

1. Initiatives to generate positive impact

The SuMi TRUST Group's initiatives to generate positive impact

Japan's long-standing financial challenges have been that abundant personal financial assets and corporate retained earnings have not flowed into investment or consumption, but have remained stagnant in the form of cash and bank deposits. To break away from this stagnation, we all need to make a move together, and we now have a great opportunity in the form of creating a decarbonized society.

Creating a decarbonized society will require huge amounts of money, and the public sector alone will not be able to cover the costs. Therefore, private funds are expected to be used, and the key here is the circulation of funds. As a specialized trust bank, it is part of our mission to connect the capital needs of industry with the investment needs of investors to create a virtuous circulation of funds.

The roles of financial institutions and institutional investors expected by companies are changing, and they must no longer focus solely on financial information when supplying funds, but must also take responsibility for creating social value, or generating impact, by providing funds. This is what is attracting international attention as impact finance, which involves investing funds at key points along the value chain where the best impact can be achieved, and monitoring the impact of the investment.

In 2019, SuMi TRUST Bank developed positive impact finance (solutions) as a form of sustainable finance, which does not specify the use of the funds. This is a financial approach that evaluates not only the economic return of a

company's business activities, but also the social return of its SDGs and other activities.

In addition, utilizing the capital surplus generated by the reduction in strategic shareholdings currently underway, the Sumitomo Mitsui Trust Group will make impact equity investments of ¥500 billion to meet the capital needs of carbon neutrality, and this will be used as a catalyst to stimulate investment demand of ¥2 trillion, creating a virtuous circulation in the economy, thereby creating social and economic value.

SuMi TRUST Bank has expanded the scope of its investments in this field to include loans, equity investments, real asset investments, and venture capital, and has developed an unrivaled business model by combining scientific knowledge and impact analysis, employing doctoral- and master-level experts in fields such as hydrogen, batteries, chemistry, and electricity. We will continue to be a leader in impact generation and create a virtuous circulation of funds, assets, and capital by connecting the capital needs of industry with global ESG money.

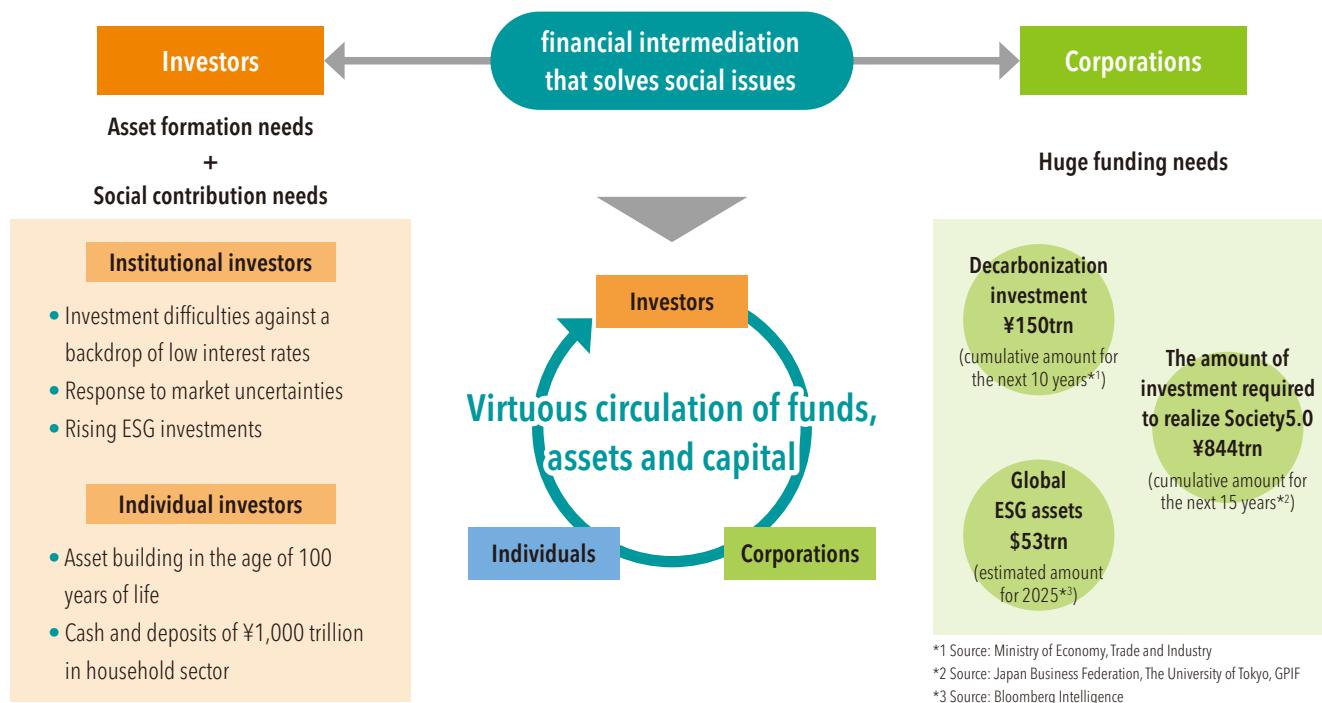
More specifically, in March 2019, we launched our Positive Impact Finance (solutions) product, and have since developed a broad-ranging impact business with a variety of business partners, including developing equity investment funds and undertaking various advisory services, as outlined below.

Corporate finance (March 2019)	SuMi TRUST Bank provided positive impact finance to Fuji Oil Group headquarters as a loan for operating companies with unspecified use of funds.
Equity investment (October 2019)	Sumitomo Mitsui Trust Asset Management developed a Japanese equity impact fund and launched it in 2020.
Advisory services for real asset investments (March 2021)	SuMi TRUST Bank began providing impact analysis services for ships to Anchor Ship Partners Co., Ltd.
Advisory services for venture capital (April 2021)	SuMi TRUST Bank began providing science-based impact analysis services for VC portfolio companies managed by Real Tech Holdings Co., Ltd.
Collaboration and knowledge sharing with academia (November 2021)	The project "Co-creation center for recycling-oriented society based on renewable polysaccharide plant-derived plastics" led by Kanazawa University, in which SuMi TRUST Bank began participating from the viewpoint of introducing impact finance in the future, was selected for JST's "COI-NEXT (Co-creation area full-scale type)" program, which supports the creation of places for co-creation.
Equity investment (April 2022)	SuMi TRUST Bank began full-scale initiatives to leverage the capital surplus created by the sale of strategic shareholdings to make impact equity investments totaling ¥500 billion using internal funds by FY2030. By using internal funds for investment, SuMi TRUST Bank aims to attract equity investment from other institutional investors, with a goal of providing a total of ¥2 trillion in equity funding by FY2030, including both internal funds and investor funds.
Provision of services to local governments (July 2022)	SuMi TRUST Bank conducted an impact evaluation of Odawara City's renewable energy local production for local consumption project on the local community and published a report on the city's website (in collaboration with The Bank of Yokohama and Hamagin Research Institute), encouraging behavioral changes among local residents and businesses.
Collaboration with regional financial institutions (November 2022)	The scheme of SuMi TRUST Bank conducting impact evaluations, and our multiple financing and regional financial institutions use the evaluations to provide loans, was selected as a model case study for the Ministry of the Environment's Green Finance Model Case Creation Project ⁴ in FY2022. This enables the setting, measurement, and management of long-term impact targets on a company-by-company basis, without being restricted to individual loans or loan periods.
Joint projects with companies (November 2022)	SuMi TRUST Bank and Amita Holdings Co., Ltd. agreed to jointly conduct an impact evaluation of MEGURU STATION [®] , a mutual aid and community-based resource recovery station, in order to accelerate its initiatives.

SuMi TRUST Group's initiatives to create a virtuous circulation of funds, assets, and capital

Under our Purpose of "creating new value with the power of trusts and let prosperous future for our clients and society bloom," we are promoting initiatives to achieve the balanced creation of both social value and economic value. With wide-ranging functions such as banking, asset management, and real estate, the SuMi TRUST Group

itself will play a leading role in investing capital in areas that create new markets and opportunities to expand the economy and markets and attract Japanese investor funds, thereby creating a virtuous circulation of funds, assets, and capital.



Under the medium-term management plan launched in April 2020, we are undertaking various initiatives to create a virtuous circulation of funds, assets, and capital. In May 2021, we announced our zero strategic shareholding policy, which calls for the elimination of conventional strategic shareholdings in principle, and we have undertaken initiatives to promote the capital markets. Subsequently, in November 2021, we decided to make impact equity investments (¥0.5 trillion) that help solve social issues. For example, we would like to lead the way in demonstrating a new industrial finance system aimed at achieving a green society by creating a market and supplying investor funds to meet the massive demand for decarbonization and transition financing estimated at ¥150 trillion.

As a trust bank group, the SuMi TRUST Group has long maintained contacts with a wide range of economic entities, addressing a wide range of needs for investor clients, including pension funds and financial institutions, by providing information and other investment support

and offering investment opportunities in a wealth of alternative assets by expanding our product lineup. Recently, interest in alternative assets has increased on the back of a continued low interest rate environment and increasing volatility in the stock market in Japan. In addition, in the age of 100-year life, there is a growing need for asset classes that generate stable excess returns over the long term through alternative assets.

With this in mind, in July 2022 we decided to form a partnership with the Apollo Group and invest \$1.5 billion. Furthermore, we are expanding external partnerships to promote our carbon neutrality strategy, including participating in Breakthrough Energy Catalyst. Additionally, in January 2023, we entered into a business partnership with Energy Capital Partners (ECP), a US private equity firm specializing in the electric energy and environmental infrastructure, and decided to make a non-voting investment in ECP's holding company and an investment in ECP's flagship fund.

Initiatives that Address Environmental and Social Issues

To meet the long-term asset formation needs of individuals in the age of 100-year life, we must create investment opportunities not only in Japan, but also in global assets. In addition, the huge demand for funds, such as for carbon neutrality, requires circulating funds domestically, as well as attracting investment funds globally. The business partnerships with Apollo and ECP, which create private asset investment opportunities for domestic investors, are examples of this. In Japan, we have created a unique network with regional financial institutions and universities, and are working to build a regional ecosystem to solve the challenges of each region. We will accelerate the virtuous circulation of funds, assets, and capital by serving as a platform for connecting investment funds and investment opportunities, both globally and locally.

Impact equity investments

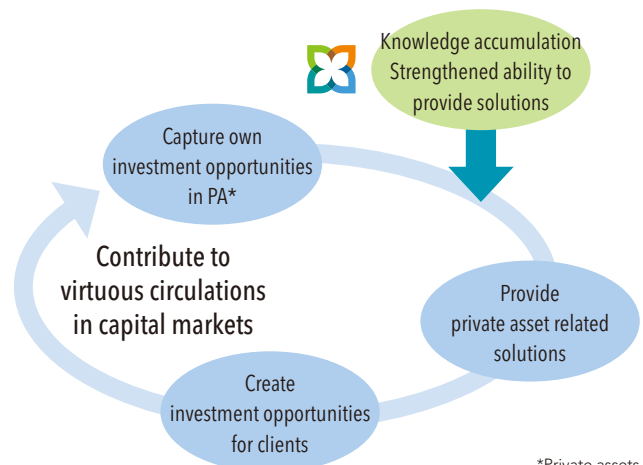
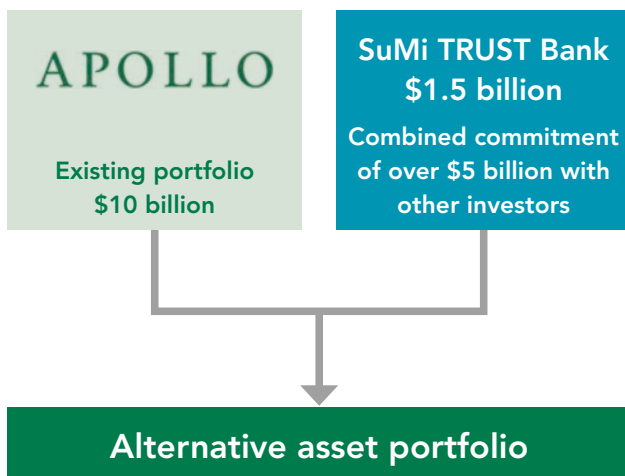
In November 2021, SuMi TRUST Bank decided to make impact equity investments (¥0.5 trillion) to help solve social issues, and launched initiatives in earnest in April 2022. In addition to investing a cumulative total of ¥0.5 trillion of its own money (up through FY2030) into businesses and projects aimed at resolving various environmental and social issues, SuMi TRUST Bank has also used this as a way to encourage other investors, calling for ¥2 trillion in investment, to conduct investment activities with a total scale of ¥2.5 trillion.

Collaboration with Apollo Global Management

SuMi TRUST Holdings and SuMi TRUST Bank have entered into a business partnership with Apollo Global Management Group ("Apollo") and GreensLedge Capital Markets LLC ("GreensLedge"), and SuMi TRUST Bank invested a total of \$1.5 billion in an alternative asset* portfolio with Apollo Group company Athene Holding Ltd. ("Athene").

*Among alternative assets, this portfolio mainly refers to private assets in low-liquidity asset investments, such as private equity, real estate, infrastructure, and credit.

Apollo is a New York-based asset management firm with a world-class investment track record in alternative assets and other assets. Through a business partnership with GreensLedge, an independent US investment bank in which Apollo and SuMi TRUST Bank have a partial stake, we plan to accumulate more in-depth knowledge and strengthen our ability to provide financial solutions. Going forward, we will leverage Apollo's business platform and know-how to create a domestic private asset market by strengthening solutions for investors, including pensions and individuals, such as by jointly developing asset management business products for investors, and by creating a framework for offering investment opportunities.

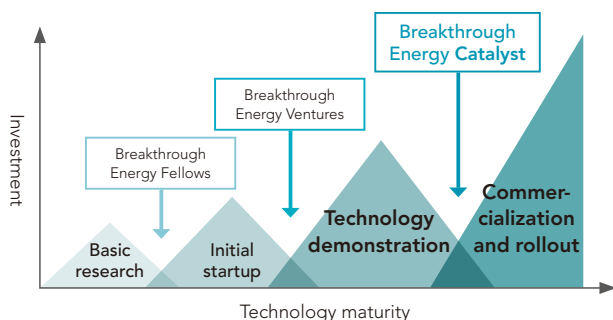


Participation in Breakthrough Energy Catalyst

SuMi TRUST Bank is the first ever Japanese financial institution to participate in Breakthrough Energy Catalyst ("Catalyst"), a funding program to accelerate the deployment of decarbonization technologies. Catalyst is the first-of-its-kind funding program launched in 2021 by Breakthrough Energy, a climate organization founded by Microsoft founder Bill Gates. The purpose of the program is to invest in individual projects that use innovative carbon neutral technology (green tech) that has been researched and developed/demonstrated in order to accelerate the social implementation of such technology.

Catalyst's investment target stage

Verified green tech in rollout phase toward commercialization



Catalyst is building a framework for accelerating the world's shift to carbon neutrality by using a combination of funds supplied by private companies, charitable organizations, and other organizations on the one hand with the support of green product consumers and government agencies on the other. The program will start by focusing on clean hydrogen, long duration energy storage, sustainable aviation fuels, direct air capture, decarbonize cement, decarbonize steel, and decarbonize plastics, with plans to expand to cover other technologies that contribute to carbon neutrality in the future.

By participating in Catalyst, SuMi TRUST Bank's aim is to acquire advanced knowledge and trends in the green tech field to promote and support the creation of business matching and other opportunities that contribute to carbon neutrality in order to help enhance the corporate value of clients in the medium to long term.

Collaboration with Energy Capital Partners

SuMi TRUST Bank has decided to form a business partnership with Energy Capital Partners ("ECP," Founder and Senior Partner: Doug Kimmelman), a US private equity firm specializing in the electric energy and environmental infrastructure sectors, and to invest in (1) a holding company (an affiliate of Energy Capital Partners) that consolidates ECP's asset management business, and (2) a flagship fund managed by ECP.

Founded in 2005, ECP is a leading US private equity firm based in New Jersey focused on the electric energy and environmental infrastructure sectors, and is one of the largest US firms in terms of combined portfolio company generation capacity and renewable energy generation capacity. ECP's strength is its investment expertise in a very broad range of domains*, developed over many years of investment experience.

*Key domains in which ECP has investment experience and expertise

Renewable energy (solar, hydro, wind, geothermal, waste)

Storage battery

Natural gas-fired power generation (including examples of conversion from coal to gas-fired power generation and demonstration experiments of hydrogen co-firing)

Renewable fuels (biogas/biodiesel)

Circular economy, recycling

Carbon dioxide capture and storage (including demonstration stage gas-fired power plants and commercialization stage ethanol plants)

Energy efficiency

Environmental infrastructure

Through this strategic partnership with ECP, we will leverage ECP's knowledge and investment know-how in the electric energy and environmental infrastructure domains accumulated in the US with the aim of expanding and upgrading our solutions to support the transition of our corporate clients in Japan. In addition, we aim to provide investment opportunities to domestic and overseas institutional investors together with ECP in the future by creating and expanding markets in the carbon neutrality domain in Japan.

Development of impact businesses

Japan Impact-driven Finance Initiative

On November 29, 2021, the first group of 21 private financial institutions signed the Japan Impact-driven Finance Initiative. The Japan Impact-driven Finance Initiative promotes the implementation of impact-driven investments

and loans by taking a proactive role in generating impact. SuMi TRUST Holdings served as the co-drafting chairperson for the Initiative. We will continue to work closely with other signatories to provide leadership in expanding impact finance in Japan.

Commitments and Actions of Japan Impact-driven Financing Initiative

1. We understand the importance of being impact-driven in management in order for financial institutions to fulfill the role expected by society, and we will practice impact investment in each of our financial institutions.
2. We will integrate IMM as a decision driver in every investment process and financial product, since we believe that impact visualization as well as impact management, which requires efforts to continuously create impact by utilizing impact information, integrating into investment strategies and a decision driver, are necessary.
3. We will develop each action plan for the above-mentioned actions (1 and 2), appropriate to the situation of each organization, and then share and discuss the best practices and challenges experienced among the signatories, so that we can develop the signatories' community as a platform in a sustainable manner.
4. We will engage in collaborative activities at the working level of signatories, including exchange of information, and necessary research and studies, with a view to improving the quality of IMM and increasing the volume of impact investing.
5. We will work collaboratively to ensure that the impact-driven management of financial institutions and the implementation of the IMM will spread throughout the Japanese financial industry, including financial institutions not participating in this declaration.
6. We will actively participate in global initiatives that promote impact investing and IMM, contribute to the promotion of international impact investing, and actively disseminate information from Japan.
7. We will continue these activities until Japan's financial sector is able to develop impact investing in a sustainable and autonomous manner.

Received the Principles for Financial Action for the 21st Century (PFA21) Minister of the Environment Award for the Best Initiatives in Fiscal Year 2022 (Comprehensive Category)

Our impact business development was recognized by the Principles for Financial Action for the 21st Century* (PFA21), and we received the Minister of the Environment's Award for the Best Initiatives in Fiscal Year 2022 in the Comprehensive Category.

In March 2019, we pioneered the commercialization of positive impact finance loans with unspecified use of funds, and since then we have continued to develop equity investment funds and offer a broad lineup of products and services, including various advisory services from a variety of players. This broad-ranging impact

business development has been highly evaluated and led to the award.

The following reasons were given for the award.

(1) SuMi TRUST Holdings has consistently been a leader in the field of sustainable finance, and this initiative shows that the company is serious about leading the way in impact finance in Japan. (2) There is growing interest in impact finance in Japan, including among regional financial institutions, and these initiatives can serve as a model for Japanese financial institutions in the future. (3) The high level of awareness of SuMi TRUST Holdings' commitment to research and dissemination of impact finance, including signing the Japan Impact-driven Finance Initiative and participating in the Financial Services Agency's study group, is also highly commendable. (4) The track record of ¥717.6 billion (as of September 30, 2022) embodies the proactive role of financial institutions in accelerating progress toward a sustainable society through impact finance, which pursues social returns in addition to economic returns.

Interest in impact finance is growing rapidly worldwide. We are proud to be a leading company in this field and will continue to expand the market and contribute to enhancing corporate value for our clients.

*The Principles for Financial Action for the 21st Century (PFA21) were formulated in October 2011 as general rules to guide the actions of financial institutions wishing to fulfill their responsibilities and roles in creating a sustainable society, and are currently signed by approximately 300 financial institutions. As a member of the Principles for Financial Action for the 21st Century (PFA21) since its drafting, we have actively participated in its initiatives and contributed to its development.



Sustainable Loan Initiatives

SuMi TRUST Bank has set a new long-term sustainable finance target of ¥15 trillion over the 10-year period from FY2021 to FY2030.

Through active financing for environmental and social fields, we will solve environmental and social problems, including climate change, and help create a sustainable society together with our clients.

Scope of sustainable finance

The scope of sustainable finance is based on international standards such as the Green Bond Principles and the Social Bond Principles, and includes financing operations for businesses and clients that help solve environmental and social issues (loans, syndicated loans, fixed income investments and related operations, fund investments, financial advisory services, trustee services, impact equity investments, etc.).

Category	Type	Examples of sustainable finance
Sustainable finance	Green finance	✓ Businesses that adapt to, or mitigate, climate change. For example, renewable energy, energy efficiency improvement, and green buildings.
	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.
	Impact Equity Investment	✓ Businesses that contribute to solving environmental and social issues
	Other	✓ Other businesses that help solve environmental problems and social issues.

Positive Impact Finance

In September 2019, SuMi TRUST Holdings became a signatory to the Principles for Responsible Banking (PRB), which call on banks to assess during the loan screening process whether a borrower company or project is maximizing the positive impacts and minimizing the negative ones in working towards the objectives of the Sustainable Development Goals (SDGs) and the Paris Agreement. In positive impact finance (PIF), we comprehensively analyze and assess the impacts (both positive and negative) of a client's corporate activities on the environment,

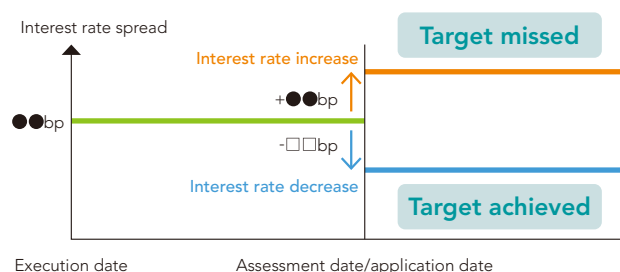
society, and economy from the viewpoint of the industry sector, business area, and the supply chain, and then we work together with the client to set goals for reducing the negative impacts and increasing the positive ones. The client then commits to achieving those goals as a condition for financing. In March 2019, SuMi TRUST Bank concluded a PIF loan agreement with a business in which the use of loaned funds is unspecified. By throwing our support behind corporate climate change initiatives, we aim to help enhance both social value and our clients' corporate value.

- Since the first initiatives in 2019, we have arranged 41 deals totaling ¥384.0 billion as of December 31, 2022
- In February 2020, we received the Gold Prize (Minister of the Environment Award) in the financing category of the first Environmental, Social, and Governance Finance Award Japan
- In November 2022, we introduced an impact evaluation framework and were selected as a green finance evaluation model example by the Ministry of the Environment

Sustainability-linked loans (SLLs)

SuMi TRUST Bank is also working on sustainability-linked loans (SLLs), which are not based on comprehensive KPIs like positive impact finance (PIF), but rather on a mechanism that enables SuMi TRUST Bank to set key performance indicators (KPIs) and 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. After thorough consultation with clients, the KPIs and SPTs are selected from the following and other items: 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 CSR strategies of the borrower company.

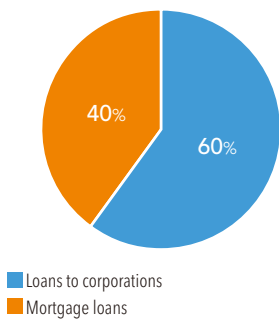


2. Lending Initiatives

Sector exposure

Outstanding loans account for approximately 48% of the Group’s total assets of around ¥65 trillion. Mortgage loans to individuals account for some 40% of all loans, while loans to corporations make up the other 60%.

SuMi TRUST Bank
Weighting of loans to corporate and individual clients (end-March 2022)



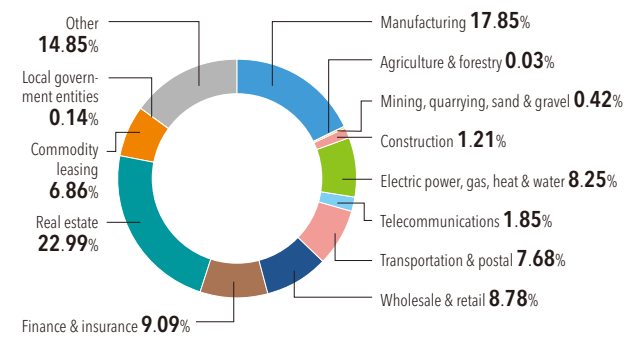
Balance of loans by industry
(end-March 2022)

	(¥100 million)
Manufacturing	28,164.62
Agriculture & forestry	41.05
Mining, quarrying, sand & gravel	665.03
Construction	1,907.47
Electric power, gas, heat & water	13,015.31
Telecommunications	2,922.33
Transportation & postal	12,112.65
Wholesale & retail	13,845.62
Finance & insurance	14,340.17
Real estate	36,262.02
Commodity leasing	10,829.26
Local government entities	222.67
Other	23,431.35

The chart on the right breaks down the balance of loans by industry. It shows our exposure of outstanding loans, excluding individual client mortgage loans (roughly ¥10 trillion), to each sector with the denominator being the balance of loans to corporate clients at domestic branches.

In terms of composition, the real estate industry has the largest percentage, followed by manufacturing and then finance & insurance. These three sectors make up approximately 49% of the total.

Balance of loans to corporate clients at domestic branches indexed as 100%



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

In view of the need to prohibit, limit, or adopt a cautious approach to lending practices that may have a negative impact on society, SuMi TRUST Bank has established lending policies for specific sectors and periodically reviews

them at the Executive Committee and other meetings. Also, the policies for specific sectors are taken into full account as part of the process for deciding on investment and loan initiatives.

(1) Cross-sector

- 1) Because the businesses below involve significant environmental and social risks or negative impacts, we will not finance them.
 - Businesses that negatively impact wetlands designated under the Ramsar Convention
 - Businesses that negatively impact UNESCO World Heritage Sites
 - Businesses that contravene the Washington Convention
 - Businesses that use child labor or forced labor
- 2) Similarly, because the businesses below are highly likely to involve environmental and social risks or negative impacts, we will carefully consider financing them, including confirming whether environmental and social considerations have been accounted for.

- 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

(2) Individual sectors

1) Weapons

<Risk awareness>

Based on major humanitarian concerns related to cluster munitions, Japan has strictly prohibited their manufacturing and largely prohibited their retention as stipulated by the Act on Prohibition of Manufacturing of Cluster Munitions and Restriction on Retention of Cluster Munitions. In addition—from a humanitarian perspective—there is a strong demand

to avoid supplying funds used to manufacture inhumane weapons, including nuclear weapons, chemical weapons, biological weapons, and other weapons of mass destruction as well as anti-personnel land mines.

<Policy>

Given SuMi TRUST Bank's public mission and social responsibilities as a banking institution, we will not provide financing to companies that manufacture cluster munitions, regardless of whether they are in Japan or abroad.

Similarly, we will not provide finance that will be used to manufacture inhumane weapons, including nuclear weapons, chemical weapons, biological weapons, and other weapons of mass destruction as well as anti-personnel land mines.

2) Coal-fired power generation

<Risk awareness>

Coal-fired power generation causes higher greenhouse gas emissions than other power generation methods, which means it has a high environmental burden and involves a risk of negatively impacting climate change and air pollution.

<Policy>

We will not finance the establishment or expansion of coal-fired power plants. However, we will support initiatives aimed at transitioning to a decarbonized society.

We will not provide financing to companies whose main business is coal-fired power generation if they do not already have existing loan transactions with SuMi TRUST Bank.

3) Coal mining

<Risk awareness>

Unless coal mining is suitably managed, there is a risk of negative impacts on the environment and society, such as the impact of toxic waste discharged from coal mines on the ecosystem, casualties from coal mines caving in, and violations of human rights. These projects might also cause an increase in GHG emissions that affect climate change.

<Policy>

We will not finance the start or expansion of coal mining projects (thermal coal) or the start or expansion of coal mining projects using the mountaintop removal mining (MTR) method.

We will not provide financing to companies whose main business is thermal coal mining if they do not already have existing loan transactions with SuMi TRUST Bank.

4) Oil and gas

<Risk awareness>

Oil and gas mining operations pose the risk of a negative impact on ecosystems, biodiversity, the living and natural environments of local residents, etc.

Pipeline operations also pose a risk of negatively impacting both nature and the social environment of indigenous people due to oil leaks, deforestation, and other problems that can occur both during construction and after the pipelines are complete.

In the Arctic Circle (the region 66°33' north of the equator), it is necessary to consider both the protection of rare species and the lifestyles of indigenous people, and—due to the major environmental impact of oil sand, shale oil, and gas development—there is a risk of such operations negatively impacting both nature and the social environment of indigenous people.

<Policy>

We will carefully judge initiatives by giving due consideration to the impact on the environment and any problems that may exist with the original inhabitants and local communities.

In particular, we will carefully consider the following initiatives, including confirming whether environmental and social considerations have been accounted for: oil sand mining, shale oil and gas projects, mining in the Arctic Circle, and pipeline construction.

5) Hydroelectric power generation

<Risk awareness>

Large-scale hydroelectric power projects pose the risk of a negative impact on ecosystems, biodiversity, the living and natural environments of local residents, etc.

<Policy>

We will carefully judge initiatives by giving due consideration to the impact on the environment and any problems that may exist with the

original inhabitants and local communities.

In particular, we will carefully consider the following initiatives, including confirming whether environmental and social considerations have been accounted for: large-scale hydroelectric power generation initiatives (output of 25 MW or more) that involve the construction of dams.

6) Forestry

<Risk awareness>

The rapid spread of deforestation poses the risk of various problems, such as a reduction in biodiversity, decline in the stability of ecosystems, lower watershed protection, and lower fixation of carbon dioxide.

<Policy>

Before engaging with timber manufacturers and manufacturers using timber as raw materials, we will carefully judge initiatives by giving due consideration to the manufacturers' international forest certification status as well as any problems that may exist with the original inhabitants and local communities.

In particular, we will take careful measures when it comes to logging business in countries other than high-income OECD member countries, such as requiring the acquisition of internationally recognized certification—including the FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes)—and giving due consideration to any problems that may exist with the original inhabitants and local communities. In cases where certification has not been acquired, we will require the submission of plans to do so.

In addition, we will require the formulation of a policy that establishes respect for the Free, Prior and Informed Consent (FPIC) of local residents, etc. We will also require enhanced supply chain management and improved traceability so that similar initiatives are implemented throughout the business counterparty's supply chain.

7) Palm oil

<Risk awareness>

The demand for palm oil is rapidly increasing due to both its convenience and the increasing awareness of its health food benefits, but overdevelopment also poses the risk of reducing tropical rainforests and biodiversity.

<Policy>

Before engaging with palm oil manufacturers and manufacturers using palm oil as raw materials, we will carefully judge initiatives by giving due consideration to the manufacturers' international/local sustainable palm oil certification status as well as any problems that may exist with the original inhabitants and local communities. In particular, we will take careful measures when it comes to palm oil plantation development business, such as requiring the acquisition of local RSPO (Roundtable on Sustainable Palm Oil) sustainable palm oil certification and giving due consideration to any problems that may exist with the original inhabitants and local communities. In cases where certification has not been acquired, we will require the submission of plans to do so.

In addition, we will require the formulation of a policy that establishes respect for the Free, Prior and Informed Consent (FPIC) of local residents, etc. as well as following NDPE (no deforestation, no peat, no exploitation) policies. We will also require enhanced supply chain management and improved traceability so that similar initiatives are implemented throughout the business counterparty's supply chain.

8) Large-scale plantations

<Risk awareness>

The development of large-scale plantations poses the risk of deforestation and the violation of human rights as well as a negative impact on ecosystems, biodiversity, the living and natural environments of local residents, etc.

<Policy>

We will carefully judge initiatives by giving due consideration to the impact on the environment and any problems that may exist with the original inhabitants and local communities.


In particular, we will carefully consider forest and peatland development initiatives, such as requiring the formulation of a policy that establishes respect for the Free, Prior and Informed Consent (FPIC) of local residents, etc. as well as following NDPE (no deforestation, no peat, no exploitation) policies. We will also require enhanced supply chain management and improved traceability so that similar initiatives are implemented throughout the business counterparty's supply chain.

Project finance initiatives (Equator Principles)

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.

*For more information, please refer to the TCFD report.

 <https://www.smth.jp/english/-/media/th/english/sustainability/report/2022/TCFD-E-all.pdf>

Ship finance initiatives (Poseidon Principles)

For many 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 became a signatory to the Poseidon Principles—established for the purpose of supporting decarbonization efforts in the marine transportation industry from a financial perspective.

*For more information, please refer to the TCFD report.

 <https://www.smth.jp/english/-/media/th/english/sustainability/report/2022/TCFD-E-all.pdf>



3. 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 target companies based on SuMi TRUST Holdings' ESG materiality. 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

¥82.9 trillion
(as of end-September 2022)

ESG initiative asset balance

¥30.5 trillion
(as of end-September 2022)

(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 Investment Policy

As a signatory asset manager to the PRI, Sumitomo Mitsui Trust Asset Management (SMTAM) undertakes investment activities (ESG investments) with a focus on medium- to long-term environmental, social, and governance (ESG) issues on the basis of the United Nations Global Compact and the values reflected in the SDGs. SMTAM believes that fulfilling its role as an asset manager in the investment chain through ESG investments will encourage value improvement and sustainable growth at mainly investee companies, thereby maximizing medium- to long-term investment returns for clients, minimizing downside risks, and contributing to the realization of a sustainable society. In addition to identifying 12 ESG materiality items that systematize ESG evaluation items, SMTAM has also identified ESG investment methodologies to systematically pursue ESG investment activities with assured consistency and continuity.

ESG Engagement Policy

SMTAM positions engagement as an opportunity to call for best practices from companies and engages in dialogue and expresses its views so as to contribute to the enhancement of corporate value over the medium-to-long term by solving the ESG issues of investee companies. SMTAM identifies key topics according to the 12 items of materiality—for example, climate change and improvements in corporate governance—and carries out top-down engagement activities alongside a bottom-up approach linking these key topics to the business strategies of each corporation. In addition to its own engagement activities, SMTAM also conducts activities through collaborative engagements by participating in global initiatives that aim to address numerous agenda items, such as greenhouse gas emissions, palm oil, forest conservation, access to medical care, and diversity (appointment of women to management positions).



Initiatives that Address Environmental and Social Issues

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.

In 2022, we became a signatory to the UK Stewardship Code recognized for our commitment to integrating ESG

into our investment approach and process, and efforts in governance practices, proxy voting and engagement with investee companies.

Total assets under management

¥27 trillion
(as of end-September 2022)

ESG initiative asset balance

¥10 trillion
(as of end-September 2022)

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.

(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. In March 2022, Nikko AM released the Nikko Asset Management Group Engagement and Stewardship Strategy. One of its objectives is to outline the engagement process and escalation methods of each Nikko AM Group company to the companies in which it invests.

4. Consulting Business Initiatives

Consulting in support of sustainable management

There is no shortage of economic, social, and environmental problems affecting us all, including the growing problems of climate change and human rights issues. 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 that are supportive 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, the Bank will put together a project team comprising 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

Analyzing the reports of ESG rating agencies, identifying company issues, and supporting the company's in-house approach to developing a roadmap for accelerating sustainable management based on its current sustainability promotion framework, progress on measures, and information disclosure

Sustainable Management Promotion Support

Helping the company formulate a value creation process essential to the pursuit of sustainable management, identify materiality items, and improve the management of materiality items

Sustainable Management Disclosure Support

Helping the company enhance its disclosure of information, mainly in its integrated report, as a way of specifically communicating easy-to-understand sustainable management information to shareholders, investors, and other stakeholders

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



Provide a simple diagnosis of issues in client initiatives based on reporting documents, evaluation status by ESG assessment organizations, etc.

Examine issues in depth with client (secretariat) based on the simple diagnosis sheet to better understand problems.

Propose a roadmap for accelerating the client's sustainable management system and discuss details.

Promote understanding of the roadmap among promotion departments (including the director in charge) and finalize the proposal.

Provide explanations at board meetings, executive committee meetings, etc., to support decision-making at the management level.

Governance consulting

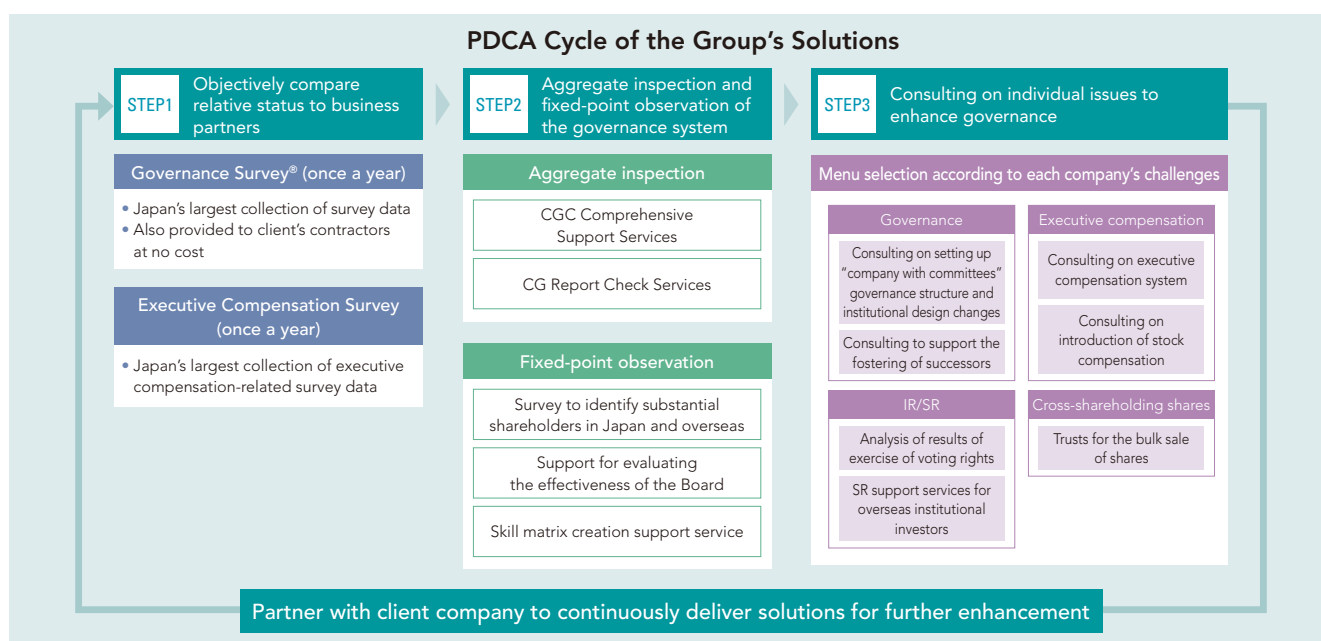
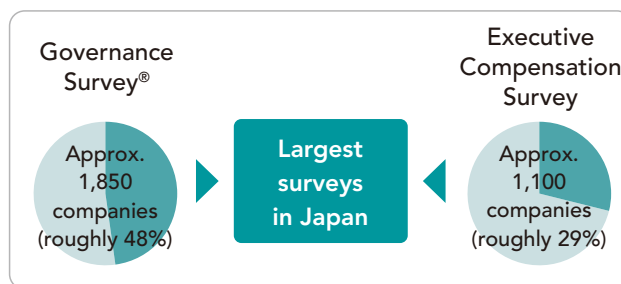
Corporate governance reforms in Japan have strengthened governance on the part of both companies and investors through the introduction and revision of the Stewardship Code and the Corporate Governance Code. Based on these codes and various guidelines/guidance, companies are now expected to strengthen governance and further expand their measures through dialogue with investors. The Group's stock transfer agency services support the initiatives of Japanese companies to enhance corporate governance with a Governance Survey® and Executive Compensation Survey, both of which leverage the industry's leading client base.*

The Governance Survey®, one of Japan's biggest, provides governance index data (indexed to substantive progress) under the supervision of Professor Kunio Ito. Now in its sixth year, more questions have been added to the survey concerning sustainability, a topic of heightening global interest. Approximately 1,850 companies took part in the survey this year, representing just under 50% of all listed companies in Japan. The Executive Compensation Survey, conducted in collaboration with Deloitte Tohmatsu Consulting, is also in its sixth year and is also one of the largest in Japan in terms of company participation, with approximately 21,000 executive compensation data points from some 1,100 companies broken down by company attribute. The survey sheds light on compensation levels, how compensation and ESG evaluation metrics are linked, and how compensation

committees are run at companies. In this way, the two surveys enable us to make a relative comparison of the actual situation at companies and discuss the existence or absence of issues with participating companies.

The other services we offer for checking the corporate governance of companies include our board effectiveness evaluation, skill matrix development support, identification of substantial shareholders, and analysis of results from the exercise of voting rights. And depending on what individual issues have been confirmed to exist, we can assist in changes to institutional design and reviews of executive compensation systems, and arrange a place to facilitate constructive dialogue between companies and their institutional investors in Japan and overseas. By offering this kind of PDCA cycle to clients, we are supporting improvements in their corporate governance in a continuous and multifaceted manner as a partner of our client companies.

*As of the end of September 2022, 1,697 listed companies under management for a market share of 42.9%, 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.

HR consulting

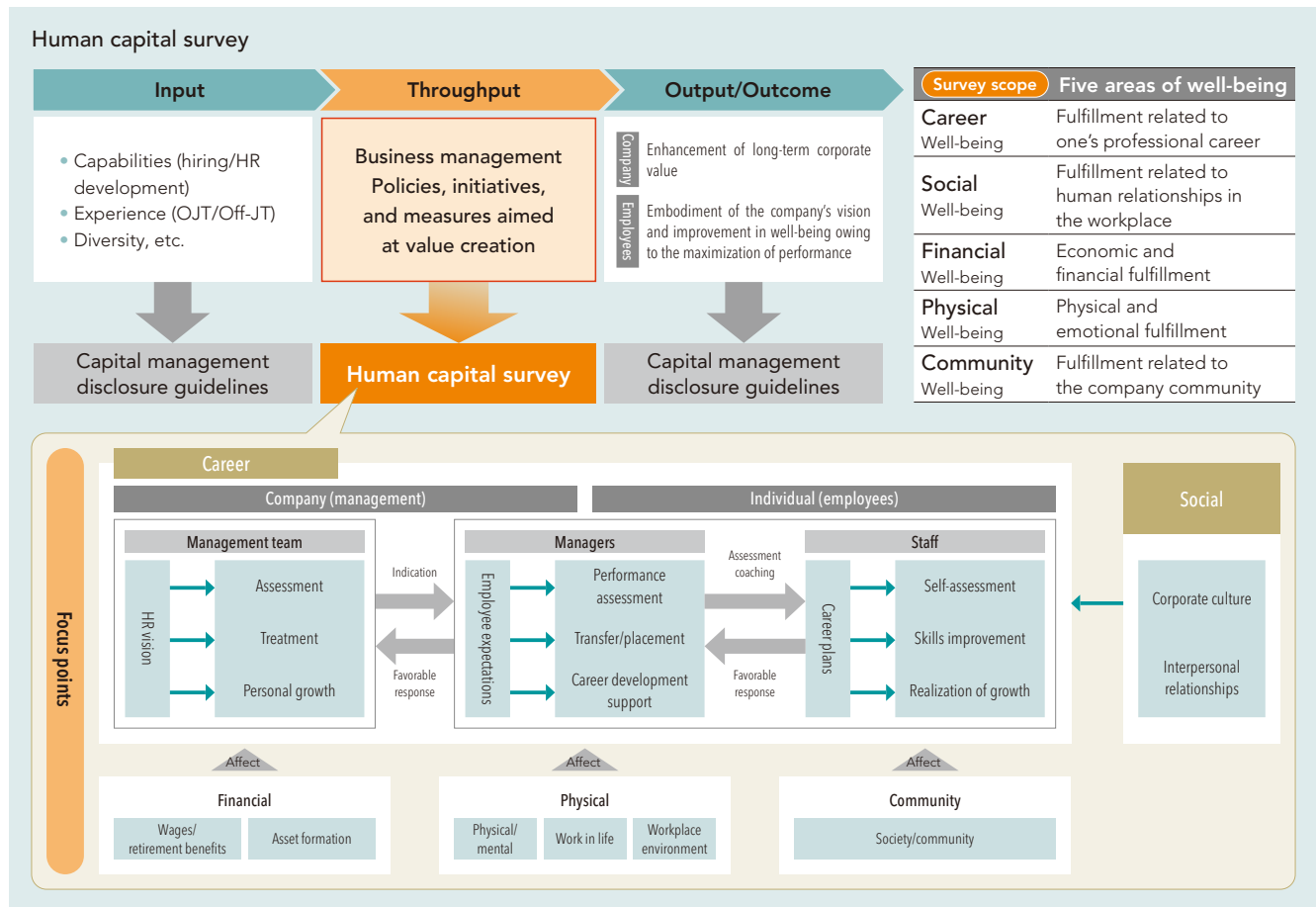
Heightened global interest in sustainable management is pressuring companies to address social issues from not only a financial point of view, but with the addition of non-financial perspectives. In this environment, SuMi TRUST Bank is holding “management discussions” as an engagement activity that aims to solve the management issues of its clients.

Against the backdrop of the recent publication of various guidelines, including the Ito Report on Human Capital Management and the Guidelines for Human Capital Visualization, there is growing interest in human capital management as an initiative to address the “social” component of ESG. It is for this reason that the Bank is now offering a consulting service in accordance with the needs

of clients to gain an understanding of their human capital management issues and design personnel systems that deliver much-needed solutions in the HR space.

In 2022 the Bank conducted a new human capital survey with the participation of 540 companies to visualize the state of corporate policies, measures, and initiatives concerning human capital management and so that the gap between a company’s relative position/policy and measures could be ascertained.

SuMi TRUST Bank is spearheading improvements in human capital management for its clients by providing these consulting services and conducting human capital surveys.



Supporting improvements in human capital management starting with human capital surveys

