

Press Release

November 20th 2024

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Sumitomo Mitsui Trust Asset Management updates ESG materialities and key activity items

Sumitomo Mitsui Trust Asset Management Company Limited (President: Yoshio Hishida, hereinafter “SuMi TRUST AM”) has reviewed and updated a set of ESG materialities and related key activity items. SuMi TRUST AM’s ESG materialities identify the important issues for enhancing the value of portfolio companies and supporting their sustainable growth. SuMi TRUST AM’s key activity items, which are informed by our ESG materialities, are used to prioritise engagement activities with portfolio companies.

The review included a wide-ranging consultation of stakeholders, including our clients, and subsequent internal discussions on the amendment or replacement of key activity items.

SuMi TRUST AM mapped each key activity item taking into account a qualitative assessment and a quantitative dual-axis evaluation based on the following:

- 1) A quantitative assessment on a financial dimension: risks and opportunities posed by assets under management (investment portfolio) were assessed, analysed and summarised in terms of financial impact based on ESG vendor data and adjusted for sector dynamics.
- 2) A quantitative assessment on a social dimension: risks and opportunities for society as a whole posed by corporate activities were assessed, analysed and summarised in terms of external interest (importance) and impact, based on information available from a number of public organisations.

Following the review, SuMi TRUST AM has identified six priority activity items and developed accompanying action plans, which will be reflected in our future stewardship activities. The six priority activity items include: greenhouse gas emissions reduction; conservation of water resources and forests, and recovery of biodiversity; sustainable procurement of raw materials (palm oil, natural rubber, timber); human rights in supply chains; clarification of human resource strategies (human resource development, recruitment, placement, and evaluation); and employee engagement, which are shown in red in the Chart 1 below.

Chart 1: ESG materialities and key activity items

ESG Materialities		Key Activity Items	
Environment	Climate Change	1	Greenhouse gas emissions reduction
	Natural Capital	2	Conservation of water resources and forests, and recovery of biodiversity
	Pollution & Waste	3	Sustainable procurement of raw materials (palm oil, natural rubber, and timber)
	Environmental opportunities	4	Expanding sales of environmentally-friendly products and services
5		Transitioning to a resource circulation model	
Social	Human Rights & Community	6	Human rights in supply chains
		7	Environmental load and work environment, management of chemicals, and ensuring traceability of conflict minerals
		8	Just transition
	Human Capital	9	Clarification of human resource strategies (Human resource development, recruitment, placement, and evaluation)
		10	Employee engagement
		11	Promotion of Diversity, Equity and Inclusion (DE&I)
		12	Work style reforms
	Safety & Responsibility	13	Promotion of well-being initiatives
		14	Improving access to medicine, countermeasures for infectious disease, and responding to antimicrobial resistance issues
		15	Product safety management
Social Opportunities	16	Expansion and promotion of products and services that address social issues	
	17	Building sustainable social infrastructure	
Governance	Corporate Behaviour	18	Promotion of non-financial (ESG) information disclosure
		19	Promotion of proper capital policies and business portfolio reforms
		20	Improving awareness of capital efficiency and capital cost
		21	Purpose management (vision, mission, value) and alignment with the management strategy
	Stability & Fairness	22	Better governance of company misconduct and prevention of recurrence
		23	Enhancement of risk management (Data Security)
		24	Cross-shareholding
		25	Takeover defense measures
		26	Reviewing and enhancing group governance systems (Including parent-subsubsidiary listing issues)
		27	Supply chain restructuring
Structure	28	Board of director structure and skill set	
	29	Promotion of board diversity	
Improvements in Governance	30	Improving the effectiveness of the board of directors (Fulfillment of roles by independent external directors, remunerations system for directors, and planning for successors)	

About SuMi TRUST AM

SuMi TRUST AM is one of the largest asset management companies in Japan and Asia, with over USD 643 billion* in assets under management. As a responsible institutional investor with the corporate vision of “Realising opportunities today to ensure sustainable prosperity for tomorrow”, SuMi TRUST AM is committed to addressing ESG issues from a global perspective through constructive dialogue with companies in its portfolio and collaboration with international organisations promoting ESG efforts in various fields. In addition to pursuing new forms of asset management that is appropriate for the times, by contributing to the development of a more prosperous and sustainable society, we will strive to maximise the medium- to long-term investment returns of our customers.

*As of the end of September 2024

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