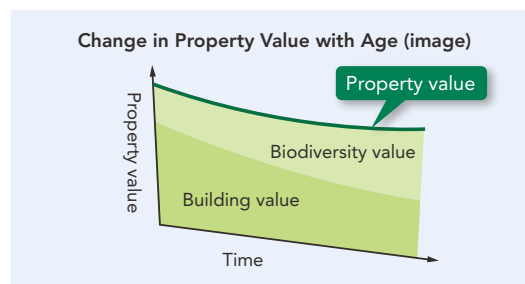
\*1 CASBEE for Real Estate: The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). SuMi TRUST Bank is involved in the establishment of criteria.

\*2 JHEP: Japan Habitat Evaluation and Certification Program is a system is a system developed by the Ecosystem Conservation Society-Japan to quantitatively evaluate and certify efforts to contribute to the conservation and restoration of biodiversity.



A building's environmental performance is evaluated on many dimensions such as energy savings, global warming mitigation measures, biodiversity, durability, and resource efficiency.

The value of buildings decline with age but the biodiversity value increases every year as the ecosystem surrounding it forms. These offsetting lifecycle patterns can maintain the combined value of the building and site together as a whole. Ecological networks can be created through the connection of local communities, neighboring buildings and green nature reserves.





## Initiatives in Asset Management

Sumitomo Mitsui Trust Asset Management (SMTAM) has set “natural capital/resource conservation” as one of the top-down engagement ESG 12 topics, and has been engaged in engagement activities related to palm oil production, as well as engagement activities and proposals to the governments of Brazil and Indonesia regarding tropical rainforest conservation. In addition, we have been participating in the Task Force on Nature-related Financial Disclosures (TNFD), which was officially launched in June 2021, since the informal working group started in the previous year (as the only company from Japan participating), and have been contributing to the development of frameworks.

### Activities through the Principles for Responsible Investment (PRI) Palm Oil Working Group—Engagement Toward Financial Institutions

As a PRI signatory, SMTAM joined the PRI Palm Oil Working Group in 2016 as a lead manager and has since been continually active. The working group is the oldest of those of PRI, which was established in 2011. It was established in response to the massive loss of rainforests and biodiversity caused by

palm oil production, the poor conditions for workers, and conflicts with local residents over land development, which became major social issues.

In 2018, the working group decided to strengthen its engagement activities with ASEAN financial institutions. The main aim is to encourage strengthened monitoring of compliance of palm oil producers, etc., among financial institutions, which play the important role of supplying funds in the palm oil supply chain. In November 2018, members of the working group, including SMTAM, visited financial institutions in the ASEAN region, and conducted engagement to request clarification of the role of the financial industry in the transition to a sustainable palm oil sector and to strengthen monitoring among financial institutions.

### Multi-Engagement Activities—Engagement Toward the Indonesian Government

In November 2020, the Indonesian government established the Omnibus Law with the aim of simplifying laws and regulations to speed up business and achieve economic benefits. From the draft bill stage, SMTAM was concerned that the enactment of this law would lead to deforestation. In order to solve social issues, we determined that it is essential for governments and public policy organizations to collaborate with private companies and public entities, and that it is necessary to engage multi-stakeholders other than investee companies.

In September 2020, SMTAM joined forces with 35 overseas asset managers to send a letter to the Indonesian government saying that there is the risk that economic stimulus packages under the law could lead to deforestation. The letter subsequently was sent individual responses by the Indonesian Deputy Foreign Minister and the Environment and Forestry Minister. At the same time, SMTAM worked of its own accord to engage with the Indonesian Ambassador to Japan, expressing the opinions that: (1) Long-term investors are not concerned about the law itself, but want transparency in how it is applied and (2) we would like particular care taken not to damage forest conservation. As the Indonesian government's view, it was mentioned that the government is conscious of various stakeholders, including investors and environmental groups in implementing the law, and that the government would give due consideration to the balance between economic stimulus and environmental conservation, especially with regard to measures to prevent deforestation, in the implementation rules.

#### Examples of Engagement Activities Through the PRI Palm Oil Working Group

Target Company Malaysia: CIMB Group (Finance)

##### Deciding to Strengthen Engagement Toward ASEAN Financial Institutions

In 2018, the working group decided on a policy to strengthen engagement activities toward ASEAN financial institutions.  
This was to encourage strengthened monitoring of compliance of palm oil producers, etc., among financial institutions, which play the important role of supplying funds in the palm oil supply chain.

##### Engagement with CIMB

We started engagement with CIMB, which is a leading Asian financial group and has the biggest presence in ASEAN, by requesting: (1) Clarification of the role of financial institutions in the transition to a sustainable palm oil sector; and (2) Strengthened monitoring of compliance by palm oil producers, etc.

##### Corporate Action

- Amid repeated engagement, the company formulated a policy to: (1) Be the first financial institution in the region to incorporate EES (environmental, economic, and social) into its risk assessment; (2) Incorporate sustainable finance policies into the screening process for lenders; and (3) Promote enhanced monitoring of palm oil producers for compliance.
- Declared in December 2020 that coal-related financing will be phased out by 2040. This marked the first time that a Malaysian financial institution declared a withdrawal with a clear timeframe.

##### Future Policy

As the scope of engagement has expanded to include other ASEAN financial institutions, the top ASEAN groups have begun to respond positively to sustainability initiatives. However, with regard to medium-sized and smaller enterprises, we are still at the stage of promoting understanding about sustainability activities of financial institutions. To solve the palm oil problem, we plan to widely conduct engagement toward financial institutions throughout the ASEAN region.

### Commitment Letter to Prevent Deforestation Caused by Grain Production

In November 2021, SMTAM endorsed the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation, which was endorsed by over 30 global asset managers (total assets of \$8.7 trillion).

## Forestry Trust

Japan is one of the most forested countries in the world, and half of the forests that were planted after the war are now in full-scale use. However, their use has not progressed and is, on the contrary, causing a negative impact. The main reasons for the lack of appropriate use of forests are the small-scale ownership structure of forests, the increase in the number of landowners outside of villages due to the concentration of population in urban areas, and the emergence of forests with unknown owners.

In order to help solve these social issues, SuMi TRUST Bank developed the forestry trust. The forestry trust is the kind of SDGs initiative that only a trust can provide, promoting forestry and regional revitalization.

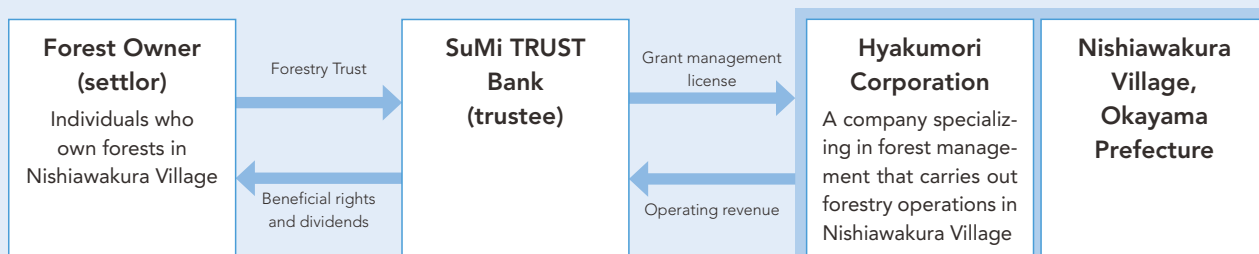


### Forestry Trust Business

In August 2020, SuMi TRUST Bank was entrusted with a forestry trust with a trust property of approximately 10 ha of forest from an individual client (hereinafter "owner") who owns forest in Okayama Prefecture's Nishiawakura Village, as the first commercial trust in Japan. SuMi TRUST Bank will entrust management activities to forestry entities on behalf

of the owner, manage revenues, and distribute dividends. The forestry entity that performs the work combines multiple forests to ensure more efficient forestry management and prevent the situation where the owner of the land becomes unclear due to inheritance and other factors.

#### Forestry Trust Scheme



### Thinning of Forests

In the summer of 2021, thinning work was carried out in Okayama Prefecture's Nishiawakura Village. Forest maintenance and conservation are carried out by repeating the cycle of thinning at intervals of five years or more, followed by clear-cutting and reforestation. Appropriate maintenance can help prevent disasters such as landslides and increase carbon dioxide absorption.

This thinning has created a healthy environment for the forest to grow by creating adequate space between the trees and allowing sunlight to shine through.

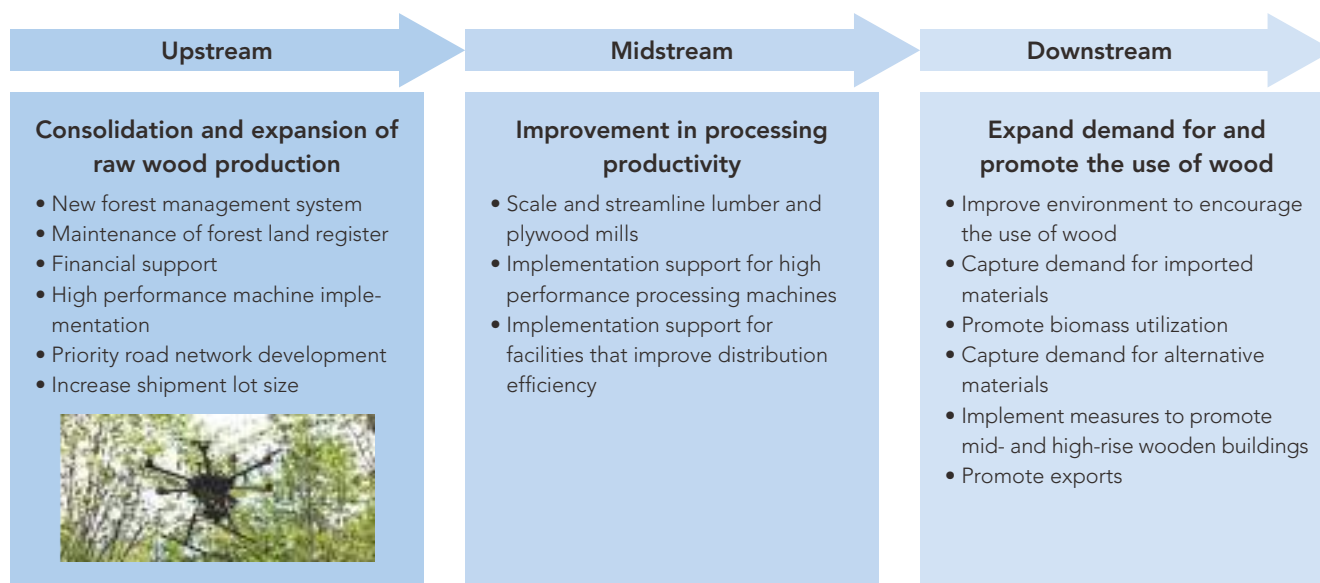
Thinning materials used included construction materials, furniture materials, and woody biomass (chips) for boilers, etc., which were utilized without waste in the local ecosystem and generate profit.



## Smart Precision Forestry Initiatives

To further improve the productivity of the forestry industry, SuMi TRUST Bank is supporting the realization of smart precision forestry utilizing drones and ICT in collaboration with Shinshu University and other organizations. In addition, to

revitalize the forestry industry, we are working with related parties to improve the entire supply chain in order to boost efficiency and add value not only upstream, but also mid-stream and downstream.



## ICT-driven Smart Precision Forestry

## Awarded the Ninth Platinum Vision Award: Grand Prize / Economy, Trade and Industry Minister's Award

At the Ninth Platinum Vision Award (organizer: Platinum Society Network), held on October 21, 2021, SuMi TRUST Bank received the highest Grand Prize / Economy, Trade and Industry Minister's Award for its forestry trust initiatives.

The award was given in recognition of the fact that the Company has created new value by combining the power of trust, which is responsible for asset management, with the latest digital technology, with the aim of solving the social issues facing Japan's forests.



Award ceremony

### About Platinum Society Network and Platinum Vision Award

With Hiroshi Komiyama as representative founder, Platinum Society Network is a nationwide collaborative organization that promotes "Platinum Society," a higher level of community development that aims to create a comfortable society that is eco-friendly, where the elderly can participate, and where people can grow and find employment in the community. The Platinum Vision Award was established to honor outstanding models for a "Platinum Society" and to communicate them widely to society.



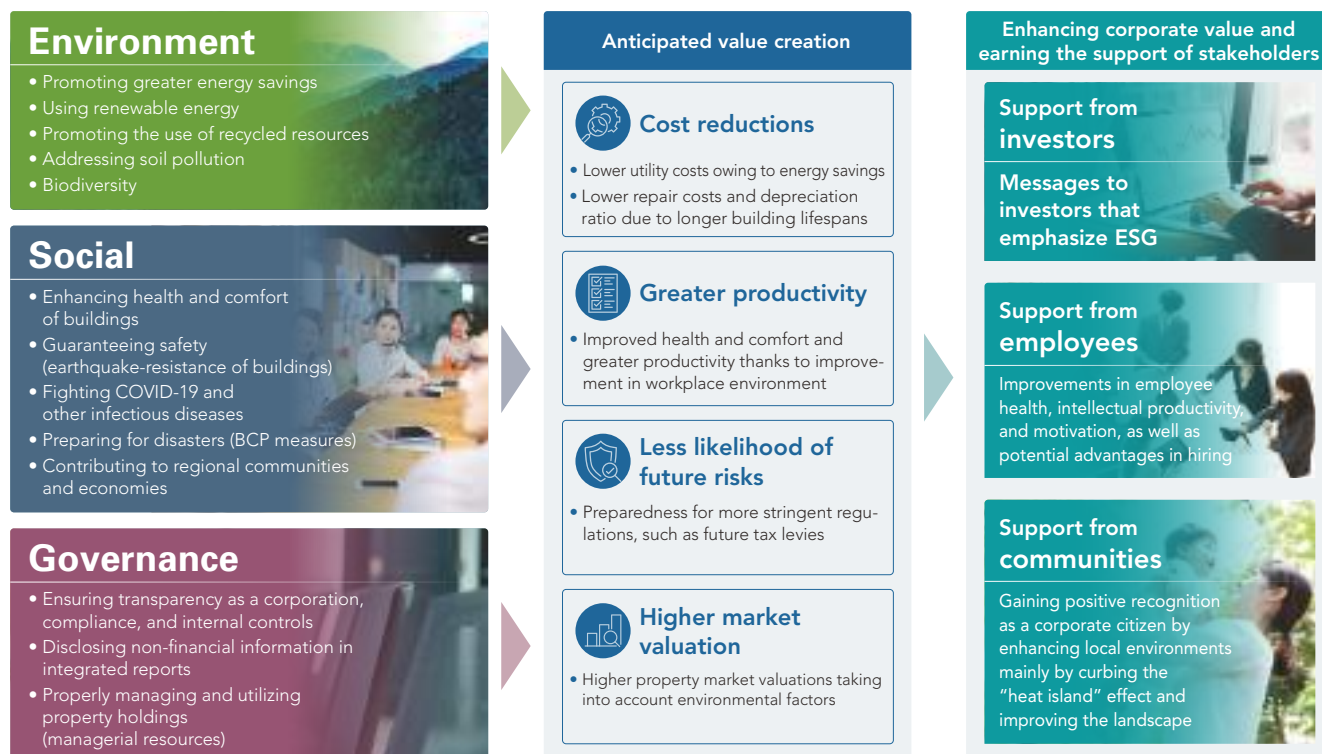


In light of heightened interest in the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) criteria, as well as the government's carbon neutral pledge to achieve net-zero GHG emissions by the year 2050, corporations are also being urged to take more concrete action. The amount of CO<sub>2</sub> emitted from the construction and management of buildings is said to account for approximately 40% of all CO<sub>2</sub> emissions in Japan, including indirect emissions. And given that humans spend a lot of time indoors, indoor environments affect the health and productivity of occupants. Considering that real estate has a significant impact on the environment, society, and the economy, we aim to help achieve the objectives of the SDGs through the proliferation of environmentally friendly properties. The Group aims to further promote energy-efficient and resource-efficient cities and buildings, as well as the uptake of environmentally friendly properties that contribute to improving production efficiency.



## ESG initiatives in the real estate sector and expected benefits

Tackling ESG issues in the real estate sector to bring about a sustainable society has the potential to improve corporate value and asset value for clients and solve management issues.



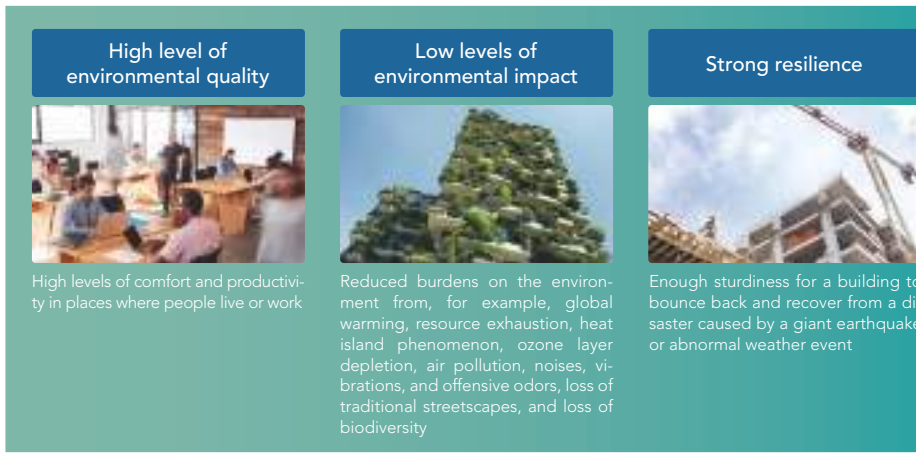


## As a Pioneer in Environmentally Friendly Property

As the problem of climate change grows conspicuously worse, the real estate sector too must consider the environment if it is to help bring about a sustainable society. Environmentally friendly property refers to real estate that takes the environment into account and delivers environmental value thanks to exceptional environmental performance and sound management. A high level of environmental quality, minimal impact on the environment, and

strong resilience is required if environmental performance is to be enhanced. It is vital that buildings provide comfortable spaces to its users, do not harm the environment, and are resilient enough to ensure business continuity even in the event of a disaster. The Group believes environmentally friendly properties have more added value than conventional properties because their high level of environmental performance reduces risk and boosts earnings.

### What is environmentally friendly property?



Sumitomo Mitsui Trust Holdings, Inc.

SuMi TRUST Bank has long proposed many ideas relating to environmental real estate with a focus on showing, in ways that are readily understandable, how environmental performance can create added value. In fact, efforts to raise awareness of this topic go back to a paper we published in 2005 about the added value created by environmentally friendly property. In 2010, SuMi TRUST Bank became the first Japanese financial institution to establish a section within the organization dedicated to environmentally friendly property. In addition to its

sophisticated business platform in the real estate business, the Bank has worked to orient its businesses toward promoting environmentally friendly property through pioneering initiatives in environmental real estate. Furthermore, consideration of social and corporate governance aspects has also grown in importance alongside environmental factors. In 2021 we set up a planning and promotion unit that specializes in ESG in real estate with the aim of delivering total solutions to solve the ESG/SDGs challenges of our clients.

### Main initiatives as a pioneer in environmentally friendly property

<p>► <b>Inception</b></p> <p>A commemorative paper entitled “A Note on Environmental Value Added for Real Estate” for the 10th anniversary of the Tokyo Association of Real Estate Appraisers received a prize for excellence in 2005 (see page 90)</p>	<p>► <b>Initiatives related to CASBEE</b></p> <ul style="list-style-type: none"> <li>Lead organizer of a subcommittee examining CASBEE property appraisal since 2007 and vice chairperson since 2020; launched “CASBEE for Real Estate” certification system in 2013 (see page 76)</li> </ul>
<p>► <b>Organizing study groups</b></p> <ul style="list-style-type: none"> <li>Lead organizer of a sustainable real estate study group since 2007; released results of studies in 2009 and 2016</li> <li>Lead organizer of a smart city study group in 2013; released results of studies in 2016</li> </ul>	<p>► <b>Initiatives related to real estate appraisal and evaluation</b></p> <ul style="list-style-type: none"> <li>Chair of a working group on environmental added value, organized by the Japan Association of Real Estate Appraisers (JAREA), since 2007</li> <li>Member of an office building performance evaluation and display manual committee; released a manual on office building performance evaluation and display in 2017</li> <li>Released a report on examining assessments concerning ESG considerations in real estate appraisals (MLIT) in 2021</li> </ul>
<p>► <b>Initiatives linked to UNEP</b></p> <ul style="list-style-type: none"> <li>Member of a property working group organized as part of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2007; successively released a collection of case studies and a handbook for Responsible Property Investment (RPI)</li> </ul>	<p>► <b>Initiatives with national and local authorities</b></p> <ul style="list-style-type: none"> <li>Member of an MLIT-sponsored study committee on the promotion and spread of environmentally friendly property; the committee was established in 2008</li> <li>Member of the Tokyo Metropolitan Government’s low carbon partnership committee for small and medium-sized buildings; the committee was established in 2012 by the Tokyo Bureau of Environment</li> <li>Member of the Smart Wellness Office Research Committee, sponsored by the Japan Sustainable Building Consortium; announced results of a study on economic impact of buildings with CASBEE evaluations in 2015 (see page 91); discussed CASBEE-Wellness Office system, which started offering certifications in 2019 (see page 84)</li> <li>Member of an MLIT-sponsored study committee on the promotion of ESG investment for addressing social issues in the real estate sector since 2021</li> </ul>

## Visualizing environmental performance

### Consulting in support of CASBEE for Real Estate certification applications

#### CASBEE for Real Estate initiatives

CASBEE (Comprehensive Assessment System for Built Environmental Efficiency) is currently gaining traction in Japan as a system for evaluating the overall environmental performance of buildings. It was developed under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in 2001. Various tools have been released thus far—for example, CASBEE for New Construction, which can assist designers in the environmentally friendly design process or be utilized in reports submitted to local governments, and CASBEE for Real Estate, which is used widely in the property market mainly as a labelling tool. CASBEE for Real Estate was developed in 2012 for the purpose of promoting the broader adoption of environmental performance assessments of buildings (offices, commercial

facilities, logistics, apartment complexes) in the property market. The items of assessment in CASBEE for Real Estate have been considerably narrowed down so they remain compatible with environmental performance assessments overseas whilst also remaining consistent with other tools in the CASBEE® family, such as CASBEE-NC (New Construction) and CASBEE-EB (Existing Buildings). Owing to the fact that CASBEE for Real Estate can also be used in GRESB (see page 190) assessments, its use is quickly gaining momentum mainly among REITs and real estate companies that are sensitive to sustainability. It is comprised of assessment items that easily reflect initiatives related to the SDGs or ESG. Since 2021 it has been able to optionally assess the initiatives of buildings with regard to the SDGs.

**Table** Evaluation items in CASBEE for Real Estate (In the case of office buildings)

Energy/ Greenhouse gases	Target setting and monitoring/energy saving standards/O&M*3 system, usage and emissions intensity (calculated values), <b>usage and emissions intensity (actual values)</b> , natural energy forms
Water	Target setting and monitoring/O&M system, water usage volume (calculated values), <b>water usage volume (results)</b>
Use of resources/ Safety	Conforms to new earthquake resistance standards, high earthquake resistance/seismic isolation and vibration damping, etc., <b>usage of recycled materials</b> , service life of structure materials, necessary renewal interval for main equipment functions, higher self-sufficiency ratio (electricity, etc.), operation and maintenance
Biodiversity/ Sustainable site	No use of invasive alien species, <b>enhancement of biodiversity</b> , soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks
Indoor environment	<b>Attainment of building sanitation and environmental management standards</b> , use of daylight, natural ventilation function, view

\*1 Underlined items are prerequisites (they must be met to pass an evaluation).

\*2 Items in **red** are related to universal metrics the United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP SBCI) is studying.

\*3 O&M: operation and maintenance

#### Consulting to Support Applications for CASBEE for Real Estate Certification

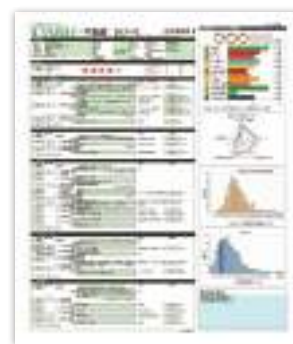
SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification. CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real

estate and supporting the submission of applications for certification to certifying bodies.

#### Problem Discovery and Proposals for Improvement via CASBEE for Real Estate

SuMi TRUST Bank offers proposals on initiatives that work in concert with CASBEE for Real Estate evaluations to identify problems and suggest improvements aimed at bolstering

environmental performance.

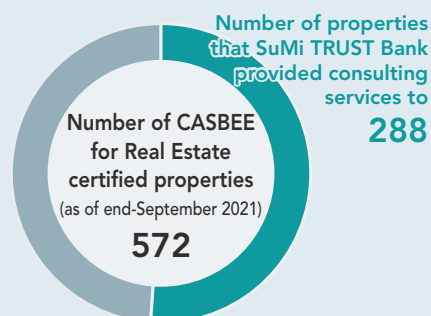


A CASBEE evaluation sheet

**To help with corporate initiatives aimed at solving sustainability issues, SuMi TRUST Bank offers consulting to support applications for CASBEE for Real Estate certification.**

- Number of CASBEE for Real Estate certified properties (as of end-September 2021): 572

Of these, the number of properties that SuMi TRUST Bank provided consulting services to: 288 (Including 254 listed real estate investment trusts (J-REITs), 16 private J-REITs, 7 corporations, 7 special purpose companies, etc., a life insurance company and others)





## Examples: Consulting to Support Applications for CASBEE for Real Estate Certification

Owners	Property	Rank	Certification date
SCC TMK	Pacific Century Place Marunouchi	S	2021/1/29
Global One Real Estate Investment Corp.	Yokohama Plaza Building	S	2021/3/15
Daiwa House REIT Investment Corporation	DPL Nagareyama I	S	2021/3/31
Japan Metropolitan Fund Investment Corporation	GYRE	S	2021/3/31
Mitsui Fudosan Private REIT Inc.	GATE CITY OHSAKI	S	2021/3/31
ORIX JREIT Inc.	ORIX Ikebukuro Building	S	2021/3/31
Industrial & Infrastructure Fund Investment Corporation	IIF Akishima Logistics Center	S	2021/5/28
Japan Prime Realty Investment Corporation	Shinyokohama 2nd Center Bldg.	S	2021/6/30
Isetan Mitsukoshi Holdings	Isetan Shinjuku Main Store	S	2021/7/9
Mitsui & Co., Private REIT Inc.	Honmoku Front	S	2021/7/30
Japan Metropolitan Fund Investment Corporation	Twin 21	S	2021/8/31
Nippon Prologis REIT, Inc.	Prologis Park Narita 3	S	2021/8/31
Activia Properties Inc.	A-FLAG DAIKANYAMA WEST	S	2021/11/25



Isetan Shinjuku Main Store



Pacific Century Place Marunouchi



Twin 21



ORIX Ikebukuro Building



Prologis Park Narita 3



DPL Nagareyama I



GATE CITY OHSAKI



Honmoku Front



A-FLAG DAIKANYAMA WEST



Shinyokohama 2nd Center Bldg.



GYRE



IIF Akishima Logistics Center



Yokohama Plaza Building

## Consulting in support of CASBEE-Wellness Office certification applications

### What is CASBEE-Wellness Office?

Given the spread of ESG investment in the real estate market and the need for health & productivity management and reforms aimed at improving intellectual productivity, a new office model assessment system was launched in June 2019. This new system focuses on evaluating buildings in terms of health and comfort for office workers. SuMi TRUST Bank was involved in the development of CASBEE-Wellness Office through an MLIT study group tasked with promoting ESG investment and by sitting on its Smart Wellness Office Research Committee. It currently provides consulting services in support of certification applications.

### Assessment components under CASBEE-WO

Category	Assessment component
Basic performance	Health, comfort
	Space, interior, sound, light, air & ventilation, refreshment, exercise
	User-friendliness
Operational management	Mobility & communication, telecommunications
	Safety
Program	Disaster readiness, countermeasures for harmful substances, water quality, security
	Maintenance
	Satisfaction
	Exercise program

### Case Study A

#### Round-Cross Roppongi

Round-Cross Roppongi is an office building owned by ORIX JREIT Inc. The fourth and fifth floors are serviced offices operated by ORIX. For this project, a CASBEE-Wellness Office evaluation was conducted for the entire building's common areas and facilities, along with the sections dedicated to the serviced offices, and was successfully certified. In addition to the wide variety of seating arrangements and meeting spaces to meet the demands of different work situations, the building was recognized for its careful management regarding disinfection and air quality control, which have become increasingly important recently.



## Consulting to Support Applications for CASBEE for Urban Development Certification

### About CASBEE for Urban Development

Among CASBEE®'s various tools, CASBEE for Urban Development is an environmental performance evaluation for assessing the overall development of housing and commercial areas (urban development). It evaluates environmental quality from the three aspects of the environment, society, and the economy as well as reduction in the environmental footprint. It consists of evaluation items that help show

initiatives related to the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) issues. SuMi TRUST Bank carries out environmental performance evaluations using CASBEE for Urban Development, and offers support services such as certification application advisory and review handling services.

### Case Study B

#### Suita Sustainable Smart Town

Suita Sustainable Smart Town, a multi-generation residential-type, health-oriented smart town currently being promoted by Suita City in Osaka Prefecture together with 15 partner companies, is the third sustainable smart town project of Panasonic Corporation. In March 2021 the town acquired the highest rank of "S" in the CASBEE for Urban Development evaluation certification. The urban development characteristics of the town—namely, wellness, energy, mobility, security, and community—are also reflected in the CASBEE for Urban Development evaluation result.



Visuals are for illustrative purposes only.

## Making the Value of Smart Towns and Cities Visible, Supporting Concept Formulation

Developing smart towns and cities that adopt next-generation “smart community\*” social systems at the local level is an important step from the standpoint of regional development. In the past few years, these towns and cities have combined a series of complex reforms from changes to citizen lifestyles and local transportation systems to the introduction of area energy networks, including the recapture of heat and unused energy, to go together with effective use of electricity. To realize smart towns and cities, it is necessary to create economic value added commensurate with

higher costs while establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues for the city or town. SuMi TRUST Bank supports projects for smart towns and cities on many fronts such as devising frameworks that link various initiatives on environmental contributions etc. to economic value added and formulating project concepts. Through our provision of financial functions such as home mortgages, we also help projects get executed.

\*See METI’s website for details.

### Concept Diagram for Making the Value of Smart Towns Visible



## Case Study C

### Fujisawa Sustainable Smart Town

The Fujisawa Sustainable Smart Town is a project currently being carried out by Panasonic Corporation at the former site of Panasonic’s Fujisawa factory. The town’s opening ceremony was held in spring of 2014 and 18 partner companies, including Panasonic Corporation, Fujisawa City, and SuMi TRUST Bank are currently furthering its development. SuMi TRUST Bank is participating in various ways, such as designing smart town evaluation indicators (environmentally friendly property value) and creating project-specific product plans for environmentally friendly housing loans. This project has also earned praise for its community-wide comprehensive CO<sub>2</sub> reduction efforts together with town management. It was selected for subsidies under the MLIT-led “leading projects” program for sustainable buildings (formerly known as the 2013 No.1 “leading projects for promoting CO<sub>2</sub> reduction” program for housing and buildings).



Main entrance



SQUARE Center



Central park



Streetscape



## Helping clients make environmental considerations during construction

The first bank in Japan to develop a land trust product in the 1980s, SuMi TRUST Bank has been involved in managing and developing many buildings and condominiums, and as such, now leverages its experience from these projects to provide construction consulting services. We offer advice on factoring in environmental considerations, such as the installation of energy-saving systems in buildings according to client requests, ways to take into account landscapes

and ecosystems, and extending building lifespans. In recent times, there has been an increase in the number of properties seeking to acquire environmental performance certifications like ZEB\* (net-zero energy building), as well as projects that aim to be adopted in MLIT's leading projects program for sustainable buildings or in METI's net-zero energy building proof-of-concept pilot program.

\*Buildings that seek to realize a comfortable indoor environment whilst balancing out the amount of primary energy used annually by the building to zero.

### Examples: Construction-phase support for environmental considerations

Company Name	Location	New build/renovation	Use	Number of Floors	Floor Area	CASBEE rank
Toyo Seikan Group Holdings, Ltd.	Tokyo	New build	Office* <sup>1</sup>	2 basement floors, 21 floors above ground, 1 rooftop floor	Approx. 72,400 m <sup>2</sup>	S (acquired)
DAIKIN INDUSTRIES, LTD	Osaka Prefecture	New build	Office, R&D facility* <sup>1</sup>	1 basement floor, 6 floors above ground	Approx. 48,000 m <sup>2</sup>	S (self-evaluation)
HIROSHIMA MAZDA CO., LTD	Hiroshima Prefecture	Renovation	Office, observation deck, product sales and dining facilities* <sup>1</sup>	2 basement floors, 14 floors above ground	Approx. 11,500 m <sup>2</sup>	A (notification)
Chugoku Labour Bank	Hiroshima Prefecture	New build	Office	14 floors above ground	Approx. 9,700 m <sup>2</sup>	S (acquired)
ANRITSU CORPORATION	Kanagawa Prefecture	New build	Office* <sup>2</sup>	7 floors above ground	Approx. 28,000 m <sup>2</sup>	S (self-evaluation)
THE SHIMANE BANK, LTD	Shimane Prefecture	New build	Central branch* <sup>1</sup>	1 basement floor, 13 floors above ground	Approx. 12,000 m <sup>2</sup>	S (self-evaluation)

\*<sup>1</sup> Selected for the MLIT-led "leading projects" program for sustainable buildings.

\*<sup>2</sup> Selected for the METI-led "net zero energy building" proof-of-concept pilot program.

#### Case Study D

### HIROSHIMA ORIZURU TOWER

(case example of selection in MLIT's leading projects program for promoting CO<sub>2</sub> reduction in housing and buildings)

Situated adjacent to the Atomic Bomb Dome (Hiroshima Peace Memorial), this office building underwent full-scale renovations.

The existing framework was reused and the building enlarged to accommodate a higher level of earthquake resistance. A large canopy, louvers, and a "spiral slope" walking ramp were also built into the newly expanded sections. The building reduces its CO<sub>2</sub> footprint by utilizing various energy-saving features, including solar shading and cross ventilation.

Visitors to the building can access the HIROSHIMA HILL observation deck under the giant canopy on the roof, enjoy numerous activities in ORIZURU Square, and learn about its CO<sub>2</sub> reduction initiatives.



#### Case Study E

### Global head office of Anritsu

(case example of selection in METI's net-zero energy building proof-of-concept pilot program)

With the aim of contributing to global decarbonization and the creation of a sustainable society, the Anritsu Group has plans to turn its head office and R&D site into a net-zero energy building (ZEB).

By improving heat insulation efficiency of exterior walls and windows, combined with the use of natural energy, such as natural lighting and ventilation, and the installation of highly efficient lighting fixtures and air-conditioners, Anritsu is endeavoring to achieve ZEB status by reducing energy consumption and generating its own energy with solar power.

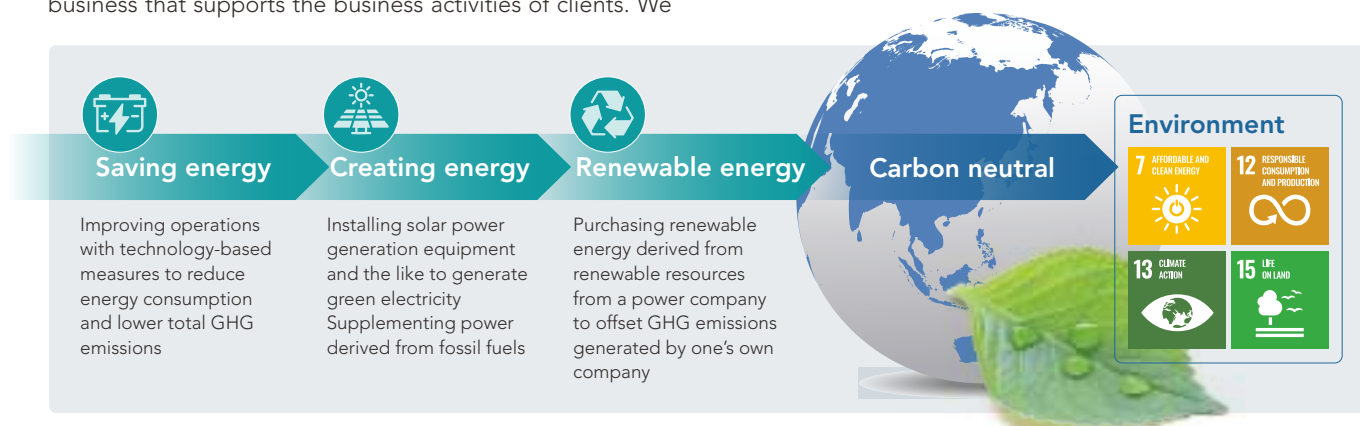
In addition, the adoption of energy that can be visualized is also helping foster an awareness of energy-saving among its users (employees).



## Using less energy in existing buildings

With the number of companies seeking to achieve carbon neutrality by 2050 continuing to increase, SuMi TRUST Bank is now offering an energy-saving consulting service that entails the planning of measures designed to lower GHG emissions from buildings as part of its property administration business that supports the business activities of clients. We

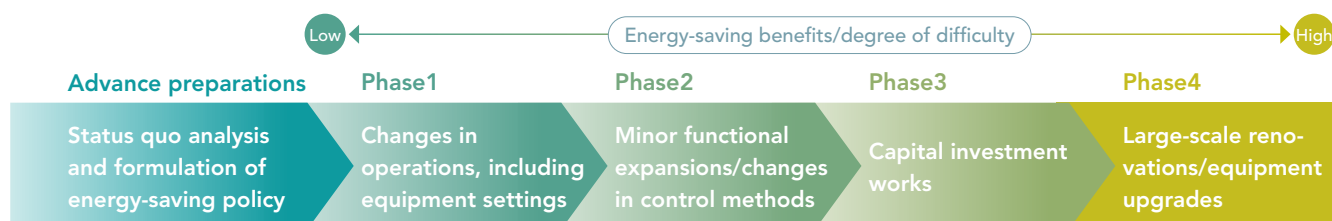
aim to strike the right balance between higher profitability stemming from revised capex plans with reductions in total GHG emissions, lower utility costs, and limiting deterioration in equipment by achieving greater energy savings in existing buildings.



Energy-saving initiatives start with an analysis of the status quo, or basically a building health check. After obtaining the emissions intensity for the client's building from the amount of energy it consumes, we compare and analyze it against benchmarks based on publicly available data that match the building's characteristics, such as figures published by the Tokyo Metropolitan Government's Bureau of Environment. We then gain an understanding of the building's current

energy performance, which is used to establish reduction targets for GHG emissions and fuel, lighting, and water usage, and to formulate an energy-saving policy. The extent of energy-saving benefits is more or less proportional to the degree of difficulty (investment costs, time, degree of impact on tenants, etc.). That is why it is important to undertake examinations beforehand when devising a plan.

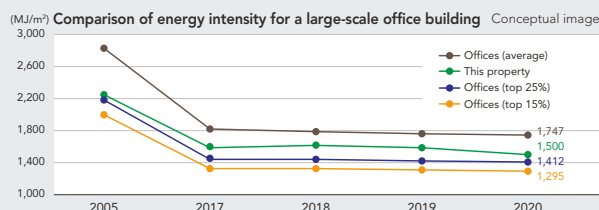
## Conceptual image of formulating and implementing an energy-saving policy



### Advance preparations

#### Example of a comparison with benchmarks for an office building

After obtaining the emissions intensity for the client's building from the amount of energy it consumes, we compare and analyze it against benchmarks that match the building's characteristics, such as figures published by the Tokyo Metropolitan Government's Bureau of Environment. Measuring the building's energy-saving performance gives a rough idea of its energy-saving potential.



### Case example of a client proposal

#### Energy-saving proposal for a production plant in the manufacturing industry

We analyzed the details of annual and daily fluctuations in the amount of energy consumed by equipment (excluding manufacturing equipment) incidental to production equipment at a client's production plant and proposed energy-saving operational approaches without the need for additional capital investment.

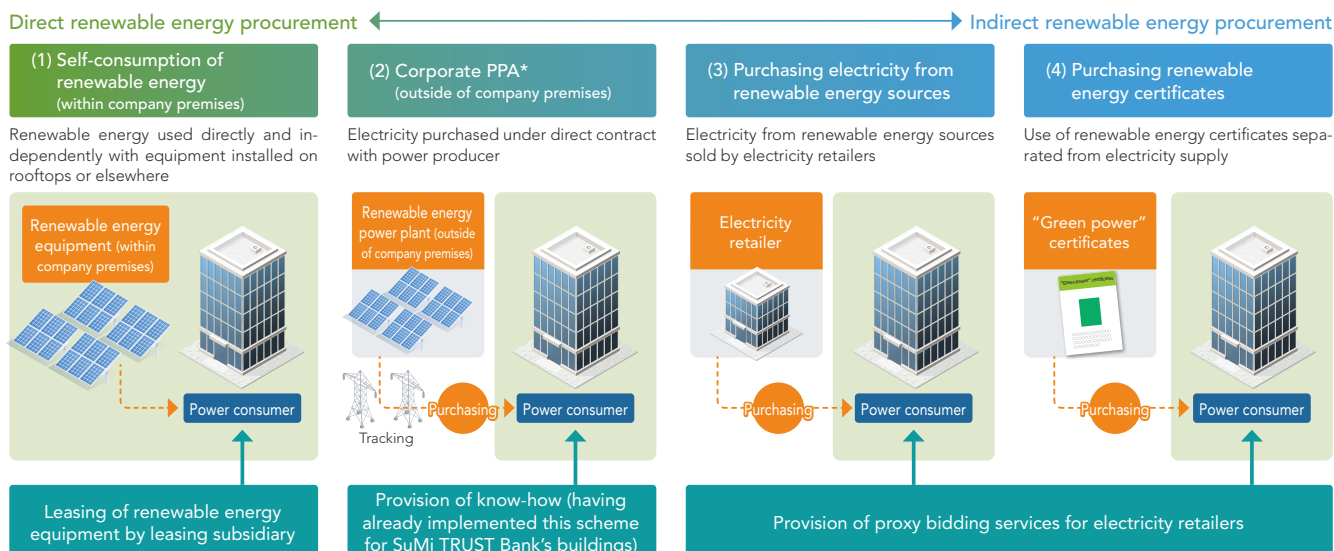
We also examined the impact it would have on production lines, the amount of reduced energy use if such measures were to be taken, and the possibility of cost reductions in an effort to help the client make a decision on whether or not they adopt our proposal.



## Introduction of renewable energy sources

More and more clients are proactively considering the introduction of renewable energy in an effort to decarbonize their buildings. SuMi TRUST Bank appropriately grasps decarbonization strategies of its clients (power consumers) and helps them select procurement methods that balance environmental and economic performances. In addition to

collecting electricity retailers' bidding to clients, the Bank supports the long-term, stable procurement of renewable energy by participating in more direct renewable energy creation models, such as self-consumption-type transactions and corporate PPA\* transactions.

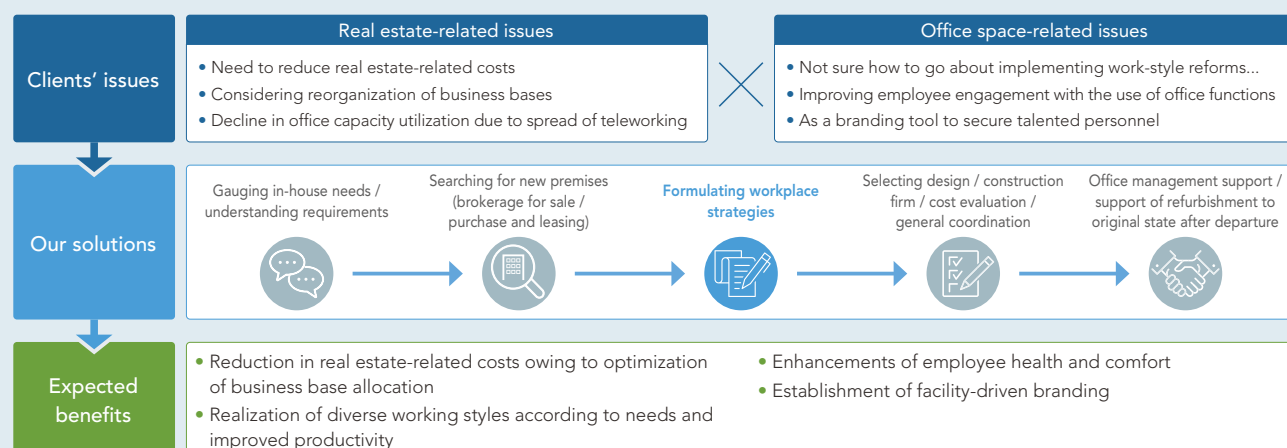


## Creating workplaces best suited to new-era working styles

Promoting the health of their employees is one key management issue in terms of the "social" component of ESG. In particular, companies are focusing on developments of the environment and functioning of offices where employees spend a great deal of time. These investments lead to greater corporate value as they have a positive impact on boosting the activity and productivity of organizations seeking to achieve well-being, as well as enhancing talent acquisition/retention and boosting employee engagement. Recently, the role of

offices has changed dramatically, especially with online meetings becoming popular due to spread of teleworking. Offices are now required to play roles that only offices can, enrich face-to-face communication, and serve as a hub of innovation. SuMi TRUST Bank helps its clients improve the quality of their working styles and places of work by providing comprehensive support, from the formulation of strategies for developing office space environments and functions, right through to the practical business of moving office.

### Workplace consulting





## Strengthening governance by improving real estate management systems

Real estate is one key part of a management foundation that underpins the business activities of a corporation. Upholding corporate ethics, ensuring transparency in decision-making and execution processes, and undertaking fair and honest transactions are also important topics in

terms of strengthening the “governance” component of ESG. SuMi TRUST Bank provides facility management services with an extensive lineup of corporate real estate (CRE)-related systems and menus to meet its clients’ needs.

### Facility management services

We offer our clients a wide range of services, such as the visualization of real estate information, support on real estate management systems, and help desks. We help clients formulate and execute measures to enhance governance of their real estate management system in accordance with their issues.



## Building maintenance support/aiding longer lifespans

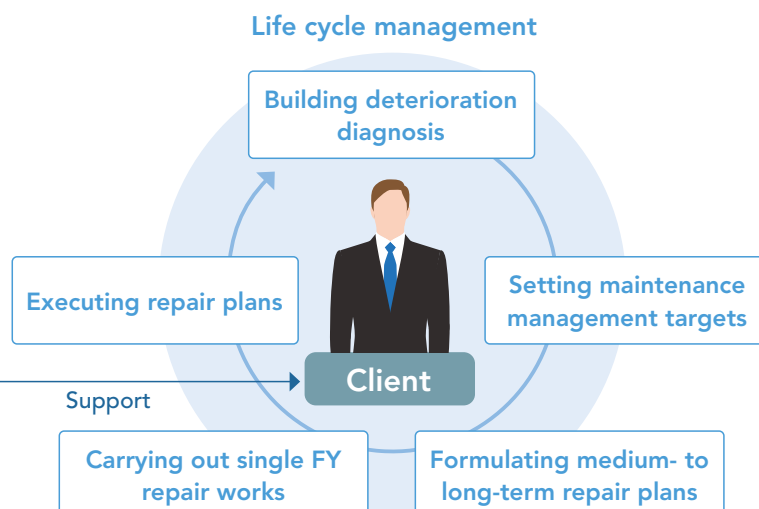
Real estate risk management is also a key management issue. Companies are required to adequately manage real estates to prevent such trouble as fires or malfunctions caused by building deterioration, and also maintain building safety and develop business continuity plans. Preventive maintenance is not only a key factor to keep lower repair costs and extend the lifespan of a building,

but also effective in lowering the building’s carbon footprint. At the same time, properly carrying out maintenance over the life cycle of a building is quite burdensome on the owner, despite being very important. SuMi TRUST Bank offers support to clients concerns related to all kinds of building maintenance.

**SuMi TRUST Bank offers support to clients worried about issues related to building upkeep and maintenance.**

### Examples:

- ▶ Support on diagnosing building deterioration
- ▶ Evaluation of building degradation with the use of quantitative evaluation indicators
- ▶ Formulation of medium- to long-term repair plans
- ▶ For repair works:
  - Selection of construction contractor
  - Cost evaluation
  - Management



## Delivering value

### Added Value of Environmentally Friendly Property <sup>1</sup>

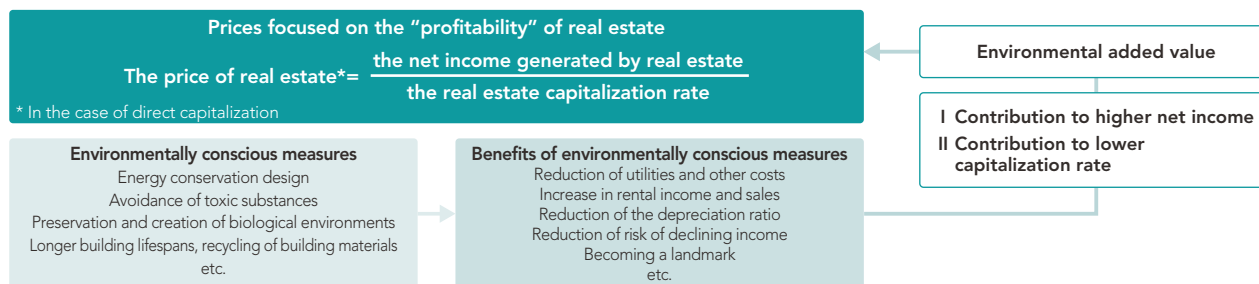
### Added Value Derives from Property Profitability

It is often said environmental friendly property “costs more than usual and is difficult to invest in,” but price theory in real estate investment suggests such buildings are able to generate added value equal to or greater than their additional cost. From the perspective of profitability (how much and how long do properties generate steady profits), a property’s price derives from net income (revenue minus costs) divided by the real estate capitalization rate. The greater gross income including rents is, and the lower the costs of utilities, maintenance, and building management are, the higher net income is, and so the higher the valuation of a property. In addition, stable properties with less income fluctuation risk are awarded higher valuations as investors require a lower yield from them. Environmentally friendly property can earn higher net income by reducing

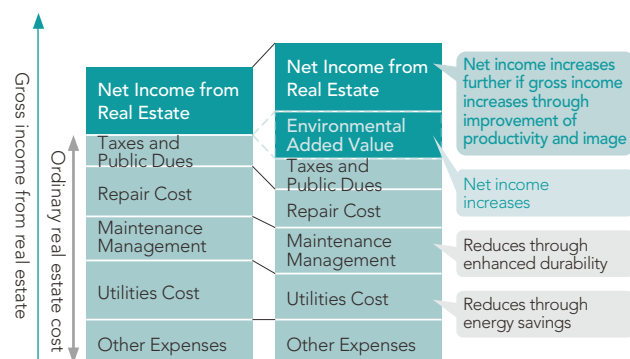
utility expenses via energy savings and maintenance and operating expenses via the enhanced durability of parts and materials. Furthermore, such buildings can also generate higher gross income on higher rents stemming from higher productivity enabled by their enhanced office environments and the cachet boost from their environmental credentials. Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.

For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

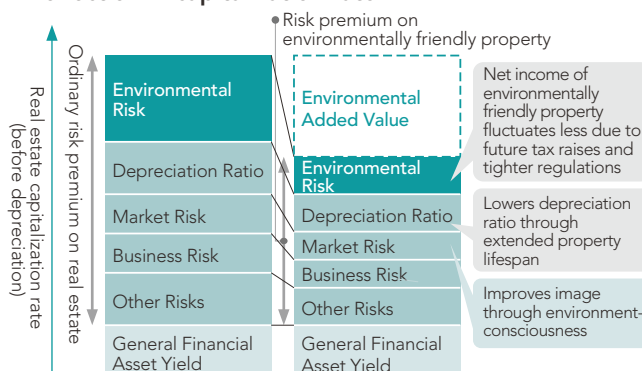
#### Conceptual diagram of environmental added value (1) Prices focused on the “profitability” of real estate



#### Conceptual diagram of environmental added value (2) Reflection in net income



#### Conceptual diagram of environmental added value (3) Reflection in capitalization rate



Source: Partial revision of "A Note on Environmental Value Added for Real Estate," a commemorative paper written by Masato Ito in 2005 for the 10th anniversary of Tokyo Association of Real Estate Appraisers

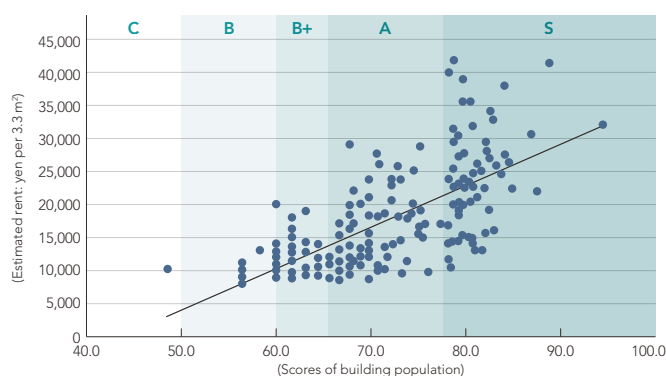
## Added Value of Environmentally Friendly Property **2**

### Helping to Make Added Value Visible

#### Study on Economic Impact of Buildings with CASBEE Evaluations

Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE® certification and non-evaluated buildings and found average market rents in buildings with CASBEE® certifications or applications were about 3.6% higher. This suggests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

#### Correlation between CASBEE Score and Market Rents (Single regression analysis)



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

#### Amount of rent increase for every point in the CASBEE scoring system

##### CASBEE for New Construction/Real Estate

**¥342** per month per tsubo (roughly 3.3m²)

A multiple regression analysis was performed on 90 office buildings that had acquired either CASBEE for New Construction or CASBEE for Real Estate certification, with the main explanatory variables being the CASBEE score, total floor space, number of minutes (on foot) from the nearest station, and building age. The response variable was rent. The results of the analysis confirmed that rent tends to increase by ¥342 per month per tsubo for every one point increase in the assessment score (indexed to 100) for CASBEE.

Source: FY2020 report issued by the Japan Sustainable Building Consortium's SDG/Smart Wellness Office Research Committee

##### CASBEE for Wellness Office

**¥234** per month per tsubo

A multiple regression analysis was performed with the main explanatory variables being the CASBEE for Wellness Office score, total floor space, and number of minutes (on foot) from the nearest station. The response variable was rent. The results of the analysis confirmed that the higher the CASBEE for Wellness Office score, the higher the rent.

#### Reflecting environmental performance in property appraisals

##### Economic value of environmentally friendly property

According to a 2021 report on examining assessments concerning ESG considerations in property appraisals by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), results of analyses have shown that properties accredited with a CASBEE certification have a cap rate approximately 0.12% lower than the standard cap rate (assumption of 5%).

##### Society now demands property appraisals that take ESG into account

We have started incorporating ESG-related factors into our appraisals. Factors include natural disaster risks, demand for energy-efficient buildings, BCP readiness, ventilation and other infection control measures, and work style reforms. In autumn 2021 we issued our first-ever appraisal report that takes ESG factors into account.

The report recognizes that even though a property might be located beyond walking distance from the nearest train station, if the entire area is an excellent place to live from an ESG perspective, the property should garner strong demand even when compared to alternative or rival properties in the same supply-demand area.

# Environmental Burden Reduction Measures

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

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

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

## 1. Initiatives to Reduce Environment Impacts

### EMS Integrated with Framework for Operational Efficiencies

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

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

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

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

## 2. Initiatives to Achieve Zero CO<sub>2</sub> Emissions

### The SuMi TRUST Group Carbon Neutrality Commitment

(Reduction of company emissions)

The Group plans to achieve net zero greenhouse gas emissions by fiscal year 2030.

Up until now, SuMi TRUST Bank had set out a target of reducing CO<sub>2</sub> emissions to zero by 2050. However, in light of the recent rapid movement toward decarbonization, we have expanded the scope of our reduction targets to include the entire Group, and have moved up the target fiscal year for achieving net zero to fiscal year 2030.

CO<sub>2</sub> emissions are generated from the Head Office, computer centers, branch offices, and other office buildings due to the business activities of SuMi TRUST Bank. Around 80% of SuMi TRUST Bank's CO<sub>2</sub> emissions derive from purchased electricity, while some 10% is generated by the combustion of utility gas through in-house power generation. Accordingly, it aims to reduce its emissions mainly by adopting electricity-related measures.

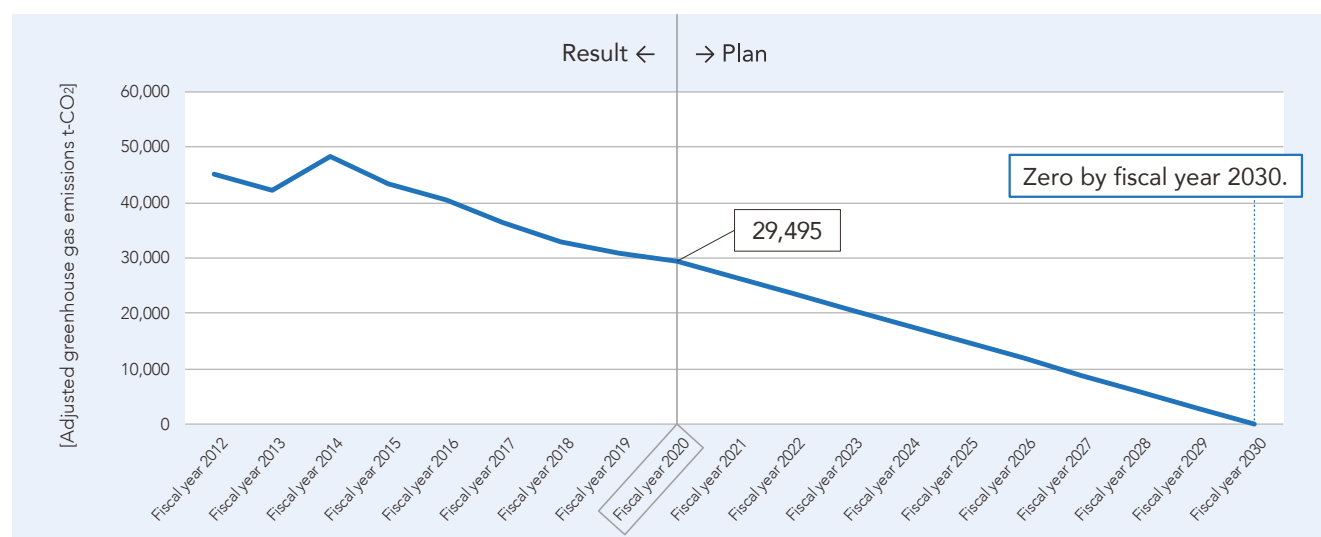
In addition, we have begun procuring renewable energy power under the Corporate PPA<sup>\*1</sup> scheme, which purchases power from newly installed solar power plants. We will first start from the Fuchu Building and Shiba Building in the Tokyo metropolitan area from January 2022, and in March 2022, the Kyoto Branch and the Himeji Branch in the Kansai area will switch to renewable energy for their electricity procurement.

One of the features of the Corporate PPA initiative is that it can contribute to increasing the number of renewable energy power plants in the country. For these offices, we will procure a combination of electricity from renewable energy sources and non-fossil certificates<sup>\*2</sup>, making them essentially 100% renewable energy. Furthermore, we have been procuring energy for the Head Office building from April 2021 and for branch buildings (excluding tenant buildings, etc.) in the Tokyo metropolitan region from October using a combination of non-fossil certificates. These initiatives will help SuMi TRUST Bank achieve a reduction equivalent to approximately 50% of CO<sub>2</sub> emissions.

<sup>\*1</sup> Corporate PPA (Power Purchase Agreement) are contracts for the user to purchase renewable energy power directly from the power generation company. SuMi TRUST Bank has introduced the off-site Corporate PPA, which is a model in which power is supplied from a remote power generation facility via the power transmission and distribution network.

<sup>\*2</sup> Non-fossil certificates are certificates that have non-fossil value (value that can be accounted for when calculating the ratio of non-fossil power sources under the Act on Sophisticated Methods of Energy Supply Structures), zero-emissions value (Value with a CO<sub>2</sub> emission factor of 0 kgCO<sub>2</sub>/kWh under the Act on Promotion of Global Warming Countermeasures) and environmental display value (value that a retail electricity supplier can represent and claim as added value to users). By procuring a combination of electricity from renewable energy sources and non-fossil certificates, it is possible to achieve virtually 100% renewable energy.

#### Trends in Adjusted Greenhouse Gas Emissions\* at SuMi TRUST Bank



\*Adjusted greenhouse gas emissions refer to the amount of greenhouse gas emissions adjusted according to methods specified by the Minister of the Environment and the Minister of Economy, Trade and Industry, with consideration given to greenhouse gas emissions emitted by specified emitters in the course of business activities, calculated quotas voluntarily acquired by specified emitters and transferred to the national account in order to fulfill their commitments under Article 3 of the Kyoto Protocol, and domestic certified emission reductions, etc. acquired by specified emitters. (Item 4, Order on Reporting, etc., of Carbon Dioxide Equivalent Greenhouse Gas Emissions, etc.)



## Environmental Burden Reduction Measures

### Initiatives to Achieve Targets for Fiscal Year 2030

We aim to achieve our targets through voluntary initiatives, such as energy conservation, and by contributing to the initiatives of society as a whole, such as the spread of renewable energy.

#### (1) Saving Energy by Streamlining Operations and Using More Efficient Equipment

We will proceed with reductions by streamlining operations (mainly by reducing overtime), introducing highly efficient devices at computer centers (upgrade servers and air conditioning, using cloud technology, etc.), and reducing floor size of the Head Office building and branches.

#### (2) Contributing to a Lower Electric Power Emission Coefficient through Increased Uptake of Renewable Energy

If renewable energy becomes widespread for power in Japan, it will promote lower carbon power consumption and reduce the emission factor for power in Japan as a whole. The Group will leverage its trust and financial functions to contribute to the spread of renewable energy, thus helping SuMi TRUST Bank to lower CO<sub>2</sub> emissions.

#### (3) Adoption of Renewable Energy by SuMi TRUST Bank

We will promote reduction by switching to electricity from renewable energy sources for purchased electricity.

business activities and outputs like CO<sub>2</sub> emitted as a result of those activities. As SuMi TRUST Bank is subject to the Act on the Rational Use of Energy, we calculate the volume of energy consumption and CO<sub>2</sub> emissions at all of our offices across Japan using a common system.

Annual emissions in fiscal year 2020 (adjusted emissions) were 29,495 t-CO<sub>2</sub>, marking a 39% reduction compared to 48,426 t-CO<sub>2</sub> during the fiscal year 2014 peak. Over the past five years, electricity consumption has been reduced by 19%, from 66,742,000 kWh to 53,940,000 kWh, and utility gas consumption has been reduced by 10%, from 2,107,000 m<sup>3</sup> to 1,890,000 m<sup>3</sup>, contributing to a reduction in total CO<sub>2</sub> emissions. We are planning to announce the CO<sub>2</sub> emissions reduction of the Group as a whole from the next fiscal year onwards.

In addition, SuMi TRUST Bank's large-scale offices in Tokyo are obliged to reduce CO<sub>2</sub> emissions in accordance with the Tokyo Metropolitan Government's Environmental Preservation Ordinance. Over the five years of the second plan period (FY2015 to FY2019), we reduced emissions by 91,726 t-CO<sub>2</sub>, a substantial excess reduction of 60,348 t-CO<sub>2</sub> over the mandatory reduction level of 31,378 t-CO<sub>2</sub>. Furthermore, for the third plan period (FY2020 to FY2024), the Fuchu Building and the Head Office Building (a joint building with another company), which are obligated to reduce CO<sub>2</sub> emissions, are obligated to achieve reductions of 6,940 t-CO<sub>2</sub> and 1,993 t-CO<sub>2</sub>, respectively, on a single-year basis, and have achieved reductions of 15,034 t-CO<sub>2</sub> and 4,234 t-CO<sub>2</sub>, respectively, in fiscal year 2020.

### SuMi TRUST Bank CO<sub>2</sub> Emissions

The Group is striving to reduce its environmental impacts in the form of both inputs such as electricity and gas used for

#### Energy Consumption and CO<sub>2</sub> Emissions (Domestic Offices)

Energy use		FY2016	FY2017	FY2018	FY2019	FY2020
Total energy consumption (heat amount)	GJ	801,370	736,011	688,949	677,157	670,227
Total energy consumption (crude oil equivalent)	kℓ	20,675	18,989	17,774	17,470	17,291
Energy consumption intensity	kℓ/m <sup>2</sup>	0.049	0.047	0.048	0.047	0.047
Electric power	thousand kWh	66,742	60,444	56,003	54,753	53,940
Utility gas	thousand m <sup>3</sup>	2,107	1,996	1,869	1,893	1,890

CO <sub>2</sub> emissions		FY2016	FY2017	FY2018	FY2019	FY2020
Greenhouse gas emissions	t-CO <sub>2</sub>	40,833	37,068	33,504	31,327	30,029
Adjusted greenhouse gas emissions	t-CO <sub>2</sub>	40,393	36,240	32,864	30,840	29,495
Emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.098	0.093	0.090	0.085	0.081
Adjusted emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.097	0.091	0.088	0.084	0.080
Scope 1 emissions	t-CO <sub>2</sub>	4,907	4,575	4,362	4,421	4,297
Scope 2 emissions	t-CO <sub>2</sub>	35,925	32,493	29,142	26,906	25,732

Scope of calculations: Offices of SuMi TRUST Bank in Japan subject to the Act on the Rational Use of Energy.

Group companies, including Sumitomo Mitsui Trust Asset Management, are tenants in some office buildings.

Calculation methods: Calculated according to provisions set out in the Act on the Rational Use of Energy.

### CO<sub>2</sub> Emissions and Reduction Obligation of Offices Covered by the Tokyo Metropolitan Government's Environmental Preservation Ordinance

		Third Plan Period (FY2020)	
		Fuchu Building	Head Office Building
Base emissions	t-CO <sub>2</sub>	25,704	13,287
Emissions upper limit	t-CO <sub>2</sub>	18,764	11,294
Mandatory reductions	t-CO <sub>2</sub>	6,940	1,993
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	10,670	9,053
Emission reductions	t-CO <sub>2</sub>	15,034	4,234
Excess reductions	t-CO <sub>2</sub>	8,094	2,241

This is the status of reductions at the SuMi TRUST Bank Fuchu Building and Head Office Building, which are obligated to reduce emissions as per the "greenhouse gas emission reduction obligations and emissions trading systems" of the Tokyo Metropolitan Government's Environmental Preservation Ordinance. The Head Office Building is a shared building, but the rate of obligation for each unit owner is not defined. The obligatory reduction rate is 27% for the Fuchu Building and 15% for the Head Office Building. The maximum amount of emissions and the obligatory reduction amount are converted to single year figures. Emissions amounts have been verified by a third-party verification institution.

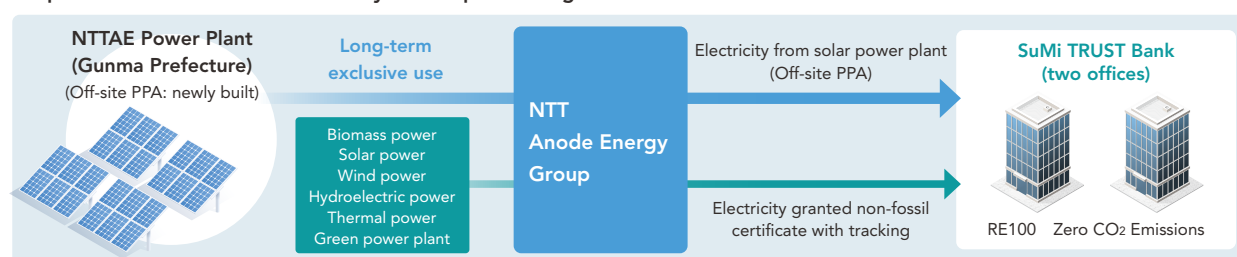


## Started Renewable Energy Procurement Through Corporate PPA

Four domestic offices of SuMi TRUST Bank (Shiba Building, Fuchu Building, Kyoto Branch, and Himeji Branch) have started to introduce renewable energy by using the mechanism of Corporate PPA from a newly opened solar power plant.

We will receive electricity from solar power plants newly established by NTT Anode Energy Corporation in Gunma Prefecture for the Tokyo metropolitan region and by Minna Power Co., Ltd. of the UPDATER Co., Ltd. Group in Nara Prefecture for the Kansai region. In addition, non-fossil certificates with tracking from green power plants, such as solar power and wind power, will be granted for electricity that is insufficient to be generated by the Corporate PPA's solar power alone. By doing so, we will be able to procure electricity from 100% renewable energy sources in the form of specific power plants. The SuMi TRUST Group has been promoting investment in renewable energy projects, including the establishment of an investment fund for renewable energy projects, and places importance on the need to increase the number of renewable energy sources that can replace fossil fuels. Furthermore, for these initiatives in the Kansai region, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. is providing the lease. Through these initiatives, we are preparing a system to provide the services necessary to supply renewable energy to environmentally advanced electricity clients outside the Group who are aiming for RE100, SBT, etc. in the future.

### Corporate PPA Mechanism in the Tokyo Metropolitan Region



## Started Introduction of Carbon Neutral Utility Gas

Approximately 10% of SuMi TRUST Bank's CO<sub>2</sub> emissions are attributable to utility gas used at computer centers and other facilities. Utility gas is a necessary energy source for in-house power generation and adjustment of peak power consumption, but since it is burned on-site (on the premises of SuMi TRUST Bank), CO<sub>2</sub> emissions are unavoidable.

Therefore, SuMi TRUST Bank has decided to adopt carbon neutral utility gas that comes with credits generated from projects that contribute to global warming countermeasures and solve environmental and social issues such as biodiversity conservation, local employment and education, and securing water and energy.

We have chosen a measure that will indirectly contribute to the reduction of CO<sub>2</sub> emissions equivalent to those resulting from the use of gas at the SuMi TRUST Bank Fuchu Building and Shiba Building by using carbon neutral utility gas that incorporates the concept of co-benefits that simultaneously contribute to climate change and other challenges, and that is accompanied by credits issued under reputable certification standards. Regarding the operation status of carbon neutral utility gas, Tokyo Gas has undergone third-party verification, and SuMi TRUST Bank has received a certificate of supply.

Through the Carbon Neutral LNG Buyers Alliance, which was established in March 2021 by Tokyo Gas Co., Ltd. and companies and corporations that purchase carbon neutral utility gas, we are working to expand the use of carbon neutral utility gas.

### Impact of the Carbon Neutral Utility Gas Credit Creation Project

Category	Impact	SDGs
Climate	Annual CO <sub>2</sub> reduction benefit (annual amount of credits generated) 10.05 million t-CO <sub>2</sub> Protection of peat swamp forests: approx. 150,000 ha	13 Climate Action
Biodiversity and ecosystem protection	Protection of 1.6 million ha of endangered forests, 3,600 ha of reforestation Protecting the habitats of 13 endangered and 31 threatened species Protection of 30 species of high conservation value, protection of 700 species of plants and insects	15 Life on Land
Creation of employment	716 (30% female) (Peru), over 500 in 34 regions (Indonesia), 15,000 (China)	8 Decent Work and Economic Growth, 5 Gender Equality
Education	Improving the school education environment in six regions	4 Quality Education
Economic benefit	Creation/support of 24 sustainable businesses, development of fair trade products Project visitors: 500,000 per year	1 No Poverty, 8 Decent Work and Economic Growth

Note: The above impact is from when SuMi TRUST Bank joined the alliance.

### 3. Other Initiatives to Reduce Our Environmental Impacts

The amount of copy paper used by the Group in fiscal year 2020 was 472 ton, a significant decrease of 204 ton (30%) from the previous year. The increase in work from home, in addition to paperless activities and activities to improve work efficiency, are thought to have had a large impact. In terms of output items, the volume of paper waste remained unchanged from the previous year, but we have maintained a 100% recycling rate. Waste other than paper waste was 319 ton, a 5% decrease from the previous year. The recycling rate was 60%, maintaining the same level as the previous year. In

order to promote the creation of a recycling-oriented society, we will continue to purchase 100% recycled paper for copy paper and strive to reduce the total amount of waste generated and recycle for effective use. We will strive to properly manage and dispose of equipment and chemical substances imposed on businesses by the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and the Act on Rational Use and Appropriate Management of Fluorocarbons.

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

		FY2016	FY2017	FY2018	FY2019	FY2020
Paper use	t	712	738	706	676	472
Recycled paper	t	596	566	568	531	336
Water use	thousand m <sup>3</sup>	166	139	127	122	114
Total waste output	t	1,756	1,332	1,304	1,268	1,269
Paper output	t	1,280	1,050	1,025	933	950
Recycled volume	t	1,280	1,050	1,025	933	950
Recycled rate	%	100	100	100	100	100
Other waste output	t	477	282	289	336	319
Recycled volume	t	132	115	137	207	190
Recycle rate	%	28	41	47	62	60

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

### 4. CSR Procurement

Goal 12 of the SDGs, "Responsible Consumption and Production," aims to ensure sustainable manufacturing and consumption patterns, and calls on consumers to engage in activities that lead to sustainable management and efficient use of natural resources, prevention of soil, air and water pollution, and waste reduction.

The Sumitomo Mitsui Trust Group strives to give procurement priority to goods and services that factor in consideration for the environment and society based on its Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy). Through its cooperation with suppliers who care about the environment and society and efforts to spread CSR procurement, the Group seeks to contribute to

sustainable social development as a corporate group trusted by the public.

#### CSR Procurement Policy

Papers, stationery goods, fixtures and equipment used by SuMi TRUST Holdings in its businesses have been procured through a long supply chain that begins with the mining of resources and extends to its processing, manufacturing and sales. Throughout this process, it is a duty of consumers to procure products and services that have been designed not to pollute the environment or cause human rights issues. SuMi TRUST Group has formulated a CSR procurement policy to promote procurement that gives consideration to the environment and society.

#### 1. Fair Transactions

We select suppliers through a fair and transparent method by taking comprehensive account of economic rationality, appropriate quality, delivery punctuality, compliance with social norms, consideration for social challenges and consideration for the environment. We do not provide profits to or impose undue disadvantages on specific clients without due reason.

#### 2. Compliance with Laws, Regulations, etc.

We respect laws and social norms in procurement and never violate them in any case. We are not involved with antisocial forces in any way and reject unjust demands.

#### 3. Consideration for Social Challenges

We strive to conduct transactions with and procure products and services from suppliers who respect basic human rights, give consid-

eration to industrial safety and health and avoid violations of human rights, such as unjust discrimination, forced labor and child labor.

#### 4. Consideration for the Environment

We strive to conduct transactions with and procure products and services from suppliers who promote efforts to reduce the environmental burden and contribute to mitigating and easing environmental problems, including climate change and biodiversity problems.

#### 5. Cooperation with Suppliers

We seek cooperation from and promote cooperative initiatives with suppliers in order to give consideration to social challenges and the environment across supply chains in our procurement activities.

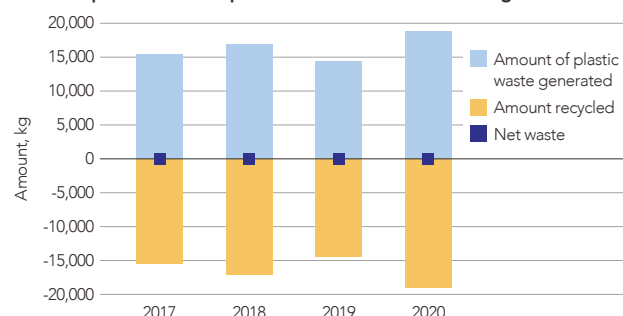
## Measures to Address Plastic Garbage

Ocean pollution caused by “marine plastic garbage” washed into from rivers and elsewhere is a global problem which has an enormous impact on marine ecosystems, and on industries such as fisheries and tourism.

In April 2019, the Group has established the “SuMi TRUST Group Zero Plastic Waste Declaration,” which aims to eliminate plastic garbage that is thrown away without recycling by 2030, as concrete action against this global marine pollution problem. Based on this declaration, we are now promoting concrete initiatives under the two pillars of: (1) not producing plastic waste by our employees and (2) not allowing our clients to produce plastic waste.

SuMi TRUST Bank has not provided items such as shopping bags and straws with purchases at the convenience stores operated for employees in our large office buildings. Since the formulation of the Zero Plastic Waste Declaration, original posters calling for waste separation and plastic waste reduction have been displayed throughout the Group, and mainly domestic branches have established their own Plastic Waste Reduction Activity Month to visualize the actions of each individual, and efforts to have employees bring their own bags and bottles are expanding. In addition, we thoroughly recycle plastic waste at the Head Office Building and other base buildings. The graph on the right shows, as an example, the status of plastic waste disposal in the Head Office Building from 2017 to 2020. While the amount of waste fluctuates by year, the entire amount of waste generated is recycled by a disposal company, resulting in virtually no waste. In the future, we will reduce the amount of waste plastic generated to achieve zero plastic waste and we will also actively consider ways to improve the

Status of plastic waste disposal at the Head Office Building



efficiency of recycling, such as material recycling and chemical recycling. In addition to the above, we are reviewing and switching the materials of various distribution items as a way to prevent our clients from generating plastic waste.

In August 2021, 492 people from 81 branch offices participated in an online internal study session for all branches and departments nationwide. Members of the Sustainability Management Department explained the threat of micro-plastics, 3R+Renewable, and circular economy, and called for participants to understand global trends and take concrete initiatives. One of the themes of the With You Eco Festival (see page 169), which was held for the branch offices from October of the same year, was the reduction of plastic waste. We promoted the visualization of the results of activities, such as how much CO<sub>2</sub> emissions can be reduced by using one's own bottles and reusing plastic umbrellas. As of January 2022, our employees' efforts have contributed to a reduction of 1,512.3 kg of CO<sub>2</sub>.

## Chronology of Activities

April 2019	Formulation of the SuMi TRUST Group Zero Plastic Waste Declaration <sup>1</sup>
October 2019-	The entire Group will gradually switch from biochemical film to Graphan (pulp material) as the material for the plastic windows of windowed envelopes used in business operations and for mailing to clients.
October 2019	Promote reduction of plastic at celebrations and informal receptions
April 2021-	Gradually switching from plastic to LIMEX as the material for handbag plastic bags to be given to clients <sup>2</sup>
July 2021-	Exhibition of Thinking about Plastic Waste posters at branch offices nationwide <sup>3</sup>
August 2021	Hold internal online study session on how to engage with plastic <sup>4</sup>
October 2021-January 2022	Hold With You Eco Festival for branch offices nationwide
November 2021-	Changed the tea serving service to clients visiting office buildings to environmentally friendly paper-bottled beverages (tea). <sup>5</sup>

1



Zero Plastic Waste Declaration poster

2



Handbag plastic bags made with LIMEX mix

3



Thinking about Plastic Waste poster

4



Internal online study session on how to engage with plastic

5



Environmentally friendly paper bottle beverage (tea)

## 5. Initiatives at Group Companies

Nikko Asset Management Co., Ltd. recognizes the threat that climate and environmental risks pose to the world, believing that it has a responsibility to minimize the impact of its business activities on the environment. Ever since first introducing an environmental policy in 2010, it has committed to actively considering environmental issues in its business activities.

The company has been measuring, evaluating, and offsetting the Group's greenhouse gas emissions since 2018. Based on power, transportation and travel usage data at each global location, we use an external consultant, Carbon Footprint Ltd., to evaluate CO<sub>2</sub> emissions. It was confirmed that the total greenhouse gas emissions of the company in 2020 amounted to 1,822.8 t-CO<sub>2</sub>, equivalent to 2.10 t-CO<sub>2</sub> of emissions per employee and emissions per 1 billion yen of

sales of 15.74 t-CO<sub>2</sub>. This marked a reduction of 69% on the previous year's total emissions.

The graph, "Breakdown of Nikko Asset Management Group Greenhouse Gas Emissions," shows the contribution of each category to the Group's CO<sub>2</sub> emissions in 2019 and 2020. The biggest factor contributing the reduction in total emissions was the reduction in business trips due to restrictions on movement caused by the COVID-19 pandemic. Although emissions from domestic and international air travel have decreased from more than 80% in 2019 to nearly 40% in 2020, it is still the largest contributor to the company's CO<sub>2</sub> emissions. At the same time, the amount of electricity used at our offices has been reduced by 20.5%, while the increase in electricity consumption due to employees working from home exceeded the relevant reduction.

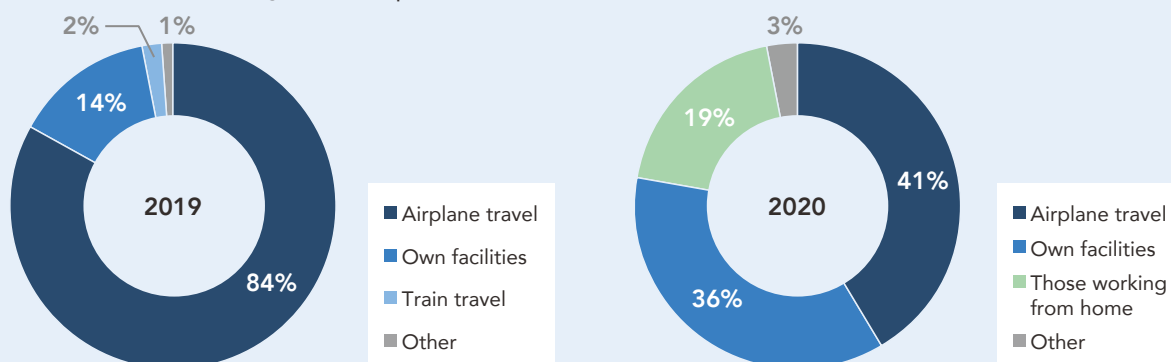
### Nikko Asset Management Group Greenhouse Gas Emissions

Item	2019	2020	YoY comparison
Total CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	5,906.90	1,822.80	Down 69.1%
t-CO <sub>2</sub> emissions per employee	6.36	2.10	Down 66.9%
t-CO <sub>2</sub> emissions per 1 billion yen sales	58.43	15.74	Down 73.1%

2019 data: All employees of the Nikko AM Group (as of January 1, 2020)

2020 data: Permanent employees of the Nikko AM Group (as of January 1, 2021)

### Breakdown of the Nikko Asset Management Group Greenhouse Gas Emissions



The Nikko Asset Management Group supports the United Nations Sustainable Development Goals (SDGs), Japan's 2050 Carbon Neutral Declaration, and other efforts by the international community to achieve a society with net zero carbon emissions. The company believes that it is essential to continue to minimize the negative impact on the environment in the communities in which it operates, so it has set specific targets for reducing CO<sub>2</sub> emissions and has updated its Environmental Policy. The renewed environmental policy focuses on the eight areas listed on the right.

1. Compliance with laws and regulations, etc.
2. Reduction of greenhouse gas emissions
3. Pursuing resource efficiency
4. Selecting vendors and purchasing products with consideration to the environment
5. Reduction of disposable plastic
6. Protecting biodiversity in the natural environment
7. Enhanced reporting and disclosure
8. Promoting employee education and advocacy

As a concrete goal, the Nikko Asset Management Group aims to reduce greenhouse gas emissions per employee throughout the Group by 40% by 2030 compared with 2019\*.

As a first step in these efforts, the Tokyo Office has switched to electricity from renewable energy sources, and preparations are underway to reduce CO<sub>2</sub> emissions from the use of electricity in offices.

Emissions were significantly lower in 2020, but we are well aware that this was achieved under unusual circumstances. As the world gradually returns to normalcy, Nikko Asset

Management Co., Ltd. will use what it has learned over this period of time, and it is aware of the need to control the rebound in greenhouse gas emissions. The company is confident that setting a clear long-term goal for emission reduction will help us realize this.

\*Covers direct and indirect emissions by the company under Scope 1 and Scope 2 (emissions from fuel combustion, electricity supply, and other uses) as defined in the Greenhouse Gas Protocol, as well as some indirect emissions under Scope 3 (emissions from fuel and energy activities and business trips not included in Scope 1 and Scope 2).

#### Environmental Performance of Nikko AM (Tokyo Head Office)

	Unit	FY2016	FY2017	FY2018	FY2019	FY2020	YoY comparison
Electricity consumption	thousand kWh	1,029	1,057	1,092	1,007	869	Down 13.7%
Total energy consumption	GJ	13,441	13,807	15,191	13,710	12,149	Down 12.8%
Copy paper procurement amount per employee	Piece	614	548	496	457	114	Down 75.1%
Stationery goods green procurement ratio	%	65.0	58.8	54.5	13.6	9.5	Down 30.2%

Scope: Head Office Building (Tokyo Midtown Tower)

Period covered: Each fiscal year (From April to March of the following year)

CO<sub>2</sub> emissions: Calculated using the formula for measuring specific greenhouse gas emissions provided by the Tokyo Metropolitan Government's Ordinance on Environmental Preservation.

\*Past results are not a prediction of future performance.

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. is taking steps to reduce power usage, copier paper, and gasoline.

The company has introduced open-plan workspaces and achieved a more compact office to suppress electricity consumption, reducing electricity consumption and copier paper volume by drawing on the benefits of paperless meetings, online approval forms for workflow, and less overtime work. In fiscal year 2020, as part of our measures against COVID-19, a mobile communication environment was established to enable location-independent telework, and as a result, the amount of copy paper used was reduced by 19.0% from the previous year.

In addition, the company is striving to reduce CO<sub>2</sub> emissions by switching from the use of private company cars to

public transportation in sales activities (e.g., using rail and rental cars), and is promoting initiatives that contribute to the environment and society (health and safety), such as reducing driver fatigue and preventing traffic accidents by reducing long-distance driving.

As a result of these initiatives, the amount of gasoline used for private company sales cars is decreasing every year. In particular, in fiscal year 2020, we were able to drastically reduce the amount of waste by 24 kl (34.0%) compared to the previous year, due in part to restrictions on activities caused by the declaration of a state of emergency due to the COVID-19 pandemic. This reduction is equivalent to approximately 55.7 t-CO<sub>2</sub> when converted to CO<sub>2</sub> emissions.

#### Environmental Performance of Sumitomo Mitsui Trust Panasonic Finance

	Unit	FY2016	FY2017	FY2018	FY2019	FY2020	YoY comparison
Electricity consumption	thousand kWh	1,008	982	984	938	896	Down 4.4%
Gasoline consumption	kl	118	117	89	70	46	Down 34.0%
Copier paper consumption	thousand sheets	17,464	17,508	17,567	18,499	14,984	Down 19.0%

# 3 People

## —Social Considerations

People are at the center of global economic prosperity, driving wealth creation, developing innovative products and services, and supporting the communities in which they live and work.

*From the World Economic Forum White Paper “Measuring Stakeholder Capitalism”*

100

- 101 The Group’s Approach to Social Issues
- 102 Human Capital
- 119 Respecting Human Rights
- 123 Addressing Issues of a Super-Aged Society



# The Group's Approach to Social Issues

The sustainable society envisioned under the SDGs is based on the assumption that humans will play a central role. Thus, the 17 goals ultimately aim to achieve human happiness. In 1948 the World Health Organization (WHO) described the state of human happiness as "well-being" (a state of complete physical, mental, and social well-being) and the Organisation for Economic Co-operation and Development (OECD) has defined the conditions of well-being to be comprised of material components such as income, employment, and housing, as well as immaterial components that contribute to quality of life (QOL), including health, education, and social connections. Our initiatives on pursuing prosperity and those related to global environmental considerations are also sorted into those that create positive impacts that ultimately lead to the well-being of people from all walks of life, not just our clients and employees.

## Definition of Well-Being by the OECD

Material conditions	Immaterial conditions (QOL)	
<ul style="list-style-type: none"> <li>Income and wealth</li> <li>Jobs and earnings</li> <li>Housing</li> </ul>	<ul style="list-style-type: none"> <li>Health status</li> <li>Work and life balance</li> <li>Education and skills</li> <li>Civic engagement and governance</li> </ul>	<ul style="list-style-type: none"> <li>Social connections</li> <li>Environmental quality</li> <li>Personal security</li> <li>Subjective well-being</li> </ul>

## Related Materiality

### Impact Materiality

Materiality	Risk/Opportunity	Main stakeholders	Key measures
Pursuing sustainability-themed business opportunities	Opportunity	Clients, employees, communities	Maximizing the positive impacts through business (e.g. development of innovative financial products that help solve social issues and engagement with companies to whom we extend investments and loans to actively encourage behavioral change)
Considering impacts on society and the business environment of companies to whom we extend investments and loans	Risk	Clients, employees, communities, NPOs	Minimizing the negative impacts through business (e.g. investments and loans in line with policies for specific sectors and ESG guidelines, and engagement with companies to whom we extend investments and loans to encourage the control of negative impacts, such as human rights issues)
Population decline and issues of a super-aged society	Risk/Opportunity	Clients, employees, communities, business partners	Reviewing business operations from the perspective of the impact on the well-being of elderly clients, addressing dementia-related problems, and transferring assets between generations taking into account the viewpoint of child-rearing support

### Governance and Management Framework Materiality

Materiality	Risk/Opportunity	Main stakeholders	Key measures
Bolstering human resources and developing workplace environments	Risk/Opportunity	Employees	Hiring and appointing diverse human resources, adopting appropriate performance evaluation and compensation packages, nurturing human resources, improving employee satisfaction levels, promoting employee health, and preserving employment and worker rights

Highly Relevant SDGs



# Human Capital

## Enhancing Human Capital to Increase Corporate Value

### Human Resources Strategy

The Group's Codes of Conduct ("Value") state: "We will realize our organizational capabilities full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust." It is essential that we create more sophisticated human capital to raise corporate value and maximize the value we provide to stakeholders.

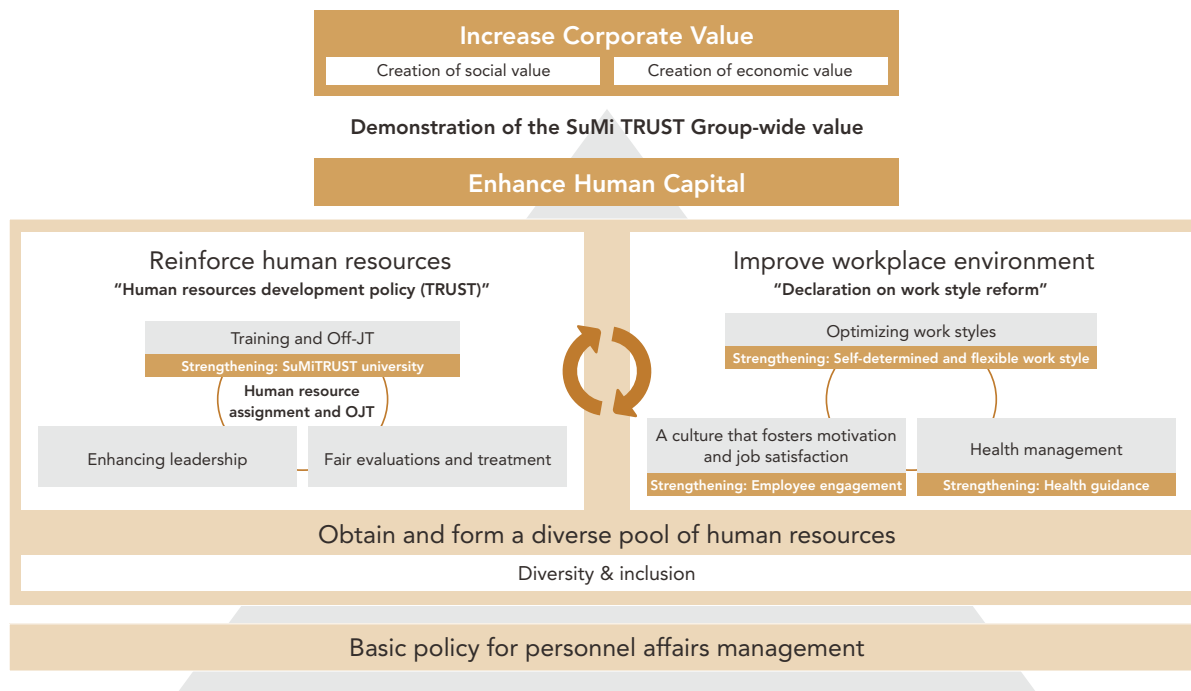
The Group categorizes individual human resources measures by function. We then apply a long-term investor's perspective to processes that create more sophisticated human

capital while activating synergies between each function. This approach is also conducive to the enhancement of information disclosure.

By enhancing our engagement with employees, the organization and individual employees can draw upon diversity and continue to contribute to mutual growth with the same expectations as a foundation for activity. In this way, we will seek to create new value even despite significant changes in the structure of Japanese society.

#### Personnel System and Management Principles

1. SuMi TRUST Bank respects individuals' diversity and promotes voluntary initiatives so as to exercise creativity and create value added in a broad range of fields.
2. SuMi TRUST Bank promotes friendly rivalry among employees to improve themselves as well as their autonomous growth in order to enhance its expertise and comprehensive capabilities as a trust bank.
3. SuMi TRUST Bank assigns the right person to the right job according to job capability in order to make the most of individuals' potential.
4. SuMi TRUST Bank gives fair and just evaluation and treatment to individuals according to their capability, role and achievement so that they can have motivation and feel a sense of satisfaction at achieving self-fulfillment and contributing to the Company.



#### Basic Policy for Personnel Affairs Management

The SuMi TRUST Group provides a workplace in which individuals' diversity and creativity are fully utilized as value-added to the organization and they can have dreams and pride and feel motivation when working. It also forms a group of personnel capable of providing comprehensive solutions by making full use of their advanced expertise and comprehensive capabilities and helps them to make successful achievements.

## Diversity & Inclusion

### Promoting Diversity & Inclusion

The Group has various functions and a diverse business portfolio, which is one of our strengths. Our human resources basic policy therefore calls for a workplace in which individuals' diversity and creativity are fully utilized to add value to the organization. As diversity promotion becomes a more widely recognized concept in society, SuMi TRUST Bank established the Diversity & Inclusion Office (D&I Office) within its Human Resources Department in October 2016 to accelerate the efforts to promote diversity and inclusion by correlating diversity promotion with a corporate culture that emphasizes diversity. The D&I Office comprises specialists from the Human Resources Department and members from business supervision departments. The Office promotes

diversified work styles for individual employees and implements measures that increase corporate value in a way that is tailored to each business unit's circumstances.

In addition, promoting diversity has become a major business trend and long-term investors emphasizing ESG are taking a greater interest. In response, SuMi TRUST Holdings also established the D&I Office within its Human Resources Department in October 2017 to promote diversity and inclusion throughout the Group.

\*SuMi TRUST Group's promotion of Diversity & Inclusion

URL: [https://www.smth.jp/en/about\\_us/management/human\\_resources/diversity\\_inclusion/index.html](https://www.smth.jp/en/about_us/management/human_resources/diversity_inclusion/index.html)

Diversity & Inclusion Report No. 3 (published May 29, 2020)

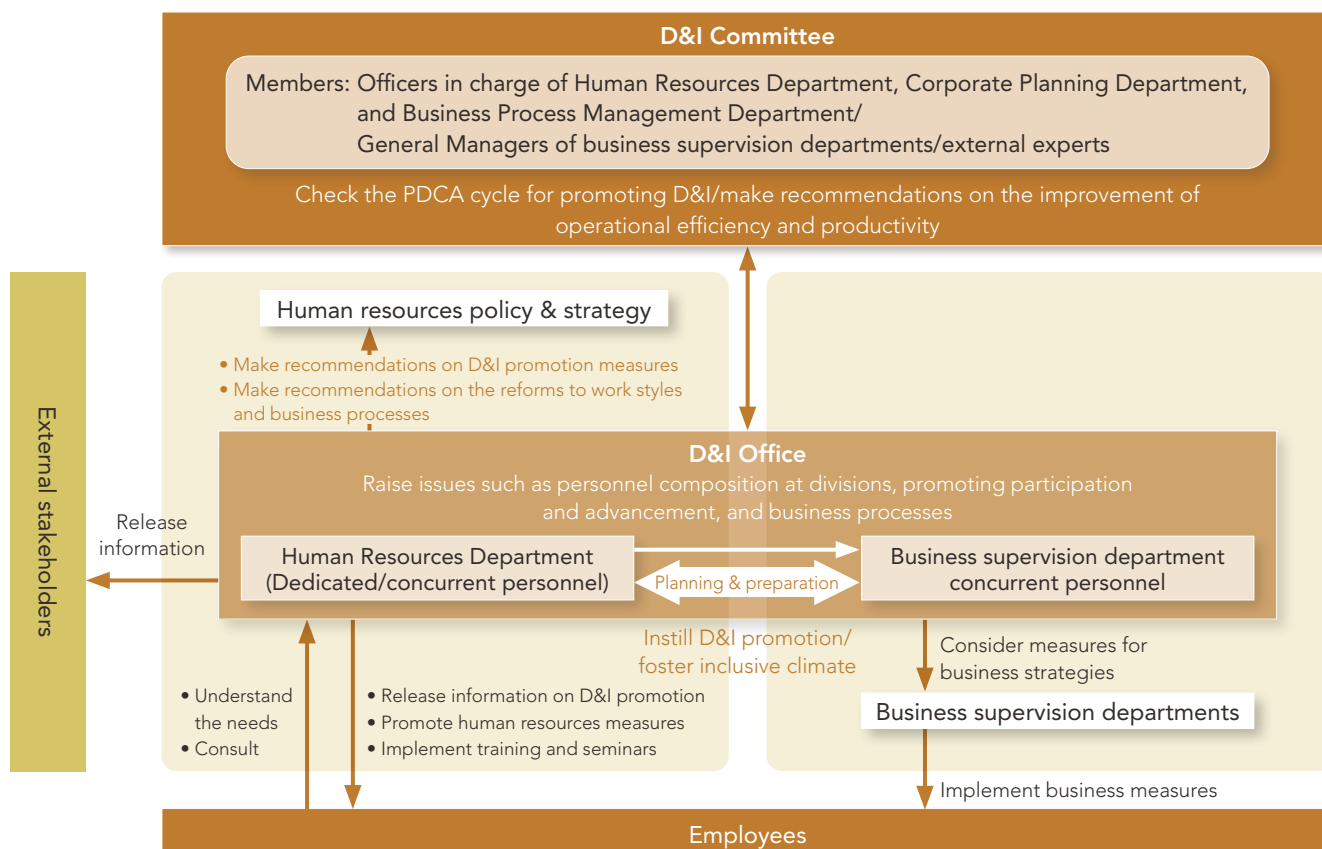
URL: [https://www.smth.jp/english/-/media/th/english/about\\_us/management/human\\_resources/pdf/E200529.pdf](https://www.smth.jp/english/-/media/th/english/about_us/management/human_resources/pdf/E200529.pdf)

### 1. Diversity & Inclusion Promotion Framework at SuMi TRUST Bank

SuMi TRUST Bank's initiatives for promoting diversity and inclusion focus on the empowerment of women, persons with disabilities, and global workforce, enhancement of work-life

balance, and encouragement of understanding human rights and the LGBTQ community.

#### Organizational Chart for D&I Promotion at SuMi TRUST Bank



D&I: Diversity & Inclusion

## 2. Initiatives for Promoting Women's Active Participation and Advancement

As the Group ensures “the right people are placed in the right positions based on their capabilities in order that all of our employees can realize their full potential,” we place people in managerial positions based on their abilities regardless of gender.

SuMi TRUST Bank has formulated a new general employer action plan in April 2020 based on the Act of Promotion of Women's Participation and Advancement in the Workplace. With the goal of increasing the number of women in decision-making positions, the action plan calls for SuMi TRUST Bank to increase the ratio of women in the section manager position or higher to over 12%, and the ratio of women in management positions to over 30% by the end of March 2023. As we achieved some of our goals ahead of schedule, in November 2021 we formulated a new action plan to increase the ratio of women in the section manager position or higher to over 20%, and the ratio of women in management positions to over 30% by the end of October 2024 to further accelerate our initiatives to promote the participation and advancement of women.

Pipeline models have been formulated to facilitate the planned nurturing of employees in each business, while various types of training are being conducted with a view to future appointments of female employees to management positions as we set our sights on being the number one financial institution for both HR development and HR participation. Such training measures include seminars for women in leadership positions and training aimed at facilitating self-determined career planning. Furthermore, we are widening the scope of activities for female employees by offering a broad range of appointments through which they can take up the challenge of working in different roles. In addition to training, we provide growth opportunities through job relocation and reassignment.

### Human Resource Development in Consideration of Placing Female Employees in Managerial Positions Support for Women's Solid Career Formation

SuMi TRUST Bank carefully runs training sessions for female employees to coincide with the turning points of their careers so as to provide them with opportunities to independently consider their career development and build networks. In a career training held for sixth year employees, we help employees chart a course for their own careers over the medium to long term with advice from external lecturers and senior employees. SuMi TRUST Bank is also undertaking initiatives to earnestly listen to the concerns of female employees—who are susceptible to the impacts of major life events—and to provide them with opportunities as early as possible so they can design their own career as part of their life planning. In addition, starting in fiscal 2020, we began holding career seminars for employees suited for our pipeline models to clearly communicate the Bank's policies and initiatives for each job level, as well as its expectations for them to take on the challenge of becoming managers, and to build a network that extends beyond our businesses. Furthermore, each business also conducts training and events for employees to address issues in promoting the participation and advancement of women. Through these initiatives, SuMi TRUST Bank supports the growth of female employees so they can set their sights

### Female Executives and Managers at SuMi TRUST Bank

	End of March 2019	End of March 2020	End of March 2021
(1) Directors and executive officers	2 (2.9%)	4 (5.7%)	4 (5.7%)
(2) Women in general manager level positions	9 (3.7%)	12 (4.8%)	16 (6.5%)
(3) Women in section manager level positions	134 (11.8%)	135 (11.7%)	150 (12.9%)
(4) Women in section manager or higher positions ((2) + (3))	143 (10.3%)	147 (10.5%)	166 (11.8%)
(5) Women responsible for management operations	1,423 (23.9%)	1,570 (25.8%)	1,683 (26.9%)

\*The number inside the parenthesis is the female employee ratio. Executive officers included in (1). Women in assistant manager or higher positions shown in (5), which also includes (4).

on even higher management positions by sweeping away the concerns and pressures associated with becoming a manager and allowing them to demonstrate their capabilities in their own management style (see page 106 for information on the career course system).

### Use of Outside Networks and Dialogue with Directors and Officers

We send female employees to joint events with other companies to provide opportunities for them to broaden their perspectives through interaction with people from other businesses, as well as to make an objective reassessment of their careers. In addition to Company-hosted events and training, at branch offices and departments too, we adopt a bottom-up approach to furthering the participation of female employees by providing them with opportunities to think about their own careers through interaction with women from business affiliates.

Our executive officers are also actively involved in the nurturing of female employees. To that end, we organize executive seminars so that female employees can talk directly with executives, gain insights into management, and hear what executives expect of female employees. Furthermore, we implemented an executive mentorship program starting this fiscal year. Under this program, all managing executive officers become mentors for female employees who are candidates to become branch managers, offering one-on-one mentoring on a monthly basis to help them acquire a wide range of knowledge, perspectives, and personal connections, while providing them with opportunities for growth.

### Training for Directors, Officers, and Management

To promote a change in mindset throughout the management team—a key element in developing an environment in which women can thrive—SuMi TRUST Bank incorporates topics concerning unconscious bias and female health issues into manager training. In addition, we take steps to deepen the understanding of executive officers regarding diversity and inclusion by, for example, providing training for executive officers and management on mentoring methods and effective ways to interact with subordinates as part of the executive mentorship program.

### 3. Initiatives to Support Work-Life Balance

#### Career-Building Support to Weather Life Events

##### A System of Workplace Reassignments and Leave to Accompany Spouses on Overseas Transfers

In fiscal 2016, SuMi TRUST Bank instituted a system so that A-course employees (who are not subject to new workplace assignments accompanied by relocation) (see page 106) can change their workplace location in the event of spouse's relocation. Furthermore, since July 2017, employees have been allowed a leave of absence to accompany a spouse on an overseas transfer, regardless of whether that spouse works for the same company or a different company. Both male and female employees can apply to take advantage of the system. When a spouse is transferred overseas, it imposes a heavy burden on the family environment. This system came about from a desire to help our employees independently build their careers by offering them more than just a choice between career and family. Both domestic workplace reassignments and leave to accompany spouses on overseas transfers are used as ways for employees to continue their careers despite life events.

#### Users

Domestic workplace  
reassignments  
as of March 2021

201

Leave to accompany spouses  
on overseas transfers  
as of March 2021

14

#### Work-Life Balance

SuMi TRUST Bank set a target of 100% paternity leave ratio for male employees in its general employer action plan commitment as an initiative for achieving diverse working styles and a healthy work-life balance, one of the topics in its Declaration on Work Style Reform (see page 111). This initiative is being promoted throughout the Group for the purpose of fostering a culture in which male employees assuming responsibility for some household duties is considered normal and so they can make new discoveries outside of the workplace and get a feel for how society is changing. The 100% target was achieved in fiscal 2017 and 2019, as well as in fiscal 2020. Going forward, we will continue to undertake activities geared towards entrenching the practice of taking paternity leave as part of company culture; for instance, even after the 100% target has been attained, we are encouraging employees to take more days off work.

We are also promoting initiatives to help employees balance work and nursing care, a trend that is expected to become more common going forward. As a part of this, we jointly hosted an online nursing care seminar together with the employees' union so employees all over Japan could easily participate, and we also organized a seminar just for management so they could learn how to more smoothly communicate with subordinates that need to take time off to look after their loved ones. In the annual employee awareness survey conducted to measure awareness of the nursing care schemes and corporate culture, our score for fiscal 2020 exceeded 60, which is considered a positive assessment.

### 4. Empowerment of Global Employees

SuMi TRUST Bank offers training every year to local-country employees working at its overseas branches and overseas subsidiaries and affiliates. Training is focused on deepening employees' understanding of the SuMi TRUST Group and its operations, and strengthening networks among participants and business lines. The training includes a management strategy briefing with an accompanying discussion as well

as lectures on Japanese business culture and history, and business overviews.

In addition, we provide Japanese language classes for foreign employees at our offices in Japan to accommodate those who wish to communicate smoothly in Japanese in their work in Japan.

### 5. Promoting Advancement of Disabled Persons

We aim to have even employees with disabilities thrive at work and find their jobs rewarding as members of the SuMi TRUST Group. Nikko Asset Management has been running the Athlete Employee Programme since 2013 and is focused on hiring employees with disabilities. The employees that joined Nikko AM through this program established a working group for disabled employees and some of those employees are involved in creating a more comfortable working environment for all employees—one of the missions of the SuMi TRUST Group.

Moreover, the number of places at SuMi TRUST Bank where disabled employees can work alongside their colleagues is growing. Such positions include client service at branch offices or administrative duties in the head office. We

also make sure to sit down for a discussion with such employees after they have started working in order to address any concerns or requests they might have. The issues raised from these meetings prove useful when developing a more comfortable workplace environment, in terms of both physical and mental perspectives. As of September 30, 2021, the employment rate of disabled persons stood at 2.32%.

#### Employment Ratio of Disabled Persons

As of September 30, 2021

2.32%

#### Branches with Disabled Persons

As of September 30, 2021

110 branches

## Gaining & Shaping a Population of Diverse Human Resources

### Reinforce Human Resource

#### The SuMi TRUST Group Human Resources Development Policy

The SuMi TRUST Group will maintain its workplace environment and bolster its human resources based on a development spirit consisting of "TRUST," for the growth and career development of the employees who will create our future.

- Talent** .....Talent (individuality) can blossom  
**Respect** .....Respect each individual  
**Uniqueness** .....Develop true professionals  
**Support** .....Make mutual teaching and support our motto  
**Try** .....Praise small, daily challenges

Based on the "fiduciary spirit of TRUST," the SuMi TRUST Group aims to contribute to our clients and the continuous development of society through the growth of our employees, thereby maximizing the creation of shared value and becoming the corporate group that is chosen by society.



We have been advancing measures to be the "No. 1 financial group for human resource development" with the aim of "bolstering human resources," which is one of the two wheels for raising the level of our group of personnel that provides comprehensive solutions (see page 102). Today, however, as digitization and other advances are transforming business models at an ever-accelerating pace, we need to share more concrete guidelines within the Group and accelerate their promotion. It was for this reason that, in April 2018, we created our "Human Resources Development Policy" as the shared human resource development slogan within the SuMi TRUST Group.

Through our Human Resources Development Policy, we have initiated various measures in fiscal 2019 aimed at becoming the "No. 1 financial group for human resource success," where all kinds of people, from young to senior, regardless of gender or course, can flourish.

#### Career Course System Enabling Proactive Choice

SuMi TRUST Bank has implemented a course-based system that promotes employee career formation. Employees are

streamed into three courses, the G Course, the R Course, or the A Course, depending on their likelihood of being transferred and the nature of their work duties. There is also a system, applied to all courses, that places employees into four work groups based on their demonstrated capabilities. By adopting this system, we encourage personnel management based on ability, rather than age or gender. All employees regularly talk with their superiors on the status of career formation to be evaluated and receive feedback.

#### Strategic Human Resource Assignment and OJT\*

The SuMi TRUST Group views OJT as the foundation for human resource development. We also focus on assigning employees to roles that awaken their passion for growth and allow them to display their abilities to the maximum extent. SuMi TRUST Bank has introduced a program that enables new employees to experience multiple work domains within a fixed period after joining the Bank, which helps them ascertain their own job aptitude through their own work experiences. We are also advancing initiatives such as a trust internship program, in which employees spend a fixed

Course name		Residence and workplace relocation	Eligible business operations	Primary role
<b>G Course</b> (General & Global)	Nationwide relocation type	Possible	All operations	<ul style="list-style-type: none"> <li>• Leaders of department- and branch-level organizations, or</li> <li>• High-level professionals regarding various specific operations</li> </ul>
<b>R Course</b> (Retail & Region)	Operation- and region-specific type	Possible within the specified area*	Operations for retail total solutions	<ul style="list-style-type: none"> <li>• Leaders of department- and branch-level organizations engaged in operations for retail total solutions, or</li> <li>• High-level professionals that undertake operations for retail total solutions</li> </ul>
<b>A Course</b> (Area)	Region-specific type	None	All operations	<ul style="list-style-type: none"> <li>• General managers of departments and branches, or</li> <li>• Professions regarding various specific operations</li> </ul>

\*Nationwide- and regional-types (Tokyo, Kinki and Chukyo areas)



period of time learning the trust business in a section that is responsible for planning and development of trust operations, products and services. The program is aimed at developing human resources who possess a “high degree of expert knowledge in trust operations” and a “deep understanding of the fiduciary spirit.”

In addition, we have reduced the amount of paperwork at each branch by expanding the functions of our internal systems and consolidating operations. Under these circumstances, we are moving forward with integrating the operations of multiple branches in the area, promoting efficient operations, and strengthening our sales structure, while at the same time striving to develop human resources by rotating personnel.

\*On-the-Job Training (OJT) is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via daily tasks.



Online training in progress



Communication tool among new employees, development personnel, and branch managers

#### Number of New Recruits

	Total (total of male and female)	Male	Female
FY2017	433	179	254
FY2018	402	178	224
FY2019	396	153	243
FY2020	402	140	262
FY2021	394	146	248

#### Salaries for New Employees in Fiscal 2020

(Starting Salaries)

(Post graduate)

(University graduate)

Monthly salary **235,000 yen** **210,000 yen**

\*Common across all courses

#### Recruiting Diverse Human Resources

It is indisputable that employing diverse human resources is the starting point for developing a robust corporate foundation. The recruitment section of SuMi TRUST Bank website provides clear explanations of the characteristics of its personnel system, the mechanism of trusts and their significance, and the overview of its businesses. The website is also carefully designed to give students from a wide variety of backgrounds an idea of what working at the SuMi TRUST Group is really like with features such as employee interviews. In addition, human resources likely to demonstrate expertise as trust bank employees are strategically recruited by setting aside the recruitment quotas for experts in law and other

fields, as well as assigning them to digital-related operations or asset management operations as an initial job assignment.

We also actively recruit mid-career professionals, in addition to new graduates, to ensure diversity, which is the source of our strength as a trust bank group. In recent years, the SuMi TRUST Bank has recruited approximately 100 mid-career professionals in Japan every year, including those from different industries, regardless of their nationalities.

As of the end of September 2021, 20% of our hires were mid-career hires while 20% of employees appointed to section manager or higher were mid-career hires, and we plan to continue maintaining this level going forward.

As for employees with foreign citizenship, our core subsidiary SuMi TRUST Bank employs a total of 81 employees in Japan and more than 700 employees in overseas offices. The ratio of local staff in management positions at our overseas offices is around 64%, and we plan to maintain this level going forward (as of September 30, 2021).

#### Respect for Employees' Will in Job Assignment

SuMi TRUST Bank determines new hires' job assignments by taking a comprehensive approach, examining their aptitude and confirming their wishes through interviews with each of them before they formally join the Bank. At the same time, SuMi TRUST Bank also values the initiative and motivation of each individual, and provides opportunities for incoming hires to acquire qualifications at their own will (pension actuary, real estate appraiser) and to take on the challenges of their initial assignment (global business, digital transformation, asset management and administration, market operations, etc.), thereby carrying out initiatives to encourage incoming hires to acquire the expertise trust bank employees need, as well as to continuously develop specialized talent.

#### Internal Job Posting System

With regard to employees' assigned positions, SuMi TRUST Bank has initiated an internal job posting system to encourage its employees to independently and voluntarily form their own careers. Under this system, employees applying for job quotas various departments set can actually move to the departments where they have applied if they clear the Human Resources Department's selection process. More recently, in response to changes in the business environment, SuMi TRUST Bank has been recruiting for special job posts that require novelty and significant expertise. In fiscal 2020, SuMi TRUST Bank started recruiting CEOs for its industry-government-academia collaboration start-up business and digital strategy company through the internal job posting system.

#### Number of Internal Job Postings

FY2020

**72**

#### Number of Internal Job Posting System Users

FY2020

**343**

## Human Capital

### Personnel Exchanges among Group Companies

To bolster consolidated management and create stronger human resources group-wide, the SuMi TRUST Group encourages mutual exchanges of human resources among Group companies. To ensure smooth personnel exchanges, Sumitomo Mitsui Trust Career Partners offers training to Group companies.

### Study at SuMiTRUST University

To further develop the expertise and individuality of each employee, the Group has developed an in-house university under the name of SuMi TRUST University. SuMi TRUST Bank also partnered with external educational institutions to offer training aimed at improving business skills and many self-development programs that encourage employees to continue enhancing their capabilities.

SuMi TRUST University provides a wide range of learning opportunities, including original content that enables employees to freely pickup knowledge, skills, and expertise that are unique to a trust bank and distinctive of Sumitomo Mitsui Trust Bank. It also offers courses to deepen knowledge in areas such as business skills, digital technology, and liberal arts, to help each employee achieve their career goals and aspirations. Furthermore, the University focuses on revitalizing communication so that employees can come together and further their learning in the age of 100-year life. It also emphasizes the importance of employees sharing knowledge and experience and stimulating each other to make new discoveries and create new value. In fiscal 2020, the University entered the second phase of its development. In addition to starting seminars where employees who do not come into contact with each other in the course of their regular work get together to discuss and conduct research

on common themes, we are also building a social network where employees can freely exchange information related to learning, and the University is continuing to evolve as a learning platform where employees can meet new people and acquire new knowledge. Some employees have already started their own English study circle, and we plan to proactively support these activities.

At the same time, we are working to build a learning platform accessible by all Group employees, regardless of the company or employment status, with the aim of developing a course management system that lets each employee freely construct their own curriculum while providing communication tools that support mutual learning among employees.

#### Various Training Programs

- Training for new employees, rank-based training, business process-based training, language training (English and Chinese); carefully tailored trainings are provided according to the levels of experience and skill.

#### Web Campus

- Learning system using the Internet, including e-learning
- All employees can learn compliance rules, operational knowledge, business skills, etc.

#### Self-Development Support

- Financial assistance to cover the cost of various qualification and certification tests, grants to support obtaining credentials, provision of books for the disabled

#### Various Trainee Programs

- Capability development training programs, including training for acquiring qualifications and language trainee programs, are implemented
- Overseas training and language trainee programs (English, Chinese, and Thai), business process trainee program (New York, London, Shanghai, Singapore, etc.)

Concept Image of SuMiTRUST University

	Business	Global	Digital	Liberal arts	SMTB Knowledge	Rank-based and screened trainings
Officers and GMs	<b>NEW</b> Creative thinking courses	<b>NEW</b> Secondment overseas		SuMi TRUST 50 lectures (lectures by external lecturers) Industry-academia collaboration: University lecture participation program (Education domain)	<b>NEW</b> Seminar: "Purpose" management	<b>NEW</b> Training for newly appointed managing executive officers Training for newly appointed executive officers Training for newly appointed general managers
Deputy GMs and section managers	Online video training content service	English and Chinese language courses	Digital Academy	Industry-academia collaboration: University lecture participation program (Education domain)	<b>NEW</b> Trust fundamentals online course	Training for newly appointed deputy general managers Training for newly appointed section managers Career ownership training
Group leaders	Online MBA courses	English study circle Dispatch of trainees			Seminar: Financial services in a super-aging society Global Markets Business fundamentals online course Corporate pension fundamentals online course	GL training <b>NEW</b> Remote management training <b>NEW</b> 1-on-1 training
Small group leaders	SuMiTRUST Academy				Seminar: SDGs and creativity	SL training University dispatch
Employees with certain responsibilities						G&L II training Co-creation programs with other companies
New employees						G&L I training Challenging Year New employee training