



**Progress Report of Sumitomo Mitsui Trust Holdings, Inc.  
2015/2016  
On the Leadership Declaration of the  
'Biodiversity in Good Company' Initiative**

**Leadership Declaration**

All signatory companies acknowledge and support the three objectives of the international "Convention on Biological Diversity":

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources.

and commit themselves to:

1. Analyzing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.



Sumitomo Mitsui Trust Holdings publishes a CSR Report. In addition, it offers an extra feature booklet especially dedicated to natural capital, which is unique and underlines how much weight the bank gives to this issue. The Progress Report on the Leadership Declaration addresses the seven points of the Leadership Declaration and refers to detailed information contained in the two reports:

CSR Report 2016: soon available at <http://smth.jp/en/csr/report/index.html>

Natural Capital CSR Report 2016: <http://smth.jp/en/csr/report/2016/NC-E-all.pdf>

Declaration	Status of Initiatives for 2015 and 2016
<p><b>1. Analyzing corporate activities with regard to their impacts on biological diversity</b></p>	<p>Our main influence on biodiversity and natural capital on the whole is indirect through our products and services.</p> <ul style="list-style-type: none"> <li>● We continued to provide investment trusts (please refer to CSR report 2016 – Natural Capital p.11) that assess impact on biodiversity and loan products (please refer to CSR report 2016 – Natural Capital p. 8-9) that include impact on natural capital in their assessment criteria.</li> <li>● We are aware that financing large-scale projects such as mine development, oil and gas development, power plants, petrochemical plants and infrastructure development may indirectly have an adverse effect on natural capital. We also believe it is the responsibility of a sound financial institution to avert or mitigate risks of deterioration in loan receivables due to project suspensions as a result of environmental or social problems. From this point of view, we integrated the use of the Equator Principles, guidelines for private-sector financial institutions, into our decision-making processes for loans in project finance and related fields as a risk management tool in February 2016.</li> </ul>

<p><b>2. Including the protection of biological diversity within their environmental management system</b></p>	<p>In our CSR promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually (please refer to 2016 CSR report p. 83-84).</p>
<p><b>3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board</b></p>	<p>The Chief Sustainability Officer in the Corporate Planning Department supervises all activities and reports to the Executive Committee.</p>
<p><b>4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;</b></p>	<p>We have set objectives in the CSR Midterm Plan for measures including those related to natural capital, and we review performance at the Executive Committee (please refer to 2016 CSR report p. 84).</p>
<p><b>5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report</b></p>	<p>We have published a yearly Natural Capital feature report since 2013. We disclose our biodiversity initiatives in our CSR report and at various events. (Please refer to CSR report 2016 – Natural Capital.)</p>
<p><b>6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step</b></p>	<ul style="list-style-type: none"> <li>● We regard destruction of ecosystems and logging in tropical rainforests to supply raw materials for paper as a serious issue and apply our procurement policy regarding illegal logging in tropical rain forests, which has a large detrimental impact on biodiversity, beyond copier paper to a broader range of office supplies.</li> <li>● Along with other corporate paper users that share our concern and the World Wide Fund for Nature Japan (WWF Japan), we have been participants in the Consortium for Sustainable Paper Use since November 2013. With the aim of promoting the spread of sustainable paper use throughout society, member companies share how their initiatives are progressing and ask their suppliers to supply them paper products that are environmentally and socially sound.</li> </ul>

**7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain**

- We strengthen our relationships with NGOs focused on tropical rain forests and biodiversity as a part of our approach to risk management.
- We've organized the Natural Capital Study Group since April 2013. Its participants come from all walks of life, ranging from companies and national and local governments to academics, research institutions, and NGOs. In an environment welcoming to open inquiry, participants have so far engaged in a series of lively debates on the research topics of various members. In 2015, the key points and findings of these discussions were organized, documented, and published as an introductory book on natural capital with a focus on the challenges for national governments, local authorities, and companies. The book covers a wide range of themes, ranging from the historical context and global trends informing the growing debate on natural capital to the initiatives of financial institutions, companies, and local authorities in applying natural capital concepts.
- **Engagement with Investee Companies**  
We are an active participant in engagement activities, collaborating with other PRI signatories to address global ESG challenges. In fiscal 2016, we engaged on several fronts such as participating in the PRI-sponsored Collaboration Platform and taking part as a member in PRI working groups in the two thematic areas of water risk and problems involving tropical rainforest development such as palm oil resource development. With the aim of further improving our engagement activities, we have started from fiscal 2016 to engage investee companies that seem unmotivated about change in light of global norms or rules using the specialist services offered by ISS-Ethix, a consultant offering ESG-related advisory services.



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|  | <ul style="list-style-type: none"><li>● <b>Engagement with Palm Oil Companies</b><br/>Widely used in industrial goods and everyday consumer products, palm oil is refined from oil derived from oil palm trees grown in plantations. Demand for palm oil is surging owing to its ease of use and the growing preference for health foods but reckless plantation development is contributing to tropical rainforest destruction and biodiversity loss. As a result, we are engaging plantation companies such as Company A in Malaysia regarding their development plans and methods. Moreover, we participated in onsite PRI-led inspections of plantations in Sumatra, Indonesia. In November 2016, we took part in the Roundtable on Sustainable Palm Oil (RSPO), an annual conference that was held in Bangkok, offering our views as a financial institution.</li></ul> |
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