



Case study: Sumitomo Mitsui Trust Asset Management (Japan) **Investor Climate Action Plan**

ICAPs Expectations Ladder Area: Corporate Engagement and Policy Advocacy

Sumitomo Mitsui Trust Asset Management (SMTAM) is one of the largest and leading asset managers in Asia with a total AUM of over USD 760 billion. SMTAM recognizes that an enabling policy framework is essential for a just transition to a net-zero economy by 2050, with this being a particularly prominent issue in Asia since there are a large number of state owned enterprises in the region.

Policy Advocacy

SMTAM has been a longtime supporter of collaborative investor statements such as Investor Agenda's Global Investor Statement to Governments on the Climate Crisis, and has also supported many others such as the recent CA100+ investor letter to the Korean Presidential Committee on Carbon Neutrality, encouraging it to outline a clear and fully aligned-2050 decarbonisation pathway. In 2020, SMTAM also collaborated with 35 investment managers and sent a letter to the Indonesia government to highlight the risks of increased deforestation owing to a recently passed economic stimulus package (Omnibus law) aimed at attracting foreign capital.

SMTAM actively participates in member-based associations and encourages governmental bodies within the Investment Trust Association Japan, Financial Services Agency (FSA), and Ministry of Economy, Trade and Industry (METI) to include climate change as part of the agenda. As a member of Net Zero Asset Managers Initiative (NZAMI), SMTAM also held a joint seminar with Asset Management One and Nissay Asset Management to call for climate change action and encourage other asset managers to join the initiative.

SMTAM is active in its policy advocacy work globally, ranging from submitting letters to the governments of Korea and Japan in 2020, which advocated for strengthening efforts to tackle climate change, to policy engagements such as partaking in the Investors Policy Dialogue on Deforestation (IPDD) with the UK minister on action for forest conservation before COP26. In addition, the SMTAM team also conducts policy advocacy work in Japan on multiple levels.

SMTAM is undertaking multiple Tier 1 and 2 actions within the ICAPs ladder.

Corporate Engagement

Investors can directly influence corporate practices and performance on climate change. Collectively and individually, they have an important role to play to engage companies to drive and demonstrate real progress in line with a 1.5°C future.

SMTAM is an active participant in multiple collaborative engagement programs. As a Climate Action 100+ Steering Committee member, SMTAM helps provide strategic directions for the initiative and acts as the investor representative for Asia. SMTAM leads the collaborative engagement for 10 focus companies in Asia and acts as a collaborator for 15 additional companies. SMTAM is also a participant of AIGCC's Asian Utilities Engagement Program and leads one of the company engagements.

SMTAM also bilaterally engages portfolio companies on climate change. As a member of the Net Zero Asset Managers Initiative (NZAMI), SMTAM is looking to set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner. Starting with Japanese stocks, roughly a quarter of their assets under management, SMTAM has set an interim target for 2030, aiming for a 46% emissions reduction from 2013 as of 2030, in line with the Japanese government's greenhouse gas reduction plan. Engagement to ensure that most of the companies in the portfolio have 1.5C-aligned business strategies or have committed to establishing such strategies will be a key tool for SMTAM to achieve its target.

SMTAM has established an escalation strategy on their voting and may consider dissenting from proposals should companies be deemed to have significant ESG issues and do not engage or have not made improvements to the situation despite continued engagement. On a case-by-case basis, SMTAM reviews a company's response to the shareholder proposal requesting policy formulation and information disclosure on climate change in line with the goals of the Paris Agreement. If the company's response is deemed insufficient, SMTAM will agree with the shareholder proposal. There are currently no plans to pre-disclose voting intentions.

SMTAM is undertaking multiple actions across different tiers on the ICAPs Expectations Ladder.

"We believe that climate change has the potential to cause the global environment to deteriorate in an irrecoverable manner in the medium to long term, and have a significant impact on the corporate value of our investees over time. We are bolstering various activities and information disclosure on climate change issues in order to solve one of the biggest challenges facing the international community, and to fulfill our fiduciary duty of maximizing the return on medium- to long-term investments entrusted by our customers and to reduce downside risks." -

Representative Director and President, Yoshio Hishida