

**Progress Report of Sumitomo Mitsui Trust Holdings, Inc.
2020/2021
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.

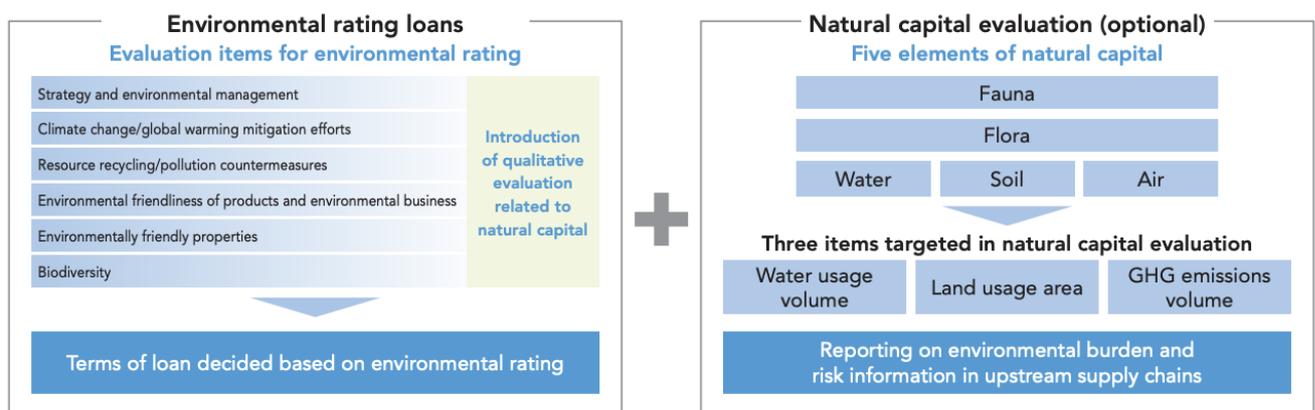
To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

1. Analyzing corporate activities with regard to their impacts on biological diversity

- Sumitomo Mitsui Trust Group provides environmental rating loans with natural capital evaluation and Positive Impact Finance solutions that comprehensively analyzes economic, social, and environmental impact of corporate activities, and also analyze investee initiatives during our asset management company engagements.

- **Environmental Rating Loans with Evaluation of Natural Capital Preservation**

The sustainable use of natural capital as resources is vital for a company to continue its business. There is a growing awareness that natural capital-related procurement risk management across the global supply chain is an indispensable part of management strategy. In April 2013, Sumitomo Mitsui Trust Bank launched its Environmental Rating Loans with Evaluation of Natural Capital Preservation, which embed the concept of evaluating impacts on natural capital and a company’s initiatives into the environmental-rating evaluation process that assesses its environmental measures. This is the world’s first attempt to incorporate natural capital evaluation into loan criteria. Our efforts have been cited in Japanese government environmental white papers and European Commission reports as an example of leading-edge practice.



Note: "Optional" refers to ESCHER calculations provided by PwC Sustainability LLC that are not available without loan products.

- **Positive Impact Finance**

Sumitomo Mitsui Trust Bank is working on Positive Impact Finance, which considers not only the relationship with clients but also the relationship between clients and society, and helps transition to a sustainable society by ensuring an optimal relationship. Many companies have some level of exposure to natural capital in their supply chain. Sumitomo Mitsui Trust Bank supports client initiatives by identifying these impacts, setting KPIs for reducing negative impacts and increasing positive impacts, and monitoring them.

Examples of Natural Capital-related KPIs set as a part of PIF

Client	Theme	Description	KPI (metrics and goals)
Fuji Oil Group headquarters	Biodiversity and ecosystem services	<ul style="list-style-type: none"> Sustainable sourcing that considers the environment and human rights Supply chain improvement activities and RSPO initiatives aimed at NDPE (No Deforestation, No Peatland development, No Exploitation) in the sourcing process 	<ul style="list-style-type: none"> Traceability scores all the way back to the oil extraction plant
Sumitomo Forestry Co., Ltd.	Sourcing that considers sustainability and biodiversity	<ul style="list-style-type: none"> Forest management that balances global warming prevention and biodiversity conservation Expansion of sustainable use of forest resources Environment creation that considers biodiversity 	<ul style="list-style-type: none"> Raise domestic and overseas forest certified area to 221,467 ha by FY2021 Reach company-made tree sapling planted area of 7,920 ha and supplied volume of 7.26 million trees by FY2021 Achieve chips and pellets for main fuel use handling volume of 1,363,930 tons by FY2021 Raise percentage of sustainable timber and timber products handled to 100% by FY2021 Achieve company-made seedling unit sales of 500,000 in FY2021
Nippon Paper Industries Co., Ltd.	Sourcing that considers sustainability and biodiversity	<ul style="list-style-type: none"> Sustainable raw material sourcing Conservation of biodiversity 	<ul style="list-style-type: none"> Maintain 100% forest certification rate for company-owned forests Use materials approved by the forest certification system for 100% of paper manufacturing materials Achieve 100% survey completion rate for overseas wood chip and pulp suppliers Maintain domestic timber utilization rate higher than the domestic timber self-sufficiency rate Achieve 100% forest certification rate for company-owned forests 100% implementation of rare species checks prior to logging in company-owned forests
Sumitomo Rubber Industries, Ltd.	Greening	<ul style="list-style-type: none"> Global warming prevention and biodiversity conservation 	<ul style="list-style-type: none"> Establish a method for calculating the amount of CO₂ absorbed by tree planting as a KPI, then set a target
Toray Industries, Inc.	Providing clean water and air	Realizing a world where everyone has access to clean water and air and the natural environment is restored.	<ul style="list-style-type: none"> Quadruple supply of green innovation products by FY2030 (compared to FY2013) Reduce groupwide water consumption per unit of operating revenue by 30% by FY2030 (compared to FY2013)
Sumitomo Dainippon Pharma Co., Ltd.	Biodiversity conservation	<ul style="list-style-type: none"> Efficient use of water resources 	<ul style="list-style-type: none"> Reduce water consumption by 12% by FY2030 (compared to FY2018)

2. Including the protection of biological diversity within their environmental management system

- Regarding biodiversity, Sumitomo Mitsui Trust Holdings formulated the following policy in 2011 and set this as the standard for activities.

Sumitomo Mitsui Trust Holdings Action Guidelines for Preserving Biodiversity

1. Implementing Measures and Providing Support for Biodiversity Preservation

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

2. Providing Products and Services

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

3. Collaboration with Stakeholders

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

4. Education and Training

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

5. Information Disclosure

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

- In 2018, Sumitomo Mitsui Trust Holdings linked our efforts on natural capital with SDGs (Sustainable Development Goals). The goals we seek to solve are SDGs 14, 15, 2, 6, 7, 13 (especially 14, 15). In order to achieve this goal, we decided what was Challenges and what would be done for it.

Challenges for Achieving the Goals

- ✓ Deepening understanding of the importance of natural capital
- ✓ Establishing approaches for tracking companies' dependence and impact on natural capital
- ✓ Visualization of natural capital risks that lead to damaging corporate value
- ✓ Expanding financial transactions that contribute to solving companies' challenges related to natural capital

Initiatives for Solving the Challenges

- ✓ Appeal the concept and importance of natural capital through various opportunities, such as proposals and seminars for clients.
- ✓ Contribute to establishing methodologies for appropriately managing dependence and impacts on natural capital, such as natural capital protocols.
- ✓ Identify natural capital risks that have serious impacts on the continuation of overseas procurement, businesses, and projects, and incorporate them into investment and loan processes from the ESG perspective.
- ✓ Taking into account that land is the foundation of natural capital in terrestrial ecosystems, strive to restore ecosystems that are suitable for various areas, ranging from mountainous regions to cities, and contribute to the formation of ecological networks.
- ✓ Promote related businesses, such as increasing sales of Environmental Rating Loans with Evaluation of Natural Capital Preservation and developing the forestry trust.

3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board

The Chief Sustainability Officer of Sumitomo Mitsui Trust Holdings supervises all activities and reports to the Executive Committee.

4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;

In 2020, Sumitomo Mitsui Trust Holdings set several KPIs for solving the challenges about natural capital as follows.

- Appeal through proposals and seminars for clients: At least 20 activities a year
- Enhancement of information disclosure: Publish TNFD Report (In the future, as the framework of the TNFD report is officially decided, we will improve the natural capital report.)
- Enhancement of credit policies for specific sectors: Implement in FY2021

5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report

Sumitomo Mitsui Trust Holdings has published a yearly natural capital feature report (Natural Capital Report) since 2013. Also, it discloses its biodiversity related activities in our Sustainability Report.

Natural Capital Report 2020/2021:

<https://www.smth.jp/english/-/media/th/english/sustainability/report/2020/NC-E-all.pdf>

Sustainability Report 2020/2021:

<https://www.smth.jp/english/-/media/th/english/sustainability/report/2020/full/all.pdf>

6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step

- Sumitomo Mitsui Trust Group regards 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.
- Along with other corporate paper users that share our concern and the World Wide Fund for Nature Japan (WWF Japan), Sumitomo Mitsui Trust Bank has been participants in the Consortium for Sustainable Paper Use since 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.

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

- Sumitomo Mitsui Trust Holdings became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development “Rio+20” held in Rio de Janeiro in June 2012. Sumitomo Mitsui Trust Holdings is the only financial institution in Japan to have signed the declaration when it originally promulgated. The initiatives of NCD signatories have been expanded through NCD’s reorganization into Natural Capital Finance Alliance (NCFA).
- Sumitomo Mitsui Trust Asset Management(SMTAM) has joined FAIRR(Farm Animal Investment Risk & Return), an engagement group that mainly targets the fisheries and livestock industries, and participates in the “Sustainable protein supply chains,” one of the group’s current collaborative engagement programs. It aims to raise awareness among target companies of the large ESG risks and opportunities of products made from fisheries and livestock produce, linking that awareness to improvements in corporate activities. SMTAM aims to globalize its engagement activities, and gain knowledge and presence as a result.