

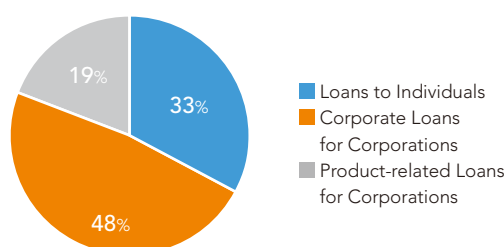
Consideration for Borrowers' Environmental and Social Impact

1. Initiatives for Loans (Banking Business)

Sector Exposure

Outstanding loans account for approximately 1/2 of the Group's total assets of ¥59.8 trillion. Of the total loan balance, about 33% is for individuals, centered on home mortgages, and the remaining 67% 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

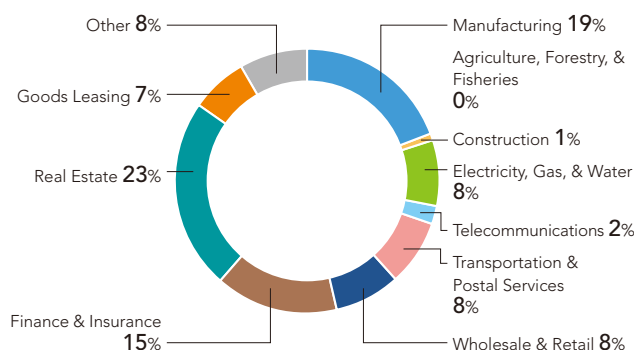


The table on the right shows the loan balance of approximately ¥30 trillion categorized by industry. The figure below shows exposure by sector, with approximately ¥15 trillion in loan balance for corporations at domestic branches as the denominator. This excludes the loan balance in the Overseas Branches 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 60% of the total. Second tier sectors include Electricity & Gas, 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	1.2
Telecommunications	0.4
Transportation & Postal Services	1.2
Wholesale & Retail	1.3
Finance & Insurance	2.3
Real Estate	3.6
Goods Leasing	1.1
Other	11.8
Overseas Branches	4.0
Total	30.2



(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 Wholesale Business Planning Department, 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 April 2020, the company established the Sustainable Business Promotion Office under the Wholesale Business Planning Department, and began consolidating ESG information for the Wholesale Total Solution Services Business and collaborating with the Sustainability Management Department.

In addition, with regard to climate change, members of the Wholesale Business Planning Department are also participating in the Banking WG of the TCFD Project Team, and are involved in conducting scenario analysis for high-risk sectors. The following figure outlines the transition risks, physical risks, and business opportunities for the sectors belong to the four non-financial groups (energy, transportation, materials and buildings, and agriculture, food, and forest products) that are considered high-risk sectors in the TCFD recommendations.

Heat Map

Sector	Transition risk	Physical risk	Opportunity	Exposure
Petroleum, gas, and coal	High	Medium	Medium	Medium
Electric power	High	Medium	Medium	High
Marine transportation	Medium	Medium	Medium	High
Railway transportation	Low	Low	Low	Medium
Automotive and parts	Medium	Medium	Medium	Medium
Property management and development*	Low	High	Medium	High
Chemicals	Medium	Medium	Medium	Medium
Paper and forest products	Medium	High	Medium	Low
Personal mortgage loans	Low	High	Medium	High

*Personal mortgage loans not included

Taking into account the results of the qualitative assessment and SuMi TRUST Bank's exposure, we conducted a transition risk scenario analysis for the electric utilities sector and a physical risk scenario analysis for individual home mortgages in FY2019. Similarly, in FY2020, we have established priorities based on the level of importance to SuMi TRUST Bank, and are carrying out scenario analysis accordingly.

*Please refer to the 2020/2021 TCFD Report for details.

Policies for Specific Sectors

SuMi TRUST Bank has established policies for specific sectors that promote businesses with a large impact 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.

1. Prohibited Transactions

- Transactions that are considered immoral
- Transactions that involve 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.

2. Transactions Warranting Special Attention

- Coal-fired power generation (recently revised)
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*¹ as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.

*¹ 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*² as well as fully taking into account whether or not there are existing problems with original inhabitants and local communities.

*² 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

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

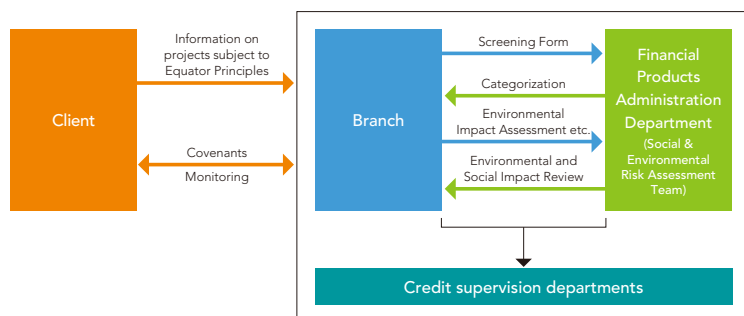
SuMi TRUST Bank continues to engage in dialogues and collaborations with various stakeholders on themes that are relevant to the sector policies that it has established. The Bank trusts that dialogues and collaborations with these stakeholders will prove useful when considering reviews to improve the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

Project Finance Initiatives

SuMi TRUST Bank is a signatory to the Equator Principles. These international guidelines for private-sector financial institutions in approving loans for project finance etc. are to ensure project implementers give sufficient consideration to impacts on the natural environment and regional communities.

In the decision-making process for lending, banks review the environmental and social risks of projects, the country where projects are located, and impacts on the environment and society according to sector in arriving at a comprehensive risk assessment.

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.

The Equator Principles

The Equator Principles are standards that enable private-sector financial institutions approving loans for a large-scale project to confirm the project pays sufficient care to impacts on the natural environment and regional communities. Regardless of the country where the project is sited or industry, the Principles apply to project finance, project-related corporate loans (PRCL), and bridge loans that are intended to be re-financed by a project finance or PRCL.

The Equator Principles are based on guidelines and standards concerning environmental and social risk management established by International Finance Corporation, a member of the World Bank Group. These standards and guidelines span many fields from implementation processes for assessing environmental and social risks and/or impacts, pollution prevention, and consideration for regional communities to environmental protections.

The Equator Principles Association Annual Meeting in

November 2019 adopted EP4, the fourth version of the Equator Principles. Other than stronger consideration of indigenous peoples in developed countries and partial expansion of applicable transactions to include refinancing and the like, EP4 reinforced action on climate change by adding to the due diligence items. The added items were implementation of physical risk analysis in cases likely to cause substantial or greater impact, and, for projects with annual greenhouse gas emissions in excess of 100,000t-CO₂, the implementation of transition risk analysis in TCFD in addition to consideration of alternative proposals.

As of December 2020, 111 banks (including export credit agencies) from around the world have signed the Equator Principles. Signatories require project proponents to comply with the Equator Principles. The signatories can refrain from providing financing if requirements are not met, particularly in the case of large-scale projects in developing countries.

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* ¹	Same as the above
Project-Related Corporate Loans (PRCL)* ²	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

*1 Project finance advisory services

*2 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/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

26 projects were subject to the Equator Principles in fiscal 2019. Projects featuring the mark have received thirdparty certification from PwC Sustainability LLC.

Project Finance Cases

	FY2019			
	A	B	C	Total
Sector	A	B	C	Total
Mining	0 ✓	0 ✓	0 ✓	0 ✓
Infrastructure	0 ✓	4 ✓	2 ✓	6 ✓
Oil & Gas	0 ✓	0 ✓	0 ✓	0 ✓
Power	3 ✓	15 ✓	0 ✓	18 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	0 ✓	0 ✓	0 ✓
Region	A	B	C	Total
Americas	0 ✓	0 ✓	0 ✓	0 ✓
Europe, Middle East, and Africa	0 ✓	3 ✓	0 ✓	3 ✓
Asia and Pacific	3 ✓	16 ✓	2 ✓	21 ✓
Country Classification	A	B	C	Total
Designated Country	1	16	2	19
Non-Designated Country	2	3	0	5
Independent Review	A	B	C	Total
Implemented	3	17	0	20
Not implemented	0	2	2	4

Corporate Loans Tied to Projects

	FY2019			
	A	B	C	Total
Sector	A	B	C	Total
Mining	0 ✓	0 ✓	0 ✓	0 ✓
Infrastructure	0 ✓	0 ✓	0 ✓	0 ✓
Oil & Gas	1 ✓	0 ✓	0 ✓	1 ✓
Power	0 ✓	0 ✓	0 ✓	0 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	1 ✓	0 ✓	1 ✓
Region	A	B	C	Total
Americas	0 ✓	1 ✓	0 ✓	1 ✓
Europe, Middle East, and Africa	0 ✓	0 ✓	0 ✓	0 ✓
Asia and Pacific	1 ✓	0 ✓	0 ✓	1 ✓
Country Classification	A	B	C	Total
Designated Country	0	0	0	0
Non-Designated Country	1	1	0	2
Independent Review	A	B	C	Total
Implemented	1	1	0	2
Not implemented	0	0	0	0

Ship Finance Initiatives

For more than 50 years the Group has given top priority to steadily providing financing to the shipping sector to meet the varied needs of its clients. The shipping market is heavily influenced by mainly global economic fundamentals and supply and demand for vessels, but strengthening environmental regulations and addressing climate change risks have become pressing issues. In addition to strengthening our financing of environmentally sound investments and environmental initiatives by client companies in response to stricter environmental regulations, we have signed on to the Poseidon Principles to support, from a financial perspective, the reduction of greenhouse gas emissions in the global shipping industry. Not only are companies incorporating environmental measures into their basic philosophy on corporate administration, but even government administrations in Europe and the US are doing the same by focusing on the idea of "Build Back Better." This is an area that is rapidly growing in importance even in the shipping industry, which is why we intend to ramp up our initiatives going forward.

Signatory to the Poseidon Principles

In March 2020, SuMi TRUST Bank became the first

financial institution in Asian countries to sign on to the Poseidon Principles, an initiative launched by financial institutions to address climate change risks in the marine transportation industry.

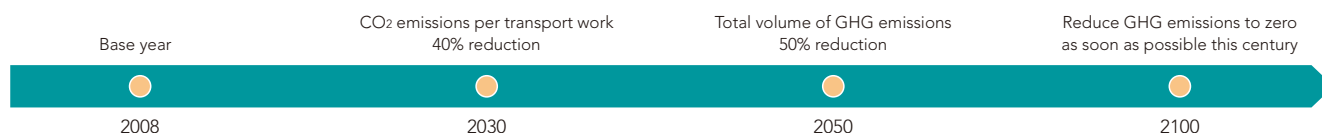
As an initiative spearheaded by private financial institutions to align with the greenhouse gas (GHG) reduction targets adopted by the International Maritime Organization (IMO)*¹ for global shipping, as well as the IMO's comprehensive GHG reduction strategy*², the Poseidon Principles were established 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 3% of global CO₂ emissions



Signatories to the Poseidon Principles will, on an annual basis, assess the CO₂ emission reduction efforts of each ship subject to finance and calculate and publish the overall climate alignment of its ship finance portfolio. SuMi TRUST Bank plans to start calculating CO₂ emission reduction efforts (climate alignment) based on the Principles in fiscal 2021.

By becoming a signatory to the Poseidon Principles, and as a member of the maritime cluster of Japan, SuMi TRUST Bank will continue to support the business activities of its 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.

Financial institutions publish climate alignment of ship finance portfolios

- Every year, signatory financial institutions calculate CO₂ 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 CO₂ emissions of each aforementioned vessel.
- SMTB plans to publish 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

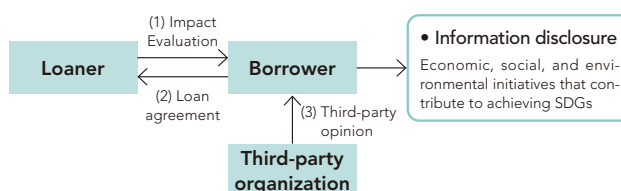
- In order to reduce CO₂ emissions by 50% by fiscal 2050, the secretariat of the Poseidon Principles determines the amount of CO₂ emissions considered currently fair for each ship type and size class (decarbonization trajectory).
- The actual volume of carbon emissions for each single vessel is compared 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.

Sustainable Loan Initiatives

Positive Impact Finance

In March 2019, SuMi TRUST Bank developed the world's first Positive Impact Finance (PIF with unspecified use of funds) solution, which adapts the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI) for lending to operating companies. PIF is a product that comprehensively analyzes and evaluates the impact of a company's supply chain on the environment, society, and the economy, sets specific KPIs for increasing positive impact and reducing negative impact, and asks clients to commit to these KPIs, which are then incorporated into the loan

agreement. Then, through subsequent monitoring and disclosure of results, we encourage our clients to contribute to achieving SDGs and support their efforts to improve competitiveness (including for their businesses, products, and services) from a global perspective.



The Principles for Positive Impact Finance (UNEP FI)

Principle 1 (Definition):

Positive Impact Finance 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.

Principle 2 (Frameworks):

To promote the delivery of Positive Impact Finance, banks and investors need adequate processes, methodologies, and tools to identify and monitor the positive impact of the entities to be financed or invested in.

Principle 3 (Transparency):

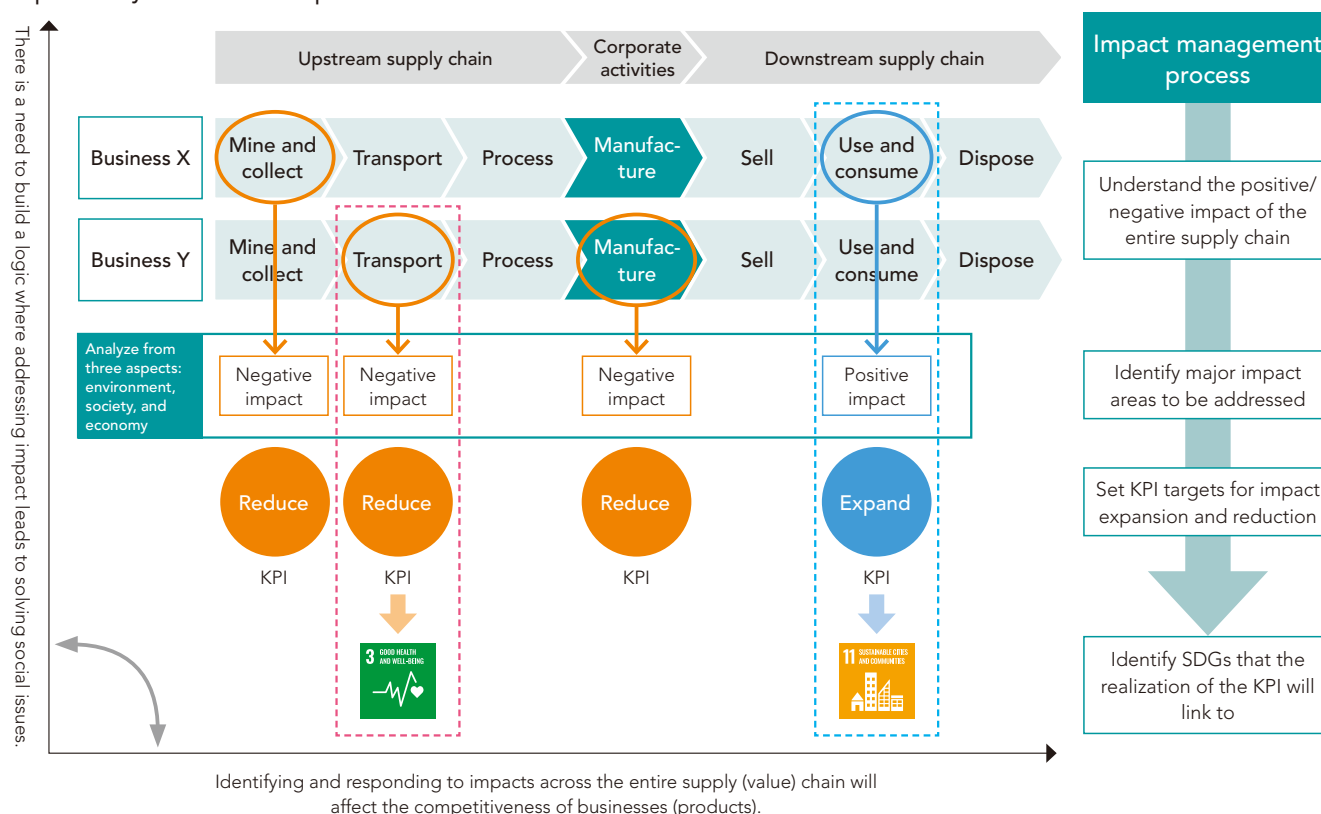
Banks and investors are required to ensure transparency and disclosure on:

- The positive impacts intended by the entities financed or invested in (as per Principle 1);
- The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
- The impacts achieved by the entities financed or invested in (as per Principle 4).

Principle 4 (Assessment):

The assessment of Positive Impact Finance delivered by banks and investors should be based on the actual impacts achieved.

Impact Analysis of Positive Impact Finance



Receiving Gold Prize at the ESG Finance Awards Japan and Efforts to Promote ESG Finance

This product won the Gold Prize in the finance category of the Ministry of the Environment's first ESG Finance Awards Japan event in February 2020, not only for the advanced nature of its initiatives, but also for its efforts to promote the product to the banking industry in Japan and overseas. Subsequently, the product has played an active role in putting together the "Basic Approach to Impact Finance" (announced in July 2020) of the Positive Impact Finance Task Force established by the Ministry

of the Environment's High Level Panel on ESG Finance, and in developing regional finance that contributes to regional revitalization.



President Ohkubo and Environment Minister Mr. Koizumi

(Reason for the award)

SuMi TRUST Bank is focusing on sustainable finance by promoting businesses that pursue sustainability as the pillar of its initiatives. In addition, it was one of the first to endorse the various principles established by UNEP FI, and created the world's first PIF for loans to operating companies without specifying the use of funds. The selection committee highly praised SuMi Trust Bank's stance to continue promoting PIF-related initiatives such as impact evaluation and KPI setting through dialogue with clients, as well as its efforts to promote PIF to the banking industry in Japan and overseas.

Results of PIF Initiatives

After signing the world's first loan agreement for PIF (unspecified use of funds) with Fuji Oil Group in March 2019, SuMi TRUST Bank has moved forward and successfully concluded 14 agreements as of the end of December

2020. As for the monitoring status of the positive impact expansion/negative impact reduction KPI targets set with our clients, we have opened a dedicated disclosure page on the SuMi TRUST Bank website.

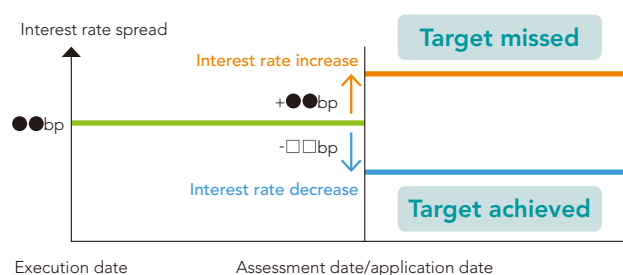
Initiative Period	Borrower	Loan Type	Initiative Period	Borrower	Loan Type
March 2019	Fuji Oil Holdings Inc.	Direct	May 2020	Sumitomo Rubber Industries, Ltd.	Direct
December 2019	J.Front Retailing Co., Ltd.	Direct	June 2020	Mitsui Chemical, Inc.	Syndicated
March 2020	Sumitomo Metal Mining Co., Ltd.	Syndicated	August 2020	Toray Industries, Inc.	Syndicated
March 2020	Nippon Paper Industries Co., Ltd.	Direct	September 2020	DIC Corporation	Direct
March 2020	Subaru Corporation	Syndicated	September 2020	Rengo Co., Ltd.	Syndicated
March 2020	Sumitomo Forestry Co., Ltd.	Direct	December 2020	Ricoh Leasing Company, Ltd.	Direct
March 2020	Toyo Aluminum K. K.	Direct	December 2020	Sumitomo Dainippon Pharma Co., Ltd.	Direct

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.



2. Initiatives in the Asset Management Business

(1) Initiatives of Sumitomo Mitsui Trust Asset Management

Principles for Responsible Investment sign date	May 2006
Total assets under management	¥70 trillion (as of end-September 2020)
ESG initiative asset balance	¥22.4 trillion (as of end-September 2020) * Asset under management for funds conducting ESG integration
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 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	Through engagement, the exercise of voting rights, and other activities, SMTAM encourages investee companies to grow sustainably by addressing ESG issues. Its main ESG activities currently revolve around four topics: (1) climate change; (2) water resources and marine pollution; (3) backing governance reforms; and (4) promoting ESG information disclosure. SMTAM shares its awareness of these ESG issues with companies and promotes efforts that contribute to their improvement by encouraging companies to draw up and disclose time horizon-based measures. It also applies ESG integration (incorporation of ESG factors) to all of its actively managed products for domestic and foreign stocks and bonds. This maximizes medium- to long-term investment returns for clients, minimizes downside risks, and encourages the realization of a sustainable society.
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. In addition to top-down activities based on four important themes, such as climate change and encouraging governance reform, SMTAM will also conduct systematic, bottom-up activities based on the 12 materialities. 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).
PRI assessment status (2020)	Strategy and governance (comprehensive assessment): A+ (six years in a row), Integration status of listed equity into responsible investment: A+, Active ownership in listed equity: A+, Engagement: A+, Exercise of voting rights: A+, Fixed income investment (e.g., government bonds): A+, Fixed income investment (e.g., corporate bonds): A+

For details, please refer to the 2020/2021 Stewardship Report.
URL: https://www.sumitru-trust-am.com/file/02/ss_report.pdf

Stewardship Report



(2) Initiatives of Nikko Asset Management

Principles for Responsible Investment sign date	October 2007
Total assets under management	¥26 trillion (as of end-September 2020)
ESG initiative asset balance	¥10 trillion (as of end-September 2020) * Balance of investment products and accounts where ESG principles are integrated into the investment decision-making process
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 numerous investment decision-making processes so that it can fulfill its fiduciary duties.
Specific ESG initiatives	Nikko AM's ESG Global Steering Committee meets quarterly to discuss the incorporation of ESG investment, methods for implementation, and new approaches. The Committee comprises leaders from investment teams worldwide, while multiple observers also attend the Committee meetings, which are run by Nikko AM's ESG specialists. The ESG specialists mainly support the investment teams in their ESG activities, formulate ESG policies, examine and assist the company's participation in various ESG-related initiatives, and coordinate joint engagements. Nikko AM believes that appropriately incorporating ESG into investment processes is key to achieving excess returns over the medium to long term. All of its active domestic equity investment strategies incorporate Creating Shared Value (CSV) evaluations, which also 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 with the pursuit of profitability and competitiveness, in order to create value for both society and shareholders. Through continuous engagement with companies, Nikko AM's 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 policy	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 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 exact situation in which the companies find themselves and supporting the creation of corporate value over the medium to long term.
PRI assessment status (2020)	Comprehensive assessment: A+ (seven years in a row), (Integration status into responsible investment: A+, Active ownership: A+, (Engagement: A+, Exercise of voting rights: A+), Fixed income investment: A+)

For details, please refer to the 2019 Sustainability Report and the 2019 Nikko Asset Management TCFD Report.

2019 Sustainability Report

URL: https://sustainability.nikkoam.com/files/pdf/annual-report/nikko_am_2019_sustainability_report_en.pdf

Nikko Asset Management TCFD Report

URL: https://sustainability.nikkoam.com/files/pdf/esg/tcfd_eng.pdf

Sustainability Report



TCFD Report



3. Consulting Business Initiatives

Sustainability Management Consulting

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 defines sustainability management as “the establishment of a value creation process that balances the creation of value for stakeholders and the creation of value for oneself in the three aspects of economy, society, and environment, and the complete integration

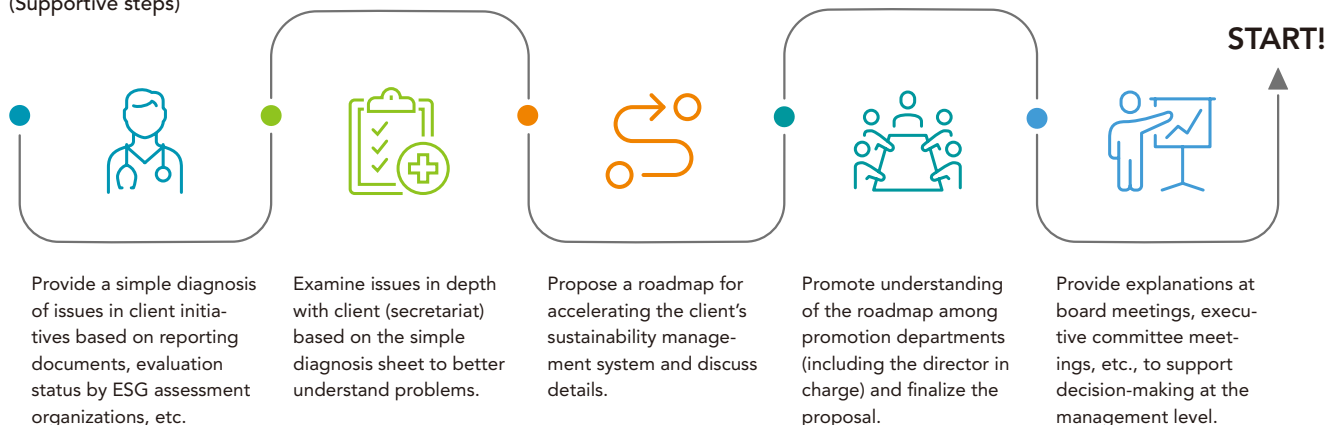
of such process into management.” In line with this, we are promoting sustainability management consulting by leveraging our strength in combining the perspectives of ESG institutional investors, which we have accumulated over many years through our Asset Management Operations, with those of leading sustainability management practitioners. More specifically, we have assembled a project team of experienced ESG consultants, governance specialists, and environmental specialists with expertise to meet the needs of each client and provide deeply informed advice.

Sustainability Management Implementation Support	The Sustainability Management Implementation Support service is designed to support clients in creating a roadmap for accelerating sustainability management based on the existing implementation system, status of initiatives, and information disclosure, as well as solidifying the internal mindset.
Sustainability Policy Promotion Support	The Sustainability Policy 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 sustainability management.
Sustainability Management Disclosure Support	The Sustainability Management Disclosure Support service aids clients in improving information disclosure with a focus on integrated reports as a means of communicating sustainability management to stakeholders in an easy-to-understand and concrete manner.
Sustainability Management Dialogue Support	The Sustainability Management Dialogue Support service assists clients in enhancing dialogue with investors, who have become increasingly interested in sustainability management and are beginning to incorporate ESG factors into their engagement and exercise of voting rights.

Sustainability Management Implementation Support

SuMi TRUST Bank's view of obstacles to sustainability management
<ul style="list-style-type: none"> • 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).

(Supportive steps)

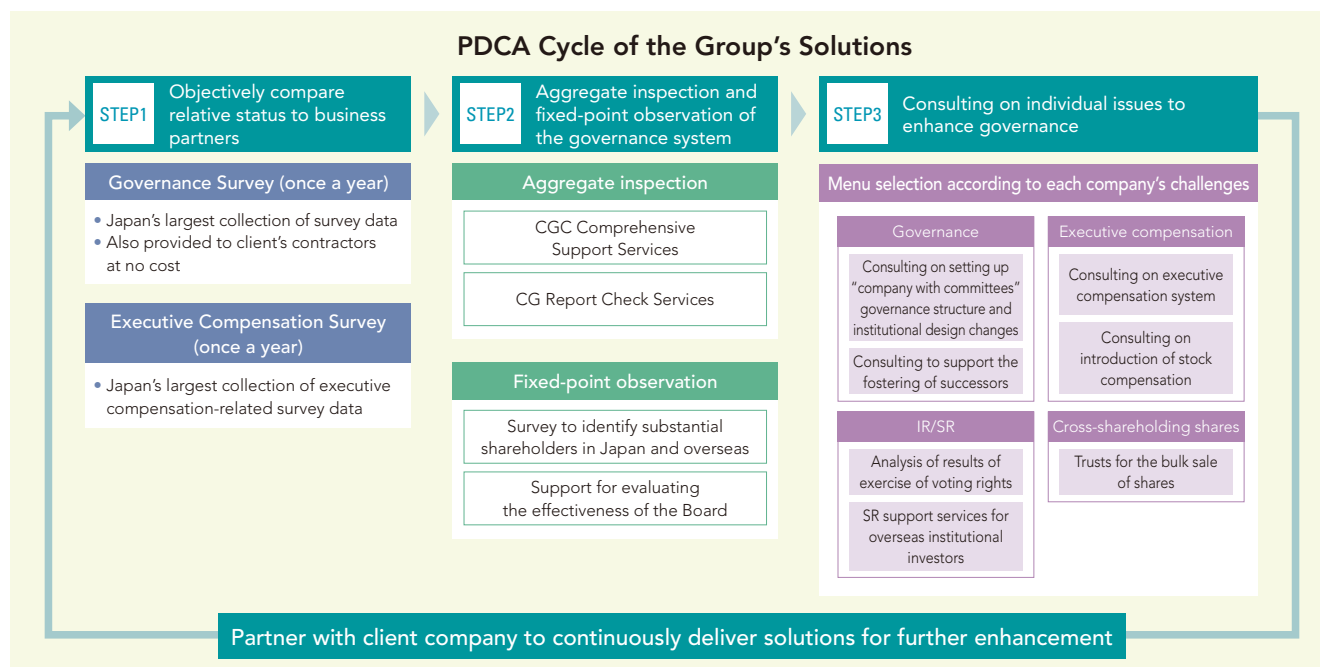
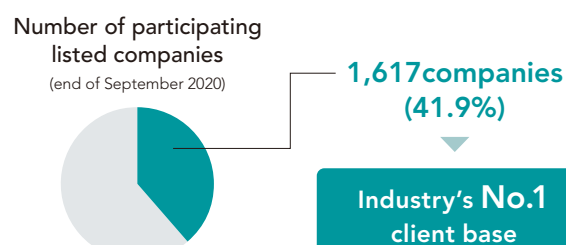


Governance Consulting

Corporate governance reforms in Japan have strengthened governance by 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 and guidance, companies are now expected to implement more advanced initiatives to strengthen governance. The Group's Stock Transfer Agency Services Business offers solutions for strengthening governance based on our Governance Survey and Executive Compensation Survey, which leverage the industry's leading client base.

The Governance Survey, now in its fourth year, received the participation of approximately 1,650 companies, which makes it Japan's largest. More than 40% of all listed companies in Japan participated in the Governance Survey, and the distribution of the participating companies is similar to the distribution of all listed companies. The Survey is supervised by Professor Kunio Ito and provides data that is compared to governance INDEX data, which is indexed to substantive progress. The Executive Compensation Survey, conducted in collaboration with Deloitte Tohmatsu Consulting, is also in its fourth year and is also the largest in 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 M&A advice, business succession support, real estate brokerage and effective utilization, support for introducing and changing corporate pension schemes, and wealth management. Japan in terms of company participation, with approximately 18,000 executive compensation data points broken down by company attribute. In addition to compensation levels, the Survey intensively reviews compensation decision policies and the practical operation of the compensation system and compensation committee. 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.



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