



SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS
ESG REPORT
2018/2019

Editorial Policy

Editorial Policy of the ESG Report

This report primarily brings together in one compilation our initiatives contributing to both the delivery of value to our stakeholders and the Sumitomo Mitsui Trust Group's (SuMi TRUST Group) pursuit of corporate value over the long term based on the concept of "Creating Shared Value" (CSV). The SuMi TRUST Group regards shared value as conceptually parallel to the environmental, social, and governance (ESG) concepts investors focus. In view of the surge in ESG investment in the past few years both in Japan and overseas, we have published the Integrated Report highlighting important linkages between ESG information and financial information since fiscal year 2017, upgrading our annual report. In contrast, the ESG Report is meant to provide comprehensive ESG information disclosures to investors and other stakeholders seeking more detailed ESG information. From this perspective, we view the ESG Report as having attributes that complement the Integrated Report.

The report is organized around six sustainability policies of the Group's basic policy regarding social responsibility (the "Sustainability Policy"). Themes introduced in Sustainability Policy 1 have been also featured in three booklets on Climate Change, Natural Capital, and Environmentally Friendly Property. We also publish the Stewardship Report and a digest report for seniors which contain their original information.

The report references GRI G4 standard.

Scope of This Report

Sumitomo Mitsui Trust Group (comprised of Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited, and other group companies)

Target Readers

All stakeholders, including customers, shareholders and investors, employees, business partners, local communities, NPOs, governments, international institutions, etc.

Period Covered by This Report

October 1, 2017 to September 30, 2018

*This report also includes the most recent information on activities before fiscal year 2017 as well as after October 2018.

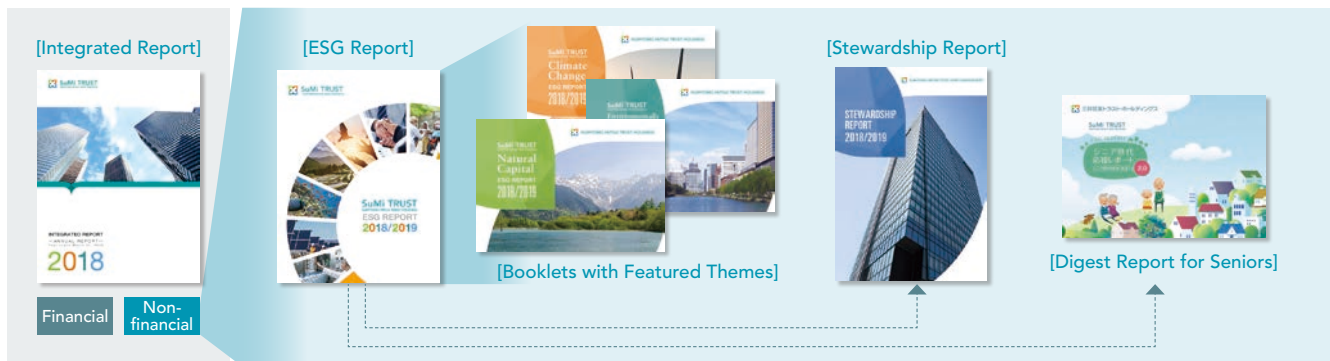
Reference Guidelines

GRI (Global Reporting Initiative) Standard

"Sustainability Reporting Standard"

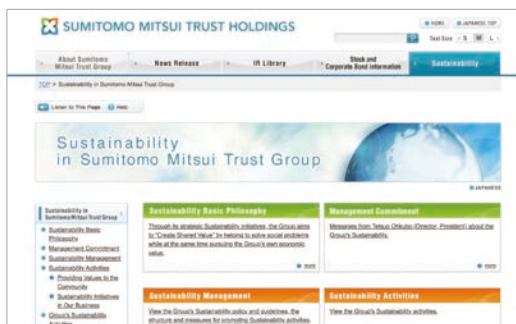
*For tables comparing GRI guidelines and information in our ESG report, please refer to the section from page 174.

We publish a variety of reports in several formats in response to reader needs.



Our website carries extensive information on the Sustainability activities that Sumitomo Mitsui Trust Group does not cover in this report.

Specifically, the website provides more detailed information on our initiatives related to issues such as successful aging and support for the environment and living creatures.



Sustainability in Sumitomo Mitsui Trust Group
<https://www.smth.jp/en/csr/index.html>

We issue a regular report on social contribution activities ("With You" activities).

The quarterly journal "SuMi TRUST With You" reports on the "With You" social contribution activities of SuMi TRUST Bank (four issues per year).



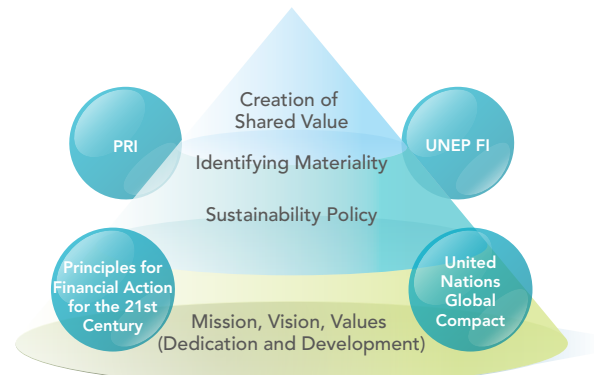
Creating Shared Value through Sustainability Activities

“Creating Shared Value” (CSV) is the concept of companies creating social value by addressing society’s needs and challenges while simultaneously creating their own economic value.

Sumitomo Mitsui Trust Group’s (the “Group”) pursuit of CSV is based on its Management Principles (“Mission”), Ideal Model (“Vision”), and Codes of Conduct (“Values”), as well as its Sustainability Policy—basic policy on the social responsibility of the Group. These policies identify our approach to creating economic value and social value.

Moreover, as a part of our process for realizing CSV, we identified materiality for our Group based on the perspectives of long-term investors and external experts we interviewed, and we are working to raise awareness and understanding within the Group through internal engagement methods.

Furthermore, the Group is a signatory to the United Nations Global Compact, a global policy framework for corporate sustainability, and the “Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century),” a set of voluntary guidelines established by Japan’s major financial institutions. The Group aims to create shared value while respecting these principles and guidelines, including the above two, related to social responsibility.



Process of Creating Shared Value

Management Principles (“Mission”)

- (I) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (II) Adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society.
- (III) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (IV) Offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions.

Ideal Model (“Vision”)

—Towards “The Trust Bank”—

Based on the fiduciary spirit and with significant expertise and comprehensive capabilities, the Sumitomo Mitsui Trust Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

Codes of Conduct (“Value”)

In order to pursue the Management Principles of the Sumitomo Mitsui Trust Group, the executives and employees commit themselves to comply with the six Codes of Conduct described below.

Completely Client-oriented—Truthfulness and Loyalty

We will adhere to the highest degree of “Truthfulness and Loyalty” as well as credibility and sureness, and will carry out all our responsibilities for client satisfaction and comfort as our top priority.

Contribution to Society—Dedication and Development

We will remain dedicated in all our efforts, with “Frontier Spirit,” and continue to contribute to society.

Realization of Organizational Capability—Trust and Creativity

We will realize our organizational capabilities with full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust.

Establishment of Individuality—Self-help and Self-discipline

With a spirit of self-help and self-discipline as well as a sense of ownership, we will carry out our responsibilities.

Strict Compliance with Applicable Laws and Regulations

We will strictly comply with all applicable laws, rules and regulations, and will ensure that all our corporate activities meet the highest standards of social norms.

Resolute Stance against Antisocial Forces

We will continue to take a resolute stance against antisocial forces, which may threaten public order and the security of civil society.



Sumitomo Mitsui Trust Group's

Basic Policy on Social Responsibility

(Sustainability Policy)

At Sumitomo Mitsui Trust Group, based on our Management Principles ("Mission"), our Ideal Model ("Vision") and our Codes of Conduct ("Value"), we respect dialogue with all stakeholders, such as clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities and international institutions, and play an active role in building a sustainable society.

1 Contribute to Solving Social and Environmental Problems through Business **▶010**

2 Serve Clients with Sincerity **▶074**

3 Earn the Trust of Society **▶088**

4 Address Environmental Issues **▶125**

5 Respect the Individual **▶131**

6 Participate in and Contribute to the Community **▶150**



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Top
Commitment

Promoting sustainable finance as our clients' "best partner"

Promoting Sustainable Finance

The Special Report on Global Warming of 1.5°C recently published by the Intergovernmental Panel on Climate Change (IPCC) has become a major talking point. The global consensus of the 2016 Paris Agreement aims to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, but the report suggests it will not be enough to mitigate the serious impacts of global warming and that the clear goal of limiting the temperature increase to 1.5°C must be adopted. That means that to achieve this goal, CO₂ emissions would need to reach net zero by 2050 and that decarbonization measures would need to be further accelerated up ahead.

Initiatives calling for sustainability have continued to gain momentum in recent years. The Sustainable Development Goals (SDGs) were adopted by the United Nations General Assembly in 2015 and the global consensus that emerged with respect to what issues must be afforded top priority has also become a powerful driver of sustainability. Of all the issues, climate change is now seen as a matter of the highest priority. At the same time, the finance industry is attracting considerable attention. This is because large amounts of capital are needed to find solutions and the mobilization of private funds is indispensable to this. Financial institutions are required to play a proactive role in this movement, backed by the expansion of environmental,



Tetsuo Ohkubo
Sumitomo Mitsui Trust Holdings, Inc.
Director, President
(Representative Executive Officer)

social, and governance (ESG) factors from asset management to other operational areas such as banking, insurance, and real estate.

Our Group has consistently sought to implement such sustainable finance initiatives. With an emphasis on the five major priority themes of climate change, natural capital, environmentally friendly property, sustainable investment, and the super-aging society, we have continued to focus our efforts on developing solutions-based products and services.

One of the themes whose initiatives made great strides in fiscal year 2018 is the response to the issues of Japan's super-aging society. Financial gerontology is currently in the spotlight and the finance industry as a whole is



Masaru Hashimoto
Sumitomo Mitsui Trust Bank, Limited
President
(Representative Director)

becoming increasingly aware of its issues. These issues are directly linked to the operations of our Group, which aims to become our clients' "best partner" in an age of 100-year-life.

As for the unavoidable problem of dementia, in addition to stepping up employee training and regional collaboration initiatives on a group-wide level, we deepened the understanding of our clients by issuing reports with easy-to-understand explanations of how (public) schemes and various financial products work with a particular focus on wealth management. We intend to further expand our lineup of products and services that provide concrete solutions to such issues.

Implementing Materiality Management

If we are to position sustainable finance as a long-term growth strategy, then management of materiality (high priority issues) from an ESG perspective is needed for platform building. Reflecting ESG into our management is one characteristic of our Group—we achieve this by having departments responsible for certain issues engage in discussions with our Sustainability Management Office from the viewpoint of investors and incorporate internal engagements that lead to improvements in initiatives. In fiscal year 2018, we particularly discussed climate change issues and ways to strengthen human capital and as a result, we reviewed our policy on financing coal-fired power generation projects and enhanced our disclosure of information about diversity and inclusion, especially regarding the empowerment of women.

From CSR to Sustainability

In April 2018, we changed the name of the Group's CSR Promotion Office to "Sustainability Management Office." While this organizational unit will continue to instill the spirit of corporate social responsibility (CSR), the name change is designed to further bolster our sustainable finance initiatives in light of current global trends. It also aligns closely with our Group's business model to deliver total solutions to our clients. Sustainable finance can be realized through our efforts to support our clients' pursuit of sustainability. As our clients' "best partner," our aim is to work together to realize a sustainable society—to this end we sincerely ask for your continued support going forward.

December 2018

Tetsuo Ohkubo
Sumitomo Mitsui Trust Holdings, Inc.
Director, President (Representative Executive Officer)

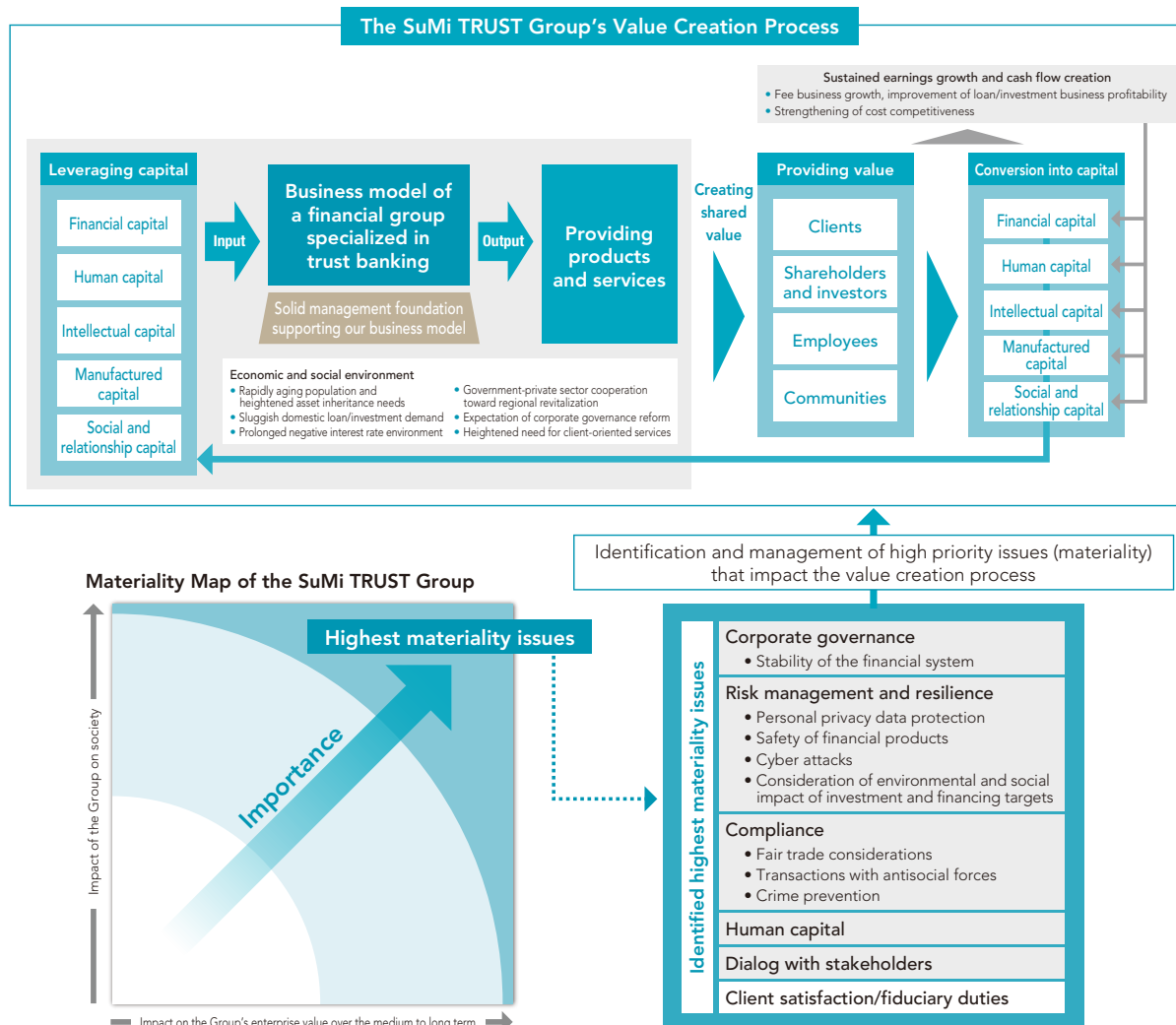
Masaru Hashimoto
Sumitomo Mitsui Trust Bank, Limited
President (Representative Director)

Materiality Management for Creating Shared Value at the SuMi TRUST Group

Materiality (priority issues) refers to events that have a material impact on a company's value creation process. The SuMi TRUST Group promotes materiality management that identifies materiality issues to be addressed as priorities from a medium- to long-term viewpoint and dealt with at the top level of management.

Materiality is identified both in terms of impact on the Group's medium- to long-term enterprise value, and in terms of the impact of the Group on society through its relationships with stakeholders. In this process, we consider themes related to our management foundation, including governance, social themes, including relationships with employees and the community, and environmental themes that are directly related to resource and energy problems. Accordingly, materiality is a concept that overlaps with ESG (environmental, social, and governance).

One of the strengths of the Group is that we do not merely define materiality through slogans. Rather, the Sustainability Management Office of the Corporate Planning Department plays the role of an "in-house quasi-investor," and engages in dialogue with related departments. This creates an opportunity for departments that have little direct dialogue with external institutional investors and stakeholders to become aware of issues from an investor perspective, and to examine specific measures to address these issues.



Materiality Identification and Practice



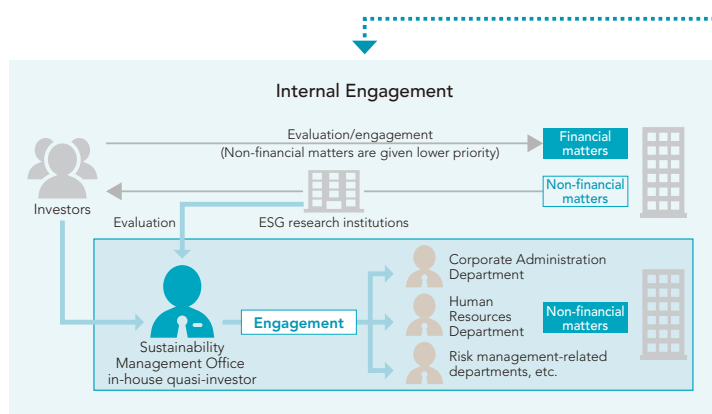
We emphasize the views of ESG investors who pursue enterprise value from a long-term perspective. Based on reporting guidelines, such as GRI and SASB, we select bank materiality issues emphasized by the major ESG research companies that provide information to investors (MSCI, FTSE, SAM, etc.).

The issues identified in STEP 1 are evaluated from two perspectives: 1) the impact on enterprise value over the medium- to long-term, and 2) the impact on stakeholders (each evaluated using a five-point scale). The former is evaluated by all of our external directors, external auditors, and relevant internal departments, while the latter is evaluated by our external directors and external auditors, as well as external experts.

The point scores obtained in STEP 2 are plotted on a scatter diagram (materiality map), using the two adopted perspectives as the horizontal and vertical axes. The highest materiality issues, based on the materiality map, are designated as the highest priority ESG issues. In 2015, the Group's materiality issues were identified at the Executive Committee, and then reported to the Board of Directors. Starting from 2017, the Risk Committee, an advisory body to the Board of Directors, examines the appropriateness of the materiality issues that are identified, and reports its findings to the Board of Directors.

From among the high materiality issues, the Sustainability Management Office engages in dialog (engagement) with relevant departments on the themes that have the strongest investor interest, and for which the Group's initiatives still face some issues. The Sustainability Management Office reports to the Executive Committee and the Board of Directors regarding the status of the initiatives.

The Board of Directors discusses the Group's future direction from a variety of perspectives, based on the findings of the Risk Committee and the report on internal engagement. This step is taken to address the "environmental and social issues over the sustainability" that should be addressed by the Board of Directors, as prescribed in Article 3-4 of the Group's Basic Policy on Corporate Governance.



Main Discussions Regarding ESG initiatives at the Board of Directors Meeting Held in January 2018

- Refinement of value creation processes in order to create greater enterprise value
- Functions of the Risk Committee in materiality management
- Materiality identification methods that reflect stakeholder perspectives
- Enhancement of enterprise value-conscious internal engagement: its state, methodologies, and methods of sharing with decision-making bodies
- Name of the department responsible for the effective promotion of ESG initiatives
- Roadmap for improving the initiative of individual employees and increasing brand power

Internal Engagement in FY2017-2018

Theme	Target Departments	Engagement in FY2017	Results from Prior FY/Engagement in FY2018
Corporate governance	Corporate Administration Department, Corporate Secretariat	Feedback was provided on evaluation results performed on the Group's governance reforms by ESG research firms while recent items of interest among investors and what they see as issues for the Group were shared.	Feedback was provided on evaluation results performed on the Group by ESG research firms, while the items investors see as issues for the Group were shared. Information disclosure was enhanced mainly with respect to the President's standard compensation table.
Bolstering human capital, increasing corporate value	Human Resources Department	Following engagements last fiscal year, a map of relationships between HR initiatives and corporate value was developed and disclosed in the Integrated Report and the ESG Report. Ongoing discussions were held regarding how to improve the disclosed information about human capital.	The relationships map was brushed up and the disclosure of quantitative data was expanded. In particular, more information about the diversity & inclusion initiatives and results were disclosed on the Group's website.
Climate change	Wholesale Business Planning Department	Understanding of fossil fuel-related investment and loan risks, a matter of high interest among investors, was shared. Discussions were made especially focused on project finance for coal-fired power generation.	A basic policy of not engaging in project finance for coal-fired power generation in and outside of Japan was adopted and published in the Integrated Report.
Dementia	Relevant departments	Leveraging the knowledge gained mainly from collaborating activities with COLTEM, the effects of dementia issues on the Retail Total Solution Services Business were assessed and expanded to relevant departments.	At branch offices, dementia literacy was improved and progress was made on community collaboration. External experts were invited as guest speakers to study sessions for internal departments. As a result, issues were discussed and a platform for group-wide collaboration was established.
Value creation processes	All business supervision departments	—	Utilizing the Integrated Report, the importance of the value creation process as it appeals to investors was explained, while instructions were given to start examining the individual value creation processes in all businesses.
SDGs	All business supervision departments	—	Global trends concerning the SDGs were explained and instructions were given to formulate SDG-related business strategies for all businesses.
Sustainable investment	SMTAM's Fixed Income Investment Unit (Active Investment Department)	—	Explanations of global trends and backgrounds were provided regarding ESG integration and impact investing in fixed income investment, an area that has expanded in recent years. Opinions were exchanged.

Initiatives for Sustainable Development Goals (SDGs) of the SuMi TRUST Group

The Sustainable Development Goals (SDGs) adopted at the United Nations Sustainable Development Summit in September 2015 comprise 17 goals and 169 targets that bring together global-scale priority issues that should be addressed collectively around the world toward 2030. The SuMi TRUST Group, which became a signatory to the United Nations Global Compact in 2005, has pursued various initiatives related to sustainability, and will continue working to provide value to our stakeholders, including from the perspective of addressing issues raised by the SDGs.

Sustainability Policies and SDGs

Policies		Linkages with SDGs
1	Contribute to Solving Social and Environmental Problems through Business 	On the links between specific goals in the SDG framework and social and environmental issues, we look for solutions as our clients' "Best Partner", and we provide optimal financial products and services that harness our strengths as a financial group specialized in trust banking.
2	Serve Clients with Sincerity 	
3	Earn the Trust of Society 	The Board of Directors addresses environmental and social issues linked to sustainability (the Basic Policy on Corporate Governance, Article 3-4). In our lending and investment activities, we recognize themes relating to SDGs such as climate change and land and water-based ecosystems as risks, and have strengthened our approach to managing them.
4	Address Environmental Issues 	Through the operation of environmental management systems (EMS), we limit the negative impacts from our business activities relating to SDG-linked themes such as energy, climate change, water, and paper resources.
5	Respect the Individual 	Initiatives relating to human resources strategy and human rights are also linked to SDGs; we are advancing such initiatives based on a broad-based view given global discussions.
6	Participate in and Contribute to the Community 	As a good corporate citizen, we actively promote environmental activities and social contributions which are highly relevant to SDGs, centering on sales offices in each region.

Partnerships for Sustainable Finance



Goal 17 of the SDGs is for partnerships to achieve the other goals. In view of the important role finance will play in forming sustainable societies, we are actively participating in partnerships, both in Japan and overseas, to accelerate industry-wide initiatives.

Principles for Financial Action in the 21st Century (Principles for Financial Action towards a Sustainable Society)

With the aim of shaping a sustainable society, our Group is one of approximately 270 financial institutions in various business categories that subscribes to the Principles for Financial Action for the 21st Century (PFA21). Since the principles were drafted in 2011, we have assumed a central role in their implementation. Moreover, since 2013 we have served as chair of the Sustainable Community Support Working Group, which is tasked with spreading awareness about sustainable finance in the community. In fiscal year 2018 the working group hosted seminars by inviting speakers from organizations like the Japan International Cooperation Agency (JICA) and the Innovation Network Corporation of Japan (INCJ) to exchange opinions about what kind of finance sector support can regional financial institutions extend to small or medium-size firms entering a business that aims to solve issues linked to the SDGs in emerging markets.



<https://pfa21.jp/activity/working-group/community>

United Nations Environment Programme Finance Initiative (UNEP FI)

In 2003, our Group was the first Japanese trust bank to become a signatory to the UNEP FI, a global network that encourages financial institutions to take sustainability into consideration in their operations. We have also contributed to strengthening initiatives not only in Japan, but those of the global finance industry, by participating in UNEP FI's Property Working Group and the Natural Capital Finance Alliance (formerly Natural Capital Declaration). In July 2018 we served as a panelist at a seminar co-hosted by the Ministry of the Environment and the PFA21 entitled "Active Investments and Loans for the Attainment of SDGs—Principles for Positive Impact Finance." We presented our Group's initiatives mainly regarding how new styles of financing can solve issues, and how we calculate social returns.



Sustainability Initiatives in Our Businesses ◀ Sustainability Policy 1



The 17 goals that comprise the SDGs reflect social needs. Because social needs eventually become customer needs, SDG initiatives are also a way for companies to identify seeds for new businesses. Creating money flows well suited to a sustainable society is vital to building the sustainable society the SDGs aim to foster. We think achieving this is an essential mission for financial institutions. From

this perspective, the Group together with clients think of ways for clients themselves to respond to social needs, and the financial mechanisms that go along.

Particularly with regard to our five major sustainability themes, we have linked social value to the SDGs, examined, and developed initiatives, targets, and KPIs aimed at solving issues and attaining goals.



Offering Value to Communities ◀ Sustainability Policy 6



The ultimate objective of the value companies create is to contribute to building a healthy, sustainable society. Since offering value to communities, which constitute the society, contributes to maintaining a sound business foundation, we regard this as a social license necessary for business operation. In view of this, the Group offers value to communities in an array of ways while taking in SDG perspectives.

Group affiliated companies and branches carry out of their own accord a variety of social and community contribution initiatives. The CSR Promotion Office uses SDGs as a way to categorize each of the many activities that provide value to communities, and it will also work to deepen its analysis of the impacts Group activities have over time in the future.

Through employee training

Company magazine
Future Bloom

e-learning

With You activities

Information dispatch through "With You" branch blog



Sustainability Policy 1

Contribute to Solving Social and Environmental Problems through Business

- We work to solve social and environmental problems from a global perspective through our core businesses.
- We integrate the diverse functions that are unique to a trust bank group and develop new business models and innovative products and services to help solve social and environmental problems.



Green Bond / Green Trust



In recent years, new green finance vehicles such as green bonds and social bonds have gained much attention and the major market is being formed primarily in Europe.

With the aim of accelerating sustainable finance initiatives concerning climate change, natural capital, environmentally friendly property, and other issues, SuMi TRUST Bank not only issues green

Green Bond Issuance

On September 25, 2018, SuMi TRUST Bank issued its first green bond for overseas markets. Given the rise of initiatives implemented by corporations and investors in and outside of Japan to tackle environmental problems, SuMi TRUST Bank is aware that it can provide financial support to these initiatives as part of its social responsibility as a financial institution. We hope to deliver even more value to our stakeholders by contributing to the construction of a sustainable environment and society by issuing green bonds and using the proceeds raised for financing.

The funds raised from the issuance of our green bonds can only be used to combat climate change issues and help improve the environment, including renewable energy projects such as solar and wind power generation, and the acquisition or construction of environmentally friendly property. Our green bonds are issued and managed in accordance with SuMi TRUST Bank's green bond

bonds, but has also launched an initiative to develop a "green trust" financing scheme that leverages its own trust functions.

By utilizing our extensive knowledge of capital markets and various financing schemes, including trust funds, our Group will continue to meet the sustainability needs of our clients.

framework, which was developed in line with the Green Bond Principles (2018) of the International Capital Market Association (ICMA) and the Ministry of the Environment's Green Bond Guidelines (2017). We have also received opinions on the framework from Sustainalytics, a third-party certifying body. Our ESG initiatives have also been well received and steadily digested by ESG investors, who have markedly grown in number over the last few years.

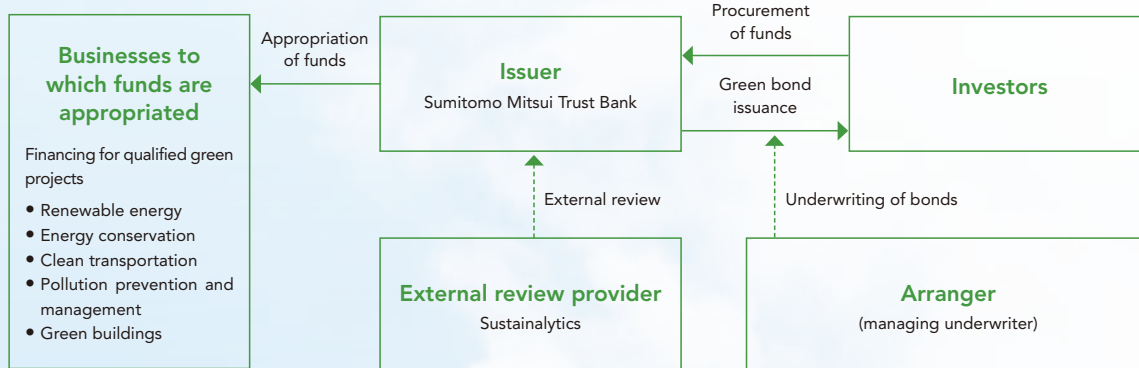
Overview of Green Bond Issuance

Issuer	Sumitomo Mitsui Trust Bank, Limited
Currency	Euro
Yield	3-month Euribor rate + 0.25%
Pricing date	September 18, 2018
Issue date	September 25, 2018
Coupon dates	25 th of March, June, September, and December every year
Credit ratings	Moody's: A1; S&P: A
Issue size	€500 million
Maturity	September 25, 2020 (2 years)



Green Bond / Green Trust

Issuance Scheme



Overview of Green Bond Framework

SuMi TRUST Bank has formulated a green bond framework that complies with the following four requirements of the Green Bond Principles (2018)

and the Green Bond Guidelines (2017): (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds; and (4) reporting.

(1) Use of proceeds	<p>Funds raised from the issuing of green bonds shall be appropriated to qualified green projects that meet all of the following conditions.</p> <ul style="list-style-type: none"> • Business that corresponds to at least one of the following: renewable energy, energy conservation, clean transportation, pollution prevention and management, or green buildings. • Evaluated under the Equator Principles and classified as either Category B or C. • Green buildings certified as having at least a CASBEE A rank, a BREEAM Excellent rating, or a LEED Gold certification. • Financing for the project extended within 24 months after the green bond issue date or after the issue date but before maturity.
(2) Project evaluation and selection	<ul style="list-style-type: none"> • The results of a review of environmental and social impacts under the Equator Principles, as well as green building certifications issued by third-party organizations are applied to the project's evaluation. • The project to which funds are appropriated is selected following the nomination and examination of qualified green project candidates by multiple relevant departments.
(3) Management of proceeds	<ul style="list-style-type: none"> • Funds raised from the issuing of green bonds shall be appropriated to qualified green projects. Funds not appropriated shall be allocated to overnight or short-term financial instruments. • The appropriation of funds shall be monitored on an ongoing basis.
(4) Reporting	<ul style="list-style-type: none"> • Until the green bonds are redeemed, how funds are appropriated to qualified green projects, as well as the results of reviews of third-party certification bodies shall be scheduled for public release on the website at least once a year. • In addition, the improvements made to the environment (reduction in CO₂ emissions, etc.) from qualified green projects to which funds were appropriated shall be scheduled for public release on the website at least once a year.





Green Trust

On September 29, 2018, SuMi TRUST Bank launched Green Trust, a jointly operated designated money trust*1 that leverages the Bank’s trust functions and uses loan proceeds to only acquire or refinance J-REIT green buildings*2.

The Green Trust has been assigned the highest possible rating of “Green 1” under the green bond evaluation*3 system of the Japan Credit Rating Agency (JCR) in line with the Green Bond Principles*4. It was the first initiative of its kind in Japan for a jointly operated designated money trust. Loans from the Green Trust have also been assigned the highest possible rating of “Green 1” under JCR’s green loan evaluation system in line with the Green Loan Principles*5.

Given that the real estate business is one of its core businesses, SuMi TRUST Bank provides the Green Trust which offers added value to real estate investment corporations that seek to expand their holdings of environmentally friendly properties and institutional investors that aim to incorporate ESG investing into their asset management practices. To that end, SuMi TRUST Bank leverages its trust functions and employs a business model unique to

a financial group specialized in trust banking that exercises financing functions as a bank.

We believe the Green Trust will contribute to the development of the J-REIT market because it offers investment firms in the ever-expanding J-REIT market a new vehicle to procure funds along with a broader investor base, which in turn will lead to greater uptake of green buildings. Moreover, by launching ESG investment instruments, we hope to provide ESG investment opportunities to investors and encourage ESG investing.

*1 A jointly operated designated money trust (“green trust”) is a financial product in which money is entrusted to the trust bank as trust assets and jointly managed within the limits designated in the trust deed. Investment returns are paid in accordance with the trust amount.

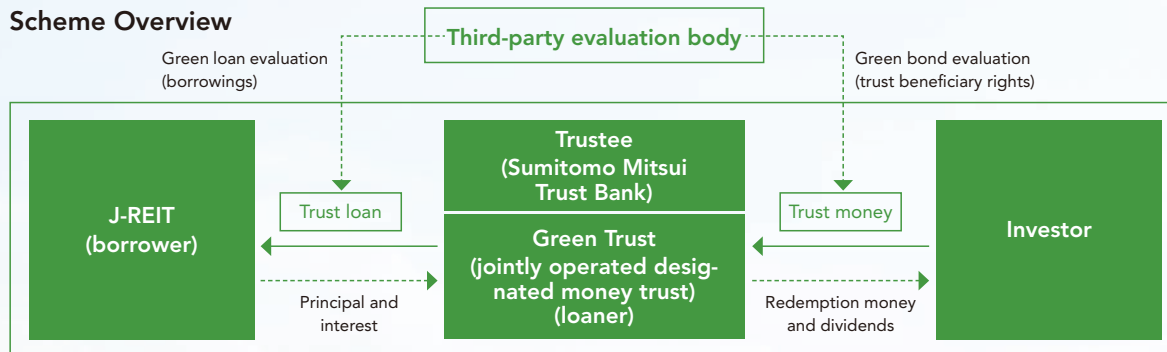
*2 A green building is any property defined as a green project in the Green Bond Principles, Green Loan Principles, or the Ministry of the Environment’s Green Bond Guidelines, and accredited with a regionally, domestically, or internationally recognized standard or certification (CASBEE, etc.).

*3 JCR green bond evaluation: JCR evaluates green loans in line with the Green Loan Principles and green bonds in line with the Green Bond Principles. These evaluations, JCR green loan evaluation and JCR green bond evaluation, are collectively referred to as JCR green finance evaluations.

*4 The Green Bond Principles are global guidelines established by the International Capital Market Association (ICMA).

*5 The Green Loan Principles are global guidelines for loans established by the Loan Market Association (LMA) and the Asia Pacific Loan Market Association (APLMA). They were formulated in line with the content of the Green Bond Principles.

Scheme Overview



- (1) As both trustor and beneficiary, the investor entrusts money to the Green Trust account (jointly operated designated money trust) of Sumitomo Mitsui Trust Bank, the trustee (a green evaluation is acquired for the trust beneficiary rights).
- (2) The trust account (Green Trust) of Sumitomo Mitsui Trust Bank concludes a loan agreement with a J-REIT (borrower) and uses the funds procured in step (1) to extend a loan to the J-REIT (a green evaluation is acquired for the loan).
- (3) The J-REIT pays the principal and interest to the trust account (Green Trust) of Sumitomo Mitsui Trust Bank.
- (4) The trust account (Green Trust) of Sumitomo Mitsui Trust Bank pays the dividend income and refund of principal to the investor.



Addressing Climate Change Using Our Financial Capabilities

Climate change is the most serious environmental issue in the world today—it is already affecting people's lives and economic activity in a number of ways as a result of abnormal weather, rising sea levels, and other phenomena. Moreover, the negative impacts of climate change are affecting developing countries and vulnerable people the most, which in turn is creating additional problems for societies, such as inequality and poverty.

The pursuit of societies resilient to climate change will likely lead to the construction of sustainable societies through the eradication of poverty and reduction of inequality.



Challenges for Achieving the Goals

- Constructing carbon-free societies well before 2050 by realizing net zero CO₂ emissions
- Visualizing risks and opportunities arising from the rapid migration of social systems
- Constructing business models that transcend sectors to combat climate change
- Expanding financial transactions that contribute to climate change adaption and mitigation

Initiatives for Solving the Challenges

- Provide solutions for the construction of societies with net zero carbon emissions by leveraging banking, trust, and real estate functions.
- Provide capital through investments and loans to promote renewable energy and energy conservation.
- Provide financial products that meet the investment needs of investors with a strong interest in climate change.
- Promote climate change measures in real estate markets and cities with financial and environmental performance evaluations.
- As a responsible institutional investor, promote stewardship activities related to climate change.
- Make improvements to the disclosure of information related to climate change.

KPIs for Solving the Challenges

- Project finance for coal-fired power generation in and outside of Japan: In principle, no engagement.
- Renewable energy power generation: Contribute globally with the aim of greater proliferation.
- Information disclosure: Establish a system aimed at improving the disclosure of climate change-related information under frameworks such as the TCFD.



Governance

SuMi TRUST Group's Climate Change Governance

The SuMi TRUST Group recognizes that its response to climate change issues is important for building the Group's corporate value and a sustainable society, and its solutions businesses contribute to addressing climate change issues.

High Priority Issues concerning Climate Change (Materiality)

From a management perspective, the Group recognizes it is important as a financial institution to reduce climate change impacts arising from companies and projects in its loan and investment portfolios. We also recognize the importance of reducing CO₂ emissions from the Group's business activities.

It is our belief that helping to address climate change issues by harnessing our trust function is a matter of critical importance that will direct more business opportunities to the Group.

The Group's climate change-related materiality issues

- Taking into account how borrowers and investees impact society and the environment
- Pursuit of business opportunities with environmental and social themes
- Climate changes (physical impacts, etc.)
- Reducing the Group's environment burden

Action Guidelines for Mitigating Climate Change

1. Implementation of Measures and Support to Help Mitigate Climate Change

In addition to actively taking measures to reduce greenhouse gas emissions in our own business operations, we are making efforts, as a corporate citizen, to support activities that mitigate and adapt to climate change.

2. Provision of Products and Services

We are working on developing and providing products and services that help mitigate climate change. Our financial functions are being leveraged to promote energy conservation and encourage the use of renewable energy.

3. Collaboration with Stakeholders

We engage in dialogue and cooperation with our stakeholders as we work to mitigate climate change.

4. Education and Training

We will ensure that these guidelines are fully implemented at Group companies, and will actively conduct education and training to mitigate climate change.

5. Information Disclosure

We will actively disclose information related to our efforts to mitigate climate change.

Climate Change-related Materiality Management

Through internal engagement, the Group endeavors to improve initiatives and enhance information disclosure regarding climate change issues identified as items of materiality.

Materiality Identification and Practice

STEP1

Identifying Materiality Issues

We emphasize the views of ESG investors who pursue corporate value from a long-term perspective. Based on reporting guidelines such as GRI and SASB, we select bank materiality issues emphasized by ESG research companies (MSCI, FTSE, SAM, etc.) that provide information to investors.

STEP2

Interviewing Stakeholders

The issues identified in step 1 are evaluated from two perspectives: 1) the impact on corporate value in the medium to long term, and 2) the impact on stakeholders. The degree of impact is assessed with a score between one and five. The former is conducted by all our external directors, external auditors, and relevant internal departments, while the latter by external directors, external auditors, and external experts.

STEP3

Drawing Materiality Map

The point scores from step 2 are plotted on a scatter diagram (materiality map) with the two perspectives assigned either the horizontal or vertical axis. The issues that fall into the highest materiality zone on the map are considered to be highest priority ESG issues. In 2015, these issues were resolved by the Executive Committee and reported to the Board of Directors. Since 2017, the Risk Committee (an advisory committee of the Board of Directors) has examined the appropriateness of these issues and offered recommendations to the Board of Directors.

STEP4

Implementing Internal Engagement

Of the issues with the highest materiality, our Sustainability Management Office engages in dialogue (engagement) with relevant departments with respect to the topics investors are most interested in and for which the Group's initiatives may face challenges. Reports are submitted to the Executive Committee and the Board of Directors on the progress of initiatives.

STEP5

Initiatives for Increasing Corporate Value over Long-Term

The Board of Directors receives recommendations from the Risk Committee and reports on internal engagement and facilitates multilateral discussions on the future course of action. These actions are in line with the provisions of Article 3-4 of the Group's Basic Policy on Corporate Governance, which prescribes matters regarding environmental and social issues concerning sustainability that the Board of Directors is obligated to address.



Results of internal engagement on climate change

- Adoption of the Equator Principles in project finance
- Formulation of a financing policy for coal-fired power generation project finance
- Declaration in support of the TCFD

Risk Management

Climate Change Risk Management for Portfolio Investments

Sumitomo Mitsui Trust Asset Management (SMTAM) and Nikko Asset Management are signatories to the Principles for Responsible Investment (PRI), which were established in 2006 to call on institutional investors to factor ESG (environmental, social, and governance) considerations into investment decision making. SMTAM participates in Climate Action 100+, an initiative established by the PRI and four global institutional investor organizations at the One Planet Summit in December 2017. Under this framework, institutional investors jointly engage with the

world's top 100 greenhouse gas emitters. Starting with the engagement with a state-run petroleum company in Thailand, SMTAM has taken the initiative to conduct collaborative engagements with more than 10 companies within and outside of Japan. Please refer to pages 59-62 for more information about SMTAM's engagement activities.

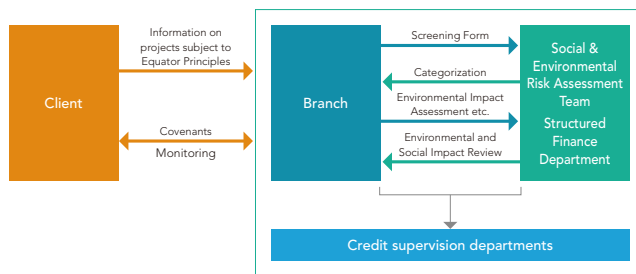


Climate Change Risk Management for Loans

SuMi TRUST Bank is a signatory to the Equator Principles, global guidelines that call on private financial institutions to fully consider the impacts on the natural environment and local communities when extending project finance to entities undertaking projects. When making the decision to extend loans, SuMi TRUST Bank conducts a comprehensive

risk assessment involving a review of the environmental and societal impacts based on the project's environmental and societal risks, project location, and type of business. Please refer to pages 120-122 for more information about the adoption of the Equator Principles.

Systems and Processes for Evaluating Environmental and Social Considerations



Application processes: Following internal policies based on procedures for evaluating social and environmental considerations, the Equator Principles Department carries out assessments of environmental and social impacts relating to individual projects.

Implementing environmental and social impact reviews: Reviews of the environmental and social impacts of a project proposed by developers take into account its industry, the country where it is sited, and whether it meets the standards called for by the Equator Principles, and from there, a comprehensive risk is judged.

Monitoring compliance: Compliance with important items concerning environmental and social impacts have been reflected into loan agreements, and compliance with these is regularly confirmed through such methods as reports on project compliance status on these fronts.

Company training programs: Regular training sessions are provided for employees in departments and sections relating to sales, assessment, and screening to foster a thorough understanding of internal operations supporting environmental and social impact reviews and raise their awareness about related concepts.

Project Finance for Coal-fired Power Generation

With climate change being such an important issue for the international community, SuMi TRUST Bank has continued to carefully consider its own actions by setting internal standards on power generation efficiency and environmental load for coal-fired power generation projects that emit relatively large amounts of CO₂. Given that initiatives aimed at realizing low-carbon societies in developed countries are key management issues for financial

institutions, SuMi TRUST Bank's basic policy going forward is not to participate in any new coal-fired power generation projects being considered for construction. That said, the Bank may make exceptions by carefully and comprehensively considering the background, attributes, and other factors of each individual project if it meets strict environmental standards, such as OECD guidelines and power generation efficiency performance.

Disclosure of Climate-related Financial Information

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

In recognizing the risks financial markets face from climate change, the Financial Stability Board released the recommendations of the TCFD in June 2017, calling on companies to disclose climate change-related information with even more transparency. In addition to the volume of greenhouse gas emissions their own business activities generate, financial institutions are required to monitor and

disclose information about the climate change impacts of the companies and projects they extend investments and loans to, and ensure that proper risk management is in place. The Group supports the recommendations of the TCFD and will endeavor to enhance information disclosure in line with those recommendations going forward.

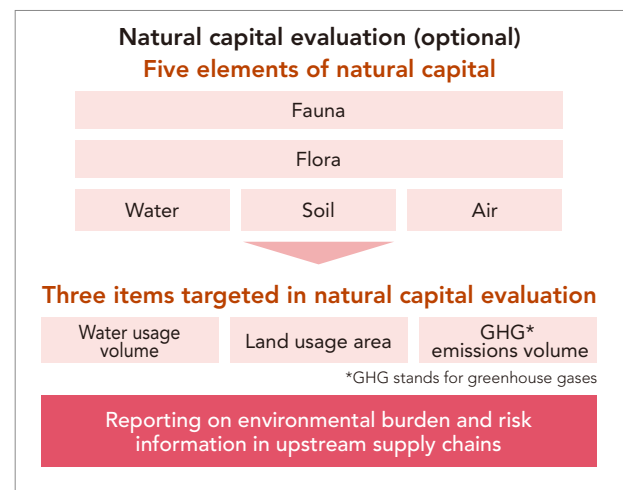
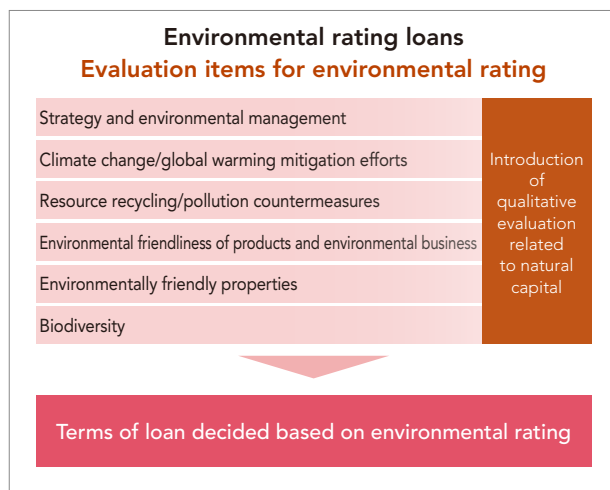
Scoring Climate Change Risks in Supply Chains

Environmental Rating Loans with Evaluation of Natural Capital Preservation

Procurement risks for inputs such as resources, raw materials and energy are a source of business continuity risk. Procurement risk management for natural capital in a global supply chain is a high priority issue (materiality) in management strategy.

Since April 2013, SuMi TRUST Bank has quantitatively scored the natural capital dependence and environmental impacts of companies, and offered environmental rating

loans with an optional service for natural capital evaluation that provides a basis for identifying risk management scope. With this service, greenhouse gas emissions, as a factor relating to climate change, are calculated for each category of procured input and each region where the input is procured in a borrower's supply chain. We provide risk information such as procured inputs with significant risks and countries where the suppliers are located.



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

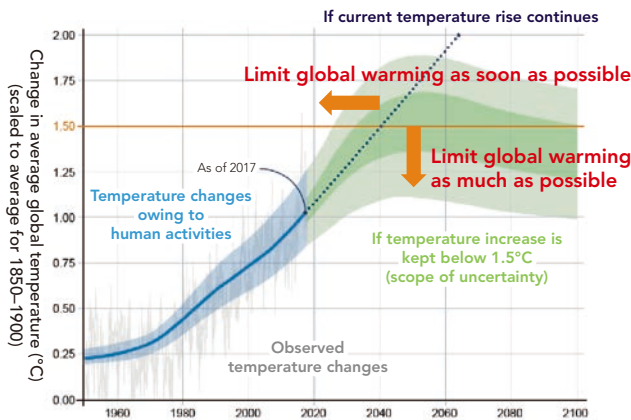
Strategy

Aiming to Limit Temperature Increase to 1.5°C Paris Agreement and Special Report on Global Warming of 1.5°C

Under the Paris Agreement that came into force in November 2016, signatory nations aim to “hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels,” in order to ensure sustainability. The world is now taking further steps in an attempt to transition from a

low-carbon society to one with net zero carbon emissions.

In October 2018, the Intergovernmental Panel on Climate Change (IPCC) published its Special Report on Global Warming of 1.5°C. The report highlights the need to reduce greenhouse gas emissions to net zero as soon as possible in order to secure sustainability and eradicate poverty.



Source: IPCC Special Report on Global Warming of 1.5°C; corrections to frequently asked questions

Key points in Special Report

- The global average temperature has already increased by 1°C when compared to pre-industrial levels, and at the current pace of emissions, global warming is likely to reach 1.5°C by 2040.
- The harmful effects of the current 1°C temperature increase are serious, but will increase in severity when the temperature increase reaches 1.5°C and become significantly harmful at 2°C.
- Global warming is significantly affecting ecosystems and humans owing to abnormal weather conditions, rising sea levels, and other phenomena.
- Many more countermeasures will be required if our response to global warming is slow.
- Aiming to limit the temperature increase to 1.5°C will also have a positive impact on meeting the objectives of the SDGs.

Climate Change Strategies aimed at Limiting Temperature Increase to 1.5°C

The Special Report on Global Warming of 1.5°C states that the early pursuit of initiatives aimed at limiting the global average temperature rise to 1.5°C will help meet the objectives of the SDGs; namely, the building of a sustainable society, the eradication of poverty, and the reduction of inequality.

In addition to promoting climate change solutions such as energy conversion, energy saving, and environmentally friendly property and enhancing the value of society by achieving the objectives of various SDGs, the Group has a lineup of businesses that seek to improve our corporate value.

Lineup of climate change-related businesses aimed at attainment of SDGs

- Green finance (investments, loans) for projects that contribute to climate change mitigation and adaption
- Provision of financial products that meet the investment needs of investors with a strong interest in climate change
- Provision of financing schemes that contribute to increased uptake of renewable energies
- Provision of certification support and consulting to businesses that contribute to energy saving and decarbonization in buildings
- Provision of finance to help spread the use of energy-saving and decarbonization appliances in households
- Provision of ESCO businesses and energy management services that contribute to the promotion of investment in energy conservation
- Climate change-related engagements in the asset management business
- Climate change and natural capital risks computation services for entire supply chains



Risks and Opportunities Relating to Climate Change

In the area of climate change, financial institutions are responsible not only for direct impacts arising from their own business activities but also for indirect impacts arising from investee and borrower companies and projects,

and the responsibility for the latter are larger. Moreover, an important element for financial institutions in their corporate growth strategies is factoring in the transition to a net-zero emission society into their business models.

Risks Relating to Climate Change

Risk categories*	Risk concepts	Attributes of risks linked to climate change
Transition risks	<ul style="list-style-type: none"> Risk that stricter regulation and technological advances affect industries and companies and lead to value impairment in the Group's loan and equity portfolios Risk that business models and corporate strategies may be affected by the regulatory response to reach the goal of staying below 2°C Risk that carbon pricing may impact market economies and economic competitiveness across multiple nations Risk that companies may face calls to consider climate change problems in procuring financing and services Risk that low carbon-oriented market may lead to volatility in supply-demand relationship for products and services and corporate earnings Reputational risk from assessments that climate change-related disclosures and initiatives are inadequate 	<ul style="list-style-type: none"> High social expectations that lenders and investors will seek to avert or mitigate risks from indirect impacts arising from the activities of investee and borrower companies or projects Climate-related risk impacts on the whole supply chain, so risk management in the upstream supply chains of investee and borrower companies will be important Establishing quantitative risk assessment measures will be important
Physical risks	<ul style="list-style-type: none"> Risk that natural disasters damage the Group's assets and social infrastructure and puts business continuity at risk Risk that natural disasters damage the assets of investee and borrower companies Risk that climate change affects land use, resource procurement, and the productivity of primary industries Risk that progression in global warming increases the likelihood of heat stroke and pandemics 	

Business Opportunities Relating to Climate Change

Opportunity categories*	Opportunity concepts	Attributes of opportunities linked to climate change
Opportunities in resource efficiency, energy, products and services, markets, and recovery resilience	<ul style="list-style-type: none"> There may be more opportunities to offer advisory services and finance to projects and companies that are helping to slow or mitigate climate change Switch in social infrastructure, such as spreading renewable energy, may open up profitable opportunities over the medium- to long-term There may be more opportunities to provide finance for infrastructure and technological development that enhances capacity to adapt to climate change Positive social evaluations as a financial institution helping to address climate change may translate into more business opportunities Greater social awareness of climate change may support sales of the Group's finance products that factor in environmental considerations 	<ul style="list-style-type: none"> Climate-related businesses promoting a switch in social systems in areas such as energy and transportation may become the economic mainstream A social infrastructure changeover in the medium- to long-term on the spread of renewable energy, etc. may translate into an increase in stable profit opportunities for the Group over the medium- to long-term

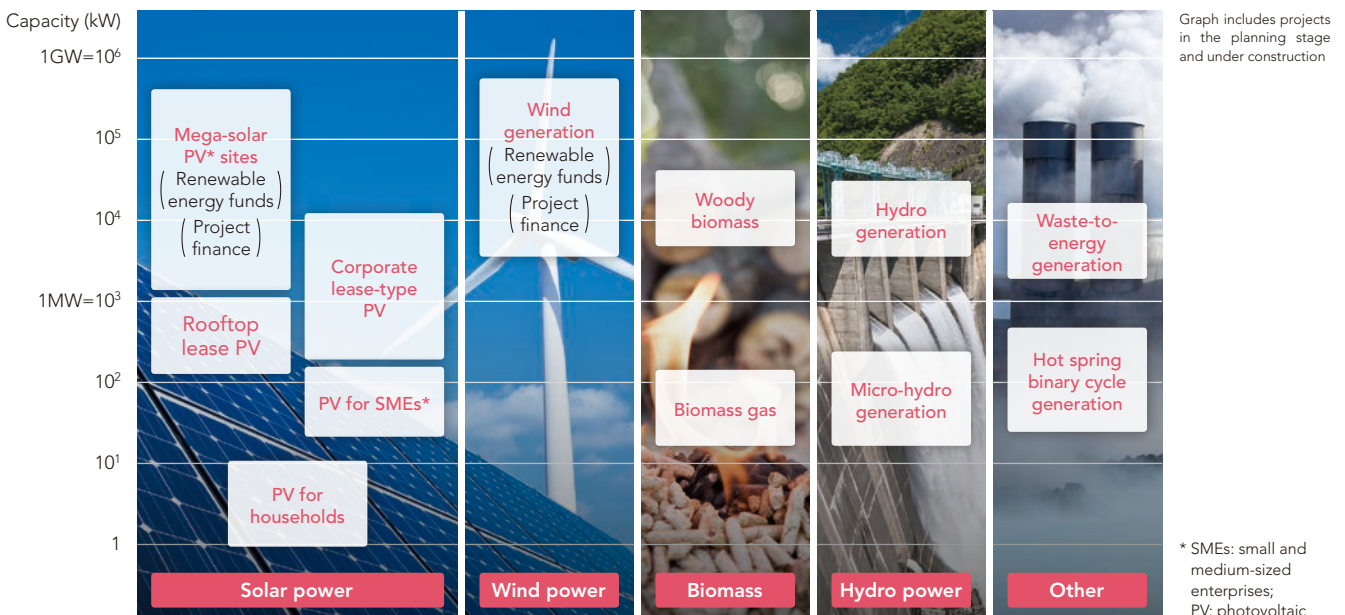
* Categories based on the recommendations of the TCFD

SuMi TRUST Group's Renewal Energy Initiatives

Social structures are changing considerably as a result of the mobility revolution driven by electric vehicles and automated driving, technological innovation harnessing AI and FinTech, and the digitalization of service industries. Keeping these energy-hungry technologies on track will require de-carbonization of electricity, and we think

this can be achieved by adopting renewable sources of energy while concurrently reducing fossil fuel usage.

To support greater adoption and expansion of various forms of renewable energy, the Group offers a diverse array of financing such as project finance, funds, leases, and home renovation loans.



Performance

Climate-related Green Finance

In addition to the environmentally friendly property-backed Green Trust (see page 13), SuMi TRUST Bank has launched other trust schemes with such underlying assets as renewable energy projects. It offers these trust schemes to ESG investors with a keen interest in climate change issues.

Launch of Domestic Renewable Energy Business Investment Fund for Institutional Investors

SuMi TRUST Bank was the first in Japan to utilize trust assets to launch a fund (SuMi TRUST Renewable Energy Trust Fund: Brown No.1) that invests in anonymous partnerships for domestic solar power generation projects already in operation. This investment product provides investors with trust beneficiary rights (non-pecuniary trust assets) and relies on stable cash flow backed by long-term, steady electricity sales revenue under the feed-in tariff system (fixed-price purchasing of renewable energy). The fund meets the needs of investors who seek stable income gains unaffected by economic conditions despite the harsh

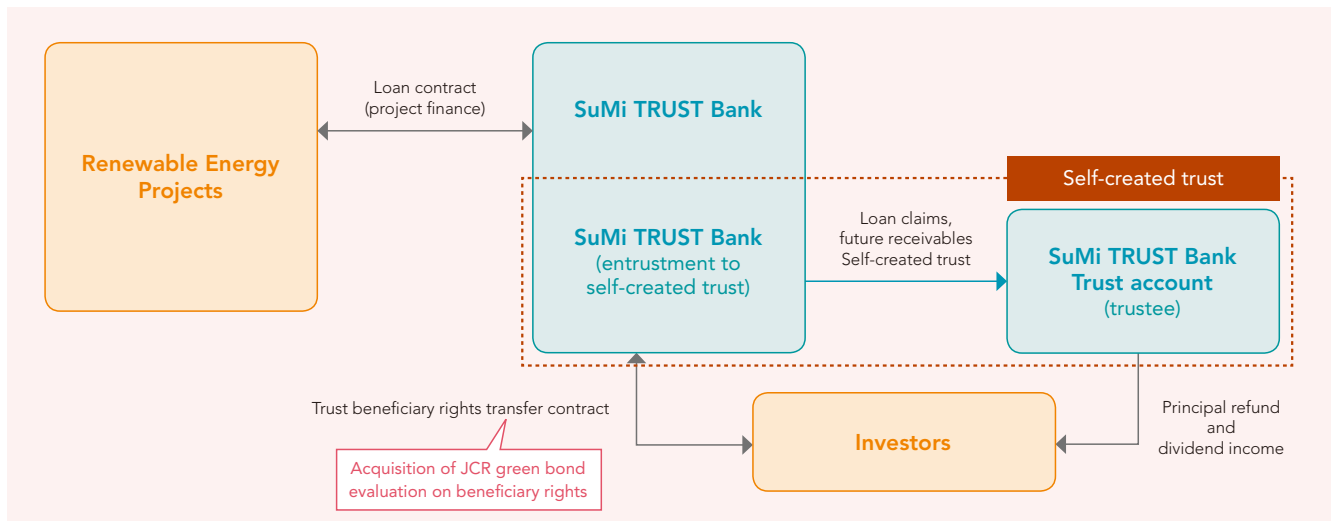
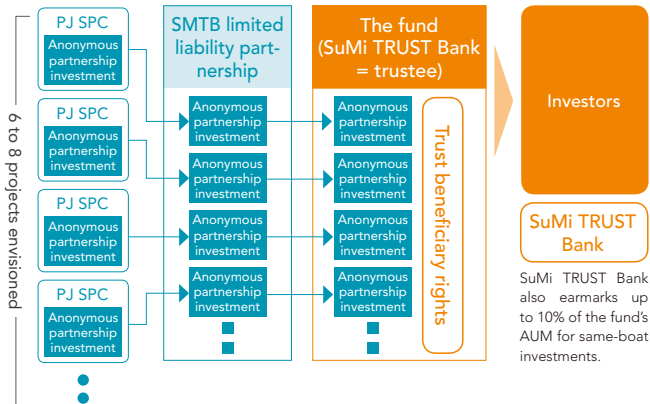
investment management climate dominated by negative interest rates and the like.

The trust was launched in April 2018 and aims for ¥15 billion in total AUM over the course of one year by incorporating between six and eight projects into its portfolio. This also includes investments in projects for the renewable energy funds SuMi TRUST Bank has set up and manages (see page 22). SuMi TRUST Bank also earmarks up to 10% of the fund's AUM for same-boat investments.

Issuing and Selling the Trust Beneficiary Rights backed by Project Finance Receivables of Renewable Energy Projects

In September 2018, SuMi TRUST Bank established a framework for issuing and selling the trust beneficiary rights backed by project finance receivables of renewable energy power generation projects.

As project finance for renewable energy expanded as a way to combat climate change, securing liquidity in the secondary market for project financing and providing ESG investors new investment opportunities became problematic. SuMi TRUST Bank has decided to utilize self-created trusts whereby the trustor themselves becomes the trustee and a notarial deed or other official document designates the activities (in this case, collection of receivables) the trust is required to perform in order to fulfill its purpose. By entrusting solar power generation project finance receivables and obtaining a green finance evaluation for the trust beneficiary rights, SuMi Trust Bank made it easier for those investors who were eager to ESG investments to access project finance. The trust beneficiary rights comply with the Green Bond Principles and received the highest possible rating of "Green 1" in JCR Green Bond Evaluation.



Renewable Energy Finance

SuMi TRUST Bank promotes the adoption of large-scale projects such as wind and solar power generation through project finance and it has set up renewable energy funds and manages for the purpose of investing exclusively in large-scale renewable energy projects.

In project finance, both offshore and onshore wind power generation projects overseas are increasingly large-scale endeavors. In Japan, the number of mega-solar projects to which we provide project finance has further increased. The total potential generation capacity of projects where SuMi TRUST Bank has been involved in supplying project finance comes to 10,710MW. These projects,

with annual power output of 28,844GWh, reduced annual CO₂ emissions by 12.64 million metric tons.

Total potential generation capacity of projects supported by renewable energy funds came to 440MW, with annual power output of 518GWh and annual CO₂ emission reductions of 280,000 metric tons.

In financing for installations, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. mainly provides support for mega-solar projects. Since the feed-in-tariff (FIT) system was introduced, it has supported 30 mega-solar installations with total potential generation capacity of 52MW.

Contributions to CO₂ Reduction via Renewable Energy Finance Subtotals may not add up to totals due to rounding.

Category of power generation	Number of projects	Potential capacity (MW)	Annual output (GWh/year)	CO ₂ reduction effect (10,000t/year)
Solar	95	3,841	6,149	320
Wind	26	2,462	6,470	252
Offshore wind	9	4,120	14,755	643
Other	7	342	1,537	53
Total	137	10,764	28,911	1,268

Eligibility inclusion: SuMi TRUST Bank's project initiatives linked to project finance and renewable energy funds.

Capacity calculations: Numerical values of potential generation capacity, gigawatt hours of output per year, and CO₂ reduction effect covers all projects in each category.

Subtotals may not add up to totals due to rounding.

Calculation Method for CO₂ Reduction Effect

$$\text{Annual CO}_2 \text{ reduction (CO}_2 \text{ metric tons per year)} \\ = \text{annual power output (kWh/year)} \times \\ \text{emission coefficient (CO}_2 \text{ metric tons/kWh)}$$

As a general rule, we use the forecast value for annual power output.

As a general rule for domestic projects, we use the most recently calculated emission coefficient of each electricity supplier in the electricity supply system of the region where each project is located.

As a general rule for overseas projects, we use the International Energy Agency (IEA) calculation tools provided at the GHG protocol website to calculate reduction equivalents.

Renewable Energy Project Finance

As renewable energy has become more widely adopted, the capital costs and operating costs for such projects have declined. Overseas, power generation costs for renewable energy are nearing parity with those for other power generation sources, increasing the attractiveness of renewable energy in terms of economic rationality.

Case 1

Mega-solar in Japan

This mega-solar power generation plant—built on land in Kagoshima Prefecture originally slated for the construction of a golf course—houses enough panels capable of generating roughly 41MW. The initial amount of borrowings for this project were refinanced by SuMi TRUST Bank. The expected annual output of this mega-solar farm is around 47,200MWh, which translates to an annual CO₂ emission reduction of roughly 10,500 metric tons.



Kagoshima Prefecture

Kagoshima City

Case 2

Overseas Offshore Wind Farm

This offshore wind power generation project—located 20km from the mouth of the River Thames in the UK—is one of the world's largest with the capacity to generate 630MW. 175 turbines each with the capacity to generate 3.6MW are spread out across an area roughly 100km² in size. With considerable potential for offshore wind farms, the UK is driving the increase in offshore wind power generation in Europe.



United Kingdom

London

Renewable Energy Funds and Investment Products for Investors

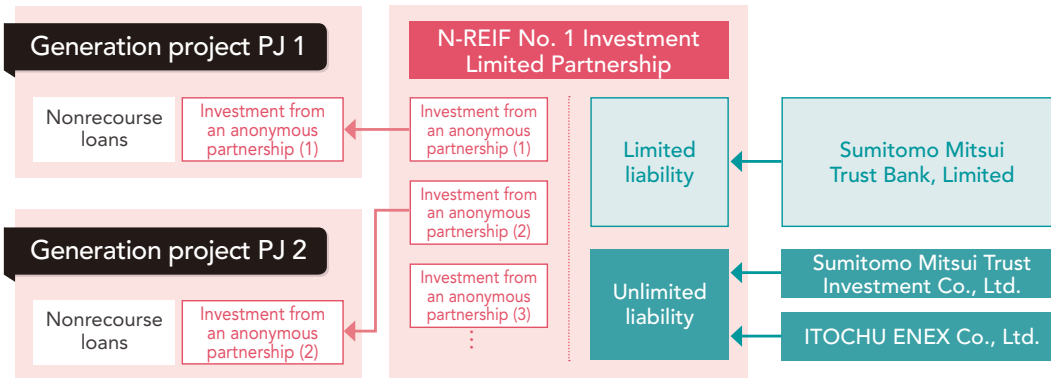
SuMi TRUST Bank manages renewable energy funds it has set up for the purpose of investing exclusively in large-scale renewable energy projects.

As of September 2018, these funds have supplied equity funding for 24 mega-solar power generation projects and 2 wind power generation projects with total potential generation capacity of 440MW. Of the ¥180.9 billion in aggregate

equity investment directed into these projects, our funds supplied total equity investment of ¥22.7 billion. These projects generate annual power output of 518GWh, commensurate to CO₂ emission reduction of over 280,000 metric tons.

* For CO₂ emission reduction calculations, we use the emission coefficient of each electricity supplier in the electricity supply system of the region where each project is located.

Renewable energy fund scheme



- We contribute by providing equity-like funding for the spread of renewable energy projects.
- We are expanding assets under management in our funds and building up an investment track record in solar and wind power, and plan to broaden the scope of our renewable energy investments to include biomass and other sources.

Mega-Solar Projects Using Leases

Using leases to fund solar facility installations keeps the upfront investment costs for mega-solar project construction at zero, and projects can earn stable income by using the feed-in-tariff (FIT) system to wholesale at a fixed price the electricity it generates to the power supply grid. Leases are thus an effective method of financing for mega-solar projects that ensures business plan soundness.

In addition to new projects, Sumitomo Mitsui Trust Panasonic Finance also provides lease-based financing options for fully operational projects that have been put up for sale to investors (secondary transactions). And in fiscal year 2018 it also started a leasing and installment plan support service for offshore floating mega-solar power plants.

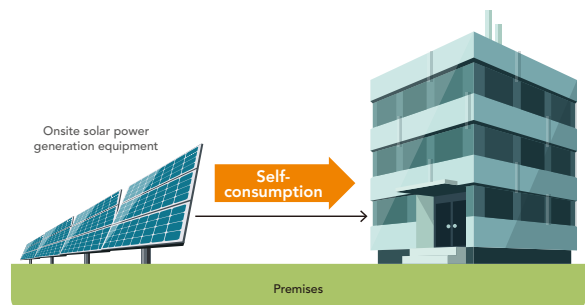
The Group will continue to fuse its extensive know-how honed thus far with financial services to offer schemes that best meet the needs of increasingly sophisticated renewable energy projects.



Onsite Self-consumption Solar Power Generation

We launched a service to supply renewable energy for self-consumption by leveraging solar power equipment installed onsite.

Sumitomo Mitsui Trust Panasonic Finance formed a partnership with a reputable solar power producer to launch a business that supplies electricity to companies using solar power equipment installed on their premises or buildings. This venture helps companies reduce their own CO₂ emissions and their "scope 3" greenhouse gas emissions, and meets the needs of those participating in the SBT and RE100 initiatives. The construction of new solar power generation facilities also aims to contribute to Japan's future vision of drawing most of its power from renewable energies.



Micro-Power Generation in Water Supply Systems

Sumitomo Mitsui Trust Panasonic Finance proposes ideas for adopting micro-power generation systems in water supply systems across Japan, and promotes global warming mitigation measures and the use of natural energy in the regions.

In Japan's water supply systems, there is an enormous amount of energy that can be used from unutilized vertical drops in non-pressure flow pipes, surplus pressure in pumped supply pipes, and reduced pressure from

pressure-reducing valves. The Group borrows water facilities from local governments to deliver a business financing scheme with no upfront investment costs by installing power generation systems under a leasing system.

As of October 2018, the highly efficient power generation systems used in this scheme have been installed at 12 water facilities (including those scheduled to be installed) across Japan to produce a total 326kW of power.

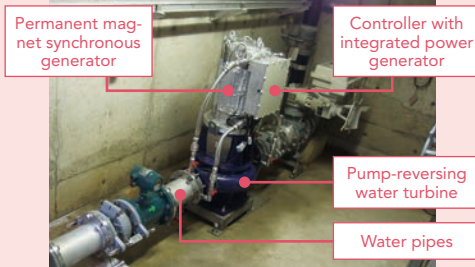
Characteristics of micro-power generation systems

- High efficiency:** Efficient power generation system developed with inverter controls
- Low cost:** System configuration uses general-purpose pumps, low-cost magnets, and standardized parts
- Compactness:** Power generator and control device are stacked on top of each other to minimize installation space

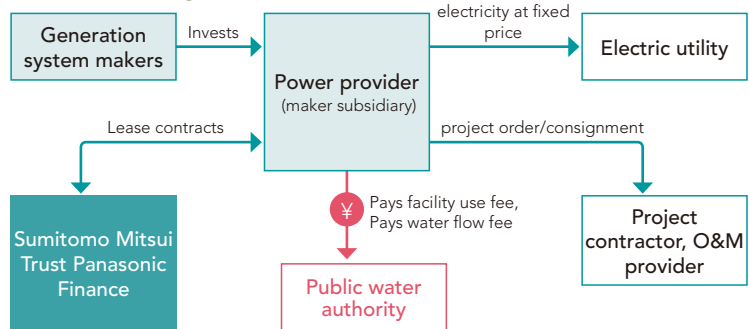
Characteristics of leasing system (advantages for local governments)

- No upfront investment costs on project launch
- Power provider manages and maintains the system
- Stable lease revenue and receipt of property tax

Newly developed micro-power generation system for water supply systems



Schematic diagram

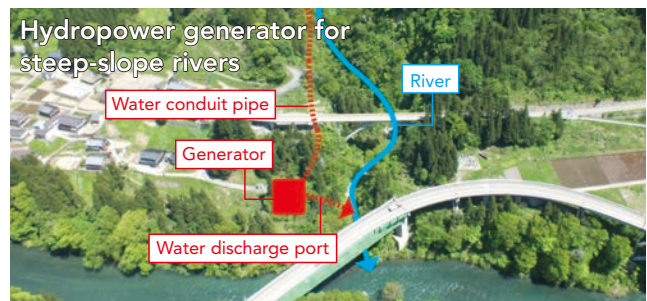
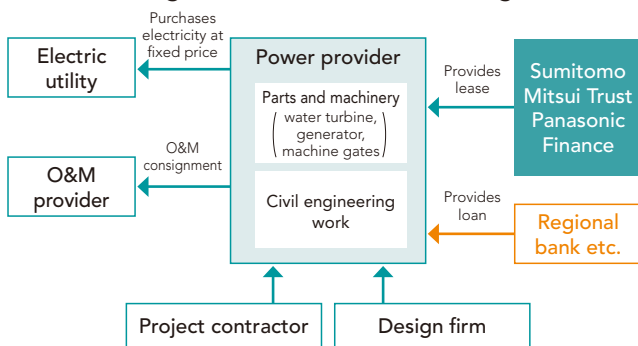


Small and Mid-sized Power Generation in Rivers

Japan's river systems have the potential to generate 14GW of electricity through the installation of small or mid-sized generators and its agricultural water supply channels 300MW, according to the results of a Ministry of

the Environment survey. Sumitomo Mitsui Trust Panasonic Finance is helping to revitalize regional communities through joint initiatives with regional banks aiming to use each region's untapped hydropower potential.

Schematic diagram of collaboration with regional banks



Hydropower generation could be a source of renewable energy for Japan, which is blessed with many high-flow, steep-slope rivers. In cases where the feed-in-tariff (FIT) system is used, the maximum aggregate potential from installing small and mid-sized hydropower generators is estimated at 4.3GW.

Small and mid-sized power generators approved for installation since the FIT system's introduction have total output of 1,170MW, and of those, the ones in use have 310MW, indicating there is still scope for new installations.

It is possible to install hydropower generators that factor in the environment such as run-of-the-river small and mid-sized hydropower generators that use the shape of rivers or existing agricultural water supply channels and do not require building large dams.

Small and mid-sized hydropower potential, actual adoption capacity

	Potential aggregate output	Breakdown by category
Maximum aggregate potential in Japan*1	14.3GW	River systems 14GW Agricultural supply channels 300MW
Potential with FIT system*1	1.06~4.3GW	River systems 900M~4.06GW Agricultural supply channels 160~240MW
Approved for installation post-FIT adoption*2	1,170MW	
Installations post-FIT adoption*2	310MW	

*1 Ministry of the Environment's fiscal 2010 survey report on the adoption potential for renewable energy
*2 Agency for Natural Resources and Energy's website (accessed in March 2018)

Biomass Gas Generation

We support adoption of biomass gas generation facilities that convert food waste and other organic waste into biogas for electricity generation.

At a biomass gas power generator, organic waste—such as food waste, livestock urine and manure, and organic sludge from sewage and wastewater—is fermented and combustible gases, mainly methane, are extracted and used as fuel

to generate electricity. Under the Food Recycling Law, the recovery of heat from food waste is recognized as a form of recycling provided certain conditions are met, and the power generated can be resold at a fixed price using the FIT scheme. The value of biomass gas systems is in improving overall energy efficiency through the effective use of both electricity and heat.

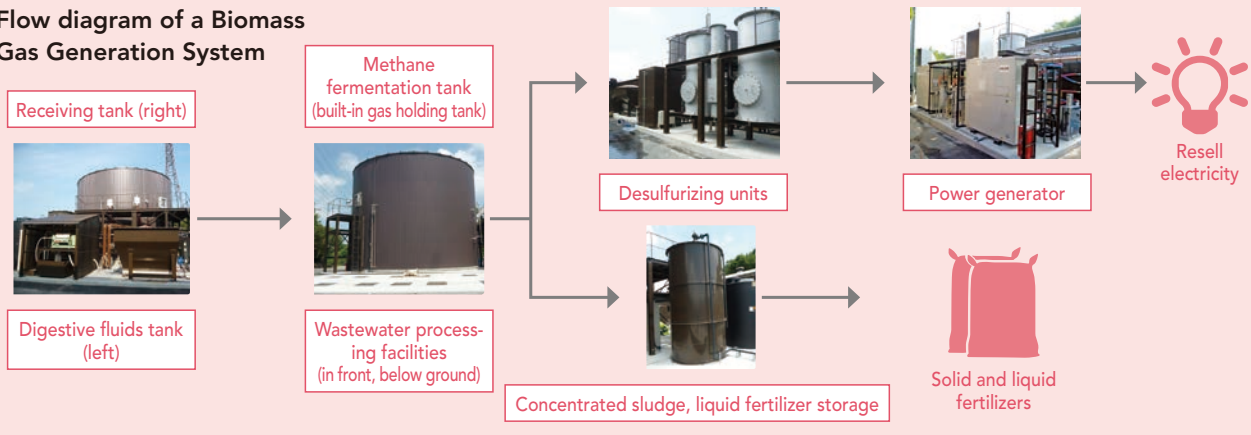
Merits

- Curtails volume of waste produced, reduces waste disposal costs
- Earns income from reselling electricity via the FIT system
- Curtails putrid odors due to fermentation, reduces release of bad smells to nearby areas
- Byproducts like post-fermentation, digested slurry can be recycled as a liquid fertilizer

Wastes eligible for usage

- Food waste, food residues
- Livestock urine and manure
- Organic sludge, etc. from sewage and wastewater

Flow diagram of a Biomass Gas Generation System



Response to Freon Regulation

We support the introduction and increased use of appliances that do not use chlorofluorocarbons (CFCs) in order to curtail the use and emission of CFCs into the atmosphere and promote a low-carbon society. CFCs cause global warming and harm the ozone layer.

CFCs used in industrial freezers and refrigerators for food retailers, food manufacturing plants, and refrigerated warehouses cause ozone layer depletion and also contribute to global warming; the greenhouse effect of CFCs is up to 20,000–30,000 times greater than CO₂ emissions. With the aim of tightening restrictions on the use of CFCs, the Act on Rational Use and Proper Management of Fluorocarbons

was fully enforced on April 1, 2015. This law calls on the users of appliances to implement proper management of appliances and CFCs.

Sumitomo Mitsui Trust Panasonic Finance supports the introduction of energy-efficient refrigerators and freezers that use agents found in the natural world as refrigerants, such as ammonia, hydrocarbon, and carbon dioxide. The introduction of appliances that do not use CFCs are expected to reduce environmental burdens, lower electricity and management costs, and prevent overlapping investment in measures to address tighter regulations on refrigerants in the future.

Businesses accelerating the introduction of energy-efficient natural refrigerant equipment for the purpose of eliminating harmful CFCs and realizing a low-carbon society as soon as possible (subsidies offered by the Ministry of the Environment, etc.) * Case example in fiscal 2018

Purpose: To promote the reduction of greenhouse gases by lowering CFC emissions and cutting electricity use

Targeted businesses: Refrigerated warehouses, food manufacturing plants, food retailers

Eligible businesses: Businesses that adopt energy-efficient natural refrigerant equipment with cutting-edge technology

Subsidy rate: Half of expenditure for small and medium-size firms and one-third for large companies for refrigerated warehouses; one-third for food manufacturing plants and food retailers



A non-freon freezer unit and a non-freon freezer showcase

Kigali Amendment to Montreal Protocol to Regulate Freon Alternatives (Developed nations)

Base year	2011—2013
Baseline value (CO ₂ equivalence)	Avg. HFC volume in each year + 15% of HCFC* baseline value
Launch year for regulation	2019
Target year	2036
Target reduction	85%

* HCFC: Hydrochlorofluorocarbons

Support for CO₂ Reduction of Buildings

Consulting to Support Applications for “CASBEE for Real Estate” Certification

CASBEE for Real Estate is an environmental performance evaluation system developed with the aim of increasing the stock of buildings with superior environmental performance in real estate market and promoting its use among

Evaluation categories in CASBEE for Real Estate



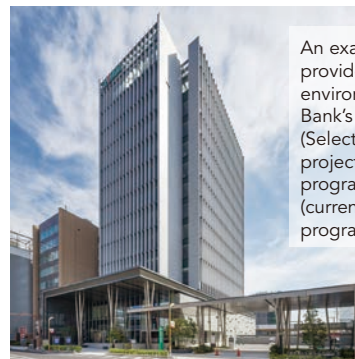
investors for investment decision-making. There is extensive use of the system, especially among REITs and real estate companies, and SuMi TRUST Bank has consulting businesses that support property owners applying for the CASBEE for Real Estate certification.

Construction-Phase Support for Environmental Considerations

Improving energy efficiency is the most important theme in the environmental performance of buildings. SuMi TRUST Bank in its construction consulting business provides advisory services on how to improve in a comprehensive manner the environmental performance of buildings in ways such as installing energy-saving systems, taking into account landscapes and ecosystems, extending building life spans, and adopting recycling systems.

There are some projects we advised that have been recognized and awarded subsidies by the “leading projects” program for sustainable buildings (formerly known as “leading projects for promoting CO₂ reduction” program for housing and buildings), sponsored by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and the “net

zero energy building” experimental pilot program, sponsored by the Ministry of Economy, Trade, and Industry (METI).



An example of a building where we provide construction-phase support for environmental considerations: Shimane Bank's head office building (Selected in 2014 for the 1st “leading projects for promoting CO₂ reduction” program for housing and buildings (currently known as “leading projects” program for sustainable buildings))

Home Renovation Loans for Smart Houses

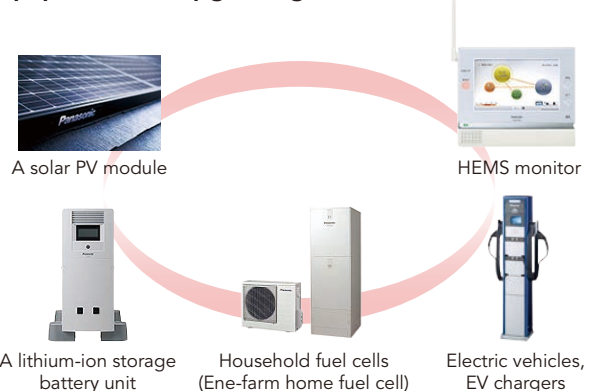
Homes have advanced so that they can wisely use electricity generated onsite; through our home renovation loans, we support remodeling homes into “smart houses.”

A smart house can efficiently generate and store its own power supplies by combining solar PV panels, storage battery units, and household fuel cells. Energy-saving functions that enable dwellers to control electricity consumption to match their lifestyles and weather conditions have improved. From 2019 there will be a huge influx of household solar power generation equipment for which the surplus electricity purchasing scheme has ended, therefore the conversion of existing homes into “smart houses” will become a key topic in addressing global warming.

With the liberalization of retail sales of electricity and gas to households in Japan, energy and telecommunication sector companies are increasingly partnering to provide bundled services such as combined sales of telecom or broadcast with electricity generated from various sources. There has also been progress in developing products that have multiple functions of housing, home appliances, and vehicles.

Since the system for purchasing surplus electricity from solar panels was established, Sumitomo Mitsui Trust Panasonic Finance has contributed to the adoption and spread of household solar panels with its solar loans. The cumulative sum of solar loans it has executed as of September 2018 is ¥71.5 billion. Through our partnerships with equipment vendors and installers, we support remodeling homes into “smart houses” with our renovation loans.

Equipment for Upgrading to a Smart House



A smart house

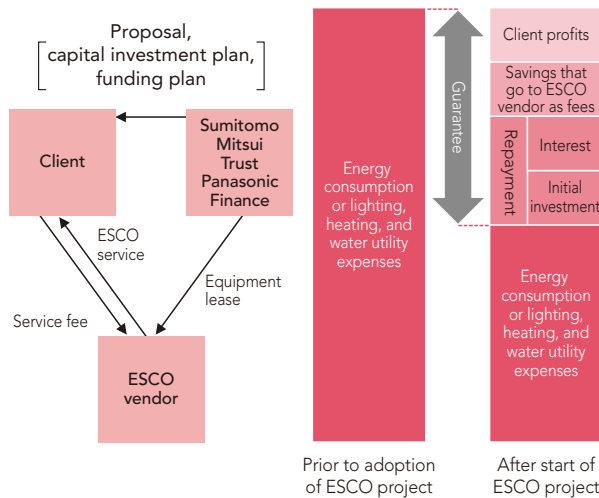
Financing for ESCO Service Adoption

Sumitomo Mitsui Trust Panasonic Finance collaborates with energy service companies (ESCOs) to provide comprehensive energy conservation services from installation of energy-saving equipment to maintenance and management.

ESCOs provide comprehensive services for energy saving and guarantee a level of energy savings. Through the use

of leases, aging facilities can be replaced at zero upfront cost and, in cases where certain conditions are met, subsidies can be utilized. ESCOs propose ideas that both help preserve the environment via energy conservation while reducing the costs of utilities such as water, lighting, and heating as well as operating and maintenance costs.

Outline of ESCO concept



Sumitomo Mitsui Trust Holdings, Inc.

* Case where a client adopts a shared model, one form of an ESCO project

Example: ESCO Proposal for a General Hospital

Energy conservation menu

- Heat source: Construct hybrid heat source system, install high-efficiency steam boiler
- Air conditioning: Improve air conditioning control system, install variable air volume controls, install inverters
- Lighting: Install LED lighting
- Monitoring: Add energy management functions

Energy conservation subsidy (initial) ¥176,591,000

Projected boost to earnings (annual)

Lower water, lighting, and heating costs	¥80,468,000
Fees paid for ESCO project	¥77,598,000
Annual boost to earnings	¥2,870,000

Reduction to environmental impacts (annual)

- CO₂ reductions: 1,459t-CO₂ (down 19.0%)
 - Electricity use reductions: 172,473kWh (down 7.7%)
 - Gas use reductions: 598,102ℓ (down 44.7%)
 - Water use reductions: 9,892m³ (down 41.9%)
- (environmental impacts are estimates)

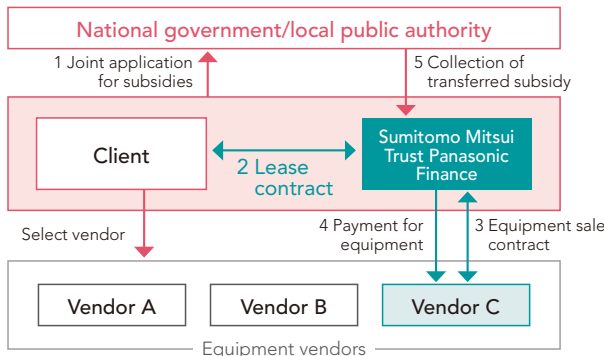


One-Stop Services for Energy-Saving Investment: Subsidy-Eligible Leases

We offer one-stop services that support all processes from planning for energy-saving investments to asset operation.

- Our one-stop service menu ranges from energy-saving assessments, examinations to identify energy-saving measures, equipment selection, subsidy applications, and securing financing to maintenance services.
- The use of leasing means energy-saving equipment can be installed with no upfront investment costs.
- Securing subsidies lowers upfront investment costs, enabling recipients to benefit even more from energy savings and cost reductions.
- We offer tailored proposals through partnerships with manufacturers and installers.

Flow Chart Mapping Out the Use of Subsidies

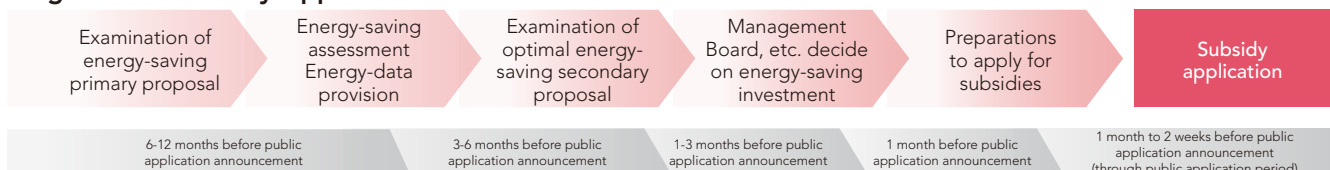


Main subsidy systems

- Subsidy support for rationalizing energy use at SMEs
- Subsidy for businesses that promote net zero energy buildings (ZEB) and decarbonization at institutional facilities
- Subsidy for businesses that support the construction of decentralized energy systems
- Subsidy for businesses that adopt energy-efficient natural refrigerant equipment with cutting-edge technology


*1 Certain conditions must be met to be eligible to apply for subsidies
*2 Subsidy systems are subject to change

Stages in the Subsidy Application Process

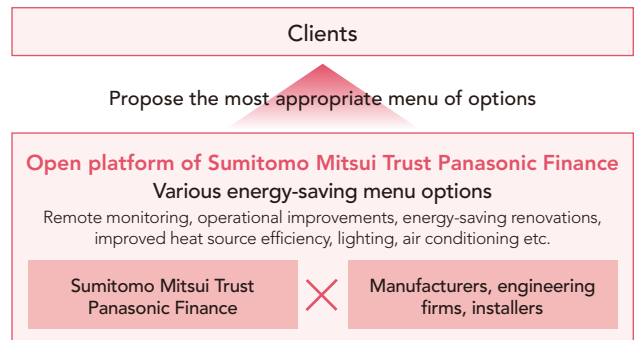
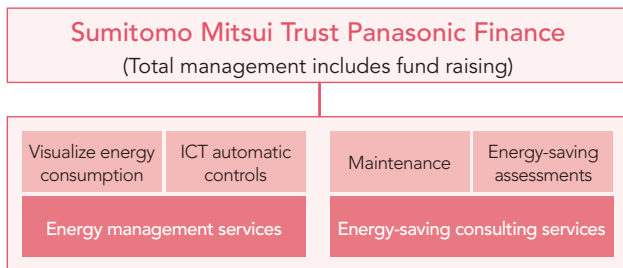


Energy Management Services Using Leases: Examples

We offer comprehensive support from the planning and installation stages to energy management services.

Specific investment ideas	<ol style="list-style-type: none"> 1. Installation of high-efficiency freezers and showcases 2. Installation of non-freon equipment 3. Switch to LED lighting 4. Adoption of integrated control systems 	 <p>Example: A store that remodeled by installing high-efficiency freezers, showcases, and LED lighting</p>
Post installation savings	<ol style="list-style-type: none"> 1. Electricity consumption lowered by about 2.5GWh per year (25% cut) 2. Electricity bill lowered by about 4.2 million yen per year 3. Maintenance cost lowered by about 540,000 yen per year 	
Key points	<ol style="list-style-type: none"> 1. A one-stop service menu from energy-saving consulting, equipment investment planning, and financing to post-installation energy management services 2. Use of subsidies lightens investment costs 3. Reduction of management operations associated with the Act on Rational Use and Proper Management of Fluorocarbons 	

Energy-Saving Consulting: Energy Management Services

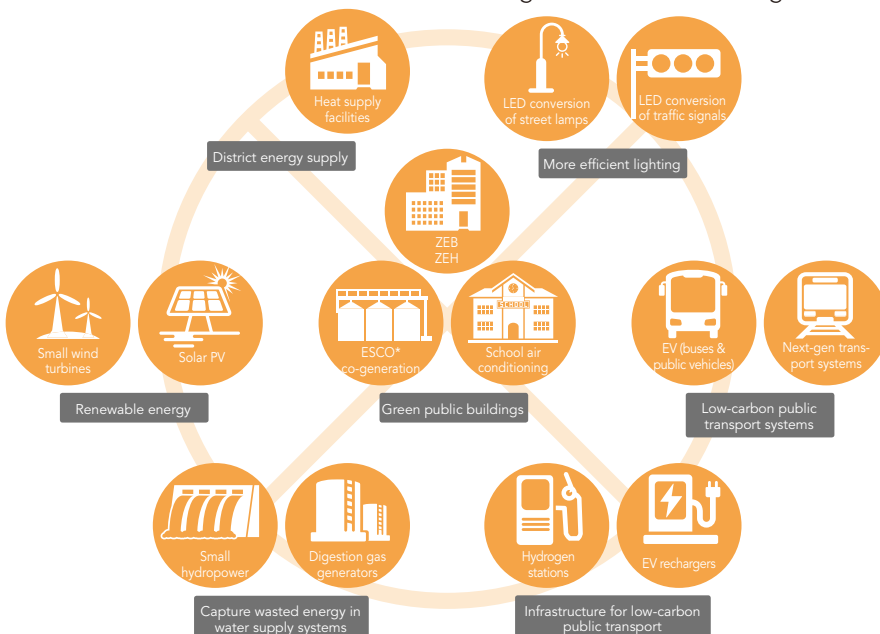


Supporting Community-level Climate Change Mitigation Efforts

We support the use of leases and private-sector funding to combat climate change at the level of communities and local public authorities.

Regional public authorities are responsible for promoting measures to combat climate change that are responsive to the environmental and social attributes of their regions. We

support such efforts with supply schemes that use leases and private-sector funding to promote comprehensive energy-saving measures, encourage maximum adoption of renewable energy sources and systems for recouping wasted energy, and foster town planning and development and integrated management of public facilities.



Main benefits from using leases

- **Effective use of fiscal resources**
Lower upfront costs, multi-year contracts are possible
- **Easier cost management, including leveling out O&M costs**
Operation and maintenance (O&M) costs can be included in lease contracts, enabling leveled-out monthly payments that make budget management simpler
- **More efficient administration of personal effects**
Enables more efficient record-keeping and administration that comes with ownership such as attaching insurance to personal effects in general

*Energy service companies (ESCOs) provide comprehensive energy-saving services from adoption of energy-saving equipment to operation and maintenance.

Natural Capital related Initiatives Using Our Financial Capabilities

The global environment is the foundation for sustaining the life of various living creatures. It comprises of natural capital, such as water, air, soil, as well as marine and terrestrial fauna and flora that are grown in such resources under the blessings of the sun. Humans also depend on natural capital and have utilized it to build social systems and develop the economy. In this process, however, humans have also caused significant consequences.

Natural capital is not inexhaustible. Supplies may be exhausted sooner or later unless we accurately track and manage our dependence and impacts on natural capital. This is closely interlinked with humans' day-to-day activities. For this reason, all SDGs are connected with natural capital. Primarily from the perspective of corporate activities, the Group focuses on natural capital in Japan, which constitutes the foundation of our businesses, as well as natural capital outside of Japan, on which we depend highly for the procurement of raw materials and parts. We have selected goals that contribute to proper dependence on and management of such natural capital.

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.

KPIs for Solving the Challenges

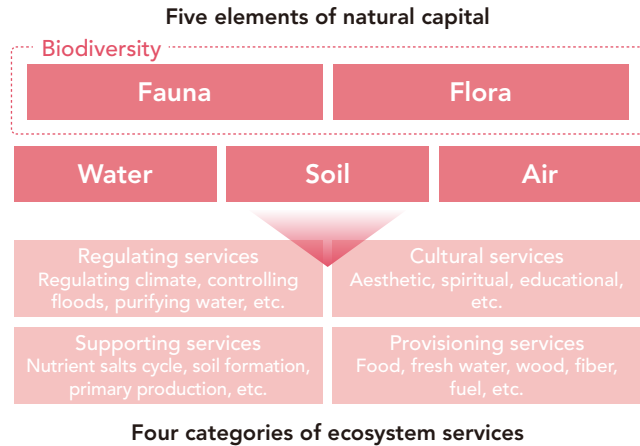
- Appeal through proposals and seminars for clients: At least 20 activities a year
- Credit policy related to natural capital: Introduce in fiscal 2018
- Development of forestry trust: Launch product in fiscal 2019



Natural Capital Initiatives and Policies of the SuMi TRUST Group

What is Natural Capital?

Natural capital is made up of diverse living creatures and the water, soil, and air that sustain them. These are the foundation sustaining life on earth and conserving them needs to be prioritized ahead of everything else. The way we live depends on natural capital and the ecosystem services they provide. We thus feel continued wise use of natural resources which constitute natural capital over the long run goes beyond mere environmental conservation. It must extend to putting communities on a solid social foundation to enable sustainable economic development.



Natural Capital Finance Alliance (formerly the Natural Capital Declaration)

SuMi 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. SuMi 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).



Commitment of Financial Institutions under the Natural Capital Finance Alliance (Excerpt)



We will support the development of methodologies that can integrate natural capital considerations into the decision-making processes for all financial products and services including loans, investment, and insurance policies.

- (a) We will apply a holistic approach to the evaluation of bonds and stocks by integrating natural capital considerations in environmental, social, and governance (ESG) risk analysis in short-, medium-, and long-term growth forecasts of investee companies.
- (b) We will systematically incorporate the consideration of evaluating natural capital into the credit policies of specific sectors, including commodities, that have a major impact on natural capital, either directly or indirectly through the supply chain.

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.

Business and Biodiversity Initiative: Our Initiatives as a Leadership Declaration Signatory

SuMi TRUST Holdings signed a leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company" at the ninth meeting of the Conference of the Parties (COP 9) to the Convention on Biological Diversity held in May 2008 in Germany. Since then, we have continued to carry out activities in line with the principles of the declaration, which was led by the German government.



Declaration	Status of initiatives during 2017-2018
1. Analyzing corporate activities with regard to their impacts on biological diversity	We continued to provide investment trusts that assess impact on biodiversity and loan products that include impact on natural capital in their assessment criteria.
2. Including the protection of biological diversity within their environmental management system	In our Sustainability promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually.
3. Appointing a person in the company responsible for steering all activities in the biodiversity sector and reporting to the Management Board	The Chief Sustainability Officer steers all activities and reports to the Executive Committee.
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years	From fiscal 2018, we have newly set objectives for solving challenges related to the SDGs.
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report	We publish a yearly Natural Capital feature report. We disclose our biodiversity initiatives in our ESG report and at various events.
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step	We continue to pay attention to procurement of copier paper and office supplies linked to illegal logging in tropical rain forests, which has large detrimental impacts on biodiversity. In our fiduciary services business, we engage as a shareholder with investee companies on activities that contribute to natural capital destruction and voice our concerns.
7. Exploring the potential for cooperation with scientific institutions, nongovernmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-a-vis the biodiversity domain.	We continue to be active in the Natural Capital Study Group, which was established in April 2013. Its participants come from all walks of life, including companies, national and local governments, universities, research institutes, and NGOs. The Natural Capital Study Group works closely with WWF Japan in the Consortium for Sustainable Paper Use.

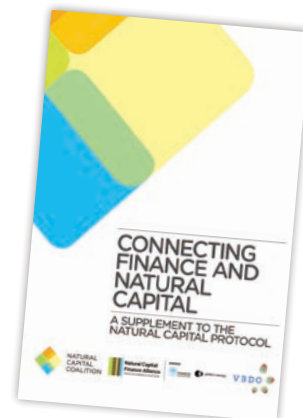
Natural Capital Study Group

The Natural Capital Study Group, which the SuMi TRUST Group launched in April 2013, is chaired by Masahiro Sato, an associate professor at the Graduate School of International Cultural Studies at Tohoku University. With members from companies, national and local governments, universities, research institutes, and NGOs, the study group meets regularly to debate the research themes of each member from a wide array of angles. At the 17th meeting co-organized with the Principles for Financial Action for the 21st Century

(PFA21) in April 2018, Mr. Mark Gough, Executive Director at the Natural Capital Coalition, a coalition formed with the objective of promoting natural capital, was invited to deliver an address. He spoke on the theme of natural capital and finance, in view of the content of the finance sector supplement to the Natural Capital Protocol that was to be released in the following week. His speech was followed by a lively discussion.



Mr. Mark Gough and the study group participants



Natural Capital Products and Services

Evaluating Supply Chain Impacts on Natural Capital

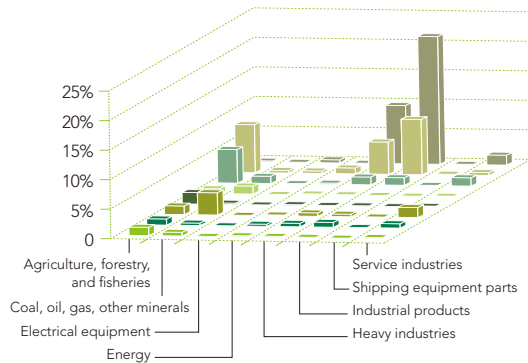
Natural Capital Evaluation

Natural capital evaluation is a service that calculates natural capital dependence arising from corporate activities and estimates the degree of impact for each procured

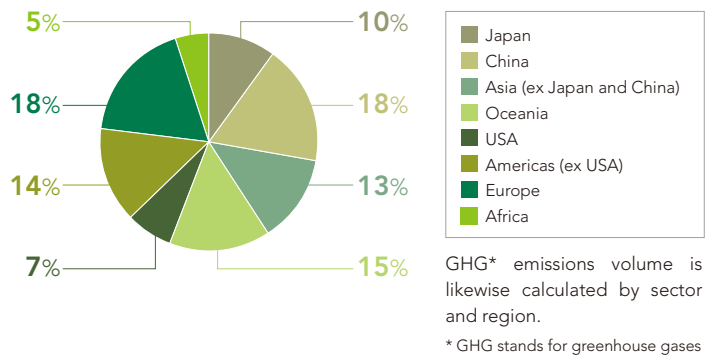
item and for each country and region, tracing back through supply chain.

Example of output from a Natural Capital Evaluation Tool

Breakdown of water usage volume in each region by sector



Ratio of land usage area by region



Benefits of Natural Capital Evaluation

- (1) Gaining quantitative risk data related to the supply chain that can be used for management judgments**
Can obtain previously hidden risk data related to environmental impacts and the use of resources that are essential to global supply chain management
- (2) Obtaining quantitative data on environmental impacts that can be used for information disclosure**
Can use the data for scope 3 responses to surveys such as the Carbon Disclosure Project (CDP) survey and for disclosures in integrated corporate reports

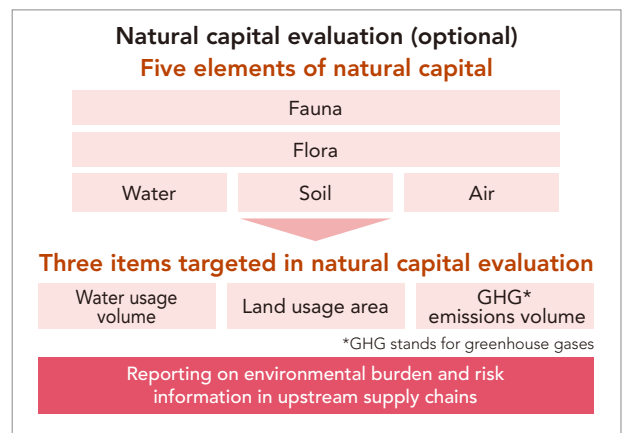
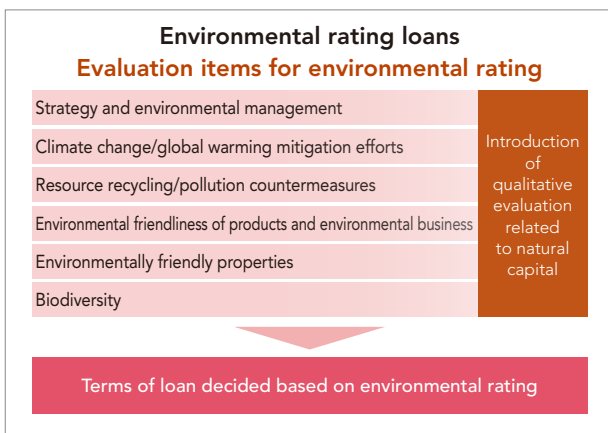
Initiatives for Loans

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, SuMi 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, and the Bank's 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.

Initiatives for Asset Management: Responsible Investment

Biodiversity Companies Support Fund

In 2010, the SuMi TRUST Group developed the world's first Japanese equity fund that evaluates the status of biodiversity efforts at companies from a global perspective such as sustainable use and conservation of biological diversity,

an important component of natural capital, and uses those evaluations to screen and select stocks for investment. According to the research of SuMi TRUST Bank, no other Japanese equity fund is designed around such a concept.

Evaluation Axis for Selecting Companies for Investment

1 Risk management

Companies that actively take measures to mitigate the impact their business activities have on biodiversity*

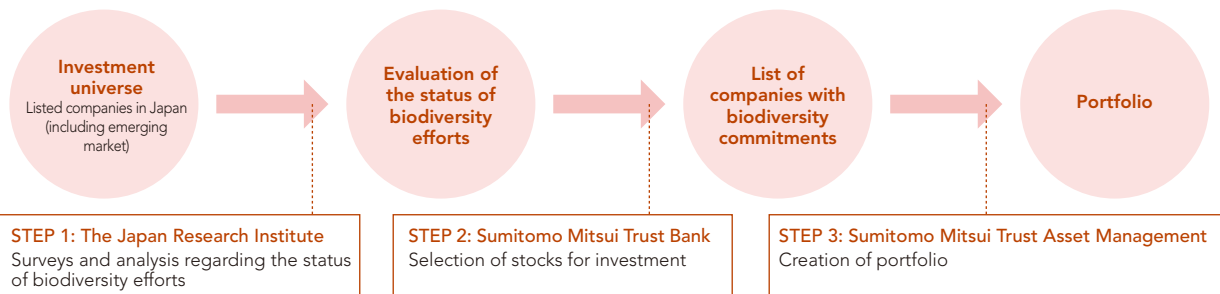
2 Business opportunities

Companies that provide technologies or services that preserve biodiversity

3 Long-term goals

Companies that have set action plans or other long-term goals for conserving biodiversity

Investment Process



*We use a risk metric to measure the capacity of companies to respond to natural capital risk, referencing the Natural Capital Efficiency Index (NCEI factors in the relationship of net sales to energy & water use and waste generated). The metric is an index of the magnitude of natural capital risk that could lower NCEI (NCEI/ amount of goods or services per unit of natural capital). It draws on material balance reports companies in Japan issue.

Natural Capital Risk Management for Loans

Natural Capital Risk Management for Loans

SuMi TRUST Bank is a signatory to the Equator Principles, a set of international guidelines for private financial institutions that requires project proponents to give due consideration to the impact on the natural environment and the regional community when approving project finance and other loans.

In addition, we have established policies for specific

sectors that promote business activities with significant environmental and social impacts and restrict loans and investments to companies and projects with negative impact. We also intend to establish a policy for sectors that are considered to be involved in the manufacture of palm oil and the illegal logging of tropical rainforests during fiscal 2018.

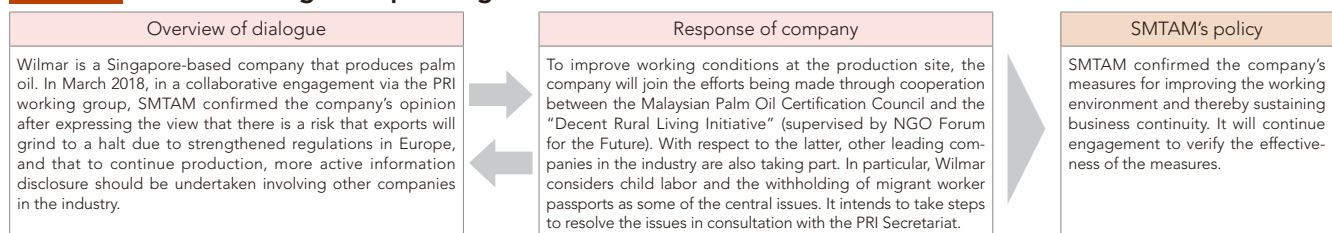
Natural Capital Risk Management for Investment (Asset Management)

Sumitomo Mitsui Trust Asset Management (SMTAM) and Nikko Asset Management have become signatories to the Principles for Responsible Investment (PRI), which was established in 2006. The PRI calls on institutional investors to take into account environmental, social, and governance (ESG)

factors in their investment decision-making processes.

Through engagements, SMTAM requests investees to establish guidelines and policies on the use of and risks related to natural capital, covering supply chains, and to control risks from a long-term perspective.

Case Climate Change: Responding to Restrictions on Palm Oil Production



Initiatives in the Real Estate Business

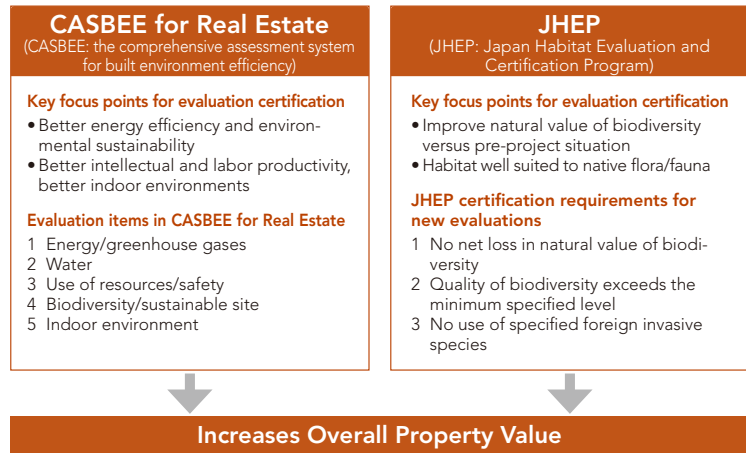
Construction Consulting on How to Foster Biodiversity and Ecosystems

Through the use of CASBEE for Real Estate*1 and JHEP*2 together, the environmental performance of properties can be improved across many dimensions, helping to increase overall property value.

At SuMi TRUST Bank, biodiversity considerations are included in our menu of construction consulting services.

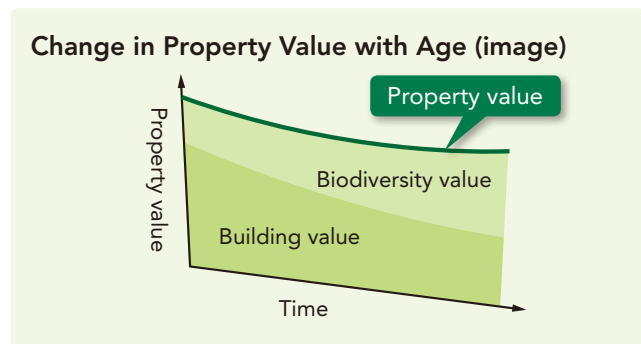
*1 CASBEE for Real Estate: The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). SuMi TRUST Bank is involved in the establishment of criteria.

*2 JHEP: Japan Habitat Evaluation and Certification Program is a system is a system developed by the Ecosystem Conservation Society-Japan to quantitatively evaluate and certify efforts to contribute to the conservation and restoration of biodiversity.



A building's environmental performance is evaluated on many dimensions such as energy savings, global warming mitigation measures, biodiversity, durability, and resource efficiency.

The value of buildings decline with age but the biodiversity value increases every year as the ecosystem surrounding it forms. These offsetting lifecycle patterns can maintain the combined value of the building and site together as a whole. Ecological networks can be created through the connection of local communities, neighboring buildings and green nature reserves.



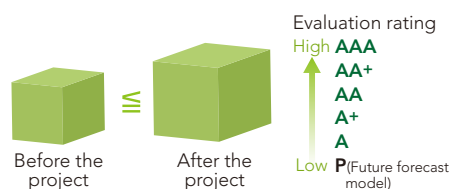
TOPIC

JHEP: Habitat Evaluation Certification

An objective assessment of biodiversity considerations in a real estate project can be obtained by acquiring the JHEP certification, which evaluates environment issues with emphasis on the wildlife habitat.

What kinds of projects contribute to biodiversity?

JHEP is a program that compares the value of biodiversity before and after a project is implemented. If the value of biodiversity after the project exceeds that before the project, the project is certified as contributing to biodiversity.



Japan Habitat Evaluation and Certification Program (JHEP)

JHEP is a system developed by the Ecosystem Conservation Society-Japan to quantitatively evaluate and certify efforts to contribute to the conservation and restoration of biodiversity. In addition to the JHEP for project developers, there is CHEP for construction contractors.



Sample certificate

STEP1 Confirming the time axis: The starting time of the target real estate project is determined. In general, the habitat value for 30 years prior to the project (evaluation baseline value) and the habitat value for 50 years in the future (total habitat value) are compared.

STEP2 Setting conservation targets: Setting the flora that should be targeted (target flora) and the fauna that should live there (evaluated species).

STEP3 Calculating the total habitat value: Livability index for evaluated fauna species x index of the local suitability for flora based on target flora x time = total habitat value.

STEP4 Calculation of evaluation value: The evaluation value is calculated by subtracting the preexisting value of the habitat (evaluation baseline value) from the total habitat value gained from the project.

STEP5 Decision whether or not to certify

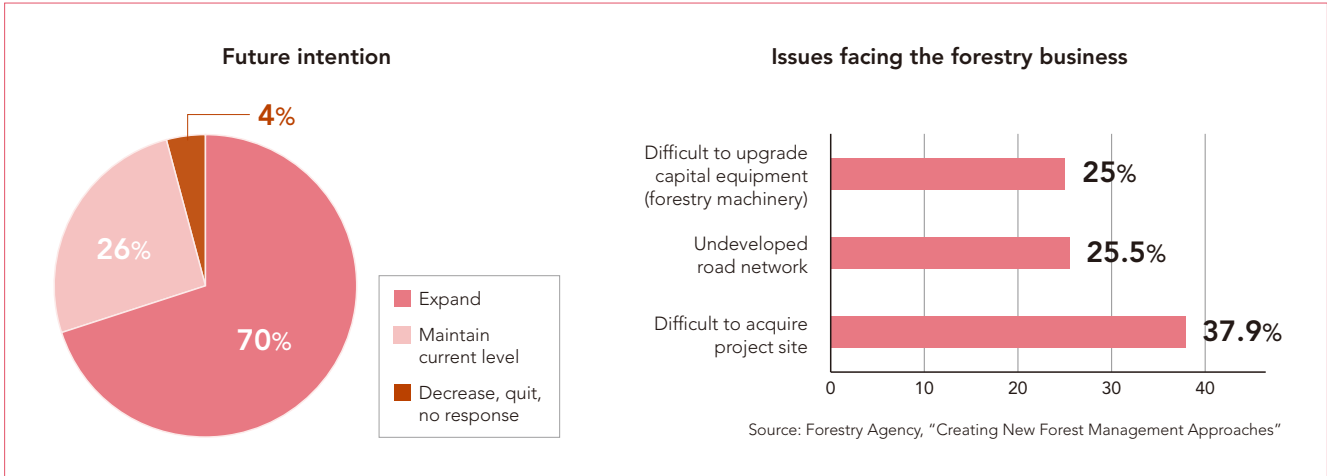
STEP6 Confirmation of evaluation rating

Forestry Trust

Approximately two-thirds of the land in Japan is forest. These forest resources are primarily artificial forests that were created after World War II. While they have reached maturity, many of the forests have been neglected. The reasons include forest owners' disinclination to manage

the forests. Meanwhile, forestry managers who wish to expand forests face setbacks, such as difficulties in acquiring project sites, undeveloped road networks, and difficulties in upgrading capital equipment (forestry machinery).

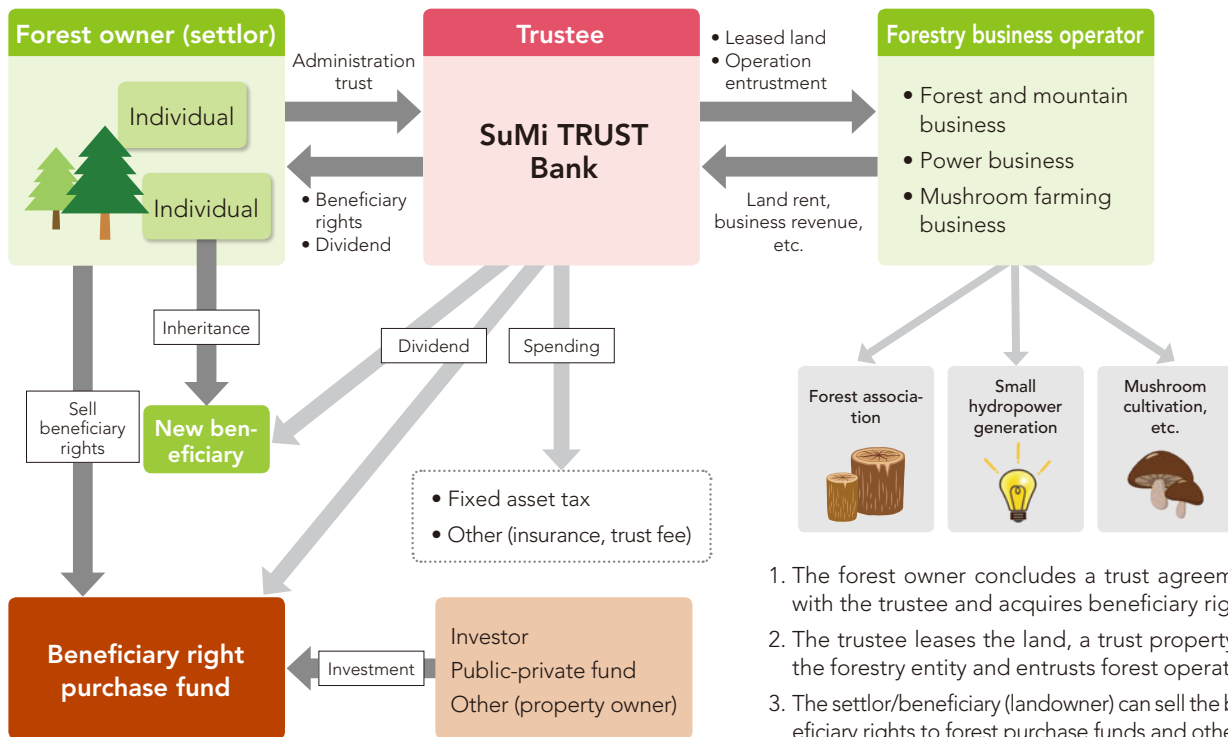
Forestry managers' inclination to expand forests



SuMi TRUST Bank has begun developing a forestry trust scheme in which it is entrusted with trust property—those forests where forestry operations are not conducted due to reasons, such as owners moving to remote locations and old age—and commissioning forest operations to forestry

entities, in order to consolidate and increase the efficiency of the forestry business. We will endeavor to revitalize Japan's forestry industry by improving operational productivity and stimulating the domestic timber market.

Overview of the forestry trust scheme



1. The forest owner concludes a trust agreement with the trustee and acquires beneficiary rights.
2. The trustee leases the land, a trust property, to the forestry entity and entrusts forest operation.
3. The settlor/beneficiary (landowner) can sell the beneficiary rights to forest purchase funds and others.

Addressing the Issues of a Super-Aging Society by Using Our Financial Functions

As Japan becomes a super-aging society, social-economic systems such as pensions and social insurance programs that support people's lives are getting increasingly feeble, and responses in providing adequate financial services to elderly people with dementia, etc. are being delayed. As a result of such trends, there is an increasing number of risks that may interfere with people's safe livings.

The Group promotes high value-added solution businesses harnessing its skills and functions as a trust bank group, and contributes to ensuring the security of individual assets, stability in housing for clients, and livelihood security for seniors and their families.



Challenges for Achieving the Goals

- Spreading the "productive aging" approach whereby seniors decide how they want to live their life.
- Expanding support for extending the age to which people can maintain good health ("healthy life years") and the age to which people can live without financial difficulty ("wealth span").
- Developing a decision-making support system that respects the wishes of the individual as much as possible even after the onset of dementia.
- Providing housing and a support system to enable seniors to continue leading their own lives (community building).

Basic strategies for Solving the Challenges

- Supporting productive aging by providing client-oriented financial services and extensive financial information.
- Supporting asset formation and the smooth transfer of assets to the next generation with comprehensive consulting for both assets and liabilities.
- Enhancing employee literacy regarding dementia, stepping up community and industry collaboration initiatives, and expanding asset management services.
- Contributing to the development of housing and providing options to clients so that seniors can maintain quality of life.

KPIs for Solving the Challenges

- Enhancing our total solution model that includes expanded products for elderly clients in an age of 100-year-life.
- Expanding collaboration between branch offices and nearby community-based comprehensive support centers.
- Strengthening our ability to serve clients with dementia, including the enhancement of asset management services.
- Promoting industry collaboration on dementia-related issues.

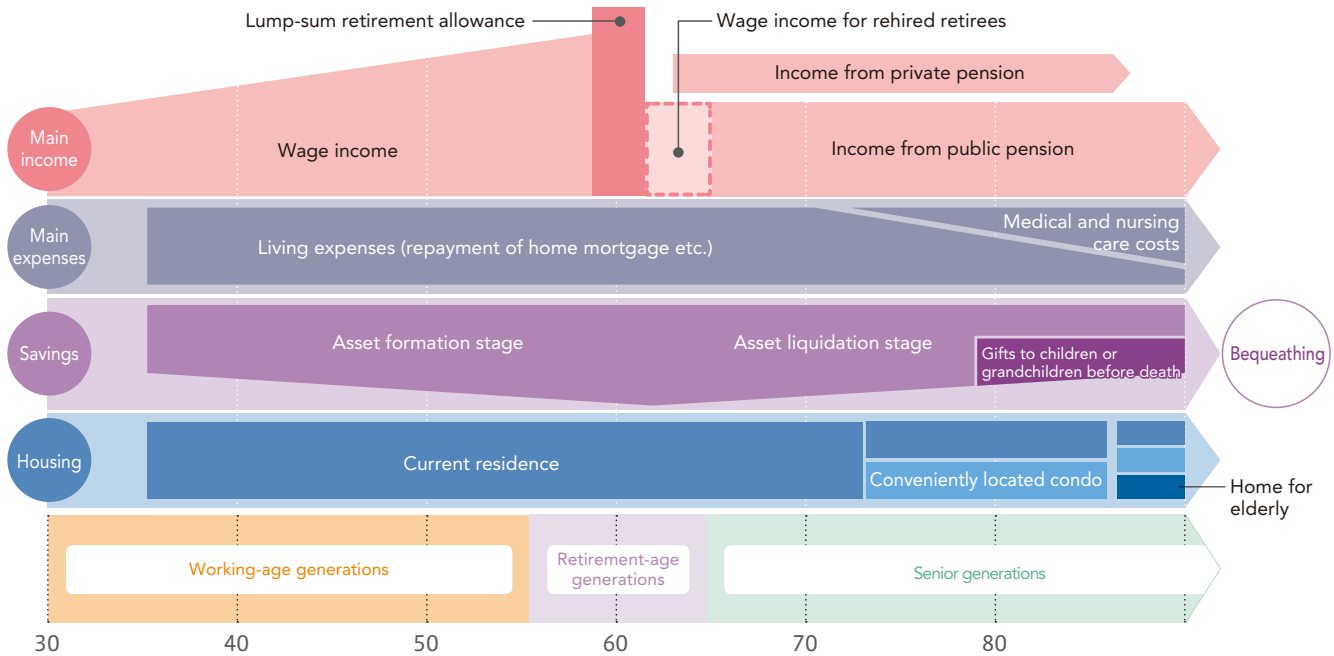


Trust Banks Offer a Rich Variety of Problem-Solving Functions

1. Ensuring Stability in Net Income for Senior Generations

By harnessing the significant expertise and broad range of products and services that only a financial group specialized in trust banking can provide, SuMi TRUST Bank offers

comprehensive consulting services and the right solutions to meet the needs of senior-generation clients given the attributes of their assets and liabilities.

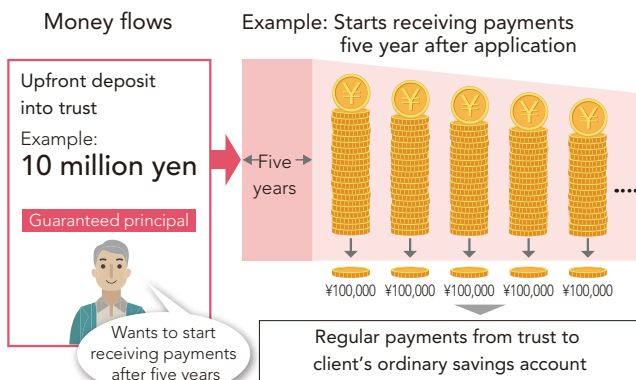


Personal Pension Trust

SuMi TRUST Bank's Personal Pension Trust is a product with a monthly or bimonthly payment stream like a pension plan that draws on deposited funds. A client who wanted to start receiving living expenses later in life, for example, could determine the date when payments commenced and receive necessary sums in regular payments.

their residence as collateral. The funds can be received in an annual specified amount like a pension, or at any time in an amount within a certain predetermined limit, with their residence serving as the collateral.

This product enables them to use the money for any purpose other than as a business loan, so that they can not only use it to enjoy their free time, but also to fund renovations to their residence or as a lump sum payment when moving into a nursing home.



Offering Various Insurance Products

In addition to individual annuity insurance and whole life insurance, SuMi TRUST Bank also carries medical and cancer insurance. We also have a range of products that insure against various uncertainties such as the cost of advanced medical care, inpatient care due to injury or one of the three major diseases (cancer, acute myocardial infarction, stroke), and support in old age such as a nursing care guarantee.

Clients between ages of 40 and 65 who have applied for our discretionary investment management products (wrap accounts) can also apply free of charge for our Life Reassurance Package, a service that features cancer insurance, nursing care insurance, and personal injury coverage. Likewise, wrap account applicants between the ages of 66 and 80 are also eligible to apply for the personal injury coverage under our Life Reassurance Package.

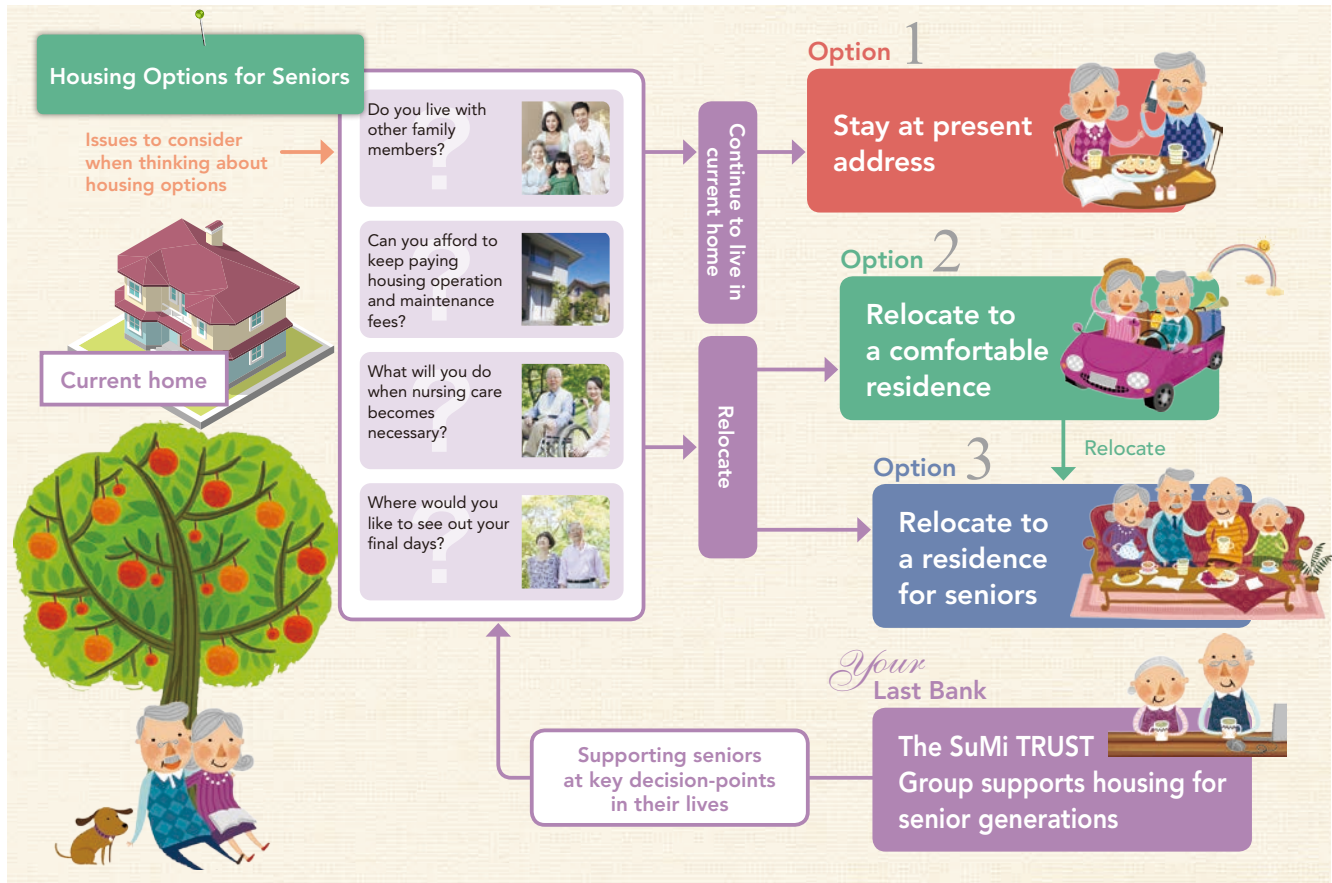
Reverse Mortgages

A reverse mortgage is a loan that supports an enriching second life. SuMi TRUST Bank began offering reverse mortgages in March 2005, which lend funds to allow clients to live comfortably in their retirement years by using

2. Ensuring Stability in Housing for Senior Generations

Housing holds the key for the elderly to maintain their quality of life and feel safe in their everyday routines. SuMi TRUST Bank provides information about housing that matches the needs of senior generation clients and supports them in securing stable housing using the Group's array of functions. Moreover, in our digest report for seniors (Considering Senior-Generation Housing—V2.0), we go into more detail about the following three options.

Japanese URL: <https://www.smth.jp/csr/report/2018/all5.pdf>



Our lineup of products and services that provide housing assistance to seniors

Renovation Loans

Sumitomo Mitsui Trust Panasonic Finance offers renovation loans that provide the funds necessary to make such renovations as barrier-free improvements as a way to support elderly clients to live comfortably in their old age.



Services relating to Real Estate

Sumitomo Mitsui Trust Realty provides brokerage services that ensure secure, reliable property purchases and sales to clients looking to relocate, leveraging the consulting capabilities and broad-based information network of our Group. We assist with sales and effective use of assets such as residential property, inherited property, idle property, and real estate owned for business or investment purposes.

Reverse Mortgages

SuMi TRUST Bank offers reverse mortgage loans whereby the client puts up their home as collateral to borrow funds for retirement. The funds can be used for various purposes, such as home renovations or for the deposit when moving into a nursing home.

Consultations on Taxes and Estate Planning relating to Housing

Each SuMi TRUST Bank branch has been assigned experienced financial consultants with expertise in real estate, taxes, and inheritance and succession that can provide consultations relating to various housing options.

Bridge Loans for Sales of Real Estate

Sumitomo Mitsui Trust Loan & Finance offers bridge loans for real estate sales to clients who are considering a move to a conveniently located condominium or a residence for seniors so they do not have to rush to sell their precious property, providing them with support as they seek a new home that suits their lifestyle in their golden years.

3. Initiatives to Increase Housing for Seniors

The senior cohort in Japan's population is increasing rapidly, with seniors over the age of 65 now accounting for over one-fourth of the total populace. The senior cohort will continue to increase over time, and within this trend, the segment of seniors living to very advanced ages is projected to climb rapidly. In particular, this trend is expected to become more conspicuous in major urban centers.

Attendant with this trend, the number of seniors who require nursing care is growing along with the deterioration of their mental and physical well-being, thus leading to further shortage of high-quality nursing care facilities, which are already undersupplied.

In contrast, there has been a gradual increase in seniors that seek the option of relocating to safe, secure housing for seniors while they are healthy enough to do with little difficulty.

SuMi TRUST Bank strives to amass know-how on market trends and business feasibility relating to nursing care facilities and housing for seniors.

Leveraging that knowledge base, we support a variety of formats that advance the supply of facilities and housing for seniors in ways that respond to the aforementioned needs of seniors.

(1) Accumulated Know-how

SuMi TRUST Bank uses the tools listed below that it has prepared within its organization.

It also actively exchanges information with the many companies involved in nursing care facilities and homes for seniors such as facility operators, construction firms, and real estate companies.

Through these efforts, we work to amass specialist know-how about the market trends and business feasibility relating to this business domain.

Database on regional information

- This database collects from each local authority demographic data such as population and households in its respective region.

Database on senior housing

- This database collects data on nursing care facilities and housing for seniors across Japan as well as specific information about sales and operating entities.

Market analysis tools

- We apply market analysis tools to the aforementioned information. This enables us to ascertain demand trends at specified locations.

Operating income and expenditure program

- Using the program, we estimate the operating income and expenditures for each business type relating to nursing care facilities and housing for seniors.

(2) Support for Nursing Care Facilities and Housing for Seniors

Effective Use of Land

We collaborate with facility operators and construction firms as one kind of proposal we offer to individual and corporate clients that are investigating land-use options, and we propose plans for funding and offer various advice on the construction of properties such as paid nursing care facilities for seniors, housing for seniors with care services, and group homes for seniors with dementia.

We also provide specialist proposals for using subsidies and improving facilities on land that is in a designated "productive greening" zone.

Executing Business Feasibility Loans

SuMi TRUST Bank is promoting business feasibility loans (apartment loans) relating to the construction of housing for seniors and nursing care facilities. It has executed 24 such loans through November 2018, and the number of inquiries regarding such loans has continued to trend upwards in the past few years.

Together with the aforementioned proposal for effective use of land, we will proceed with the initiatives for executing business feasibility loans.

Finance for Healthcare REITs

SuMi TRUST Bank actively provides finance to healthcare REITs, which are a source of stable, long-term funding for healthcare facilities such as residences for the elderly and medical malls. Healthcare REITs raise funding for use in healthcare facility acquisition fees and related expenses. We have made two loans to healthcare REITs with the number of facilities linked to these loans coming to 49 as of November 2018.

Securitization Business for Healthcare Facilities

SuMi TRUST Bank is actively engaging in the securitization business relating to healthcare REITs and privately placed funds. As of November 2018, total healthcare REIT assets held in trust at SuMi TRUST Bank came to 124 billion yen, with the number of facilities standing at 77. In the securitization business related to REITs and privately placed funds, SuMi TRUST Bank uses the scheme of a real estate administration and disposal trust. This scheme refers to transfer of real estate ownership from the trustor (real estate owner) to the trustee (trust bank) followed by administration, management and disposal of the real estate by the trustee based on directions given by the beneficiary and the distribution of profits thus generated (mainly rent revenue minus expenses) as dividends to the beneficiary.

Moreover, in addition to engaging in the real estate securitization business, SuMi TRUST Bank is also REIT-related asset custodian and general administrative work agent. Healthcare & Medical Investment Corporation (SuMi TRUST Bank entrustment), established in December 2014, provides various support services in cooperation with customers.

4. Dealing with Dementia-related Problems

The number of people with dementia in Japan is rising sharply as the population continues to age—roughly one in seven people aged 65 or older are diagnosed with dementia, or around one in four if including those that show signs of the early stages of dementia known as mild cognitive

impairment. From the viewpoint of normalization, SuMi TRUST Bank implements various initiatives with the aim of creating a society in which clients with dementia can still lead a life that is not dissimilar to normal individuals.

Improving Literacy at Branches

Problems caused by dementia, such as the frequent loss of account passbooks and requests for their reissuance, occur daily at our branches, therefore we need to fully understand the characteristics of dementia and improve our literacy so that we can respond flexibly and adequately. Based on its New Orange Plan, a policy to build friendly communities for elderly persons with dementia, the Japanese government is implementing an initiative to train people to provide support to dementia sufferers and their families. At SuMi TRUST Bank too, we are instructing employees at our branches to attend this training course so they can acquire basic dementia knowledge and better respond to problems when they first occur.

Furthermore, because the dementia supporter training course does not focus on the finance industry, we have sent all of our branches copies of the booklet entitled Guide for Dementia Friendly Financial Services and instructed them to strengthen their practical approach to dealing with dementia issues by holding study sessions during which employees that have already acquired the basic knowledge can read through the content of the booklet together.



Participating in Community-based Comprehensive Care System

The problems of dementia concern not just financial institutions—they must be addressed by the community at large. From this perspective, SuMi TRUST Bank participates in the government-led community-based comprehensive care system and we think we can play a unique role within the framework of this system. Based on this thinking,

our branches across the country have made initial contact with nearby community-based comprehensive support centers (the core organizations tasked with providing comprehensive community care) and are implementing initiatives aimed at building a foundation for collaboration.

Shizuoka & Shizuoka-Chuo Branches	Participated in a community care meeting hosted by a community-based comprehensive support center. Following a presentation on the topic of asset management, a lively Q&A and information exchange session took place (see page 163).
Shibuya & Shibuya-Chuo Branches	Participated in cross-industry discussions hosted by a medical center for dementia-related diseases (Institute of Geriatrics, Tokyo Women's Medical University) and exchanged opinions with welfare and medical professionals, including people from community-based comprehensive support centers.
Tama Sakuragaoka Branch	Exchanged information with nursing care experts from the Hokubu community-based comprehensive support center. The center has kindly expressed the intention of cooperation informing the branch that there are areas where the center can help, for example, by contacting family members when required, based on information held by the center.

Community Building Agreement with Tokyo Metropolitan Government

In February 2018, our Group concluded an agreement with the Tokyo Metropolitan Government with the aim of building a community to support senior citizens and the like. Under the agreement, we aim to (1) provide gentle watch

over seniors, (2) cooperate on building a community to support those with dementia and their families, (3) prevent consumer damage among seniors, and (4) provide assistance to other community activities.

Collaboration with COLTEM

SuMi TRUST Bank is implementing dementia-related initiatives by collaborating with COLTEM (collaboration center of law, technology, and medicine for autonomy of older adults), which receives assistance from MEXT's Japan Science and Technology Agency, as well as the graduate school of Kyoto Prefectural University of Medicine, a leader in dementia research (in particular, Professor Jin Narumoto, Department of Psychiatry). The publication of our Guide for Dementia

Friendly Financial Services in September 2017 is one such accomplishment of our initiatives. We have also contributed to improving the entire financial industry's response to dementia issues by taking the lead in hosting symposiums with a focus on finance and dementia. The knowledge gained from these activities have greatly helped SuMi TRUST Bank develop its own products and services.

Asset Management for Clients with Dementia

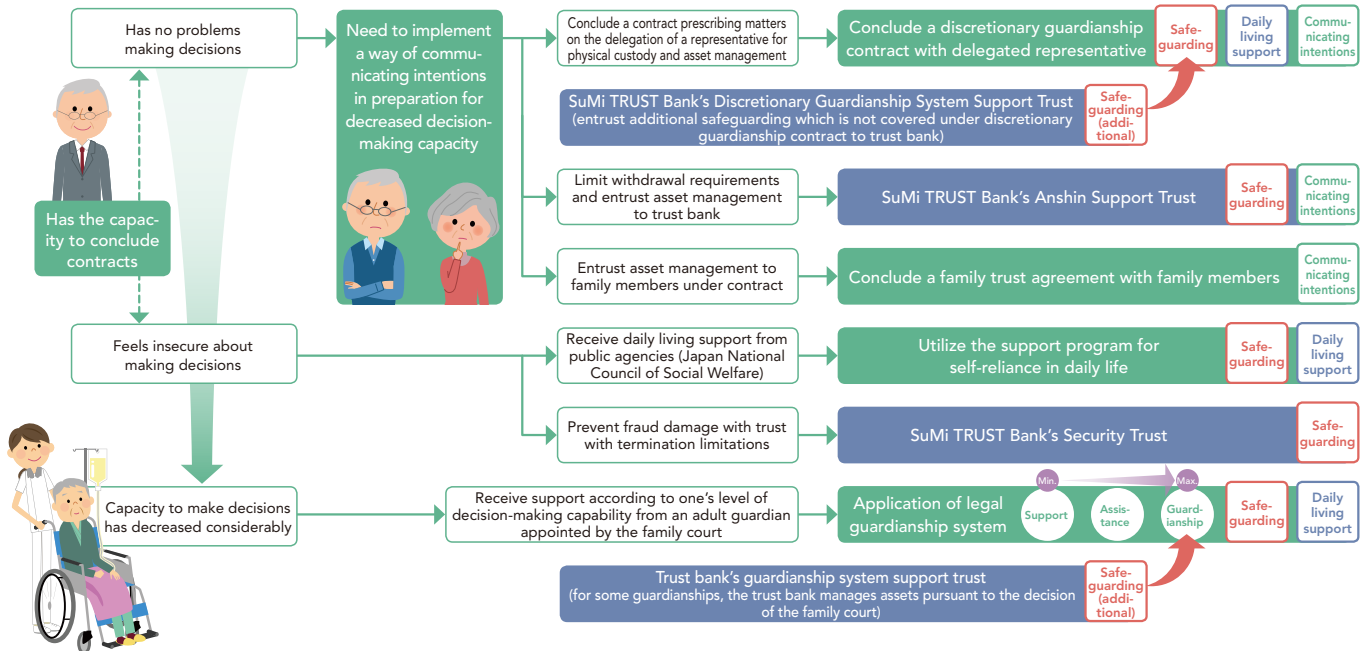
Once a person loses his or her ability to make decisions because of dementia or some other reason, they struggle to manage their deposits and savings or stay on top of various financial agreements. This makes them easy targets for bank-transfer scams or unscrupulous business practices. In asset management, needless to say, the safeguarding of finances must be prioritized before anything else. Next required is daily living support in asset management. They may require help in managing their day-to-day finances, for example, collecting pension payments, paying taxes and utility bills, or paying money when they go shopping. And offering support to help them communicate their intentions is also key. Even though someone with dementia may find it difficult to communicate their thoughts, what they want to do or what they want done remains the same. However,

there is a limit to how much they can rely on the considerations of their supporters, so particularly with regard to legal procedures, such as contracts, they will need a way to communicate their intentions under a private contract while they are still capable of making decisions. In our digest report for seniors(Considering the Problems of Dementia), we provide easy-to-understand explanations of the adult guardianship system and other public support schemes, as well as our financial products and services that complement those schemes.

Japanese URL:
<https://www.smith.jp/csr/report/2017/all5.pdf>



Lineup of asset management services for addressing dementia



Security Trust

Key Point Safeguards precious assets from malicious scams with two-tier account security.

The concerns of our clients and their children (many of whom live apart) are growing as more crimes targeting the elderly, such as bank-transfer scams, are becoming increasingly sophisticated. Our Security Trust safeguards the assets of our clients from such financial crimes. The product is structured so that funds can only be withdrawn after approval of the previously nominated consenting party (a relative within the third degree of kinship to the client) has been obtained. The trust can also be utilized in conjunction with the regular fixed-amount payment method.

Lump-sum payment method

Under this structure, funds held in the trust cannot be withdrawn without the approval of a previously nominated family member. This prevents the client from being drawn into a scam because it provides the client with an opportunity to first discuss any planned withdrawals with family members.

Regular fixed-amount payment method

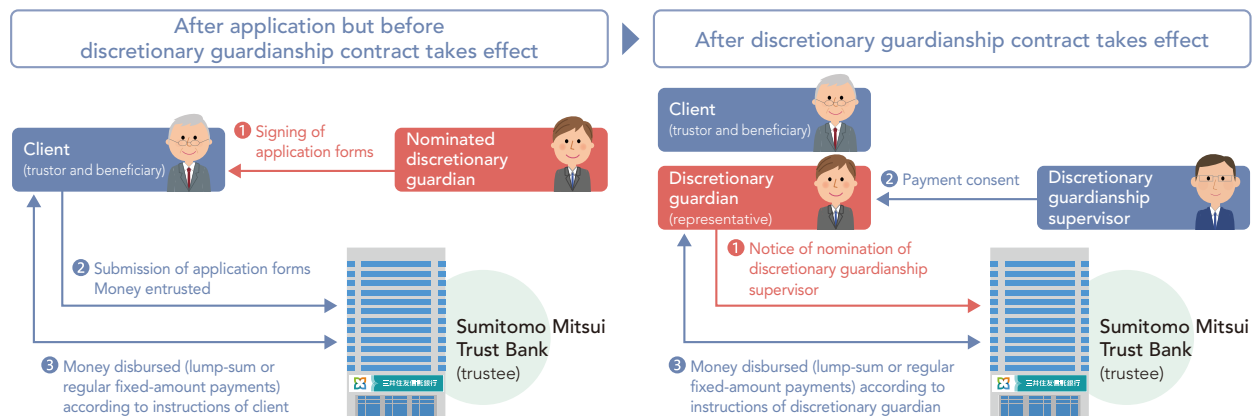
A fixed amount of the funds held in the security trust can be withdrawn periodically to pay for living expenses (up to ¥200,000/month).

*No management fees

Discretionary Guardianship System Support Trust

Key Point Under the discretionary guardianship system, a separate money trust provides an extra level of safeguarding.

This money trust supports the discretionary guardianship system by managing the assets of its users. It safely and soundly protects assets held in the money trust because after the discretionary guardianship contract takes effect, funds can only be released (lump-sum payment) with the consent of the discretionary guardianship supervisor. Funds required for day-to-day living expenses can also be released periodically (regular fixed-amount payments), which alleviates the burden of asset management on the discretionary guardian. Until the discretionary guardianship contract comes into effect, the client or their nominated representative can take charge of procedures for lump-sum or regular fixed-amount payments. An authorization form signed by the client must be submitted each time the representative wishes to take charge of procedures on behalf of the client.



Anshin Support Trust

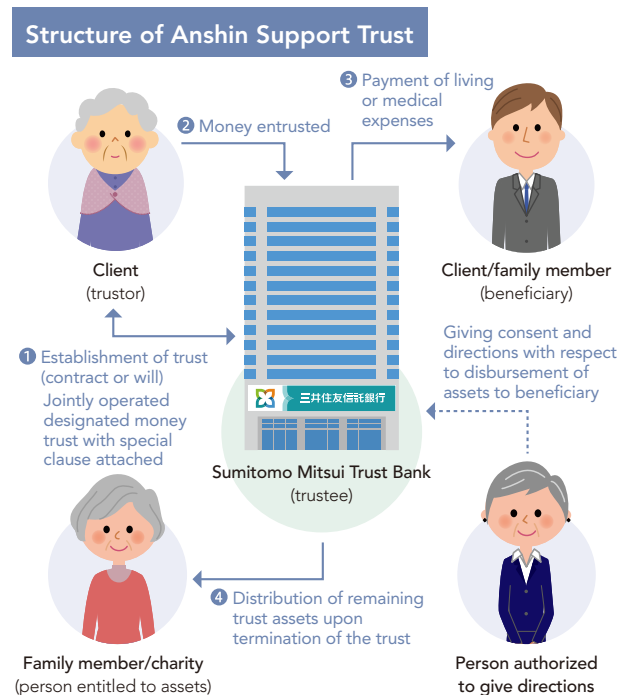
Key Point Even after the onset of dementia, the trust bank can preserve the client's assets and ensure their intentions are communicated by prescribing in advance the requirements for asset disbursement.

Our Anshin Support Trust leverages the unique functions of the trust bank to offer clients and their families longer-term and customized support for the preservation and management of their precious assets.

Not only is money entrusted to SuMi TRUST Bank, the Anshin Support Trust helps clients communicate their intentions well in advance by legally prescribing the requirements for the disbursement of assets and to whom remaining assets should be distributed upon termination of the trust. The trust also safeguards the client's assets because any withdrawals must meet the prescribed requirements for asset disbursement and require the approval or instruction of the designated authorizing person.

If there is no suitable relative who can serve as the person authorized to give directions for the trust, the client can conclude a discretionary guardianship contract with a responsible attorney or judicial scrivener authorizing them to perform such duties.

*In addition to the money trust described above, the Anshin Support Trust is also available in the form of a life insurance trust.



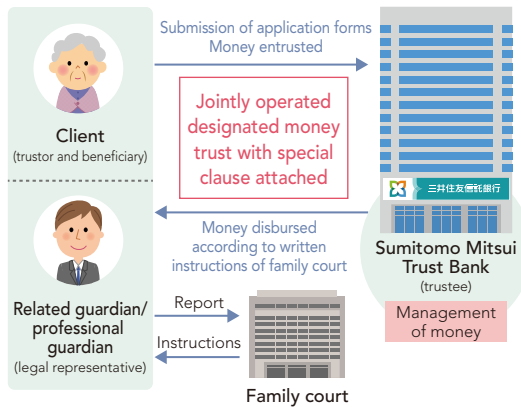
Guardianship System Support Trust

Key Point The trust bank safeguards the client's assets pursuant to instructions of the family court to prevent guardian dishonesty.

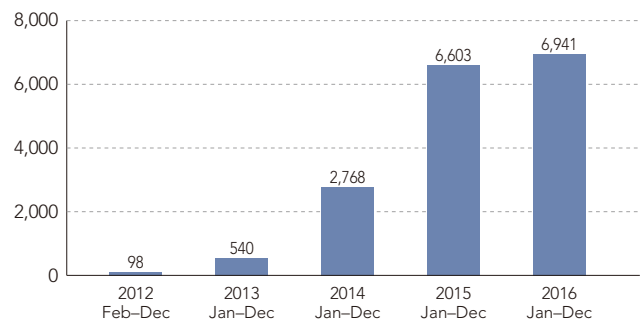
This is structured so that the savings and deposits needed for day-to-day payments for a person receiving assistance under the legal guardianship system are managed by a guardian while money not ordinarily used is entrusted to the trust bank.

When utilizing this trust, written instructions issued by the family court in advance are required in order to withdraw the trust assets or cancel the trust contract. In principle, a professional guardian such as an attorney or judicial scrivener will act on behalf of the client to make decisions regarding the entrustment of assets, including the trust bank to which the assets are entrusted and the amount of trust assets, and conclude a trust contract with the trust bank pursuant to instructions of the family court.

This trust provides appropriate protection from the misuse of the client's assets by an adult guardian.



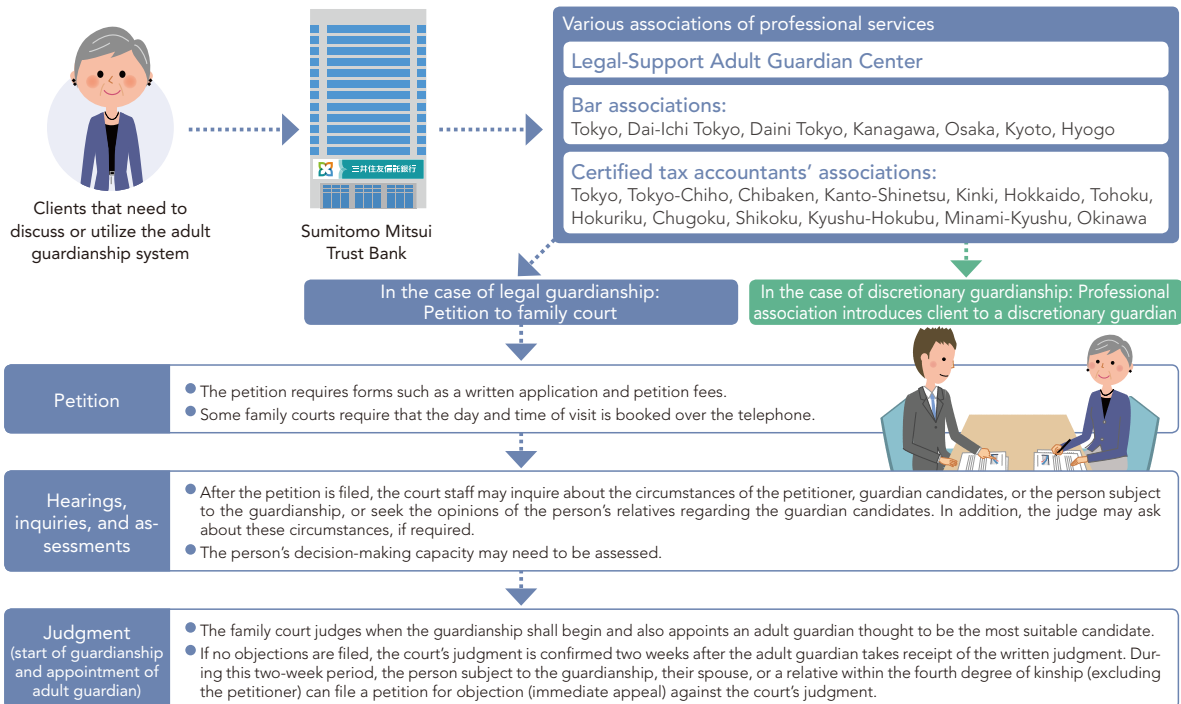
Number of Users of Guardianship System Support Trust



Source: Family Bureau of General Secretariat of Supreme Court of Japan

Consultations and Inquiries related to Adult Guardianship System

SuMi TRUST Bank has entered into agreements with various associations of professional services that are active in the area of adult guardianship and refers the consultations regarding the adult guardianship system and those clients who wish to utilize the system to these professional associations.



5. Helping with Lifestyles of Family and Relatives

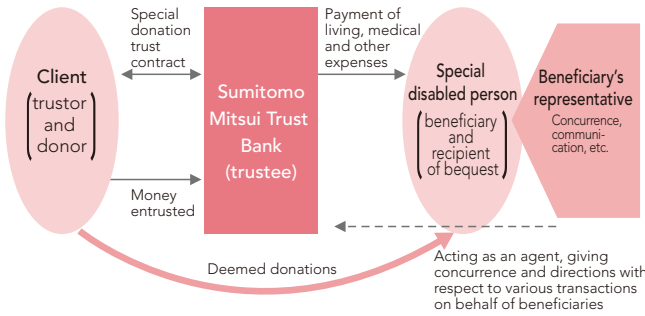
Special Donation Trust

The special donation trust is a product for the purpose of contributing to stable living into the future for specified persons with disabilities. With this trust, funds donated are managed securely by SuMi TRUST Bank through jointly operated designated money trusts and other instruments, and disbursed to the specified person with disabilities by

the bank on behalf of the client.

“Specified persons with disabilities” who become beneficiaries are divided into “special persons with disabilities” and “other specified persons with disabilities” according to the degree of disability. Special persons with disabilities may receive up to 60 million yen tax-free in periodic installments to cover living costs or medical expenses, while other specified persons with disabilities may receive up to 30 million yen without paying tax.

Structure of Special Donation Trusts



Anshin Support Trust (Life Insurance Trust)

Anshin Support Trust (Life Insurance Trust), co-developed by SuMi TRUST Bank and Prudential Life Insurance Co., Ltd., makes it possible to flexibly design the trust service in advance with regard to the provision method and usage of life insurance benefits. For example, the trust service can be designed such that if a customer dies, benefits are paid out as necessary while being protected to cover education expenses for their children (see Page 41).

Family Consideration Trust (Lump Sum)

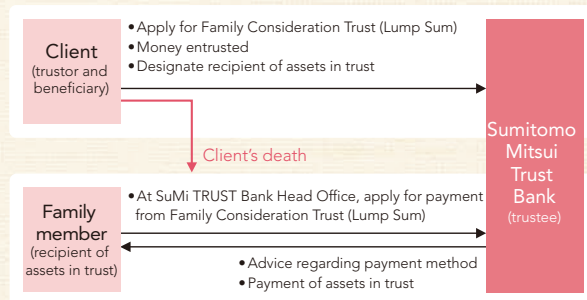
In the event of a bereavement, family members have to deal with various procedures, including arrangements for the funeral and inheritance-related procedures. The Family Consideration Trust (Lump Sum) is a product that, in the event of a client’s death, pays out the deposited assets in trust to a recipient designated in advance by the client from among their legal heirs so as to cover interim expenses and funeral costs.

Family Consideration Trust (Annuity)

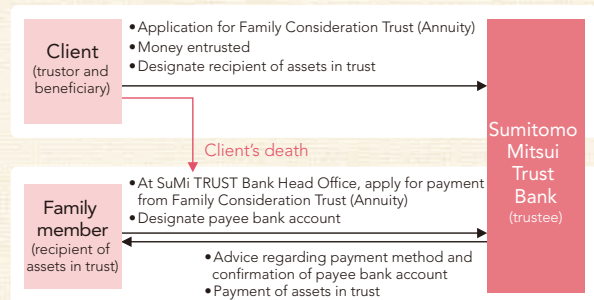
This product ensures a regular payment from the deposited assets in trust, offering bereaved family members a sense of security in their daily lives after the client’s death.

We manage the deposited assets in trust and support their family by making a regular monthly payment to cover living costs to a recipient designated in advance by the client from among their legal heirs.

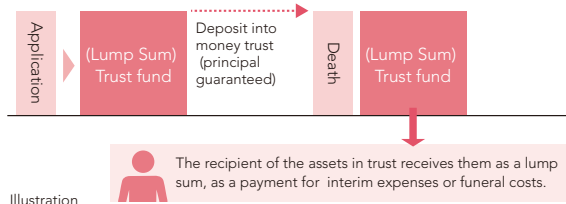
Family Consideration Trust (Lump Sum)



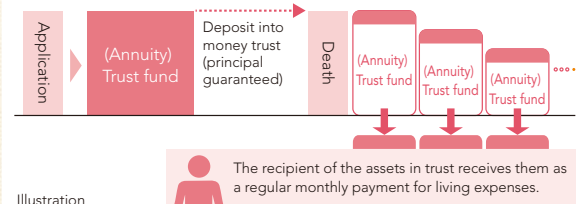
Family Consideration Trust (Annuity)



The recipient of the assets in trust receives them as a lump sum.



The recipient of the assets in trust receives them as a regular payment.



6. Ensuring Heirs Inherit Family Wealth

Helping Still-Living Clients to Give to the Next Generation

Annual Donation Support Trust

Annual Donation Support Trust is a service that supports the implementation of procedures for lifetime donation to relatives, such as compilation of a donation contract. Each year, SuMi TRUST Bank provides customers with information on documents necessary for the donation, helping them to not miss the opportunity for donation. This service makes it easy to execute lifetime donations. Once each year, SuMi TRUST Bank sends a donation report to both the donor and recipient.

Tuition Fund Endowment Trust

An exemption from the gift tax has been created for lump-sum donations to cover tuition funds, allowing grandparents to make a tax-free lump-sum donation to grandchildren, etc. aged under 30, to help with tuition fees and other educational costs.

Funds deposited with SuMi TRUST Bank as tuition funds for a grandchild, etc. via this product are paid out as tuition funds by SuMi TRUST Bank when a request for payment is received from the grandchild, etc. If payment is made to a school or other educational institution, an exemption from gift tax will be provided, up to a maximum of ¥15 million per grandchild, etc.

Wedding and Child-Rearing Support Trust

The wedding and child-rearing trust is based on a tax exemption from the gift tax for lump-sum donations to cover funds for a wedding or raising a child. Through this tax system preference created in the 2015 amendment to the tax system, up to 10 million yen can be given as a tax-free lump-sum donation for wedding or child-rearing purposes to a child or grandchild who is at least age 20 up until he or she turns age 50. As disbursements are made from a "money trust" that requires receipts confirming payments for wedding or child-rearing purposes, this product can clearly be the answer for donors who want their gifts to be used for marriage or child-rearing purposes.

Social Contribution Donation Trust

SuMi TRUST Bank offers products and services meant to support building a prosperous future for the next generation by enabling donation activities that serve the public interest. One such product is the social contribution donation trust, where clients select recipients every year from a list of organizations that SuMi TRUST Bank provides, and we process the donations (see Page 48).

Helping with Smooth Planning for Inheritances

Estate Planning

Estate planning is a service that provides support (consulting) aimed at summing up the client's wishes regarding the succession of their assets and drawing up a specific plan for this. Using the know-how that we have built up over decades in the field of asset management, inheritance, and will-related services, SuMi TRUST Bank offers the following consultation services.

Will Trusts

SuMi TRUST Bank offers a will trust service to support the succession to the next generation of various assets, including deposits, securities, and real estate, in accordance with the client's wishes. There are two following courses for Will Trusts:

Execution Course: SuMi TRUST Bank holds wills under its custody and undertakes their execution when the inheritance process starts.

Custody Course: SuMi TRUST Bank holds wills under its custody and hands them over to the heirs when the inheritance process starts.

Meanwhile, to customers who wish to contribute their legacy to social and public goods, SuMi TRUST Bank provides information on the "donation through bequeathal" system. This system supports people who wish to bequeath their legacy (donation by way of a will) to such organizations as public foundations, incorporated organizations, incorporated educational institutions and recognized non-profit organizations through SuMi TRUST Bank's will trust business function.

One-Stop Inheritance Service

SuMi TRUST Bank offers a One-Stop Inheritance Service to ensure that complex inheritance procedures proceed smoothly. More specifically, upon application by an heir, we will provide support and carry out the following procedures on their behalf, according to their request.

- Confirmation of the legal heirs
- Investigation and identification of inherited property
- Advice in discussions concerning the division of the estate
- Change of name on savings and securities and/or their conversion into cash (we will carry out the procedures prescribed by each financial institution on the heir's behalf)
- Change of name on real estate
- Advice concerning allowances to pay tax obligations, such as income tax and inheritance tax

7. Initiatives to Improve Gerontology Literacy

Gerontology examines the various issues that occur as people age and is a field of study characterized by interdisciplinary viewpoints aimed at investigating ways to help people lead better lives. At SuMi TRUST Bank, we are focused on

Wellbeing Knowledge Examination

Japan is becoming a super-aging society without parallel elsewhere in the world. No country needs gerontology, an interdisciplinary field on topics relating to aging, as much as Japan. At SuMi TRUST Bank, our branch general managers, which often interact with customers at our branch offices, are setting an example and studying gerontology, and all of them have or will take the Wellbeing Knowledge Exam, which is run by the Society for Applied Gerontology-Japan. Students of gerontology study a wide assortment of subjects relating to seniors, how seniors live, health, successful aging, nursing-care insurance, and pension systems. Our aim at SuMi TRUST Bank is to encourage even more of our employees to study gerontology so we can become a bank that is genuinely necessary for a super-aging society.

Partnership with ILC-Japan

SuMi TRUST Holdings is a member of ILC-Japan, the

studying gerontology together with our clients and aim to realize the concept of productive aging whereby seniors stay in control of their own lives right to the very end and remain an integral part of society despite their old age.

Japanese branch of the International Longevity Center, a global alliance of organizations focused on gerontology. And since fiscal 2017 we have also chaired a research group hosted by ILC-Japan that studies lifestyles of the long-lived societies. In fiscal 2018 the research group invited guests from the Ministry of Health, Labour and Welfare, the Japan Franchise Association, and the Condominium Management Companies Association to discuss how seniors with dementia should be looked after in the communities.

Silver College Seminars

Since 2012, SuMi TRUST Bank has hosted Silver College seminars at its branches across Japan in order to provide easy-to-understand information about gerontology to the senior generation and our clients that currently assist them. Topics covered have included money, health, dementia, and housing, while the lectures given by our group of first-rate instructors have been favorably received on every occasion.

Key Topics at Silver College Seminars

1. How to ensure health, safety, and peace of mind in old age

Example of Seminar Osaka Business Dept. & Osaka-Chuo Branch

In November 2018, Ms. Rika Kambayashi, Director of the Rika Kambayashi Social Welfare Office, delivered a keynote speech on how to live the remainder of one's life to the fullest and relieve oneself from the concerns about future health, nursing care, and money. Given her extensive experience in the field of welfare, Ms. Kambayashi's speech was quite convincing and very well received by the participants in attendance.



2. Housing options in old age

Example of Seminar Sendai & Sendai-Aoba Branches

In August 2018, Ms. Yumi Yamanaka, Director of the Aging Design Labo, delivered a keynote speech on the basic knowledge of senior housing that everyone should know about in preparation for future nursing care issues. Despite the many types of housing for seniors, Ms. Yamanaka mixed humor with seriousness to deliver a very easy-to-understand presentation that was favorably received by the audience.



3. Dementia considerations

Example of Seminar Chiba & Chiba-Ekimaie Branches

In September 2018, Dr. Takase, the director of the Takase Clinic, delivered a keynote speech on the current state and challenges of home care and observations from the field of dementia care. Seminar participants had fun playing a simple game that checks for signs of dementia which involves trying to make the same handshapes shown by Dr. Takase.



4. Preparations to live well and pass away satisfactorily

Example of Seminar Niigata & Niigata-Chuo Branches

In September 2018, Ms. Yoko Shido from the office of the Japan Home Health Care Alliance delivered a keynote speech about thinking of the final stages of life. Many people took a keen interest in this topic and following the conclusion of the seminar many participants made comments such as they would endeavor to be more kind to other people and the presentation made them reconsider their lives thus far and how they would approach life in the future.



Various Solutions Using Trust Functions

In addressing social issues and environmental problems, it will be important to properly manage, administer, and use forms of wealth such as money and land. Under the trust system, the estate of the settlor, including money and property, is transferred to a reliable trustee, who manages and administers the trust assets for the beneficiaries in accordance with the aims defined by the settlor.

Based on our “fiduciary spirit,” the SuMi TRUST Group harnesses its skill and functions as a trust bank group to promote solution businesses that create high added value and contribute to addressing a variety of social issues.



**SUSTAINABLE
DEVELOPMENT
GOALS**

The logo for the Sustainable Development Goals (SDGs) is displayed in a white box with a red border. The word "SUSTAINABLE" is in blue, "DEVELOPMENT" is in blue, and "GOALS" is in blue. The letter "O" in "GOALS" is replaced by a circular icon composed of 17 colored segments, representing the 17 SDGs.

Mechanism of Using Donations and Other Funds to Solve Social Issues

Charitable Trusts

A charitable trust is a system in which funds are entrusted to a trust bank that administers and manages the funds to carry out charitable activities in a pre-determined way. For example, these trusts may be used by individuals wishing to provide funds for charitable activities or by companies that wish to return a portion of their profits to society. They have been used in a wide range of fields, including the provision of academic scholarships, support of environmental protection activities, and promotion of international cooperation and international exchanges.

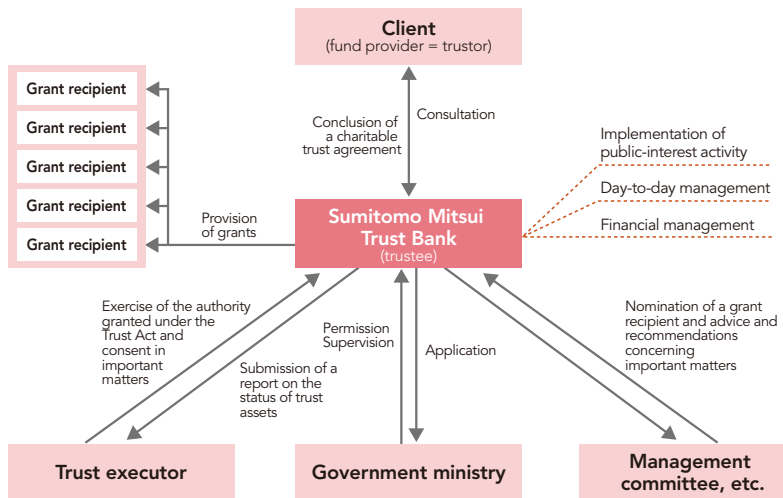
Charitable trusts are often named for the trustor, so his or her aspirations can be remembered for years to come by many people. Moreover, to ensure the public interest is served in accordance with the client's intentions, a charitable trust can be "order made" to fit the client's instructions.

What public interest is it to serve and what sort of granting process will it implement? The trust can be arranged to reflect the client's instructions on the monetary size of the grants (scholarships), the number, the regional scope, or the terms of eligibility.

Since Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank") began managing its first charitable trust in 1977, the number of trusts under its management has steadily risen, and they fund grants in various charitable fields.

As of March 2018, there are 196 charitable trusts with total assets of 32.1 billion yen under our management. In fiscal year 2017, grants from charitable trust totaling 1.3 billion yen were provided to 2,872 bodies in total (including individuals) for activities that serve the public interest.

Mechanism of Charitable Trusts



List of Charitable Trusts by Donation Type (as of March 2018)

Type	Number of trusts under management
Scholarship	72
Promotion of natural science research	36
Promotion of human science research	5
Promotion of education	20
Social welfare	10
Promotion of arts and culture	9
Protection and propagation of animals and plants	1
Conservation of the natural environment	7
Development and maintenance of the urban environment	18
Promotion of international cooperation and exchanges	13
Other	5
Total	196

TOPIC

Iyo Bank Environment Fund "Evergreen"

This Fund was established by the Iyo Bank, Ltd. in 2008 to pass on Ehime Prefecture's nature full of beautiful sceneries to the next generation, support activities that create a regional environment that abounds with natural blessings and is pleasant, and contribute to the protection of the natural environment and biodiversity. Now in its 10th year, the Fund supports a variety of environmental protection activities in Ehime Prefecture. In fiscal 2018, the Fund has approved providing a total of JPY 3.84 million to 11 organizations.



Observing ecology at a river full of natural blessings

Social Contribution Donation Trusts

SuMi TRUST Bank offers social contribution donation trusts (also referred to as “Bridge to Tomorrow”) intended to make donations to charitable organizations etc. engaged in social contribution activities. Through the trust, clients

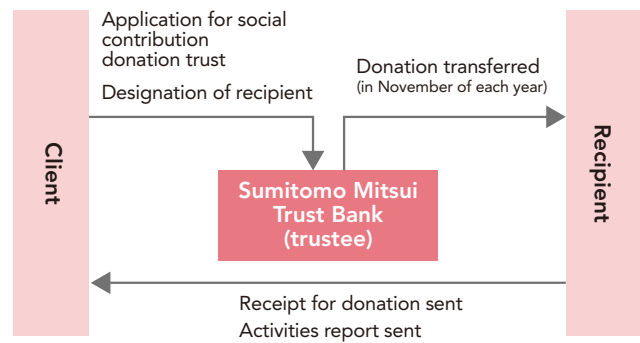
List of Donation Recipients (as of September 3, 2018)

Environment	World Wide Fund for Nature Japan (WWF Japan)
Environment	Ecosystem Conservation Society-Japan
Education	National Federation of UNESCO Associations in Japan
Medicine	Japan Cancer Society
Medicine	Center for iPS Cell Research and Application, Kyoto University
Social welfare	Japan Guide Dog Association
International medical support	Médecins Sans Frontières Japan
Academics	The Japan Prize Foundation
Culture	Japan Arts Council
Disaster reconstruction support	Central Community Chest of Japan
Support for children	The Nippon Foundation
Support for sports for people with disabilities	Special Olympics Nippon Foundation

can choose donation recipients from a list of organizations that SuMi TRUST Bank provides and donate one-fifth of the original trust principal once a year. (Donors can change donation recipients each year.) These clients receive reports from the recipient on how the donations were used and what activities were conducted.

SuMi TRUST Bank supports activities regarding not only the environment but also various themes including education, medical care, academia, and culture through social contribution donation trusts.

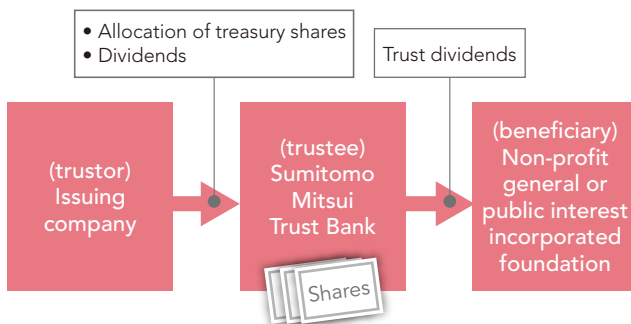
Mechanism of Social Contribution Donation Trusts



Social Contribution Scheme Using Treasury Shares

SuMi TRUST Bank offers trust schemes for companies to donate dividend income from their treasury holdings to public interest foundations etc., as a way to contribute to society.

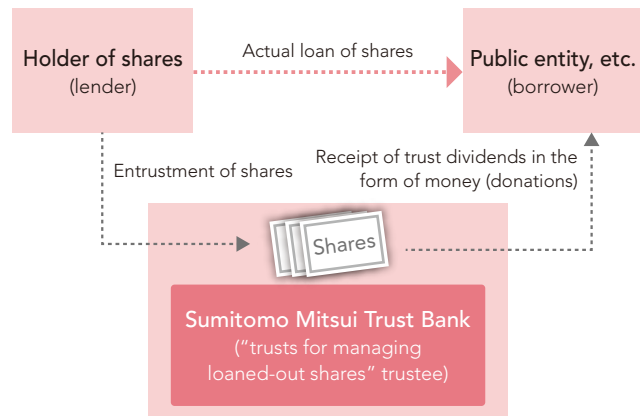
In fiscal year 2014, SuMi TRUST Bank implemented this scheme between Toyota Motor Corporation (trustor) and the Toyota Mobility Foundation (beneficiary). In this case, the dividend income is used to tackle many issues, such as eliminating the mobility disparity in emerging and developing nations, activities that promote the healthy development of the auto industry, and the funding of research into cutting-edge technology and systems in developed markets.



Trusts for Managing Loaned-Out Shares

SuMi TRUST Bank offers trusts for managing loaned-out shares so shareholders can donate dividend income tax free to public interest foundations etc. Using this trust, shareholders lend shares without compensation to NPOs etc. in a scheme that enables them to offer ongoing support to the designated stock borrower in the form of tax-free dividend income from the shares.

In fiscal year 2014, SuMi TRUST Bank commenced efforts to encourage interested parties to set up such trusts with the Center for iPS Cell Research and Application at Kyoto University as the designated stock borrower.



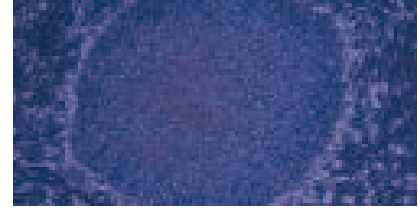
*The stock's name is "Japan Trustee Services Bank (trust account)."

TOPIC

Center for iPS Cell Research and Application at Kyoto University

The Center for iPS Cell Research and Application (CiRA) at Kyoto University is a world-leading core research institution specializing in iPS cell research. Led by Director Shinya Yamanaka, the 2012 Nobel Prize winner in Physiology or Medicine, the center aims to harness iPS cell technologies to develop more effective medical treatments for patients hoping for them.

Professor Yamanaka has often mentioned that the U.S. research center he belongs to receives many donations from individuals and corporations, and such donations provide a solid financial basis for research centers. We agree with this view and have designated CiRA as a support recipient of "social contribution donation trusts."



Human iPS cells

Designated Donation Trust

Based on a scheme established following amendments to Japan's taxation system in fiscal year 2011, SuMi TRUST Bank also offers a "designated donation trust." Investment gains in the trust are tax free and together with the trust

principal can be donated to a charitable organization. Donations can be made regularly over a 5-year or 10-year period to any organization, not just those listed by SuMi TRUST Bank.

Social Contribution as Business Activities

Guarantees against the Eight Major Diseases

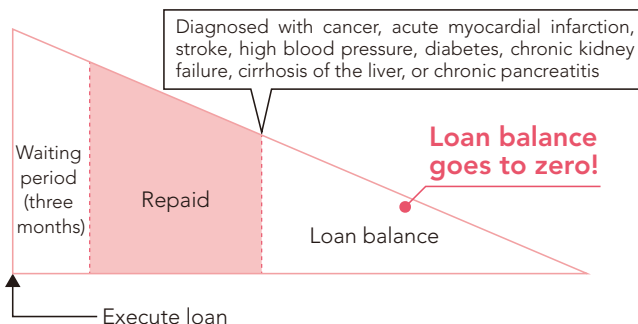
"The severe major diseases" (cancer, acute myocardial infarction, stroke) and "the five serious chronic diseases" (high blood pressure, diabetes, chronic kidney failure, cirrhosis of the liver, chronic pancreatitis) are what we call "the eight major diseases." The number of people affected by these ailments in Japan is growing as the population ages. For cases where clients with unpaid principal on their home mortgage are diagnosed with one of the eight major diseases, SuMi TRUST Bank offers a guarantee service for the remainder of their home mortgage.

This service offers three levels of coverage: full, light, or lump-sum payment upon cancer diagnosis. Clients with a mortgage loan and aged between 20 and 45 or between

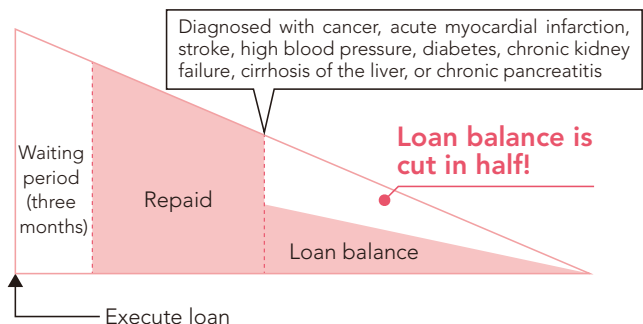
46 and 55 can select the breadth of coverage according to their needs.

Clients can also choose to reduce the entirety of their loan to zero (Full-benefit type) or by half (Half-benefit type) in the event they are diagnosed. In addition, clients aged between 20 and 45 that select full coverage will be guaranteed total hospitalization coverage, including a lump-sum payment, if they are hospitalized as a result of an illness or injury other than the eight major diseases, while clients aged between 46 and 55 that select lump-sum payment upon cancer diagnosis will be paid one million yen if they are diagnosed with cancer for the first time in their life.

Full-benefit type Eliminates the loan balance



Half-benefit type Reduces the loan balance to half



ESG Consulting in Stock Transfer Agency Services Business

Corporations are being forced to largely rethink how they approach capital markets as a result of drastic changes in the environment, including the spread of international opinion calling for sustainability, a rapidly growing ESG market, and the stimulation of healthy dialogue with investors owing to the introduction of Japan's Stewardship Code. In our Stock Transfer Agency Services Business, we draw on the expert knowledge of analysts and other professionals with a long history in asset management, as well as our know-how in sustainability and the production of

integrated and ESG reports to offer clients of issuing corporations various proposals concerning ESG matters.

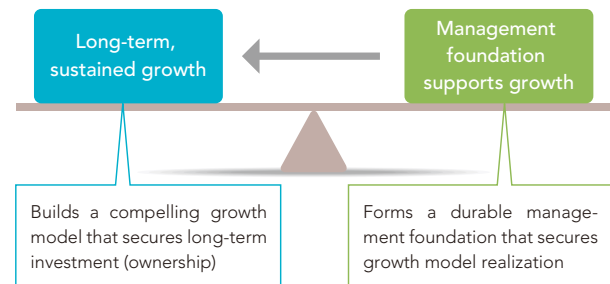
SuMi TRUST Bank supports the ESG activities of our clients by offering consulting services that assist their investor strategies, capital strategies, and public relations (IR/SR), as well as consulting services aimed at enhancing their governance initiatives. ESG is a concept that has gained traction mainly thanks to long-term investors. Accordingly, our advice chiefly focuses on what corporations need to do over the longer term in order to appeal to investors.

ESG-related Investor and Capital Strategies Consulting, Consulting on Governance Enhancement

(Support Construction of Management Foundation for Long-Term Growth)

- Point 1:** Management decision-making reflecting ESG investment perspectives which assess corporate management from a long-term perspective
- Point 2:** Confirmation of value creation processes and construction of materiality management frameworks
- Point 3:** Formulation of ESG information disclosure strategies: easy-to-understand integrated report, and comprehensive ESG report

Points that Appeal to Long-term Investors



Examples of ESG consulting

ESG Advisory Services

In light of the latest ESG market trends and investor viewpoints, we provide various customized proposals for individual ESG initiatives, including the advice on how to integrate management with ESG and how information disclosure should be carried out.

Integrated Report Review Services

In light of investor knowledge and insight as a publisher of reports, we review the integrated reports of our clients and contribute to their future improvement. We can also conduct reviews during the production stage.

Integrated Report Support Services

In light of investor knowledge and insight as a publisher of reports, we support the production of integrated reports, including the formulation of value-creation processes, the identification of materiality, and other necessary steps.

Research on ESG Trends of Major Shareholders

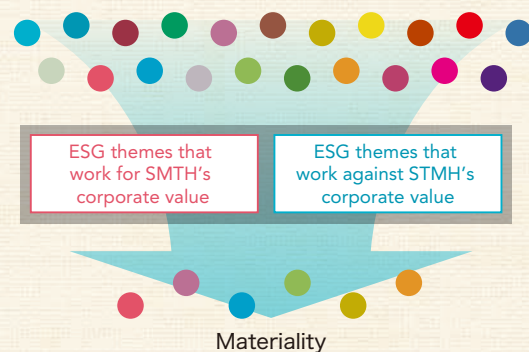
We conduct research on the ESG initiatives of major shareholders, analyze their impacts on issuing corporations, and support the construction of a platform for healthy dialogue.

ESG-IR Support Services for Overseas Investors

We provide one-stop support services, starting with investor targeting for ESG-IR activities right through to the arrangement of investor engagement sessions.

Reference Basic Thinking concerning Materiality

ESG themes (themes with high impact on stakeholders)



Initiatives to Facilitate Financing

Sumitomo Mitsui Trust Group (the "Group") considers the facilitation of financing to small and medium-sized enterprises (SMEs) and individuals seeking housing loans as one of its most important social missions.

SuMi TRUST Bank took steps to further enhance its financial intermediary function and established a basic policy on the facilitation of financing. This was to ensure prompt and appropriate responses to requests from SMEs and housing loan clients for various consultations, restructuring of loan repayment conditions, etc.

The bank facilitates financing operations through a system at branch offices to provide prompt and appropriate responses to clients' consultations about, or requests for, the restructuring of loan repayment conditions and other matters, and through a system at the head office to fully grasp the branch office support

activities. The bank also responds to clients' requests for consultation and complaints through a toll-free telephone number as well as at branch offices.

The Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. expired on March 31, 2013. Even so, the Group will continue providing appropriate and proactive financial intermediary services to facilitate the business activities of SMEs and to help housing loan clients enjoy a stable lifestyle. Also, when there are consultations about, or requests for, the restructuring of loan repayment conditions, etc. from clients who have been directly or indirectly affected by the Great East Japan Earthquake, the Group endeavors to respond in a flexible and appropriate manner, taking into account each client's circumstances.

Number of Loan Claims which Requested Restructuring of Loan Conditions, etc.

► In the case of SMEs

(Unit: case)

	End of December 2014	End of March 2015	End of June 2015	End of September 2015	End of March 2016	End of September 2016	End of March 2017	End of March 2018
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,173	4,265	4,314	4,366	4,447	4,511	4,568	4,667
Of which, number of loan claims regarding implementation () is the loan ratio	3,863 (92.6%)	3,956 (92.8%)	4,006 (92.9%)	4,055 (92.9%)	4,122 (92.7%)	4,181 (92.7%)	4,232 (92.6%)	4,320 (92.6%)
Of which, number of loan claims regarding refusal () is the refusal ratio	74 (1.8%)	78 (1.8%)	79 (1.8%)	81 (1.9%)	86 (1.9%)	89 (2.0%)	93 (2.0%)	95 (2.0%)
Of which, number of loan claims under examination () is the ratio of claims under examination	32 (0.8%)	17 (0.4%)	11 (0.3%)	10 (0.2%)	9 (0.2%)	5 (0.1%)	2 (0.0%)	3 (0.1%)
Of which, number of loan claims regarding withdrawal () is the ratio of claims withdrawn	204 (4.9%)	214 (5.0%)	218 (5.1%)	220 (5.0%)	230 (5.2%)	236 (5.2%)	241 (5.3%)	249 (5.3%)

*As of the end of March 2018, the figures include claims regarding trust accounts as follows.

Request: 1, Implementation: 0, Refusal: 0, Under examination: 0, Withdrawal: 0

Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.

► In the case of housing loan clients

(Unit: case)

	End of December 2014	End of March 2015	End of June 2015	End of September 2015	End of March 2016	End of September 2016	End of March 2017	End of March 2018
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,720	4,881	5,010	5,130	5,323	5,567	5,786	6,102
Of which, number of loan claims regarding implementation () is the loan ratio	3,878 (82.2%)	3,995 (81.8%)	4,087 (81.6%)	4,179 (81.5%)	4,319 (81.1%)	4,474 (80.4%)	4,598 (79.5%)	4,794 (78.6%)
Of which, number of loan claims regarding refusal () is the refusal ratio	76 (1.6%)	83 (1.7%)	92 (1.8%)	102 (2.0%)	120 (2.3%)	141 (2.5%)	171 (3.0%)	240 (3.9%)
Of which, number of loan claims under examination () is the ratio of claims under examination	69 (1.5%)	73 (1.5%)	69 (1.4%)	56 (1.1%)	50 (0.9%)	49 (0.9%)	67 (1.2%)	45 (0.7%)
Of which, number of loan claims regarding withdrawal () is the ratio of claims withdrawn	697 (14.8%)	730 (15.0%)	762 (15.2%)	793 (15.5%)	834 (15.7%)	903 (16.2%)	950 (16.4%)	1,023 (16.8%)

*As of the end of March 2018, the figures include claims regarding trust accounts as follows.

Request: 510, Implementation: 428, Refusal: 18, Under examination: 0, Withdrawal: 64

Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.










ESG-themed Initiatives in Our Asset Management Businesses

With the aim of strengthening its asset management business and seeking to become an asset manager in step with the times, Sumitomo Mitsui Trust Asset Management (SMTAM) integrated the investment management function of Sumitomo Mitsui Trust Bank into its organization on October 1, 2018. In doing so, it became Japan's largest asset manager with AUM of ¥60 trillion. As a responsible institutional investor, SMTAM will continue to pursue initiatives befitting of this position for its clients in the area of ESG investment.



Website:
<https://www.smth.jp/en/csr/report/index.html>

Topics of focus for ESG activities in 2019

Topics	Specific activities	Relevant SDGs
Climate change	<ul style="list-style-type: none"> Independent engagement with the major greenhouse gas-emitting industries (cement, paper & pulp, electricity, petroleum, etc.) Full-fledged initiatives for the global climate change initiative CA100+ (engagement with Japanese and other Asian companies) 	  
Water resources and marine pollution	<ul style="list-style-type: none"> Addressing ocean plastic pollution (engagement with chemicals, food, and retail industries, etc.) Requesting greater awareness of water resource risks and improved measures (engagement with beverages, food, and apparel industries, etc.) 	   
Backing governance reforms	<ul style="list-style-type: none"> Supporting higher levels of independence on company boards and the promotion of diversity, such as higher ratios of female directors Sustainable improvements in "earnings power" and appropriate capital allocation (balance between growth investments and surplus cash returns) 	 
Promoting ESG information disclosure	<ul style="list-style-type: none"> Encouraging companies to disclose information reflecting the attainment of SDGs (contributions to solving ESG issues and earnings contributions) Strengthening involvement in the TCFD information disclosure rules (collaboration with relevant government agencies) 	

ESG Guidelines of Sumitomo Mitsui Trust Asset Management

Environment

Companies are expected to be responsible for the impact of their products and activities on the environment in the following ways:

- 1) Comply with all environmental laws and regulations; and
- 2) Minimize impact on the environment.

Sumitomo Mitsui Trust Asset Management (SMTAM) expects companies to clearly articulate to shareholders their policies and guidelines for fulfilling the obligations that derive from their responsibilities for the impact on the environment. SMTAM expects companies to prevent or minimize environmental impact and strive to develop and disseminate technologies that encourage environmental preservation.

Society and Labor

Companies are expected to adhere to international labor rights and create safe and sound work environments in the following ways:

- 1) Adhere to all labor laws and regulations;
- 2) Ensure proper procedures are followed to maintain sound labor standards;
- 3) Prescribe health and safety management methods and make sure they are adopted into practice;
- 4) Provide employment opportunities to employees in ways that are fair;
- 5) Prepare plans and policies relating to self-development and training;
- 6) Recruit highly capable employees and encourage them

to follow the policies and direction the company sets; and

- 7) Adopt measures to ensure internationally recognized human rights are not violated, and establish guidelines on order placement and suppliers for countries where there is a high risk of human rights violations.

SMTAM does not tolerate human rights violations by companies. Companies are expected to observe international labor standards and provide safe and sound work environments for their employees. In particular, SMTAM thinks it is important for companies to prohibit discrimination in employment, prohibit child labor, eradicate forced labor, and ensure the collective bargaining rights of workers.

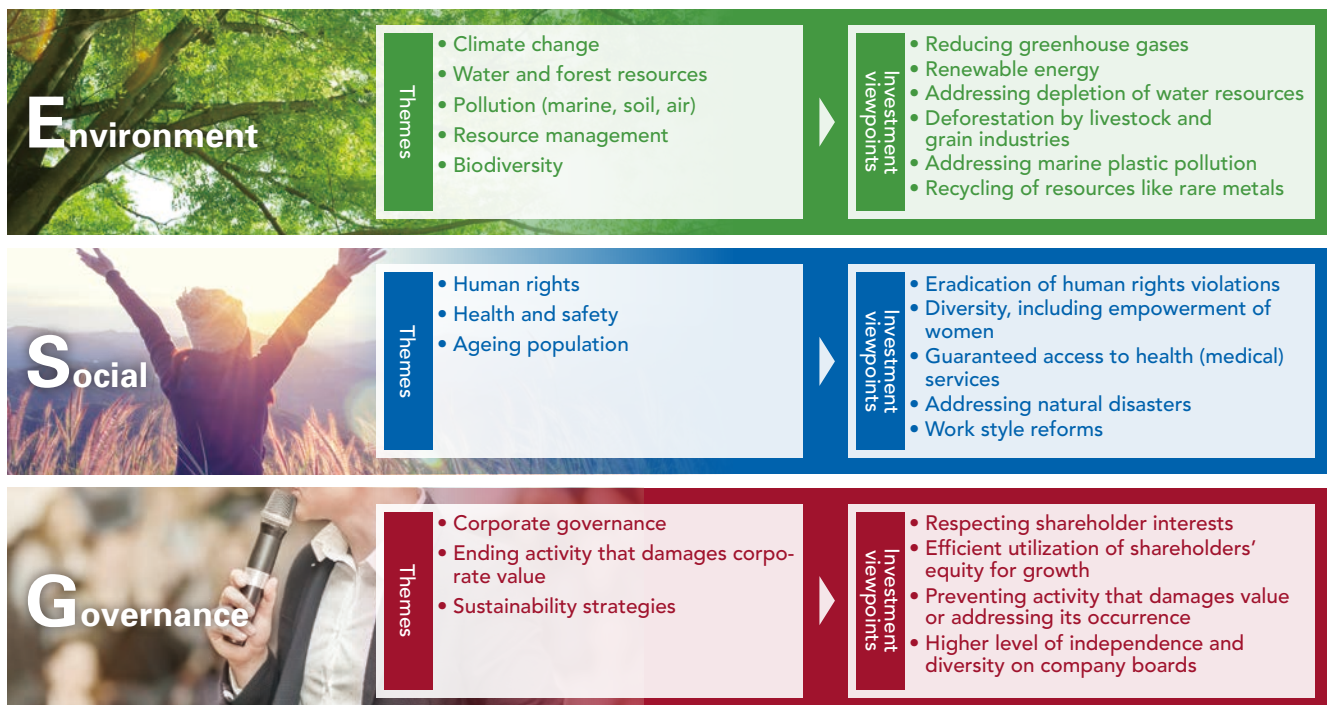
Governance

Companies are not only expected to fulfill their obligation to avoid corruption such as bribery and extortion but they are also expected to embrace their responsibility to establish policies and specific programs to address and prevent corruption in the following ways:

- 1) Endeavor to prevent all forms of corruption, including bribery and extortion; and
- 2) Uphold business ethics and observe internationally accepted norms of morals, and work to ensure their image and reputation are not harmed.

SMTAM expects companies to prevent corruption and adhere to business ethics, and with regards to corporate activities, it expects the Board of Directors to set the direction and monitor compliance with anti-corruption efforts.

Themes and investment viewpoints for E (environmental), S (social), and G (governance)



MBIS®—SMTAM’s non-financial information evaluation tool

MBIS® tool is a proprietary framework SMTAM uses to evaluate non-financial information (the strengths of companies and the challenges they face in achieving sustainable growth).

The use of a comprehensive check list reduces discrepancies between the assessments of each analyst, thus ensuring uniformity. And in order to prevent the company’s strengths from being obscured, it employs a

scoring method that emphasizes on the perspective of “in which items the company excels over its peers.”

Moreover, the concept of the SDGs has been incorporated into MBIS® with the understanding SDGs will facilitate sustainable growth and future business opportunities for companies. SMTAM engages with companies with the 17 goals of SDGs in mind.

M	Management	<p>Check list (20 items)</p> <ul style="list-style-type: none"> • Strategy execution capabilities • Improvement and innovation capabilities 	<ul style="list-style-type: none"> • ESG initiatives • Capital and investment efficiency
B	Business Franchise	<p>Check list (14 items)</p> <ul style="list-style-type: none"> • Client value • Client base 	<ul style="list-style-type: none"> • Barriers to entry
I	Industry	<p>Check list (7 items)</p> <ul style="list-style-type: none"> • Market assumptions • Competitive environment 	<ul style="list-style-type: none"> • Regulations and policies
S	Strategy	<p>Check list (10 items)</p> <ul style="list-style-type: none"> • Marketing • Business portfolio 	<ul style="list-style-type: none"> • Earnings contributions from ESG • Investments, M&A, etc.

Evaluation centering on ISO26000 also ensures alignment with the SDGs



ESG Investment Initiatives

1. Lineup of Equity ESG Investment Products

Japan equity responsible investment management strategy

First launched in 2003, our Japanese equity responsible investment management strategy is one of the oldest responsible investment strategies in Japan. With a focus on ESG in selecting investment stocks, the strategy takes into

account the degree of contribution from ESG to improving financial returns. It is characterized by the use of SMTAM fund management team's knowledge and fundamental research performed by the Japan Research Institute (JRI).

1. JRI selects best-in-class universe of stocks

JRI, one of the most influential think tanks in Japan, selects best-in-class companies as candidates for the investment universe by surveying 2,000 companies. The evaluation consists of E (environmental), S (social), and G (governance) themes and in fiscal year 2013, V (value, or valuation of growth prospects) was also added. The V evaluation is to evaluate the links between ESG initiatives and company's earnings.

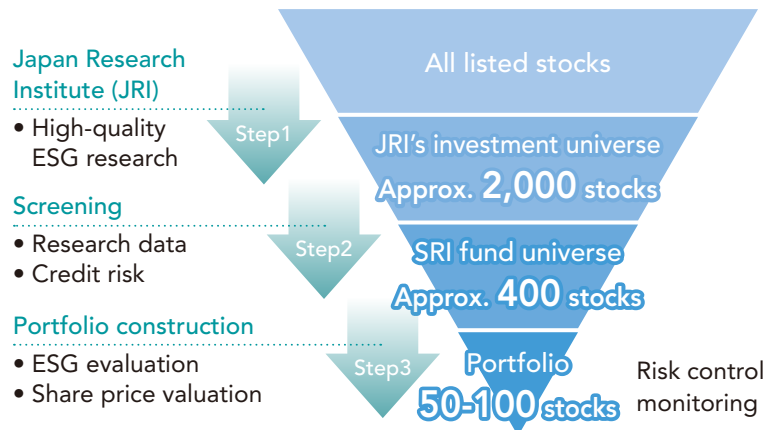
2. SMTAM decides on SRI fund universe

SMTAM excludes companies with high credit risk from the list of universe candidates selected by JRI. A monthly committee, chaired by the Head of the Equity Business Unit, decides on the SRI fund universe.

3. SMTAM's fund managers select stocks

SMTAM's fund managers evaluate the stocks in the SRI fund universe based on 1) valuation of growth prospects owing to ESG initiatives, and 2) share price valuation and earnings momentum derived from the earnings forecasts of our Japanese stock analysts, and seek excess returns versus the benchmark TOPIX.

Investment management process



Source: Sumitomo Mitsui Trust Asset Management (as of Oct 2018)

Investment trust funds that leverage the Japanese equity responsible investment management strategy



Product name

SRI Japan Open



Product name

Japanese Equity SRI Fund

Other SRI-related investment trust funds



Product name

Biodiversity Companies Support Fund



Product name

China Good Company

Quality growth Japanese equity investment management strategy (research, ROE improvement)

In 2015 SMTAM launched its quality growth Japanese equity investment management strategy, which focuses on company "earnings power" and concentrates investments in stocks expected to achieve sustained improvement in ROE based on MBIS® company analysis of non-financial information.

Focus on sustained ROE improvement

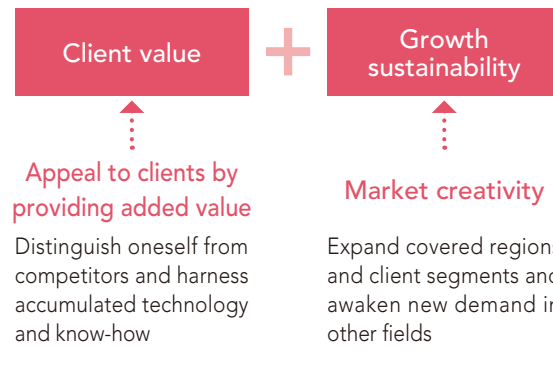
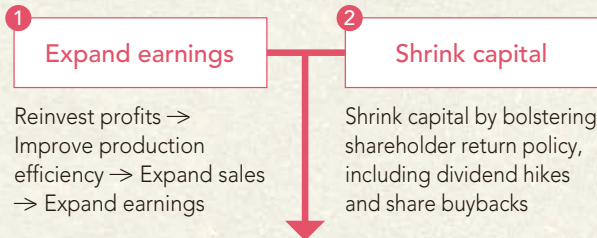
Under our quality growth Japanese equity investment management strategy, investments are concentrated in stocks expected to achieve sustained ROE improvement based on company analysis using non-financial information.

Focus on ROE improvement driven by earnings growth

Two key factors for companies to achieve sustained ROE improvement via earnings growth

$$\text{ROE improvement} = \frac{\text{Earnings growth } ①}{\text{Shrinking capital } ②}$$

Ways to improve ROE



ROE improvements from shrinking capital are short-lived, therefore earnings growth (improvement in "earnings power") is focused

Identify improvements in and the sustainability of company earnings by leveraging non-financial information such as management and business platforms

1. Focus on "earnings power"

With a focus on business margins (net sales margin), a component of ROE, stocks are selected based on the evaluation factors of client value and sustainability.

2. Use of proprietary evaluation tool

SMTAM utilizes MBIS®, its proprietary evaluation tool, to assess non-financial information and "earnings power" of companies.

3. Hand-picked stock selection

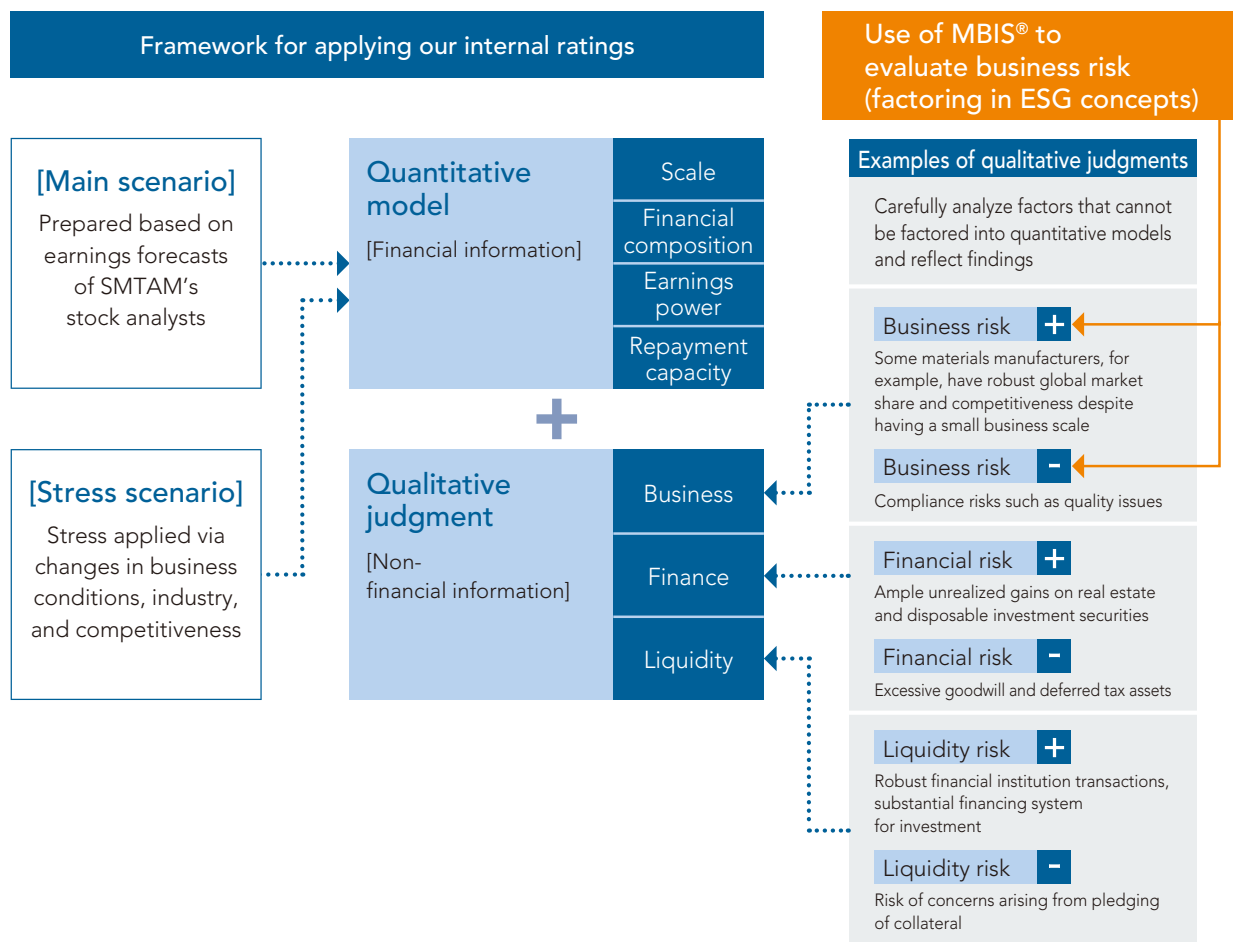
SMTAM's fund managers ultimately select 20-50 stocks for investment following quantitative and qualitative screening of the stocks in its analyst coverage.

2. ESG Integration into Fixed Income Investment

SMTAM incorporates ESG factors into its investment processes for fixed income fund management. The consideration of ESG factors in the investment process is thought to lead to the pursuit of upside potential over the medium to long term and limit downside risk.

For example, SMTAM takes ESG factors into consideration from a qualitative perspective in order to assess the creditworthiness of corporate bonds. It enhances its creditworthiness assessments by adding a qualitative judgment component incorporating ESG factors to the underlying

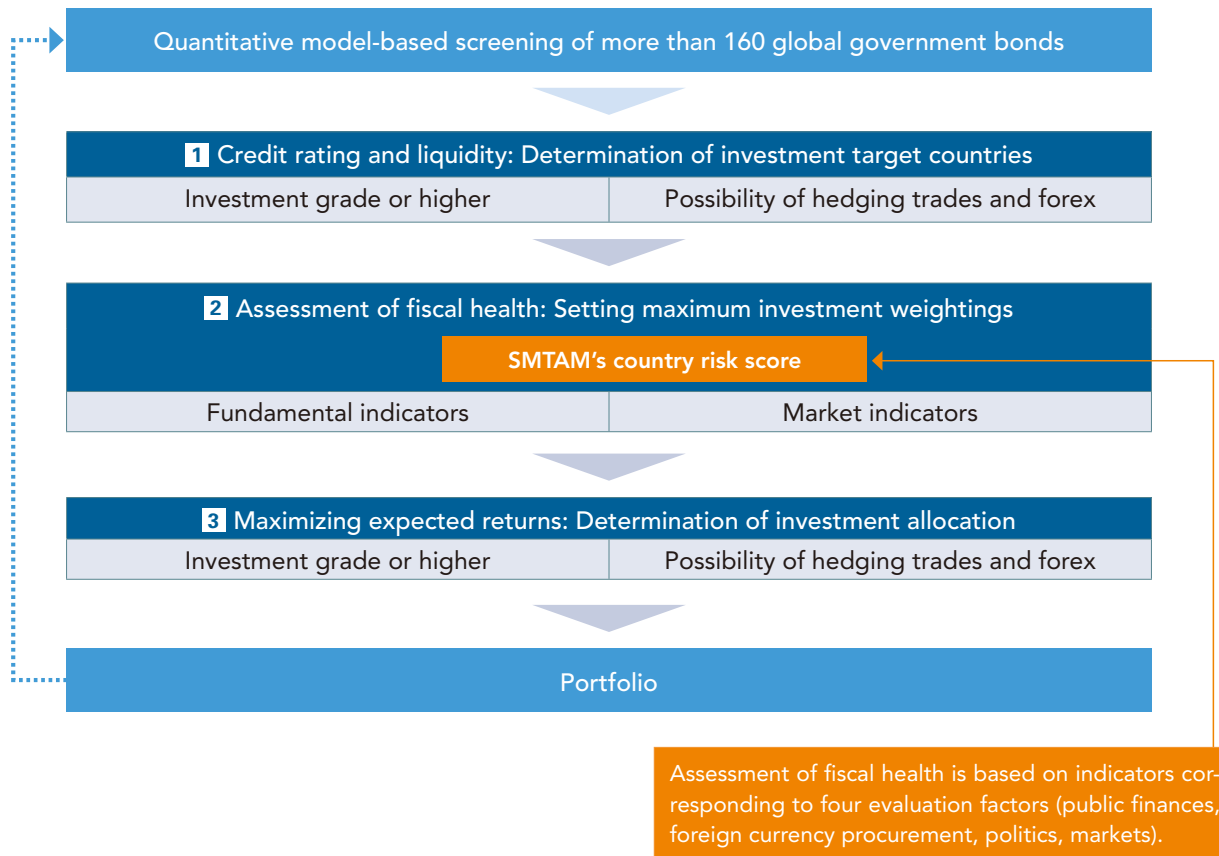
quantitative model that focuses on scale, financial composition, earnings power, and repayment capacity. SMTAM believes that factoring ESG issues into asset management encourages the sustainable growth of companies and is conducive to maximizing investment returns for clients. Although the product attributes of stocks and bonds may differ, SMTAM applies a common policy to both. The credit (bond) and stock analysts separately research the ESG issues of investee companies but closely share their research and engagement results with each other at the same time.



ESG integration in government bond investment

In addition to corporate bonds, SMTAM also integrates governance-focused evaluations into government bond investments. It believes governance can significantly impact the creditworthiness of government bonds and a close focus on governance is key. In one of its funds SMTAM factors in sovereign risk consideration type and high income switching strategy to generate high income returns from sovereign bonds. While SMTAM manages this fund by taking into account sovereign risk, it also

incorporates a system for scoring the “governance” of national governments as part of qualitative assessment of the risk. Specifically, a governance score is calculated based on seven indicators and combined with three other evaluation factors to derive an overall assessment. These fund management initiatives lead to the pursuit of upside potential over the medium term for client returns and limit downside risk.



3. Expanding integration of ESG information into fixed income investment

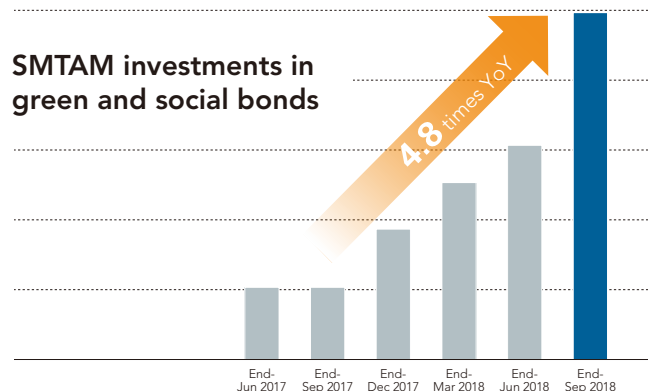
While steady progress is being made to integrate ESG information into the area of fixed income investment, the hitherto focus has been on corporate governance because of the likelihood of it directly affecting creditworthiness. SMTAM thinks an emphasis on the creditworthiness, or repayment capacity, of issuers is the primary factor behind this trend.

That said, signs are emerging that environmental and social problems are driving changes in the attitude of creditors, including corporate bond investors. For example, there is a growing trend mainly among financial institutions in Europe and the US to neutralize investments in and loans to coal-fired power plants seen as problematic in terms of greenhouse gas emissions.

In 2018 a similar trend also arose among the major Japanese financial institutions. This movement is one example of stewardship activities, which can be implemented because they are "creditors" and not "shareholders." Considering that at Japan's foremost rating agencies too there are moves to clarify the links between being a signatory to the PRI, credit ratings, and ESG information, SMTAM thinks the trend of incorporating ESG information into fixed income investment will gain momentum up ahead.

SMTAM continually pursues upside potential on medium-term returns for clients and aim to curb downside risk by furthering its engagements with bond issuers, ramping up ESG integration, and even investing in green bonds and the like.

SMTAM investments in green and social bonds



Engagement Activities

1. Exclusive engagement activities

By March 2018 SMTAM had reached its goal of expanding engagements to cover 90% of the TSE1 market capitalization.

SMTAM targeted 90% in order to improve the quality of its engagements by sharing the process of resolving company issues and accumulating know-how through dialogue with even more companies.

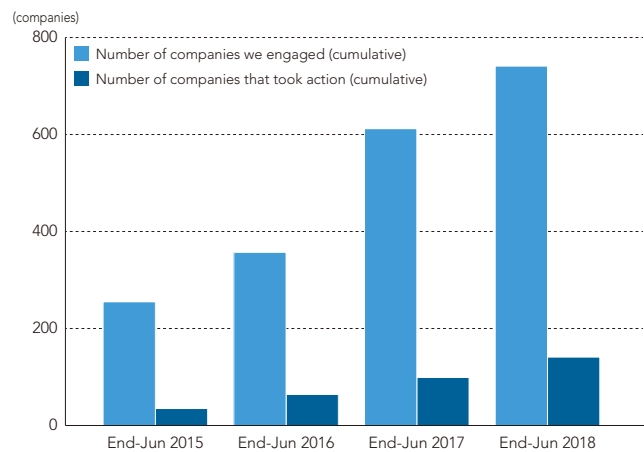
Now that SMTAM has achieved this goal of volume growth, it will maintain a certain level of quantitative expansion up ahead and endeavor to improve the quality of its engagements.

The result of ramping up the engagement efforts has also contributed to a steady increase in concrete actions by companies. Going forward, SMTAM aims to maximize the investment returns of clients over the medium- to long-term by working to secure excess returns while boosting the overall market. To this end, SMTAM will continue to closely examine issues around sustainable growth at investee companies and engage in activities that contribute to enhancing medium- to long-term corporate value and ROE.

If a company targets ROE improvement, then the best processes for this are the rethinking of capital allocation and restructuring of business portfolios, which is why SMTAM conducts engagements that support the

realization of these measures. In terms of ESG factors, this kind of engagement corresponds to the “governance” aspect, but the topics of addressing climate change (“environmental”) and redressing labor practices (“social”), both of which could undermine ROE, also need to be broached. SMTAM will continue to engage with companies on solving ESG issues for the purpose of enhancing corporate value and ROE.

Engagements and corporate action



CASE1 Governance

Board independence and diversity

Dialogue overview

At the June 2017 general shareholders meeting of Company A, a manufacturer of transportation equipment, SMTAM voted against the appointment of directors because the company only had one external director. SMTAM expressed its view that placing at least two independent external directors is preferable if the management supervision function of the Board of Directors is to be enhanced, and that from a diversity standpoint too, there was still room for improvement. SMTAM confirmed that the company was considering an increase in the number of independent external directors, an issue that had been left unaddressed since December 2015.

Company reaction

While we have confirmed the intention of institutional investors for an increase in external directors, we are not considering any formal increase. However, at this juncture, we have been unable to appoint a qualified person which means there has been no increase in directors. That said, we take special note of the fact that approval of our chairman and president in the director appointment proposals dropped to less than 70% at the June 2017 general shareholders meeting. We will therefore consider increasing the number of independent directors without waiting for the two-year term of appointment for directors to end.

Corporate action

The company announced in April 2018 it would add two more external directors (one of whom is female) and reduce the number of internal directors by the same. The company's Board of Directors now comprises six internal directors and three external, helping to improve its governance structure.

CASE2 Social issues

Dialogue with a cluster bomb manufacturer

Dialogue overview

South Korea-based Hanwha is one of only a handful of companies that is a benchmark index constituent stock and involved in the manufacturing of cluster bombs. Since June 2016 SMTAM has continued to engage with Hanwha, expressing its concerns about their operations.

In September 2018, SMTAM urged the company to review their business operations including the strengthening of land-mine removal business in light of easing tension on the Korean peninsula.

Company reaction

Previously:

While we understand the views of our investors, going so far as to contravene state policy and withdraw from this business would be difficult.

September 2018:

We recognize the concerns of our investors and the withdrawal from this business is being considered.

SMTAM's policy

There are signs that the company's stance is changing, albeit slowly. SMTAM will continue to engage with the company and urge their withdrawal from the business of manufacturing cluster bombs.

2. Joint engagements

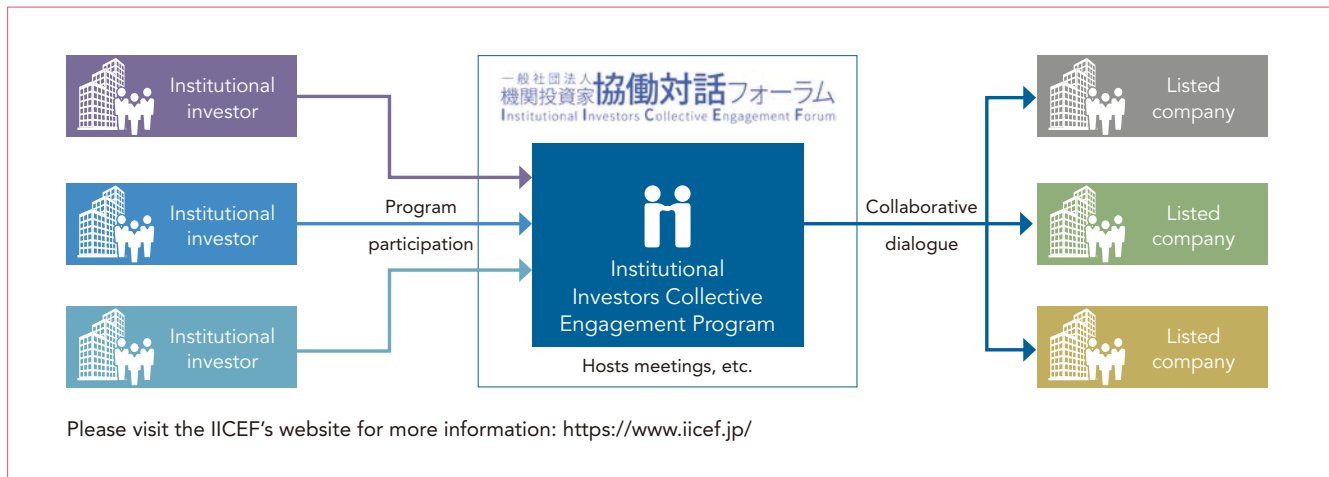
The Institutional Investors Collective Engagement Forum (IICEF) was established in October 2017 for the purpose of helping multiple institutional investors carry out constructive joint engagements with companies in light of the revisions to guidance 4-4 in Japan's Stewardship Code in May 2017. SMTAM has participated since the forum's initial establishment.

The IICEF presides over the Institutional Investors Collective Engagement Program through which the participating institutional investors conduct joint engagement by discussing the issues of investee companies, deciding on a shared agenda that contributes to constructive dialogue,

IICEF

SMTAM started joint engagements through the IICEF.

and sending letters to investee companies for each agenda item. SMTAM intends to actively participate in the program up ahead as a way of supplementing its exclusive engagements.



Unveiled by the United Nations in 2006, **the Principles for Responsible Investment (PRI)** are a set of investment principles signed by participating institutional investors that aim to address basic issues in investment portfolios. Six principles set out what is required of investors that play a significant role in the global economy when assuming responsibility for environmental, social, and governance issues through their investments. SMTAM and Nikko Asset Management became signatories in 2006 and SMTAM served as vice-chair of the PRI Japan Network meeting held in October 2017. Also, in March 2018 SMTAM led engagement with a Singapore-based palm oil producer (see page 61).

PRI

SMTAM has continued to focus on PRI-based activities to build a track record, including as lead manager.

At the One Planet Summit in December 2017, 225 of the world's institutional investors took part in the newly launched **Climate Action 100+** initiative, led by the PRI and institutional investor organizations from four global regions. SMTAM is a signatory to this initiative and utilizes its framework to actively pursue global ESG engagements related to climate change. A launch event was held in Tokyo in April 2018 at which Hiroyuki Horii, the General Manager of our Stewardship Development Department, gave a speech, and in June 2018 SMTAM led the first round of engagement with a government-run petroleum company in Thailand.

CA100+

As a signatory to the Climate Action 100+, SMTAM participated in the launch event and conducted engagements.

CASE1 Climate change**Responding to the Paris Agreement****Dialogue overview**

US based Occidental Petroleum Corporation is chemical manufacturer which has upstream E&P businesses. In May 2018 SMTAM confirmed management's views after informing the company that SMTAM voted in favor of the shareholder proposal that the company discloses how it addresses the aim of the Paris Agreement to keep global warming to below 2°C above pre-industrial levels, as well as information about reducing methane gas emissions and combustion generated by its production activities.

**Company reaction**

For tackling global warming, management holds regular meetings with external experts. We are currently formulating our policy on climate change and plan to disclose it by the end of the year. As for methane gas, we are investing in facilities to ensure there are no major emissions when we drill for natural gas, and there are no concerns at our existing project sites. At new mining sites a certain amount of gas needs to be released but we have standards in place to control these emissions.

**SMTAM's policy**

Even though SMTAM confirmed the company's stance on both of these issues, it expressed the view that the fact the company's information disclosure is insufficient is why a shareholder proposal was submitted and adopted with 65.7% of shareholders voting in favor. SMTAM also expressed its opinion that enhancing information disclosure up ahead will be important.

CASE2 Climate change**Complying with palm oil production regulations****Dialogue overview**

Singapore-based Wilmar is a palm oil producer. In March 2018 SMTAM confirmed management's views after participating in a joint engagement through a PRI working group and expressing its opinions that there is a risk that exports will grind to a halt due to tighter restrictions in Europe, and that the company should be more proactive in disclosing information by involving another company in the industry in order to continue production.

**Company reaction**

With the goal of improving the working environment at our production sites, we will participate in activities hosted by the Malaysian Palm Oil Certification Council and the Decent Rural Living Initiative (convened by the NGO Forum for the Future). With respect to the latter, other leading companies in the industry are also taking part. In particular, we recognize the pivotal issues of child labor and the withholding of migrant worker passports and plan to engage in activities aimed at solving these issues in consultation with the PRI Secretariat.

**SMTAM's policy**

SMTAM confirmed the company's measures for improving working environments and by extension, business continuity. SMTAM will continue to engage with the company in order to confirm the effectiveness of those measures.

CASE3 Information disclosure**Identification and disclosure of materiality related to business model sustainability (engagement activities through IICEF)****Dialogue overview**

Some Japanese companies actively tackle CSR and ESG issues and employ integrated approaches to disclosing non-financial information regarding ESG in an advanced manner. SMTAM conducted engagement activities by sending letters to those that have the potential to further deepen the belief of long-term investors in the sustainable growth of their business by enhancing the process for identifying and disclosing materiality related to business model sustainability.

**SMTAM's policy**

SMTAM is conducting thought-provoking engagement with regards to how information is disclosed in integrated reports and other materials. SMTAM plans on leveraging joint engagements while bearing in mind how they relate to its exclusive engagements, as well as considering tailored approaches for each agenda or for each investee company.

3. Global ESG Engagements

SMTAM conducts various engagement activities on a global scale to address ESG issues.

While its highly experienced research analysts and specialists in the Stewardship Development Department conduct exclusive bottom-up engagements with companies, it also makes effective use of top-down joint engagements through PRI signatory bodies, ISS-Ethix, and the Institutional Investors Collective Engagement Forum (IICEF) to encourage investee companies to address key ESG issues.

The topics of engagement revolve around (1) activities based on the PRI, (2) activities to address misconduct in accordance with international norms, and (3) activities that call for efficiency in corporate management and the establishment of outstanding corporate governance. The table below shows the engagement topics and activities. SMTAM actively participates in these activities, working

to effectively and efficiently limit the risk that companies face through their exposure to ESG issues by accepting, for example, the role of lead manager for working groups when conducting engagements in fields in which SMTAM has a certain level of expertise.

The topics of engagement are closely related to the globally recognized agenda of Sustainable Development Goals (SDGs).

SMTAM predominantly focuses on the topics which seem to have serious impacts on corporate activities. Climate change and water resources are the key environmental topics SMTAM is concerned with—for the former it is working on urging companies to disclose their impacts on climate change under the framework of the TCFD. As for the promotion of governance reforms, initiatives related to diversity are the main focus for the time being.

Activities based on the PRI

Engagement topic	Specific activities	Relevant SDGs
Palm oil	With the aim of improving environmental and human rights issues concerning palm oil production, SMTAM encourages information disclosure and periodically carries out progress monitoring. SMTAM acts as lead manager of the working group.	
Forest resources conservation	SMTAM calls for companies in the forestry, natural rubber, livestock, and grain industries to disclose and improve their impacts on rainforests. SMTAM is a member of a leading advisory committee.	
Climate Action 100+	SMTAM calls for the 100 biggest greenhouse gas-emitting global companies to adopt measures to combat climate change. SMTAM utilizes its experience and know-how as a lead manager for the PRI to engage with Japanese and foreign corporations.	
Water resources risks	SMTAM encourages global consumer goods companies (beverages, food, apparel, etc.) to address the risks associated with water resources (establishment of water stewardship). SMTAM acts as lead manager.	
Initiatives concerning fisheries and farming (FAIRR)	SMTAM calls for major food companies and retailers to address environmental, social, and health issues in food supply chains.	

Activities to address misconduct in accordance with international norms

Engagement topic	Specific activities	Relevant SDGs
Engagement activities utilizing ISS-Ethix	SMTAM urges companies contradicting international norms on human rights, labor or corruption to improve their practices.	

Activities that call for efficiency in corporate management and the establishment of outstanding corporate governance

Engagement topic	Specific activities	Relevant SDGs
Diversity 30% Club (UK) Thirty Percent Coalition (US)	SMTAM supports the social advancement of women through initiatives that aim to lift the ratio of female directors on company boards to 30% and in a broader sense, the promotion of diversity from a human resources standpoint.	
Access to medicine	SMTAM calls for the major global pharmaceutical companies to improve access to medicine in developing nations. It encourages business expansion in these areas to raise awareness of medical services.	

Policy on Addressing the PRI

Active involvement in the PRI

Established with the support of the United Nations, the Principles for Responsible Investment (PRI) encourage institutional investors to incorporate environmental, social, and governance (ESG) factors into their investment decision-making processes. The 100 signatory institutions to the PRI at the time of its launch in April 2006 represented total assets under management (AUM) of US\$6.5 trillion, but as of April 2018 the number of signatories had increased to 1,918 representing total AUM of around US\$82 trillion—a strong indication of the growing importance of responsible investment.

Since becoming a signatory to the PRI in May 2006, SMTAM has drafted policies in accordance with the six principles and implemented initiatives in light of the latest developments. The PRI evaluates each signatory with respect to their commitment to and progress on implementing the six principles based on their reports. A score of A+ is the highest, while E is the lowest. As shown in the table to the right, SMTAM has collected favorable scores on the whole and received a comprehensive assessment score of A+ for the fourth year in a row.

SMTAM will continue with its active involvement in the PRI going forward and make every effort to maintain and improve its ratings.

PRI assessment of SMTAM

		2018
Approach to responsible investment (comprehensive assessment)		A+
Integration status of listed equity into responsible investment		A+
Active ownership in listed equity		A
Active ownership in listed equity	Engagement	A+
	Exercise of voting rights	A
Responsible investment in fixed income		A
Responsible investment in fixed income	Government bonds, etc.	A
	Corporate bonds, etc.	A

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes. SMTAM analyzes and evaluates non-financial information such as management thoroughness, strategy execution capabilities, and capacity for reform with the aim of identifying improvements in or maintenance of sustainable corporate value at investee companies. Furthermore, SMTAM seeks to implement initiatives (ESG integration) that utilize the knowledge gained from the analyses and evaluations in its investment management operations.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices. SMTAM conducts engagements and exercises voting rights with ESG issues in mind; through these activities, it encourages investee companies to implement appropriate initiatives to tackle ESG challenges.
Principle 3	We will seek appropriate disclosures on ESG issues by the entities in which we invest. SMTAM seeks appropriate disclosure of ESG issues from investee companies.
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry. SMTAM actively promotes engagement and awareness-raising activities with investee companies so these Principles gain acceptance and are implemented in the asset management industry.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles. SMTAM collaborates with investment institutions in Japan and overseas through participation in PRI-sponsored working groups and involvement in signatory bodies established with the aim of resolving ESG issues in order to improve effectiveness in implementing the Principles.
Principle 6	We will report on our activities and progress towards implementing the Principles. SMTAM implements these Principles and produces and issues reports that meet the requirements for signatories to disclose their activities and progress towards implementing them.

ESG-themed Initiatives in Our Real Estate Businesses

Given the significant impact of real estate property on the three aspects of the environment, society, and the economy, integrated initiatives for achieving the SDGs are thought to be highly beneficial for improving the sustainability of the three aspects.

The Group aims to promote and increase properties that give consideration to the environment, such as cities and buildings with high energy and resource efficiency and buildings that contribute to improving production efficiency. We will advance initiatives that contribute to increasing property values through features such as high environmental performance that reduce risk and enhance income.



Challenges for Achieving the Goals

- Making the environmental performance of properties visible
- Making the added value of environmentally friendly properties visible
- Increasing awareness in the real estate market about the added value of environmentally friendly properties
- Expanding corporate initiatives toward creating added value

Initiatives for Solving the Challenges

- Support acquisition of environmental performance certifications, such as CASBEE for Real Estate and CASBEE for Urban Development.
- Support the realization of environmentally friendly construction through construction consulting and assistance to help subsidy applicants qualify.
- Promote and raise awareness of environmentally friendly properties through committees and lectures.
- Create businesses that contribute to promoting environmentally friendly properties, including green finance and environmentally friendly property funds.

KPIs for Solving the Challenges

- Support acquisition of environmental performance certifications
At least 20 certifications a year (Aggregate total so far: 91 certifications)
- Support environmentally friendly construction
At least 2 cases a year (Aggregate total so far: 12 cases)
- Promotion and awareness-raising of environmentally friendly properties (Articles, lectures, etc.)
At least 10 activities a year (Aggregate total so far: Over 150 activities)

Environment
(Energy, water, resources, biodiversity, etc.)

Society
(Indoor environment, health/
comfort, safety/security, etc.)

Economy
(Property value, corporate value, etc.)



Fundamentals Driving the Shift to Environmentally Friendly Property

The Paris Agreement was adopted in December 2015 at the 21st Conference of Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), and came into effect in November 2016. The goals of the agreement include holding the increase in the global average temperature to below 2°C above pre-industrial levels.

On the domestic policy front, new non-residential buildings with floor space of 2,000m² or more need to comply with energy saving standards under the Building Energy Efficiency Act (publicly issued in 2015) since the law came into force in 2017. Meanwhile, there has been progress in improving and broadening programs that offer government subsidies for projects with high environmental performance such as the “leading projects” program for sustainable buildings.

Global investment and financial sectors recognize that addressing global environmental problems is essential. More than 1,900 institutions in the United States and Europe have become signatories to the Principles for Responsible Investment (PRI), a United Nations-led global platform for investment that factors in environmental, social, and governance (ESG) issues, since its launch in 2006. Under the United Nations Environment Programme Finance Initiative (UNEP FI), more than 200 financial institutions based in

Japan and overseas, including banks, insurers, and brokerages, are working together to integrate ESG risks into financial system functions. In 2015, Japan’s Government Pension Investment Fund (GPIF) became a PRI signatory, a notable step for PRI’s acceptance. The SuMi TRUST Group has been a signatory to PRI and UNEP FI since their launch.

Used for investment decision-making, Global Real Estate Sustainability Benchmark (GRESB) was created in 2009, mainly for a group of large pension funds in Europe, to measure sustainability performance in the real estate sector. In 2018, 61 companies in Japan participated in the GRESB assessment. Of those, 38 were real estate investment trusts (REITs) that together comprise about 89% of Japan’s total REIT market capitalization.

In 2015, more than 200 institutions in Japan’s asset management and finance sectors announced their adoption of Japan’s Stewardship Code, which spells out principles for responsible investors. The Corporate Governance Code, which includes principles to encourage listed companies to respond to sustainability concerns, also took effect as an attachment to the Tokyo Stock Exchange’s securities listing requirement.

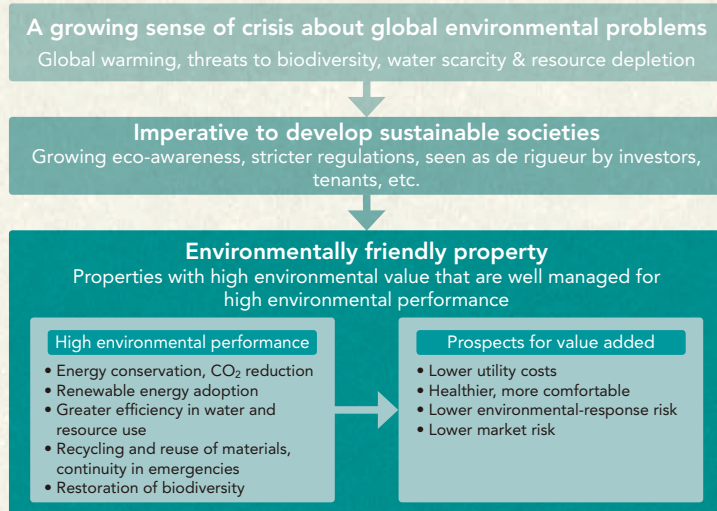
For real estate, there is a growing emphasis on environmental considerations.

What is Environmentally Friendly Property?

Amid a growing sense of crisis about global environmental problems, environmental consideration has become necessary in real estate to realize a sustainable society.

Environmentally friendly property takes the environment into account and is well managed for high environmental performance.

The Group believes environmentally friendly properties can generate more value added than conventional properties through features such as high environmental performance that reduce risk and enhance income.



Business Lineup for Environmentally Friendly Property

1. Consulting to Support Applications for "CASBEE for Real Estate" Certification

Initiatives related to CASBEE for Real Estate

CASBEE for Real Estate is a system developed in 2012 for the purpose of promoting widespread use of environmental building performance evaluations in the real estate market. While maintaining consistency with CASBEE® certifications for buildings (new construction and existing buildings), CASBEE for Real Estate sharply narrows down evaluation items and takes into account consistency with environmental performance items that are focused on overseas.

CASBEE for Real Estate can be also used for GRESB assessment (see page 65), so use of this track is spreading,

especially among REITs and real estate companies that are sensitive to sustainability concerns.

It consists of evaluation items that help show initiatives related to the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) issues.

SuMi TRUST Bank is a participant in developing CASBEE for Real Estate as an organizer of the subcommittee for CASBEE property appraisal, which is sponsored by the Institute for Building Environment and Energy Conservation.

Table Evaluation items in CASBEE for Real Estate (In the case of office buildings)

Energy/ Greenhouse gases	Target setting and monitoring/energy saving standards/O&M*3 system, usage and emissions intensity (calculated values), usage and emissions intensity (actual values) , natural energy forms
Water	Target setting and monitoring/O&M system, water usage volume (calculated values), water usage volume (results)
Use of resources/ Safety	Conforms to new earthquake resistance standards, high earthquake resistance/seismic isolation and vibration damping, etc., usage of recycled materials , service life of structure materials, necessary renewal interval for main equipment functions, higher self-sufficiency ratio (electricity, etc.), operation and maintenance
Biodiversity/ Sustainable site	No use of invasive alien species, enhancement of biodiversity , soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks
Indoor environment	Attainment of building sanitation and environmental management standards , use of daylight, natural ventilation function, view

*1 Underlined items are prerequisites (they must be met to pass an evaluation).

*2 Items in red are related to universal metrics the United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP SBCI) is studying.

*3 O&M: operation and maintenance

Consulting to Support Applications for CASBEE for Real Estate Certification

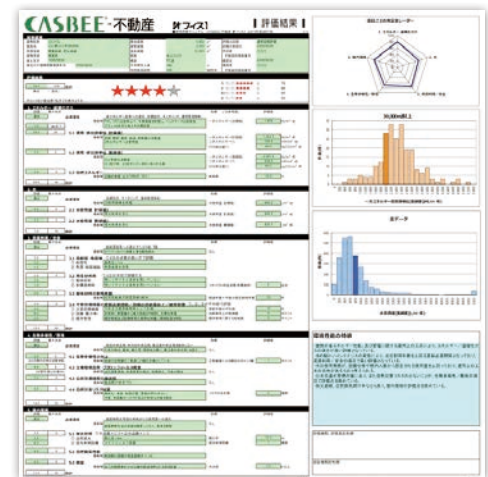
SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification.

CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

Problem Discovery and Proposals for Improvement via CASBEE for Real Estate

SuMi TRUST Bank offers proposals on initiatives that work in concert with CASBEE for Real Estate evaluations to identify problems and suggest improvements aimed at bolstering environmental performance.

We will continue to provide services that use the CASBEE system in our business promoting environmentally friendly property.

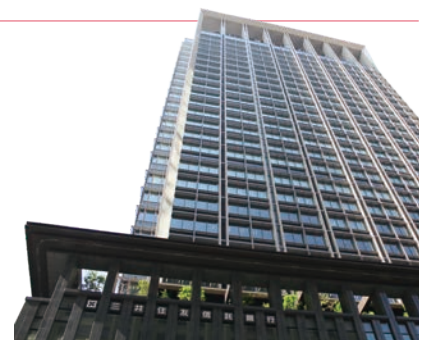


A CASBEE evaluation sheet

TOPIC

Head Office Building of SuMi TRUST Bank Received CASBEE for Real Estate "S" Rank Certification

CASBEE for Real Estate had widen its applicable scope to include commercial properties and logistics facilities from its original focus on office buildings so as to broaden the range of properties eligible for this certification, and since December 2016 this certification has become applicable to sectional owned properties. As the first property evaluated under the broader scope, the head office building of SuMi TRUST Bank (the three floors below ground, and the 13 floors above ground) received a CASBEE for Real Estate "S" rank certification.



Examples: Consulting to Support Applications for CASBEE for Real Estate Certification

Owners	Property	Rank	Certification date
Isetan Mitsukoshi Holdings	1 Isetan Shinjuku Main Store	S	2016/3/4
	2 Mitsukoshi Nihonbashi Main Store	S	2016/3/4
Tosei Corporation	3 Toranomom Tosei Bldg.	A	2015/9/26
Japan Retail Fund Investment Corporation	4 AEON Naha Shopping Center	S	2018/2/28
	5 Ito-Yokado Yotsukaido	S	2018/2/28
Premier Investment Corporation	6 NTT CRED Okayama Building	S	2018/3/28
	7 Gotanda NT Building	A	2018/3/28
Activia Properties Inc.	8 A-PLACE Shinagawa Higashi	S	2018/10/1
	9 A-PLACE Ebisu Higashi	A	2018/10/1
AEON REIT Investment Corporation	10 AEON MALL Kagoshima	S	2018/3/20
GLP J-REIT	11 GLP Amagasaki	S	2018/8/31
Industrial & Infrastructure Fund Investment Corporation	12 IIF Fukuoka Hakozaki Logistics Center II	S	2018/7/12
ORIX JREIT Inc.	13 Hamamatsu Act Tower	S	2018/3/29



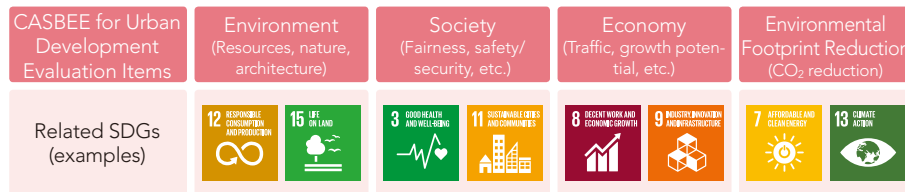
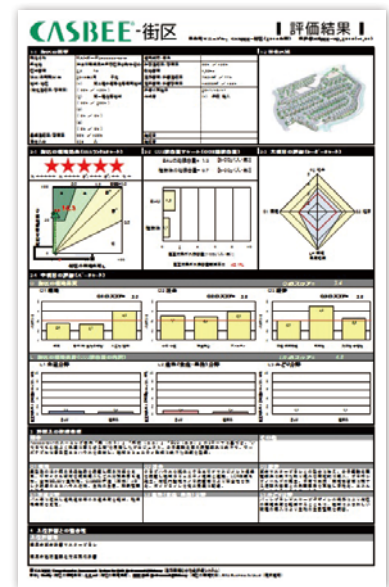
2. Consulting to Support Applications for “CASBEE for Urban Development” Certification About CASBEE for Urban Development

CASBEE® (Comprehensive Assessment System for Built Environment Efficiency) is a system for evaluating the environmental performance of buildings and urban development, which is being developed and promoted in Japan under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism. It is comprised of tools, such as CASBEE for Buildings and CASBEE for Real Estate.

Among CASBEE®'s various tools, CASBEE for Urban Development is an environmental performance evaluation for assessing the overall development of housing and commercial areas (urban development).

It evaluates environmental quality from the three aspects of the environment, society, and the economy as well as reduction in the environmental footprint.

It consists of evaluation items that help show initiatives related to the Sustainable Development Goals (SDGs) and environmental, social, and governance (ESG) issues.



SuMi TRUST Bank carries out environmental performance evaluations using CASBEE for Urban Development, as well as provides advice on application procedures for certification and support services, including supports for CASBEE reviews.

Case Study A

LIST GARDEN nococo-town

In July 2018, LIST GARDEN nococo-town, a large eco-town in Totsuka, Yokohama City, became the first ever recipient of the highest rank certification (“S” rank) for CASBEE for Urban Development.

CASBEE for Urban Development's certification results are made public. They are introduced in mediums such as magazines and exhibited in model rooms, and help show that the eco-town offers quality housing, promotes the neighborhood's vitalization, and proactively contributes to the local community.



3. Construction-Phase Support for Environmental Considerations

The first bank in Japan to develop a land trust product in the 1980s, SuMi TRUST Bank has been involved in managing and developing many buildings and condominiums, and it provides construction consulting services based on knowhow from such projects.

We offer advice relating to factoring in environmental considerations in our menu of construction consulting services such as on the installation of energy-saving systems in buildings, ways to take into account landscapes and eco-systems, extension of building life spans, and adoption of recycling systems.

Examples: Construction-phase support for environmental considerations

Company Name	Location	Use	Number of Floors	Floor Area	Target Rank
Clarion	Saitama Prefecture	Headquarters office and research center	10 floors above ground, 1 rooftop floor	Approx. 19,000 m ²	A (certification completed)
Yachiyo Bank	Tokyo	Central branch* ¹	9 floors above ground	Approx. 7,700 m ²	S (certification completed)
Chuo Labour Bank	Tokyo	Central branch	1 basement floor, 9 floors above ground, 2 rooftop floors	Approx. 6,000 m ²	A (self-evaluation)
	Kanagawa Prefecture	Office	1 basement floor, 7 floors above ground, 1 rooftop floor	Approx. 10,000 m ²	B+ (notification)
AEON MALL	Tokyo	Commercial facility	5 floors above ground	Approx. 150,000 m ²	A (certification completed)
FUJI	Ehime Prefecture	Commercial facility	3 floors above ground	Approx. 140,000 m ²	B+ (certification completed)
Ito-Yokado	Kanagawa Prefecture	Commercial facility	4 floors above ground	Approx. 29,000 m ²	B+ (notification)
Toyo Seikan Group Holdings	Tokyo	Office* ¹	2 basement floors, 21 floors above ground, 1 rooftop floor	Approx. 72,400 m ²	S (certification completed)
Daikin Industries	Osaka Prefecture	Office, R&D facility* ¹	1 basement floor, 6 floors above ground	Approx. 48,000 m ²	S (self-evaluation)
Hiroshima Mazda	Hiroshima Prefecture	Office, observation deck, product sales and dining facilities* ¹	2 basement floors, 14 floors above ground	About 11,500 m ²	A (notification)
Anritsu	Kanagawa Prefecture	Office* ²	7 floors above ground	Approx. 28,000 m ²	S (self-evaluation)
Shimane Bank	Shimane Prefecture	Central branch* ¹	1 basement floor and 13 floors above ground	Approx. 12,000 m ²	S (self-evaluation)

*1 Selected for the MLIT-led "leading projects" program for sustainable buildings.

*2 Selected for the METI-led "net zero energy building" experimental pilot program.

As interest in environmental issues has grown, so has the number of properties applying for CASBEE® certification* or providing notification of self-evaluation in the past several years. In addition, some projects have been selected by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for the "leading projects" program

for sustainable buildings and by the Ministry of Economy, Trade, and Industry (METI) for the "net zero energy building" experimental pilot program.

* The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of MLIT.



Case Study B

Shimane Bank's New Head Office

The new head office building for Shimane Bank, a project commenced around the hundredth anniversary of its founding, has an energy-saving design and self-supporting systems for emergencies that bolster local disaster-response capabilities. A plank in the "GREEN BANK Shimagin Project," the building symbolizes the bank's contribution to efforts to create a low-carbon regional economy and bolster local disaster preparedness. The "appearance control system" realizes ideal visual environments through a combination of lighting controls for brightness, exterior louvers and controls for window blinds; the energy-saving air conditioning system is optimized for the climate of a region facing the Sea of Japan with "eco-void," natural ventilation chimneys, at "twin corners" of the building that create an updraft from natural wind pressure; and the "Green Plaza" initiative includes the use of digital signage to display energy consumption paired with a building energy management system (BEMS). Self-supporting systems that enhance disaster-response capabilities have been built into the building so that it contributes to creating a disaster-resilient community where the lighting always stays on and information is never cut off.

(Selected for the "leading projects" program for sustainable buildings; this was formerly known as the 2014 No. 1 "leading projects for promoting CO₂ reduction" program for housing and buildings)

4. Making the Value of Smart Towns and Cities Visible, Supporting Concept Formulation

Developing smart towns and cities that adopt next-generation “smart community*” social systems at the local level is an important step from the standpoint of regional development. In the past few years, these towns and cities have combined a series of complex reforms from changes to citizen lifestyles and local transportation systems to the introduction of area energy networks, including the recapture of heat and unused energy, to go together with effective use of electricity.

To realize smart towns and cities, it is necessary to create economic value added commensurate with higher costs

while establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues for the city or town.

SuMi TRUST Bank supports projects for smart towns and cities on many fronts such as devising frameworks that link various initiatives on environmental contributions etc. to economic value added and formulating project concepts. Through our provision of financial functions such as home mortgages, we also help projects get executed.

*See METI’s website for details.

Concept Diagram for Making the Value of Smart Towns Visible



Case Study C

Fujisawa Sustainable Smart Town

The “Fujisawa Sustainable Smart Town” is a project currently being carried out by Panasonic Corporation at the former site of Panasonic’s Fujisawa factory.

Panasonic Corporation, Fujisawa City, and eleven partner companies, including SuMi TRUST Bank, are collaborating to promote the project, which marked the town’s opening in spring 2014.

SuMi TRUST Bank is participating in various ways, such as designing smart town evaluation indicators (environmentally friendly property values) and creating project-specific product plans for environmentally friendly housing loans.

This project is also praised for its community-wide comprehensive CO₂ reduction efforts together with town management. It was selected for subsidies under the MLIT-led “leading projects” program for sustainable buildings (formerly known as the 2013 No.1 “leading projects for promoting CO₂ reduction” program for housing and buildings).



Delivering Value

Added Value of Environmentally Friendly Property 1 —Added Value Derives from Property Profitability

It is often said environmental friendly property “costs more than usual and is difficult to invest in,” but price theory in real estate investment suggests such buildings are able to generate added value equal to or greater than their additional cost.

From the perspective of profitability (how much and how long do properties generate steady profits), a property’s price derives from net income (revenue minus costs) divided by the real estate capitalization rate. The greater gross income including rents is, and the lower the costs of utilities, maintenance, and building management are, the higher net income is, and so the higher the valuation of a property. In addition, stable properties with less income fluctuation risk are awarded higher valuations as investors require a lower yield from them.

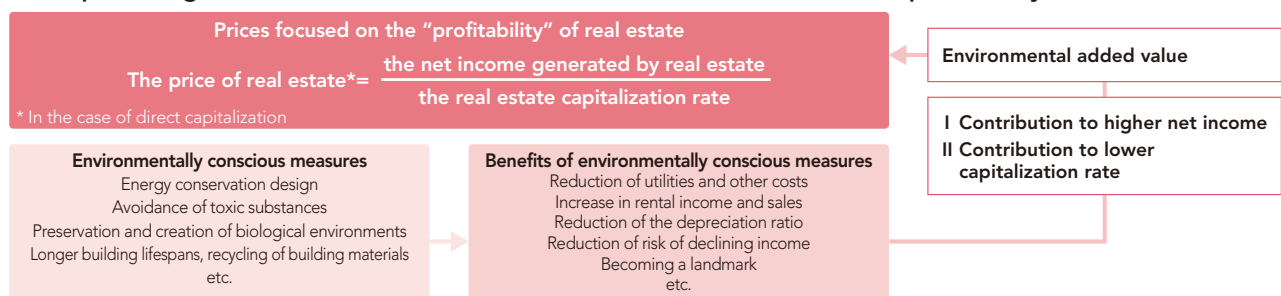
Environmentally friendly property can earn higher net

income by reducing utility expenses via energy savings and maintenance and operating expenses via the enhanced durability of parts and materials. Furthermore, such buildings can also generate higher gross income on higher rents stemming from higher productivity enabled by their enhanced office environments and the cachet boost from their environmental credentials.

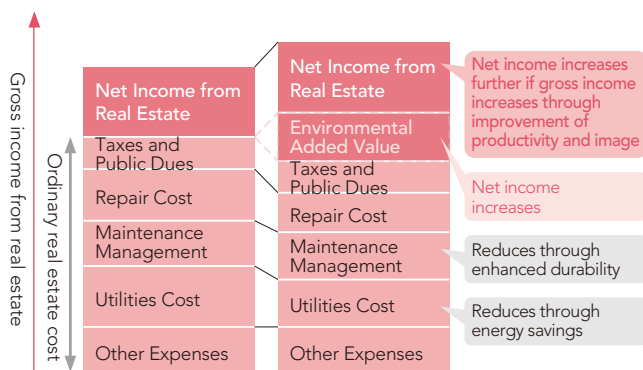
Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.

For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

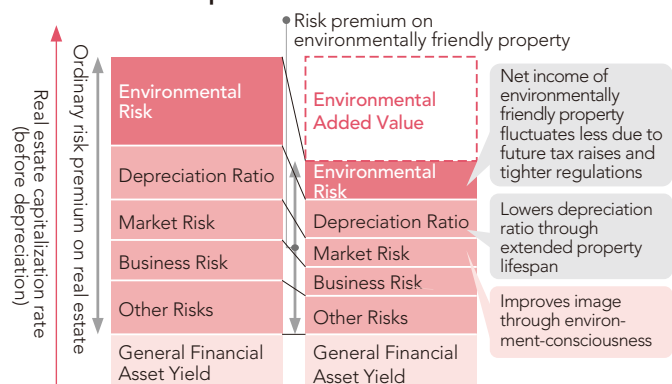
Conceptual diagram of environmental added value (1) Prices focused on the “profitability” of real estate



Conceptual diagram of environmental added value (2) Reflection in net income



Conceptual diagram of environmental added value (3) Reflection in capitalization rate



Source: Partial revision of “A Note on Environmental Value Added for Real Estate,” a commemorative paper written by Masato Ito in 2005 for the 10th anniversary of Tokyo Association of Real Estate Appraisers

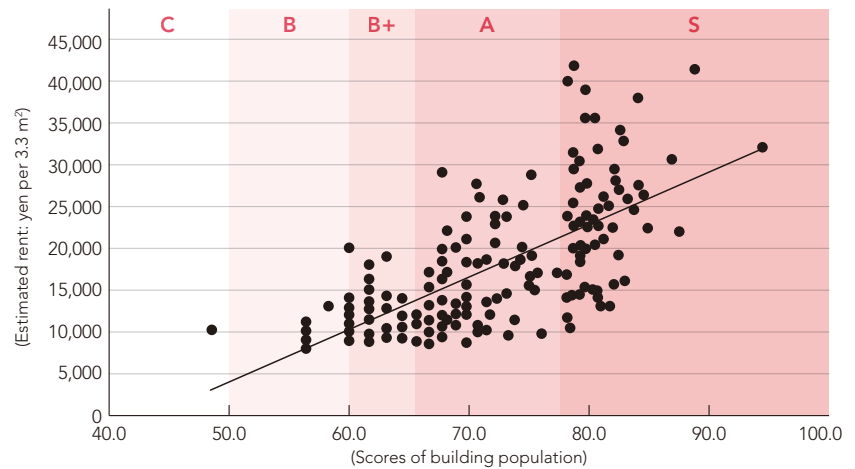
Added Value of Environmentally Friendly Property ² —Helping to Make Added Value Visible

Study on Economic Impact of Buildings with CASBEE Evaluations

Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE® certification and non-evaluated buildings and found average market rents in buildings

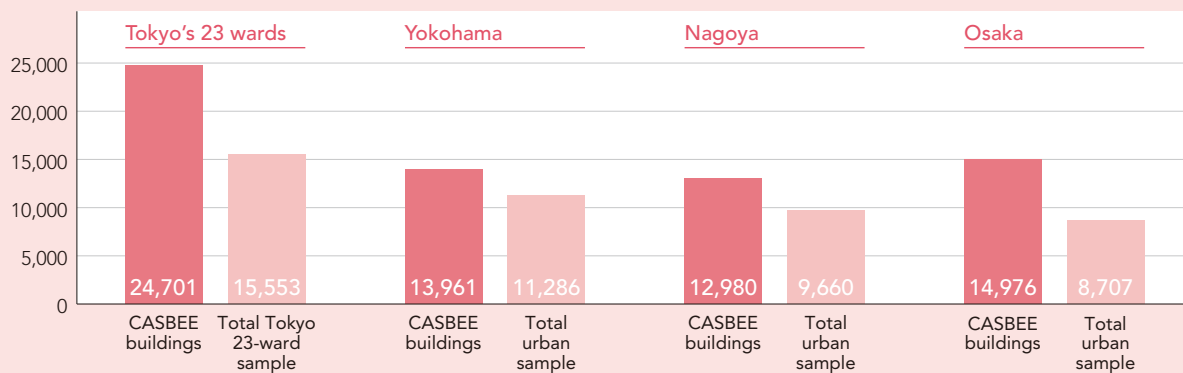
with CASBEE certifications or applications were about 3.6% higher. This suggests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

Correlation between CASBEE Score and Market Rents (Single regression analysis)



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Comparison of average rents: Yen per 3.3 m²



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Summary of multiple regression analysis results for CASBEE buildings

CASBEE evaluations, etc.	Sample size	Coefficients	Differential in average rent
CASBEE flag (whether or not buildings have CASBEE evaluations)	517	564.160	+3.64%
CASBEE rank (five-level evaluation rankings)	517	263.525	+1.70%
CASBEE score (evaluation score with a maximum score of 100)	183	78.974	+0.46%
Service performance (Q2) score	183	1702.667	+9.9%
Intellectual productivity evaluation	180	319.318	+1.86%

Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Initiatives of SuMi TRUST Bank related to Environmentally Friendly Property

Harnessing its broad client base as a trust bank, SuMi TRUST Bank has expanded into a wide range of businesses requiring cutting-edge expertise that leverages the Group's comprehensive capabilities in fields ranging from real estate brokerage, securitization, consulting, and appraisals to property investment.

SuMi TRUST Bank has proposed many ideas relating to environmental real estate, with a focus on showing how environmental performance can create added value in ways that are readily understandable. The efforts to raise

awareness on this topic go back to a paper we published in 2005 on the added value created by environmentally friendly property.

In 2010, SuMi TRUST Bank became the first Japanese financial institution to establish a section dedicated to environmentally friendly property. In addition to the expertise-based real estate business foundation, the Bank has worked to orient its businesses toward promoting environmentally friendly property through pioneering initiatives in environmental real estate.

Main Initiatives as a Pioneer in Environmentally Friendly Property

[Inception]

A commemorative paper entitled "A Note on Environmental Value Added for Real Estate" for the 10th anniversary of Tokyo Association of Real Estate Appraisers received grand prize in 2005 (see page 17).

[Organizing Study Groups]

- Lead organizer of a sustainable real estate study group since 2007; released results of studies in 2009 and 2016
- Lead organizer of a smart city study group in 2013; released results of studies in 2016

[Initiatives linked to UNEP]

- Member of a property working group organized as part of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2007; released a collection of case studies and a handbook for Responsible Property Investment (RPI) in sequence

[Initiatives related to CASBEE]

- Lead organizer of subcommittee examining CASBEE property appraisal since 2007; launched "CASBEE for Real Estate" certification system in 2013 (see page 6)

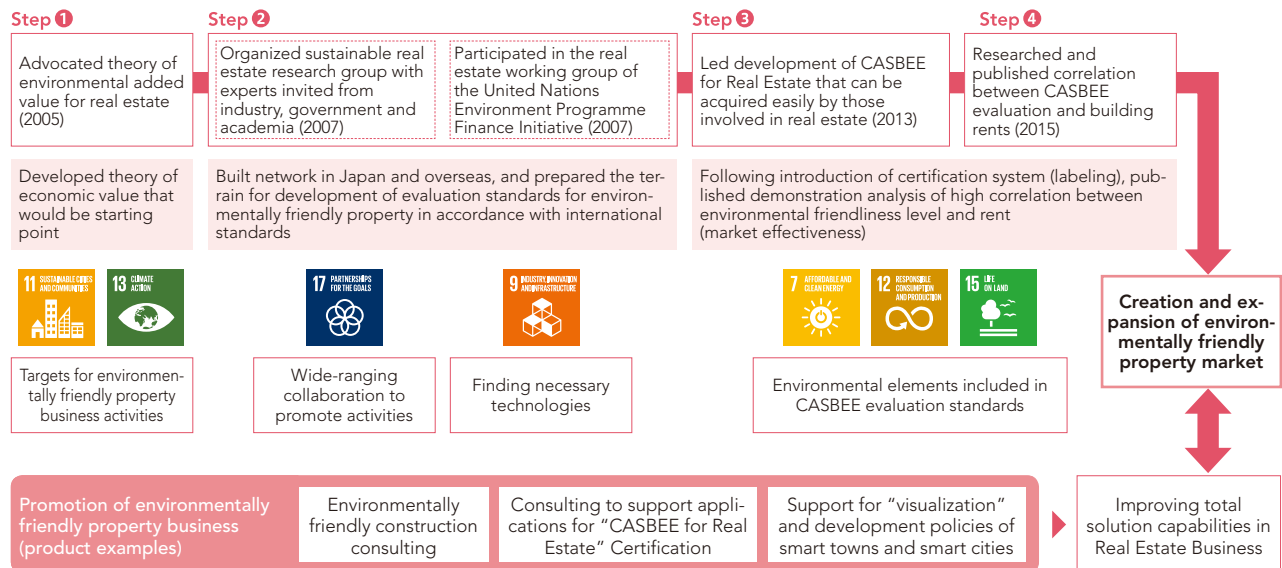
[Initiatives related to Real Estate Appraisal and Evaluation]

- Chair of a working group on environmental added value, organized by Japan Association of Real Estate Appraisers (JAREA), since 2007
- Member of office building performance evaluation and display manual committee; released a manual on office building performance evaluation and display in 2017

[Initiatives with National and Local Authorities]

- Member of a MLIT-sponsored study committee on the promotion and spread of environmentally friendly property; the committee launched in 2008
- Member of Tokyo metro government's low carbon partnership committee for small and medium-sized buildings; the committee launched in 2012 by the Tokyo Bureau of Environment
- Member of Smart Wellness Office Research Committee, sponsored by Japan Sustainable Building Consortium; announced results of a study on economic impact of buildings with CASBEE evaluations in 2015 (see page 18).

Correlation between evolution of environmentally friendly property initiatives and SDGs





Sustainability Policy 2

Serve Clients with Sincerity

- We strive to provide in-depth explanations and proposals so that clients can fully understand the details of our products and services. In addition, we make efforts to quickly meet the demands of clients and link their feedback to business improvements and product and service enhancement.
- We strive to undertake meticulous management of client information.
- We engage in educational and awareness-raising activities by cooperating with educational institutions, government authorities, NPOs, etc., to enable clients to take the lead in rationally selecting financial products and building sound assets.



Initiatives to Earn the Trust of Clients

In recent years, there has been an even more pressing need for financial institutions to put principled customer service at the heart of everything they do. As a financial institution founded on its "Trustee Spirit," the Group considers improving customer satisfaction and discharging its fiduciary duties to be among its highest materiality themes. We explain our position from three perspectives: "initiatives aimed at serving as our clients' best partners," "initiatives concerning fiduciary duty," and "client protection management."

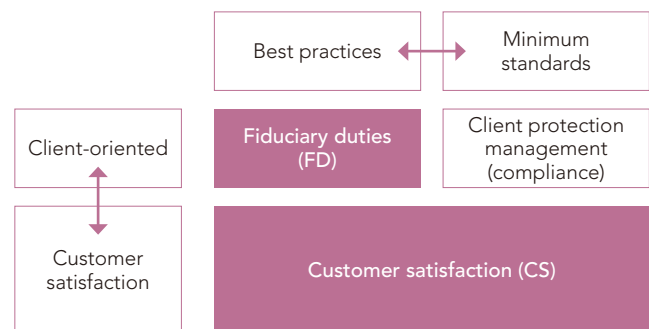


Initiatives Aimed at Becoming Our Customer's Best Partners

1. Providing Value to Clients

The SuMi TRUST Group aims to accurately understand the needs of individual and corporate clients, and to provide total solutions that offer a wide range of highly specialized products and services as the best way to address those needs. In an era of dramatic environmental change, the needs of both individual and corporate clients to build, manage, and review their assets and plan for succession are becoming increasingly complex, and their needs for trustworthy financial institutions are growing. The SuMi TRUST Group, as the only independent financial group specializing in trust banking in Japan, will leverage its comprehensive capabilities that combine trust and banking functions, as well as the various trust functions within the Group, under a stringent conflict of interest management framework, with the aim of being the "Best Partner" for providing the greatest value to clients.

In addition to the thorough implementation of compliance, including protection of client information, the Group vigorously and comprehensively pursues best practices, based on customer satisfaction (CS) and fiduciary duties (FD).



2. Product Development Capabilities Supporting Total Solutions

In order to leverage the flexibility and expertise of its various financial and trust functions as a trust bank and put together the extensive lineup of unique and sophisticated products and services that are essential to providing total solutions, the SuMi TRUST Group focuses on promoting group-wide initiatives that combine the expertise of each business and Group company, not merely using their strengths and know-how. In this way, the SuMi TRUST Group is creating a product development system that carries out medium-term, ongoing research activities on themes that would be difficult to categorize within the domains of individual businesses or Group companies.

Specifically, SuMi TRUST Bank has established product development departments in each business, the Business Research and Development Department, and a product development offsite meeting as its product development organization. The product development departments in each business analyze client needs that have been collected in the course of business, and engage in improvement and development mainly of products for immediate application, including review of existing products and design of new products. In addition, the Business Research and Development Department, which was established as a dedicated unit primarily for the development of trust products, serves as the

engine driving product development and provides development support for each business, while carrying out planning, development and promotion of medium- to long-term development projects across businesses. Furthermore, the product development offsite meeting has been established as a forum for discussion among executive officers and general managers, where regular exchanges of opinion are held about product development, not only at a practical working level, but also based on management strategy from a medium- to long-term viewpoint.

The SuMi TRUST Group also focuses efforts on nurturing

human resources capable of flexible thinking that sustains product development. At SuMi TRUST Bank, product development experience is included in the new employee training curriculum, and human resource development seminars on product development are held twice yearly for product development personnel who have little experience. At the seminars, groups engage in exhaustive discussion on the topic of new products to satisfy given client needs that are assigned in advance, with the goal of enabling participants to acquire understanding with regard to breakthrough points and problem-solving methods in product development.

3. Technologies Supporting Total Solutions

As digitalization progresses at a rapid pace, the SuMi TRUST Group regards digital reform initiatives as one of our most important management strategies. We continually

strive to improve client convenience and productivity and to develop a total solution model that is unique to a trust bank, using the latest digital technologies.

Developing a Total Solution Model

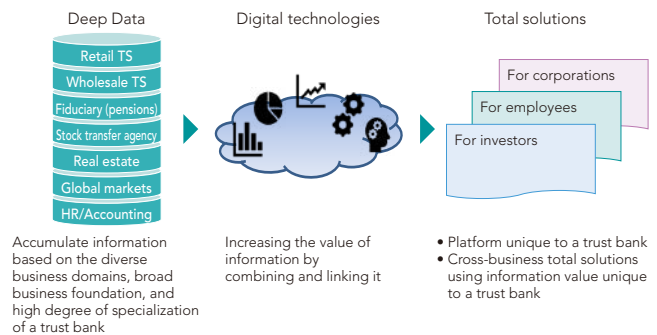
Our group companies have a wide range of business domains, and develop highly specialized businesses targeting a broad client base. Each business domain holds "Deep Data": a variety of data accumulated by leveraging the highly specialized know-how unique to the trust bank group. Deep Data accumulates data such as client attributes, assets, transactions, and events in each business domain, as well as external data such as economic conditions, representing information that is both quantitatively and qualitatively unique to the trust bank group.

We analyze this information and convert it into a form that provides high added value for our clients, and utilize digital technologies such as artificial intelligence (AI), blockchain, IoT, and the cloud to determine the ideal timing to make proposals.

Our goal is to use digital technologies to offer information with high added value to our clients, and to offer total solutions that are unique to the trust bank group, and go

beyond our business domains. Our digitalization strategy serves as foundation for building a unique model for adding value, as a financial group specialized in trust banking.

• Evolution of total solutions through use of digital technologies



Start of Demonstration Testing Utilizing Blockchain Technology in the Real Estate Business Domain

With the aim of developing a real estate transaction environment unique to trust banking, SuMi TRUST Bank commenced proof of concept testing on blockchain technology. The demonstration testing seeks to create transaction opportunities and further develop the property market

by providing a service to mainly urban area office buildings to securely manage the wide variety of information, such as real estate income, tenant occupancies/withdrawals, and IoT data they acquire during the real estate holding period, in the environment where no falsification can occur.

Pursuing Reform and Innovation in Client Services Using Technology

In 2015, we launched the FinTech project teams. The activities of these teams have since included verification experiments aimed at using new technologies such as the blockchain and AI, as well as joint research with external partners.

In November 2017, we created the Digital Transformation Department at SuMi TRUST Holdings and SuMi TRUST Bank. This department is accelerating digital innovation,

and is engaged in studies, research, and verification experiments regarding the use of technologies to further the development of a total solution model, in particular.

• Use of AI in the asset management field

We use AI to build investment strategies, including utilizing text mining to develop AI solutions that automatically

calculate sentiment scores for large volumes of analyst reports, collect information more efficiently, and make investment decisions on individual stocks.

- **Using digital technologies to offer a higher level of consulting**

We use AI specialized for text analysis to discover hidden

Improving Client Convenience

Introduction and continued development of host DB linked client visit tablet

We have introduced an IT system for marketing assistance. Sales representatives for individual clients carry tablet devices during client visits, and are able to use this system to complete procedures for time deposits, investment trusts, and other transactions on the spot. We plan to expand the range of applicability of this system to support more types of transactions, including insurance products and discretionary investment products.

Initiatives to Improve Productivity

Full-scale introduction of RPA and AI, and promotion of digitalization

- **Using Robotic Process Automation (RPA)**

We are aiming to save 500,000 person-hours of labor over the next three years by using RPA to automate operations that have previously been performed by humans.

We aim to further enhance client service by replacing data entry and other backoffice tasks with RPA, mainly at the head office, improving both operational efficiency and quality, and allowing a shift of personnel from the head

Initiatives at SBI Sumishin Net Bank, Ltd.

Since its founding in September 2007, SBI Sumishin Net Bank, Ltd. has worked to achieve “the most user-friendly internet banking, offering attractive products and services 24 hours a day, 365 days a year.” In the FinTech business domain as well, it is actively using AI, APIs, and other leading-edge technologies to develop products and services that help improve client convenience, led by its FinTech Business Planning Department and Big Data Department.

- **Example uses of AI**

We have introduced a hybrid chat service on a trial basis. This service handles client inquiries seamlessly, switching between an AI chatbot and human responses. The AI chatbot provides 24/365 automated responses, while humans provide more detailed custom responses during business hours.

We have also introduced leading-edge methods that

client needs, and perform verification experiments to enable optimal consulting activities based on those needs.

We perform a multifaceted analysis of a variety of information that we have accumulated using predictive analysis, and perform verification experiments to propose products and services to more effectively meet client needs.

Introducing this new system has enabled us to spend more time on client-focused consulting, as it reduces burdens on clients from filling out forms, while at the same time greatly reducing our administrative workload.

In the future, we will improve client convenience and enhance our consulting by advancing the use of technology and digitalization in both over-the-counter transactions and internet banking using mobile devices.

office to branch offices.

- **Introducing AI for call-center operations**

Our goal is to improve client service by making call-center operations more efficient and sophisticated, by using voice-recognition technology to automatically convert client telephone inquiries into text, and using text-mining technology to summarize such text.

use AI to review mortgage loans. This improves the accuracy of reviews, and makes operations more efficient and less labor-intensive.

In addition, we have introduced an AI-based monitoring system to detect fraudulent wire transfers, expanding the applications of AI to fields that help improve client security and comfort.

- **Example uses of APIs**

We offer a wide range of asset management services to clients, performing API integrations with operating companies that offer automated savings services and Robo advisor (automated asset management service).

We help streamline wire transfer procedures and the capture of client balances and bank statements, through API integration with cloud accounting software and other services.

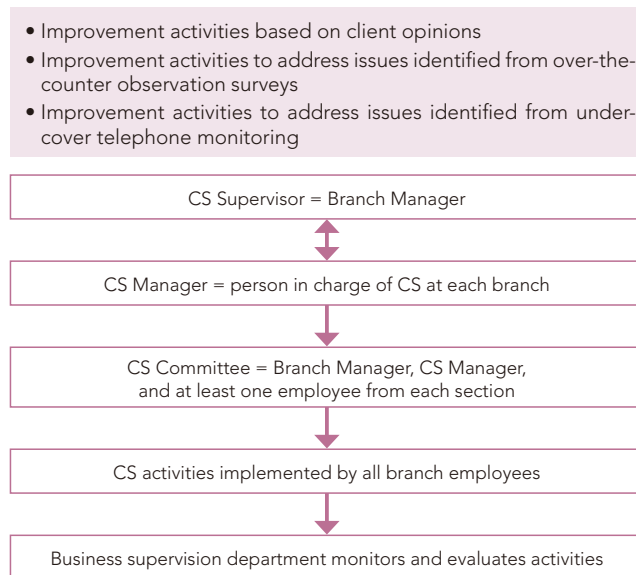
4. Shaping Corporate Culture to Become Our Clients' "Best Partner"

SuMi TRUST Bank has established Customer Satisfaction (CS) Committees at its branch offices and each and every employee is working hard to improve customer satisfaction and deliver client-oriented services by engaging in

• Establishment of CS Committees

In order to drive initiatives on improving customer satisfaction (CS), SuMi TRUST Bank has established CS Committees at each branch office to actively implement various CS improvement activities according to the characteristics of each office.

Example of CS Committee system



• Hosting of CS lectures

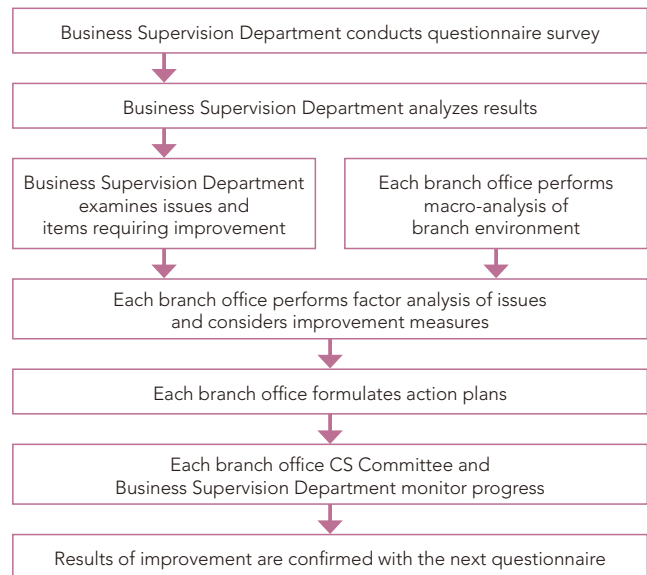
With the aim of learning how to provide high levels of service and hospitality to our clients, we endeavor to enhance the quality of our services and hospitality by hosting lectures for Group employees every year. We invite guest lecturers

improvement activities based on the opinions of clients, improvement activities to address issues identified in client questionnaires, and by taking part in various training sessions and discussions.

• Use of client questionnaires

SuMi TRUST Bank conducts CS questionnaires on both corporate and individual clients for each business. It utilizes the questionnaire results to identify issues in each business and subsequently implements initiatives that reflect activities for improving those issues into measures.

Example of utilizing CS questionnaire at each business



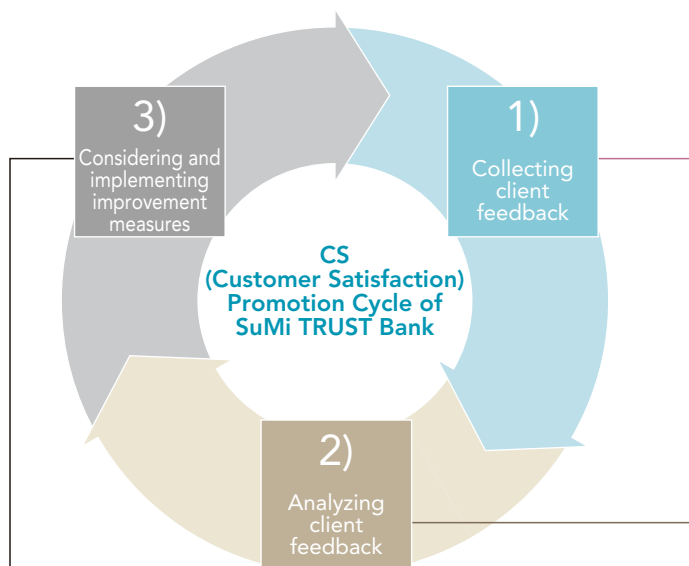
from other industries to talk on topics such as the development of organizational and human resources, and communication. In fiscal year 2018 we plan to hold lectures on the topics of customer satisfaction and employee satisfaction.

Examples of initiatives to enhance awareness about becoming our clients' "best partner"

No.	Initiative	Description	Implemented for
1	Study sessions for improving CS awareness	Personnel from the Customer Satisfaction Promotion Department visit branch offices and departments of all businesses to implement training activities aimed at raising awareness of customer and employee satisfaction through participation in CS Committees and study sessions.	All branch offices and departments
2	Client support management training	<ul style="list-style-type: none"> 2H FY2017 Training sessions to teach employees about appropriate ways of dealing and transacting with disabled or elderly clients with reference to the Act for Eliminating Discrimination against Persons with Disabilities, which came into force in April 2016, and the Barrier-free Handbook for Banks produced by the Japanese Bankers Association. <ul style="list-style-type: none"> 1H FY2018 Employees not only learned about management systems for client support and other services, they deepened their understanding of CS promotion activities, beginning with the opinions of clients collected from various sources.	All employees
3	CS training for corporate management departments	1H FY2018 Training sessions that create opportunities for employees in corporate management departments—which seldom interact directly with clients—to reexamine the Group's client-oriented services and CS improvement measures so they can better execute their duties in line with our management objectives.	Employees in corporate management departments
4	Practical training on the Group's fiduciary duties	This training not only confirms our current initiatives aimed at implementing client-oriented business operations, but also creates opportunities for employees to think about what issues should be recognized and what actions should be taken. The training sessions aim to spread an awareness about our fiduciary duties.	All employees
5	Business manner training	A handbook on business manners is distributed to all employees. These training sessions aim to improve business manners by having employees read through the manual together. In addition, twice a year we designate a month-long period during which we review our business manners. Inspections are carried out at each branch office and department to check employee appearances, manners, and other items.	All employees
6	Sharing of heartwarming anecdotes	Stories of heartwarming daily interaction between employees and clients are collected from employees at all Group companies. These anecdotes give employees the chance to rethink how they interact with clients and instills a doctrine of customer satisfaction across the entire Group.	All employees at all Group companies

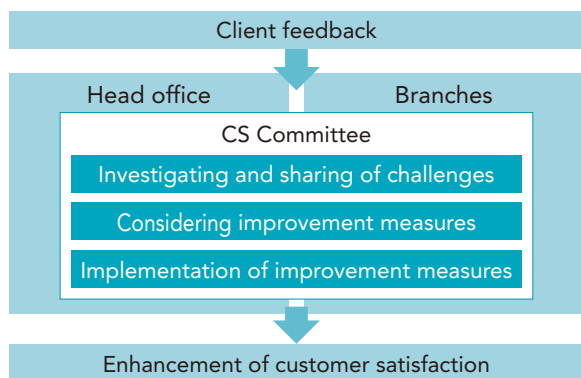
5. Initiatives to Link “Voice of Customers” to Enhanced Customer Satisfaction

SuMi TRUST Bank receives a lot of feedback from clients and many requests via branch offices throughout Japan as well as its telephone centers and the Group’s website, along with the “Customer Services Promotion Office” “Voice of Customers Questionnaires” “Sumitomo Mitsui Trust Direct”, and uses this feedback to realize practice client-oriented business operations.



3) Considering and Implementing Improvement Measures

Regarding opinions and requests received from clients, branches and the head office cooperate in investigating and analyzing the causes and identifying problems. Based on the results, we look for improvement measures and strive to provide better products and services.



1) Collecting Client Feedback

SuMi TRUST Bank receives a lot of feedback from clients and many requests via branch offices throughout Japan through diverse channels such as telephone centers and the Group’s website as well as the “Voice of Customers Questionnaires” available at every branch. In fiscal year 2017, we appreciated upwards of 350,000 opinions and requests received through these channels.

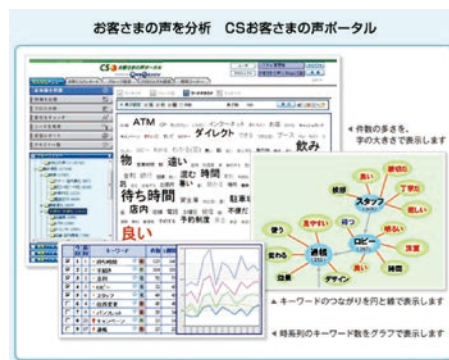
In addition, we survey our clients’ assessment of satisfaction with SuMi TRUST Bank by conducting “Client Questionnaires” for about 1.5 million clients who have consummated contracts for time deposits, investment trusts, etc. with us, with the aim of further promoting client-oriented activities and improving customer satisfaction.

[Main Ways Hear from the Voice of Customers]

- Record comments from customers we receive in branches and over the phone in a dedicated system
- Share inquiries, requests, complaints, and opinions we receive from customers over the phone with relevant departments
- Collect information from the “Voice of the Customers Questionnaires”
- Collect information via our letter and home page
- Implement a variety of questionnaires and surveys

2) Analyzing Client Feedback

In order to realize customer satisfaction by utilizing hundreds of thousands cases of feedback we receive each year, we use the “CS Voice of Customers Portal,” a system to analyze client feedback. We are striving to meet clients’ needs by making client feedback “visible” so that we can better “recognize” client needs.

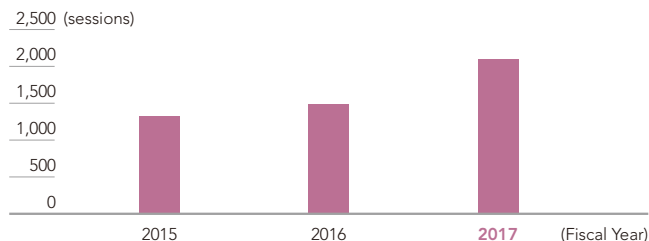


6. KPIs concerning Initiatives Aimed at Becoming our Clients' "Best Partner"

The SuMi TRUST Group regularly makes public indicators that allow confirmation of the status of initiatives aimed at becoming our clients' "Best Partner." These indicators are revised periodically as we promote and enhance these activities.

Initiatives for Improving Clients' Financial and Economic Education and Literacy

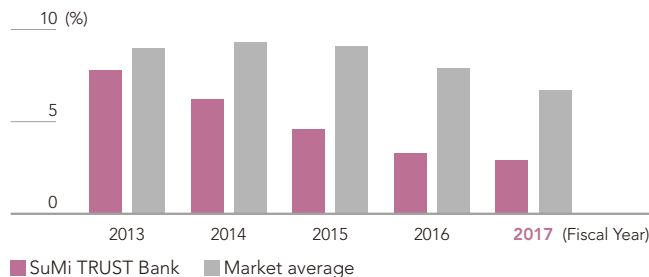
Number of Seminar Sessions Held



We are making efforts to hold seminars, such as the "Life Planning Seminar on Lifestyle and Money" and the "Inheritance Strategies Seminar," as opportunities to offer clients useful, specialized knowledge in an easy to understand manner.

Assisting Clients with Long-term Asset Formation

Ratio of Dividend Distribution* to Balance of Investment Trusts

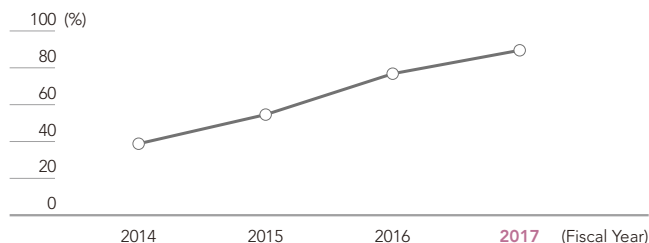


We propose products with low dividend frequency for clients' long-term asset formation needs. As a result, the ratio of dividend distribution to the balance of investment trusts is lower than the market average.

* Dividend distribution refers to dividends distributed by publicly offered investment trusts for which SuMi TRUST Bank is the sales company. The market average is calculated based on statistics published by The Investment Trusts Association, Japan.

Improvement of Value of Investee Companies

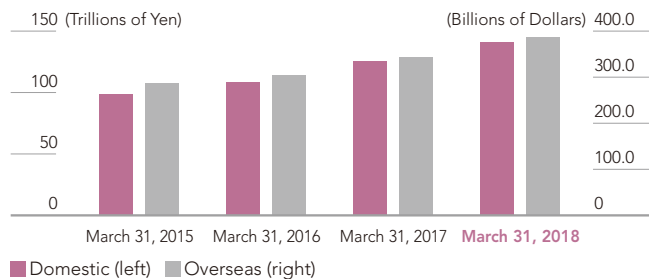
Ratio of Market Capitalization of Companies where Engagement is Implemented Compared to TOPIX Base Market Capitalization



We are enhancing our engagement activities ("purposeful dialogue" with investee companies, conducted to encourage improvement of corporate value and the sustainable growth of the investee company), both in terms of quality and quantity.

Group-wide Development of Asset Management and Asset Administration Business

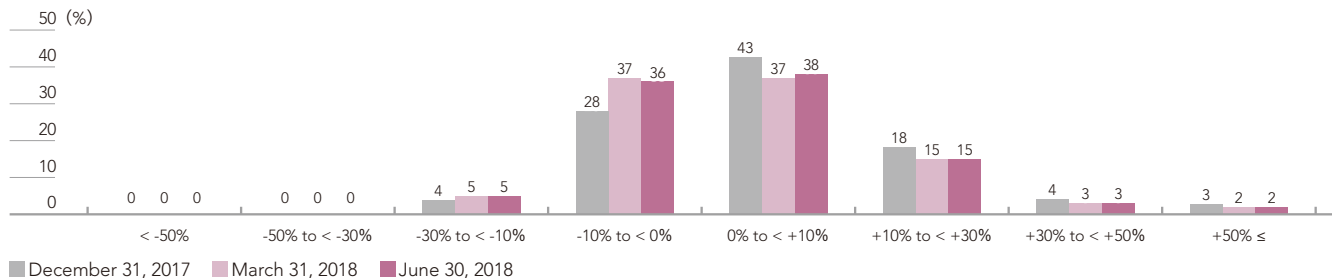
Group Assets under Custody



Due to the maintenance and improvement of the solidity and swiftness of our asset administration services, as well as the increasing sophistication of our social infrastructure, including administration and systems, Group assets under custody is on an upward trend, both domestically and overseas.

Improving Investment Returns for Clients

Spread of Clients with Investment Trust Gains/losses, Including Realized Profit and Loss



While investment gains/losses fluctuate depending on market trends and other factors, we make every effort to improve returns and realized profits/losses for our clients.

To this end, when proposing investment products to our clients, we emphasize the importance of carefully following up on their intentions in light of major life events and changes in the market environment. In this way, we strive to maintain an ongoing dialogue with our clients.

Initiatives regarding Fiduciary Duty

1. Initiatives regarding Fiduciary Duty

The aim of the SuMi TRUST Group to be the “best partner” for clients is based on our client-oriented spirit. The Group has hitherto endeavored to be completely client-oriented given that a fiduciary spirit is essentially ingrained into our DNA. However, since we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (the “Policies”) in September 2016, we have continued to further strengthen our initiatives by revising the Policies whenever necessary.

We believe that the practice of fiduciary duties depends on “significant expertise” that our clients can rely on, “consulting practice” that offers clients optimal options according to their individual needs, and “stringent conflict of interest management.” The SuMi TRUST

Group has put in place an extensive organizational structure from the management level to the working level, and strives constantly to enhance its initiatives in this area (please refer to page 83 for enhancement of the conflict of interest management framework).

In order to clearly communicate to our clients the results of these initiatives, every fiscal year we publish an update to our report entitled Key Performance Indicators (KPIs) concerning Initiatives Aimed at Becoming our Clients' “Best Partner”. Particularly regarding performance indicators commonly used by financial institutions for investment trust sales, we also publish a report entitled Shared KPIs on Investment Trusts and Initiatives of Sumitomo Mitsui Trust Bank.

Promoting/Supervising Structure of the Group

	Organization	Initiatives	
SuMi TRUST Holdings	Board of Directors	Conflicts of Interest Committee	<ul style="list-style-type: none"> Supervise Conflict of Interest management for the group, monitor FD* progress
	Executive Committee	Conflict of Interest Management Enhancement Committee	<ul style="list-style-type: none"> Discuss important cases Guide improvement to relevant departments
SuMi TRUST Bank	Department in charge	Fiduciary Duties Planning and Promotion Dept.	<ul style="list-style-type: none"> Promote FD* within organization
		Compliance Dept.	<ul style="list-style-type: none"> Enhance Conflict of Interest management
Group Companies	Group-wide	Fiduciary Duties Discussion Panel	<ul style="list-style-type: none"> Consult with external experts, Implement within company

*FD: Fiduciary duties

History of Promotion of Fiduciary Duties

2016	September	Established “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”
	October	Established Fiduciary Duties Planning and Promotion Department (also set up at SuMi TRUST Bank)
		Established Fiduciary Duties Discussion Panel
2017	January	Established “Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations” at SuMi TRUST Bank
	April	Established Conflict of Interest Management Enhancement Committee (at both execution side and SuMi TRUST Bank)
	May	Revised Management Policy Concerning Conflicts of Interest
	June	Revised “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”
		Published “Key Performance Indicators (KPIs) concerning Initiatives Aimed at Becoming Our Clients' “Best Partner””
	July	Established Conflicts of Interest Committee as advisory body to the Board of Directors
2018	September	Published “Shared KPIs on Investment Trusts and Initiatives of Sumitomo Mitsui Trust Bank”

2. System for Promotion of Fiduciary Duties at the SuMi TRUST Group

The SuMi TRUST Group considers the promotion of client-oriented initiatives at SuMi TRUST Holdings and its subsidiaries based on the Policies to be one of its important management issues, and is putting in place a system to promote the practice and thorough implementation of fiduciary duties at SuMi TRUST Holdings and its subsidiaries, centered on the Fiduciary Duties Planning and Promotion Department that was newly established in October 2016.

Fiduciary Duties Planning and Promotion Department

To promote thorough adoption of practices ensuring fiduciary duties at SuMi TRUST Holdings and its subsidiaries, the Fiduciary Duties Planning and Promotion Department helps gather information and promote practices through the drafting of plans relating to improving conflict of interest management, along with provision of training, advice, and guidance to subsidiaries. The status of specific initiatives based on the Policies at subsidiaries is monitored and summarized regularly, and reported to the Board of Directors.

Subsidiaries

Subsidiaries falling within the scope of application of the Policies study and implement initiatives according to their respective areas of business operation.

Of our subsidiaries, SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, and Japan Trustee Services Bank are engaged in the asset management, product development, sales and asset administration businesses that are the core of fiduciary duties, and have established and made public "specific initiatives" relating to fiduciary duties (hereinafter, the "action plans"). Progress updates on the action plans are reported regularly to their respective Board of Directors, and the

action plans shall be revised as necessary. Furthermore, Nikko Asset Management and Sumitomo Mitsui Trust Asset Management, as asset managers, make their respective KPIs publicly available.

Fiduciary Duties Discussion Panel

In order to further enhance the initiatives at our subsidiaries engaged in the business of asset management, product development, sales, or asset administration, the Group has established a Fiduciary Duties Discussion Panel (the "Discussion Panel") together with Sumitomo Mitsui Trust Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, Japan Trustee Services Bank, and the Mutual Fund & Insurance Research Institute.

The Discussion Panel is composed of directors and executive officers as well as general managers responsible for promoting fiduciary duties at each of the aforementioned subsidiaries, with the Fiduciary Duties Planning and Promotion Department serving as secretariat. Each subsidiary reports on the matters listed below, shares their successful examples and discusses how to ensure practices that reflect fiduciary duties take root at each Group company.

- Status of compliance with the Policies regarding the Fiduciary Duties
- Successful examples from initiatives
- Initiatives relating to improvement in expertise
- Measures to promote advanced stewardship activities and successful examples
- Measures to promote advanced risk management and successful examples
- Appropriate coordination regarding product composition and sales of each company

Principles of Action Policies on Fiduciary Duties

(1) Implementation of a client-oriented consulting practice

In order to provide products and services suited to the true benefit of our clients, we will strive, through high-quality consulting, to gain a shared understanding of the asset and liability position of our clients, which will change with their lifecycle, and their corresponding needs.

(2) Easily understandable provision of information

To assist in our clients' investment decisions, we will strive to provide explanations about product characteristics, risks, and fees, etc. in a manner understandable by clients, based on the complexity of the products and services, and the importance of the information to be provided, and to take proper action that fits with our clients' understanding.

(3) Development and provision of products and services that meet the diverse needs of our clients

In order to meet the diverse needs of our clients, we will make available a broad-range of high-quality products and services that accord with the needs of our clients, based on the various voices and opinions of our clients and through activities such as cooperation and joint-development of products and services with a broad-range of asset management companies and insurance companies, etc.

(4) Enhancement of our client-oriented focus and expertise

(i) Establishment of a corporate culture with the aim of becoming our clients' "Best Partner"

Through measures such as training and discussion at each Group company, we will aim for thorough penetration of decisions and practices that are based on these Policies. Further, we will give thorough effect to our fiduciary duties by developing frameworks for performance evaluation and targets that value initiatives that contribute toward the implementation and penetration of client-oriented actions, and every one of our officers and employees will proceed with the establishment of a corporate culture with the aim of becoming our clients' "Best Partner."

(ii) Improvements to expertise in the area of support for client-oriented consulting, etc.

Through measures such as training of officers and employees and support for the acquisition of specialist qualifications, we will increase knowledge and specialist skills regarding market conditions, products and services.

(5) Provision of financial services that leverage the diverse functions of the trust bank group

As a trust bank group, while remaining thoroughly attentive to conflict of interest management, we will fully mobilize our diverse and flexible functions, such as the banking business, asset management and administration business, real estate business, etc., and quickly and accurately provide optimal and total solutions for our clients, whether they are individuals or corporate entities.

(6) Client comfort and satisfaction, and contribution to the economy and society

(i) Provision of new products and services that are responsive to economic and social changes

As well as providing products and services that bring comfort and satisfaction to our clients, we will contribute to the economy and society by utilizing our investment functions, etc., and through the creation of new products and services that respond to structural changes to the economy and society.

(ii) Proactive initiatives for financial education and investment education

To enable clients to proactively and rationally select financial products, and engage in sound asset formation, we will pursue activities in connection with improvement of financial education and literacy, etc., including life planning, by utilizing our know-how regarding investment education, etc. cultivated by experience with the defined contribution pension business, etc., and through our regular consulting activities and seminars, etc.

3. Enhancements to the Conflict of Interest Management Framework of the Entire Group

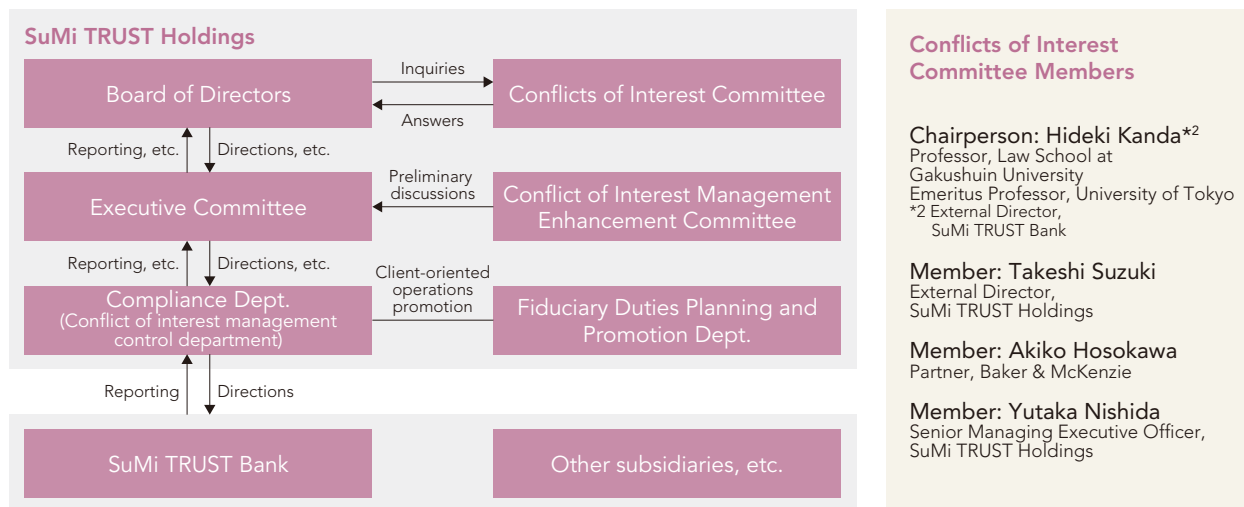
The Group has made publicly available an overview of its Management Policy Concerning Conflicts of Interest and engages in appropriate management by identifying and categorizing in advance transactions that could lead to conflicts of interest so that the interests of our clients are not harmed unfairly when our Group companies or authorized parties offer their various services. We also have in place a system to ensure that necessary improvements and guidance are implemented on an ongoing basis. Our Compliance Department—which functions as a conflicts of interest management control department independent from our sales departments—periodically examines the effectiveness of the Group’s overall conflict of interest management and regularly reports the results to the Conflicts of Interest Management Enhancement Committee, Executive Committee, and the Board of Directors.

Moreover, for the purpose of improving the effectiveness of our conflict of interest management framework, its appropriateness is assessed by the Conflicts of Interest

Committee, an advisory body to the Board of Directors comprised of mainly external members. The Conflicts of Interest Committee not only evaluates the Group’s conflict of interest management framework as required by law, it also discusses the best practices of the framework and how fiduciary duty initiatives are being implemented for the purpose of being a “best partner” capable of earning the reassurance and trust of our clients. To this end, the Committee constantly publishes summaries of the proceedings of its meetings.

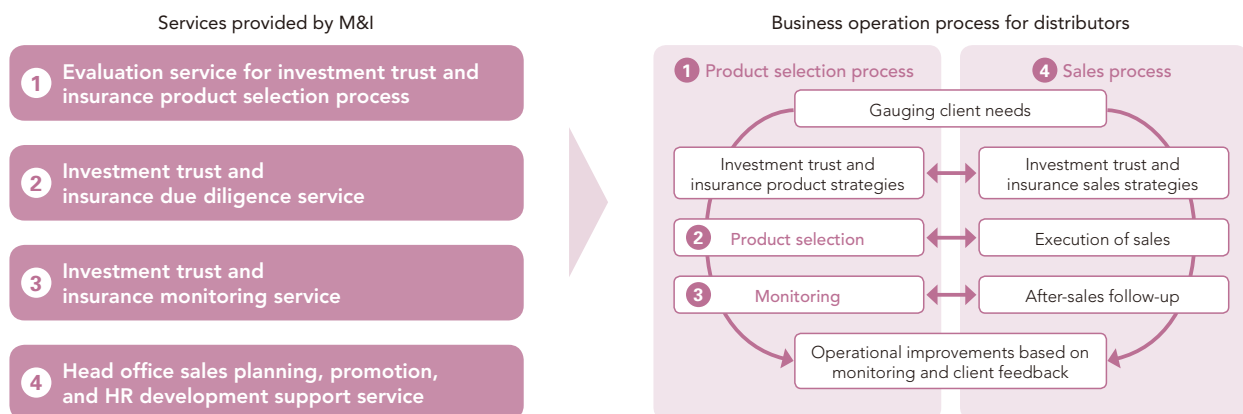
Under this framework, we persistently strive to enhance our initiatives. One concrete example of our efforts is the establishment of the Mutual Fund & Insurance Research Institute (“M&I”). M&I provides distributors with a service to externally evaluate the quality of and selection process for investment trust and insurance products and services so clients can access high-quality products and services that suit their needs.

Conflict of Interest Management System*1



*1 For roles and responsibilities of each management structure and main departments, please refer to page 81.

M&I Services for Distributors of Investment Trusts and Insurance



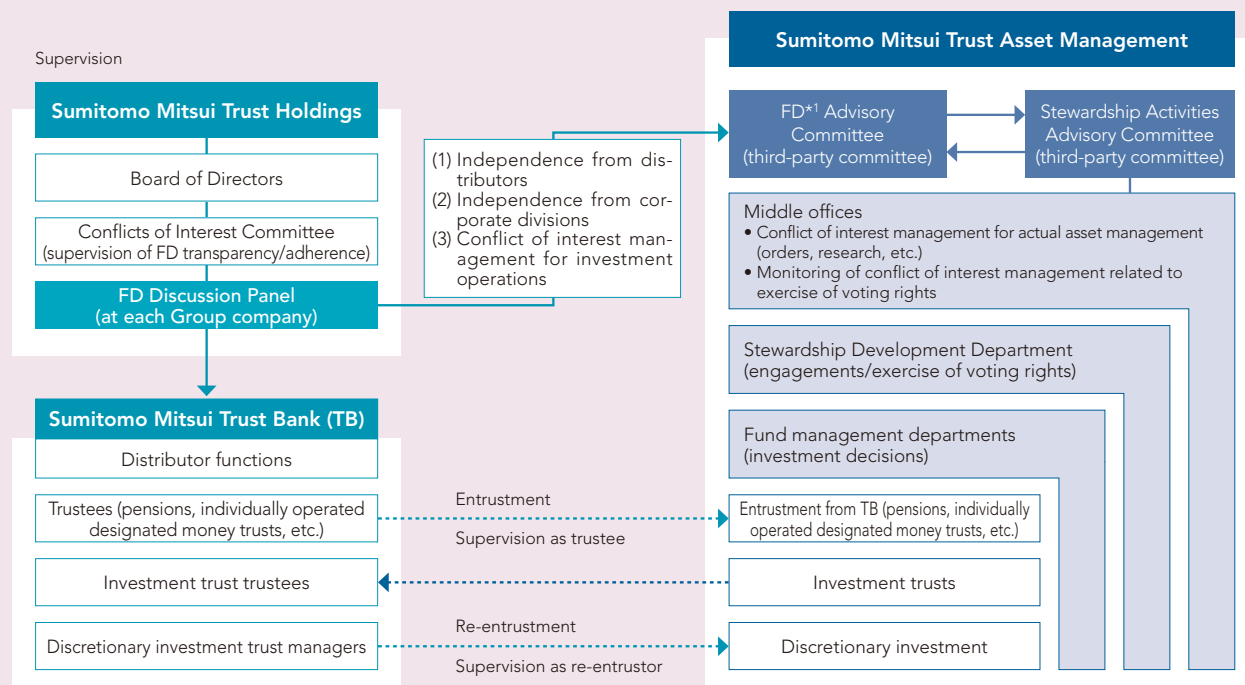
4. Enhancement of Conflict of Interest Management Framework for Stewardship Activities

Sumitomo Mitsui Trust Asset Management (SMTAM) integrated the investment management function of SuMi TRUST Bank on October 1, 2018. It also added more independent external directors, shifted to a company with an audit and supervisory committee system, and beefed up its middle office operations. The integration means SMTAM has more independence from the Group's corporate divisions (lending, etc.), while its conflict of interest management is much more transparent. Given that the management of conflicts

of interest is particularly important to the exercise of voting rights, SMTAM has established a Stewardship Activities Advisory Committee comprised mostly of external experts. The officer in charge of the Stewardship Development Department—the person responsible for the exercise of voting rights—exercises voting rights in a highly transparent manner by giving the fullest possible consideration to the recommendations of the Advisory Committee.

Conflict of Interest Management System for Stewardship Activities

*1 Fiduciary duty

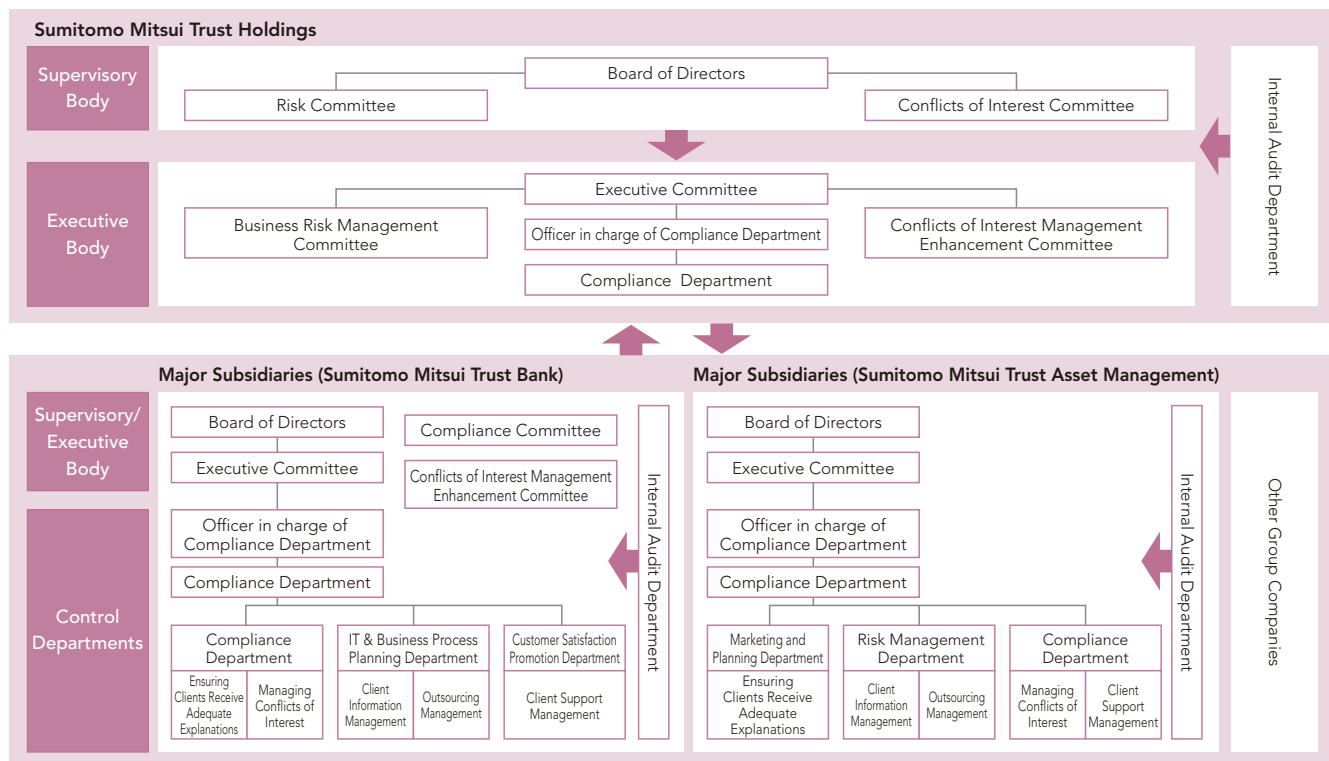


Client Protection Management

Basic Policy

The Group considers client protection to be a top management priority. Through the establishment of an appropriate client protection management framework that reflects the business attributes of each Group company, we strive to meet the expectations of our clients and respond to the trust they place in our Group by guaranteeing their protection and improving convenience. Specifically, each Group company has established a supervising department to oversee client protection management in accordance with the basic policies put in place by SMTH, while separate control departments have also been established for ensuring clients receive

adequate explanations, managing conflicts of interest, client information management, outsourcing management, and client support management. Each control department endeavors to ensure appropriateness and sufficiency in client protection of the Company and also conducts reviews of our key regulations and periodically reports on their actions to the Board of Directors. The supervising department oversees each control department and also manages overall client protection management by maintaining internal regulations, providing guidance to relevant departments, and improving the content of employee training.



Ensuring Clients Receive Adequate Explanations

In providing financial products and services to clients, the Group takes into account their knowledge, experience, asset situation, and purpose of transactions, and provides appropriate and adequate explanations to obtain their understanding and consent. Also, we strive to provide easy-to-grasp information to our clients.

The Group publishes a policy for solicitation and sales of financial products and services, maintains a manual on providing explanations to our clients which stipulates the matters such as thorough implementation of the suitability rule* and appropriate information disclosure, and has established a system for improving employee training. We also put into action the principles outlined in the Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (the "Policies") in an effort to deliver better

explanations and information disclosure to our clients.

In particular, as described in our action plans pursuant to the aforementioned Policies and in updates on the implementation thereof, we are carrying out initiatives to ensure the fair solicitation and sales of financial products from the standpoint of our clients. Initiatives include (1) revising easy-to-understand materials describing case examples of life planning which reflect our clients' life events and asset management methods based on different investment objectives and duration, (2) updating product descriptions based on client feedback, such as improved descriptions about risks and fees, (3) improving seminar content and the hosting of more sessions, and (4) making use of role playing-based training for sales representatives.

We also collect feedback from our clients on whether our

explanations about risk-involving financial products, such as investment trusts and life insurance, are up to standard by conducting monitoring or utilizing questionnaires. We leverage this feedback to revise our solicitation rules when necessary in an effort to maintain a system for guaranteeing

Managing Conflicts of Interest*

The Group has made publicly available an overview of its Management Policy Concerning Conflicts of Interest and engages in appropriate management by identifying and categorizing in advance transactions that could lead to conflicts of interest so that the interests of our clients are not unduly impaired when our Group companies or authorized parties offer their various services. Notably, we identify in advance transactions that may constitute conflicts of interest in each Group company's business operations and establish the methods of managing conflicts of interest in the event such transactions are executed. By setting up beforehand the methods of managing conflicts of interest or business execution systems, the Group attempts to prevent the harmful effects of conflicts of interest in the event those transactions are carried out. If new transactions that may constitute conflicts of interest are anticipated, they shall be identified in advance and managed before they are executed with the established methods of managing

appropriate and sufficient client explanations.

* The suitability rule prohibits financial institutions from soliciting clients in ways that are inadequate in light of the client's knowledge, experience, and asset status and the purpose for entering into the financial transaction contract.

conflicts of interest.

In order for the Group to appropriately manage conflicts of interest, the Compliance Department—which functions as the conflict of interest management control department—maintains the framework for the entire Group and periodically examines its effectiveness. It then reports the results on a regular basis to the Conflicts of Interest Management Enhancement Committee and takes necessary steps for improvement.

Moreover, from the perspective of upholding our fiduciary duties, we constantly strive to enhance our initiatives based on the idea of maintaining a “best practice” conflict of interest management framework as outlined in the Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group. Please refer to page 83 for enhancement of our conflict of interest management framework.

* “Conflicts of interest” refers to cases in which the interests of the Group and those of clients or interests among clients contradict each other.

Outsourcing Management

When outsourcing its operations, the Group takes measures to ensure that the outsourced operation is consigned to a contractor capable of: (1) establishing regulations for the appropriate management of risks from unexpected losses incurred by the Group or its clients, (2) recognizing problems related to the quality of service and the reliability of service continuity, and (3) implementing the operation accurately, fairly, and efficiently. From the viewpoint of preventing the intervention of and transactions with anti-social forces, before concluding new contracts and on an ongoing basis, we check that our contractors are not classified as anti-social forces.

At our core subsidiary SuMi TRUST Bank, the IT &

Business Process Planning Department—which functions as the outsourcing management department—screens and monitors appropriate contractors within the Group pursuant to our rules for outsourcing management and periodically reports on how outsourcing is being managed to the Board of Directors. Moreover, each business designates a department to oversee operations outsourced to contractors and evaluates whether they are performing their assignments properly in accordance with relevant rules and their consignment contracts through confirmations of the status of consigned operations both on an ongoing periodic basis and in response to emerging situations. These departments also monitor contractors when necessary.

Solicitation Policy (Sumitomo Mitsui Trust Bank)

1. Explain the basic policy

Sumitomo Mitsui Trust Bank, Limited (SuMi TRUST Bank) practices its Codes of Conduct (“Value”) that calls for “completely client-oriented” service and “strict compliance with applicable laws and regulations,” and recommends financial products and services based on this solicitation policy so that clients can decide for themselves what is most appropriate for them.

2. Recommend financial instruments suited to clients

SuMi TRUST Bank recommends financial products and services suited to clients according to their “knowledge,” “experiences,” “asset situation” and “the purpose of their transactions.”

3. Explain the contents of financial products and services in an easy-to-understand manner

SuMi TRUST Bank explains not only the contents and merits of financial products and services we provide but also risks and fees in an appropriate, easy-to-understand manner so that they can be fully understood.

4. Offer appropriate explanations and conduct appropriate solicitations

SuMi TRUST Bank does not make explanations or conduct solicitation activity that may mislead clients, such as communicating false information or providing definitive explanations concerning uncertain matters.

5. Strive to conduct solicitation activity convenient for clients

SuMi TRUST Bank strives to conduct solicitation activity via telephone or visit at a time, place and means convenient for clients.

6. Strive to improve in-house systems

SuMi TRUST Bank strives to improve in-house systems so that we can provide financial products and services suited to clients. SuMi TRUST Bank also strives to acquire accurate knowledge and master ways of providing easy-to-understand explanations.

7. Created a consultation contact point for clients

Client Information Management

The Group has established the Declaration for the Protection of Personal Information as a policy to securely protect the personal information of its clients. Furthermore, the Group manages client information appropriately, and when using client information jointly in the Group, each company complies with laws on personal information protection, guidelines on personal information protection in the financial industry, and other related laws and regulations so as to ensure appropriate use of such information.

At SuMi TRUST Bank, IT & business process planning departments oversee client information management as units tasked with this responsibility based on information security risk management rules with the aim of

properly maintaining and managing the Group's information assets. These departments regularly evaluate the status and effectiveness of client information management execution and provide regular status reports to the Board of Directors, etc. At sales and head office departments, in addition to assigning general managers the responsibility of managing and administering information, general managers require all employees they supervise to submit written affirmation of their duty of confidentiality so all concerned clearly recognize they have a duty to keep important information, including personal data they come across while working, confidential.

Client Support Management

So as to properly respond to client inquiries, consultations, requests, complaints or disputes, we have established a basic policy in our Group's rules for supporting clients in an effort to improve operations and provide better services.

In addition, our Compliance Department and the Customer Satisfaction Promotion Department of our subsidiary bank work together to sincerely and quickly respond to complaints from our clients, aiming to reach outcomes with as much understanding and satisfaction as possible. These departments also work to improve operations by collecting and managing information under a

reporting system for complaints, regularly reporting to management, and analyzing the root causes of complaints with the use of our CS Voice of Customers Portal (see page 79). Other initiatives include the improvement of operations and services by trialing the use of the Net Promoter Score (NPS)* calculated from questionnaire results in order to reflect our clients' opinions and evaluations into our products and services.

In fiscal year 2017 SuMi TRUST Bank received a total of 10,392 complaints.

* A marketing metric for gauging customer loyalty.

Sumitomo Mitsui Trust Group Privacy Policy

We at the SuMi TRUST Group, in the utmost effort to protect the personal information of our clients and shareholders, have established the following policies, and we declare to abide by this policy.

1. Compliance with all Applicable Laws and Regulations, etc.

The companies in the Group shall comply with the laws pertaining to the protection of personal information, laws concerning the use of numbers to identify a specific individual for public administration procedures (e.g., the "My Numbers Act), and guidelines set forth by government agencies including other standards.

2. Appropriate Acquisition

The companies in the Group shall obtain personal information from clients, specific personal information, etc. only to the extent necessary for our operations and only through proper and legal means.

3. Purpose of Use

The companies in the Group shall notify or announce how the personal information shall be used, and shall only use it within the confines of the prescribed purpose except as otherwise provided by laws and regulations, and shall not use it for any other purpose. With regards to specific personal information, use shall be limited to the scope stipulated in relevant laws and regulations.

4. Consentment

If the companies in the Group consign the handling of the personal information as well as specific personal information, then the consignee shall be properly supervised to promote safe management of personal information.

5. Offering to Third Parties

The companies in the Group shall not provide to any third party personal information held for clients without obtaining prior consent from the client except in cases specified by laws and regulations. However, if the companies in the Group provide a client's personal information consequent to

the succession of business in a merger or otherwise or if it is shared with a specified party set forth separately, then the personal information held for the client may be provided to the third party without obtaining the client's consent.

With regards to specific personal information, we shall not provide this to third parties irrespective of whether the person concerned has or has not consented, apart from cases where it is stipulated by laws concerning the use of numbers to identify a specific individual for public administration procedures.

6. Responding to Inquiries from Clients, etc.

The companies in the Group shall establish the procedures for correcting and disclosing personal information, and any inquiries concerning questions, suggestions or inquiries and corrections of content, etc. related to personal information and specific personal information shall be handled quickly and accurately.

7. Safety Measures

The companies in the Group, in their approach to managing personal information and specific personal information, take appropriate safety measures in terms of their organizations, personnel affairs, and systems to manage personal information so as to prevent leaks etc. and have put into place a framework of responsibility necessary to protect personal information.

8. Continuous Improvement

The companies in the Group continually review and strive to improve the compliance program for protecting personal information. All executives and employees are trained to understand the importance of protecting personal information and to appropriately handle personal information and specific personal information.



Sustainability Policy 3

Earn the Trust of Society

- We strictly adhere to all laws, regulations and rules, and conduct our activities in a sincere and fair manner that conforms to societal norms.
- We build sound and proper relationships with stakeholders, and fulfill our responsibilities as a member of society, engaging in fair competition and appropriate disclosure of corporate information, etc.
- We maintain a resolute stance against antisocial forces which threaten public order and safety, and work to prevent improper use of financial functions by organized crime.



Corporate Governance

As Japan's only financial group specialized in trust banking, the SuMi TRUST Group is enhancing its corporate governance system in line with its business model.

When changing into a "company with Three Committees" in June 2017, in addition to the statutory committees required by the Companies Act, SuMi TRUST Holdings established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies to the Board of Directors. Furthermore, an external director serves as chairman of the Board of Directors, in order to increase the Group's management transparency.



1. Basic Initiative Policy

In order to adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society, Sumitomo Mitsui Trust Holdings ("SuMi TRUST Holdings") commits itself to enhancing its corporate governance system in line with the following basic philosophy, with the objective of supporting sustainable

growth and medium- to long-term enhancement of the corporate value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses SuMi TRUST Group's management principles ("Mission"), ideal model ("Vision"), and codes of conduct ("Value") as the anchor to all activities, which is shared by all the directors, officers and employees of the SuMi TRUST Group.

Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure effective equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders such as shareholders, clients, employees, business partners, and local communities, and to establish corporate culture and climate where it conducts sound business operations based on a high degree of self-discipline.
- In order to establish the basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As a financial holding company with the function of managing the business administration of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees" and, by separating execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth and medium- to long-term enhancement of the corporate value of SuMi TRUST Holdings.

2. Perspectives regarding SuMi TRUST Holdings' Corporate Governance System

The Company is a financial holding company with subsidiaries such as Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank"), Sumitomo Mitsui Trust Asset Management, Sumitomo Mitsui Trust Research Institute, and Japan Trustee Services Bank, etc. and shall aim to be client's "Best Partner" that provides a "Total Solution" that combines banking business, asset management and administration business and real estate business, based on the

fiduciary spirit of trust business and by making full use of its significant expertise and creativity. In addition, to fulfill the principles and to meet the expectations of stakeholders, SuMi TRUST Holdings shall endeavor to ensure the soundness and reliability of the business model and the transparency of its management of the SuMi TRUST Group and shall further enhance the SuMi TRUST Group's corporate governance.

3. Board of Directors

Roles of the Board of Directors

The Board of Directors ensures the fairness and transparency of the SuMi TRUST Group's corporate management as its central role, by setting out the basic management policy of the SuMi TRUST Group and supervising the overall management of the Group. Thus, with the exception of matters that are required by law to be decided by the Board of Directors, the Board of Directors, in principle, delegates decisions on the execution of business to executive officers, and supervises the execution of business by executive officers, etc. Meanwhile, the Board of Directors provides and improves an environment in which external directors may properly supervise the execution of duties by the Board of Directors and the top management, as well as any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc. from the standpoint of stakeholders, in order to support sustainable growth and the medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy regarding social responsibility that is to be implemented by each Group company (the "Sustainability Policy") (see page 102). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of the SuMi TRUST Group. Furthermore, the Board of Directors establishes policies regarding the provision of products and services suitable for the true benefit of our clients (the "Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group"), acts to ensure client comfort and satisfaction by sharing our "client-orientation" policy within the SuMi TRUST Group, and promotes the practice of fiduciary duties in the SuMi TRUST Group by supervising each Group company's commitment to its fiduciary duties.

Composition of the Board of Directors

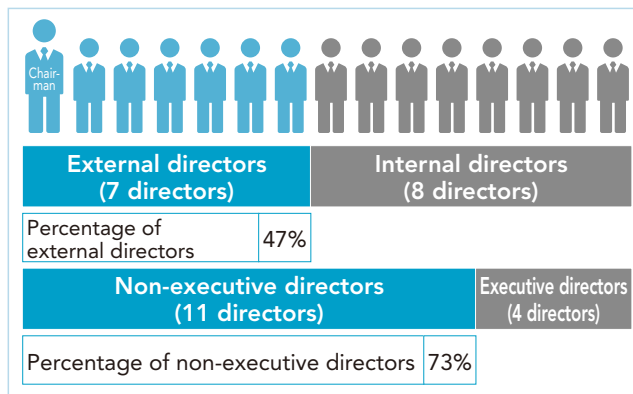
The Board of Directors of SuMi TRUST Holdings is comprised of no more than 20 directors, which is the number of directors prescribed in the Articles of Incorporation, and includes the number of directors that is necessary and appropriate to provide an effective supervisory system required of a financial holding company that serves the corporate management function of the SuMi TRUST Group. Due consideration is also given to ensuring the diversity and expertise of the Board of Directors.

In light of the importance of the functions of external directors in corporate governance, as a general rule, at least one-third of the directors on the Board of Directors are independent external directors. The Board of Directors establishes and discloses Independence Standards of Independent Directors.

In determining candidates for directors, SuMi TRUST Holdings takes into consideration, among other factors, a balance between individuals who are capable of exerting strength in the management of specific business fields,

and individuals who are suitable for corporate management. SuMi TRUST Holdings strives to secure a board that is, as a whole, sufficiently balanced and diverse in terms of knowledge, experience, and capability to properly supervise the wide range of business fields in which SuMi TRUST Holdings has dealings, as a trust bank group.

Composition of the Board of Directors

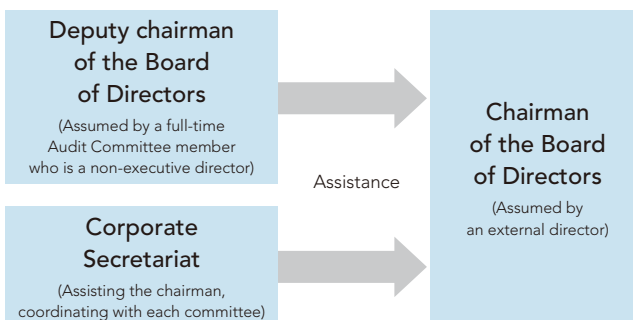


- All seven external directors have been registered as independent officers with the relevant financial instruments exchange.
- Breakdown of 15 directors: 14 men, 1 woman
- Since changing into a company with Three Committees, 12 Board of Directors meetings were held during the period from June 29, 2017 to March 31, 2018. The attendance rate for all 12 of these meetings was 100%.

External Director Serving as Chairman of the Board of Directors

While a "company with Three Committees" is, in principle, able to delegate important business execution decisions to executive officers, the Board of Directors is required to exercise a greater supervisory function. In light of the role expected of the Board of Directors, SuMi TRUST Holdings has appointed Mr. Isao Matsushita, an external director, as chairman of the Board of Directors.

In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, and elected a full-time Audit Committee member who is a non-executive director as the deputy chairman of the Board of Directors, thereby providing various types of information, mainly regarding agendas for deliberation at the Board of Directors meetings, and offering assistance regarding matters such as the clarification of points from the perspective of management and supervision.



Results of the FY2017 Evaluation of the Board of Directors

SuMi TRUST Holdings conducts an annual evaluation of the effectiveness of the Board of Directors as a whole (the "Evaluation of the Board of Directors"), and reviews and implements remedial measures for the challenges it recognizes, thereby implementing a PDCA cycle to improve the effectiveness of the Board of Directors. The key points of the FY2017 Evaluation of the Board of Directors are as indicated below.

■ Key Evaluation Points

- (1) Leveraging of third party perspectives through interviews with external directors conducted by external experts
- (2) Enhancement of evaluation items concerning the "Demonstration of supervisory functions" of the board of directors
- (3) The board of directors' evaluation of each committee, and each committee's self-evaluation
- (4) Extensive discussion conducted by the board of directors based on the results of the evaluation (Discussion topics included the board of directors' standpoint as a supervisory body, the process of consultation/reporting between the board of directors and each of the committees, creative improvements in operation, and areas for greater focus in future deliberations)
- (5) Exchanges of opinions at the external directors' meeting regarding matters including the results of the evaluation of the board of directors

■ Measures to Address the Challenges Recognized by the FY2016 Evaluation of the Board of Directors

The major measures implemented during fiscal year 2017 that addressed the challenges recognized by the FY2016 Evaluation of the Board of Directors are as follows.

- (1) Operation that Contributes to the Demonstration of Functions as the Board of Directors of a Holding Company
Through revision of the criteria for submitting proposals/reporting to the Board of Directors, all decisions on business execution other than matters statutorily required to be decided by the Board of Directors were, in principle, delegated to executive officers, with a view toward enhancing the status report on the execution of duties regarding important management matters by executive officers. At the same time, SuMi TRUST Holdings worked to materialize purposeful operation that contributes to the demonstration of functions as the Board of Directors of a holding company, including selecting management priority issues as "management themes" from a medium- to long-term viewpoint, and initiating free discussions without the obligation to reach conclusions (see page 95).
- (2) Enhancement of an Infrastructure for the Operation of the Board of Directors Aimed at Efficient and Enhanced Deliberation

The format of the materials for the Board of Directors was revised to ensure that the operation of the Board of Directors is based on clearer explanations of the key points for deliberation at the Board of Directors, the status of deliberation by preliminary deliberation bodies, and the risks and challenges involved in the matters being deliberated upon.

Meanwhile, paperless meetings were introduced in order to improve both the visibility of materials and the efficiency of meetings.

(3) Enhancement of Deliberations in Line with the Business Model of a Trust Bank Group

The Board of Directors deliberated regarding themes concerning the business model of a trust bank group and the employees who advance it, including the "strategies and challenges faced by each business," the "status of business execution at major subsidiaries," and the "status of diversity & inclusion measures." These themes were identified by the Board of Directors and other bodies as areas requiring further deliberation, based on the results of questionnaires administered for the Evaluation of the Board of Directors in the previous fiscal year.

Based on the efforts described above, the FY2017 Evaluation of the Board of Directors checked the status of improvements for each challenge, and confirmed that the conditions had improved for all challenges, compared with conditions in fiscal year 2016.

■ Outline of the Results of the FY2017 Evaluation of the Board of Directors and Future Measures

Through the FY2017 Evaluation of the Board of Directors, SuMi TRUST Holdings concluded that the Board of Directors and each committee had been operated with a sense of their own purpose, in an effort to invigorate deliberation and enhance objectivity and transparency, and that they had maintained a certain level of effectiveness.

On the other hand, through the FY2017 Evaluation, SuMi TRUST Holdings identified the following three challenges as requiring improvement and enhancement by the Board of Directors and each committee, and is working continuously to address these issues.

- (1) Refinement of the infrastructure for operation of the board of directors to contribute to efficient and enhanced deliberation
- (2) Further demonstration of supervisory functions over management matters important for promotion of the midterm management plan
- (3) Enhancement of coordination between the board of directors and each committee with a view toward ensuring the further demonstration of their functions

In its pursuit of sustainable growth and the medium- to long-term enhancement of enterprise value, SuMi TRUST Holdings is committed to further enhancing the effectiveness of the Board of Directors and each committee, by continuously implementing the PDCA cycle through the Evaluation of the Board of Directors.

External Directors' Attendance at Board of Directors Meetings

External directors 7	No. of meetings 7	Attendance rate 100%
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*From June 28, through November 30, 2018

4. Committees

In order to ensure the effectiveness of its corporate governance system and further enhance the soundness and reliability of its business model and the transparency of its management of the SuMi TRUST Group, SuMi TRUST Holdings has established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors, in addition to the Nominating Committee, the Compensation Committee, and the Audit Committee, the establishment of which is required under the Companies Act. Independent external directors participate in the Risk Committee and the Conflicts of Interest Committee.

As a financial group specialized in trust banking, we have established the Conflicts of Interest Committee, which has supervisory functions unparalleled in other financial groups.

Nominating Committee

The Nominating Committee determines the content of proposals regarding the election and dismissal of directors to be submitted to the General Meeting of Shareholders, receives requests for consultation regarding the election and dismissal of executive officers including the President, as well as the succession plan for the management team from the Board of Directors, and deliberates and makes reports on these matters. It also receives requests for consultation

regarding the election and dismissal of directors and corporate auditors from the Board of Directors of SuMi TRUST Bank, and deliberates and makes reports regarding these matters. The Nominating Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Nominating Committee is selected from the pool of committee members who are independent external directors.

Compensation Committee

The Compensation Committee prescribes policy regarding decisions on the content of compensation for individual executive officers and directors, and determines the content of compensation for individual executive officers and directors, in accordance with this policy. It receives requests for consultation regarding policies on decisions on the content of compensation for individual directors, etc. from the Board of Directors of SuMi TRUST Bank, and deliberates and makes reports on these matters. The Compensation Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Compensation Committee is selected from the pool of committee members who are independent external directors.

External Directors' Attendance at Nominating Committee Meetings

External directors 5	No. of meetings 6	Attendance rate 100%
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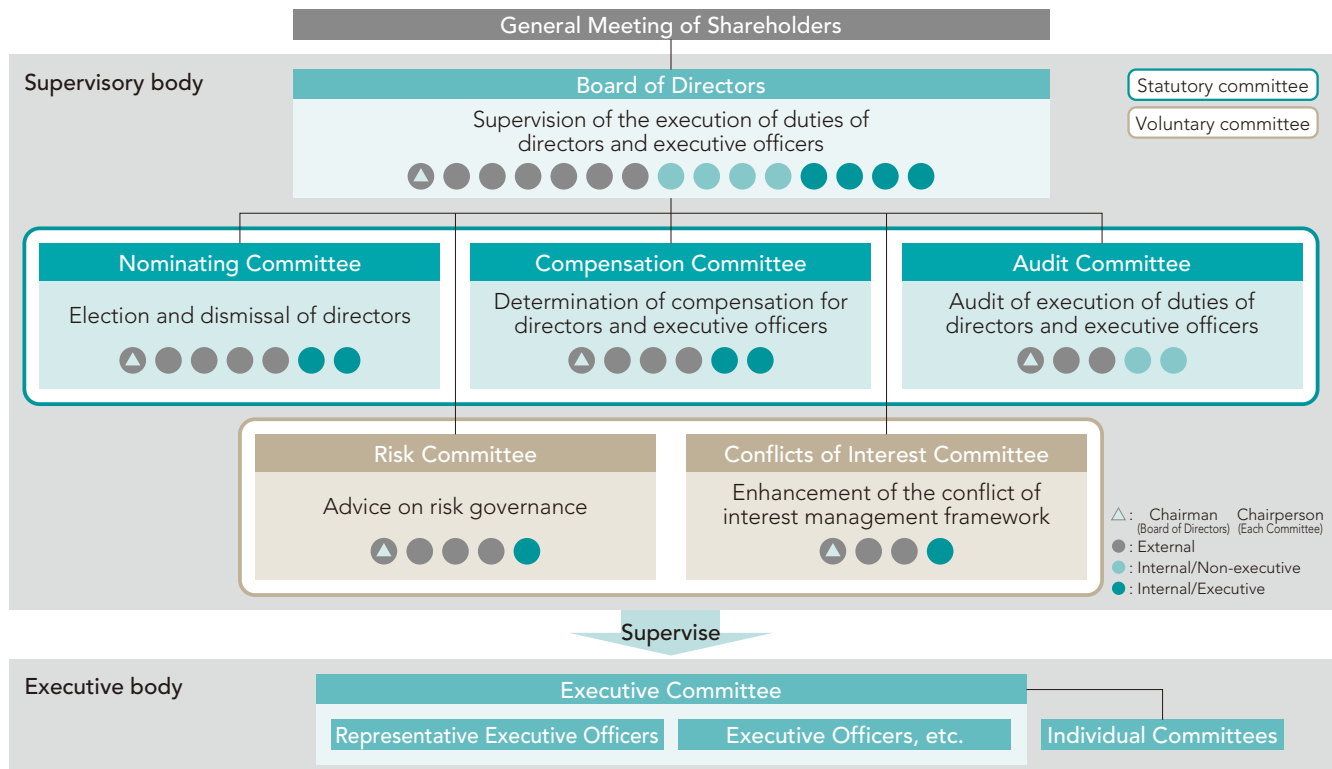
*From June 28, through November 30, 2018

External Directors' Attendance at Compensation Committee Meetings

External directors 4	No. of meetings 5	Attendance rate 100%
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*From June 28, through November 30, 2018

Corporate Governance System



Audit Committee

The Audit Committee audits the execution of duties by executive officers and directors, and prepares audit reports. It determines the content of proposals regarding the election and dismissal of a financial auditor, and regarding refusals to reappoint a financial auditor that are submitted to the General Meeting of Shareholders.

In order to fulfill its role and responsibilities, the Audit Committee appropriately exercises its authority to investigate the status of business and the assets of companies belonging to the SuMi TRUST Group. It appropriately utilizes the internal control system of the SuMi TRUST Group, and systematically and efficiently conducts audits by receiving reports from executive officers, directors, and a financial auditor, and through communications with these individuals. The Audit Committee consists of three or more directors who do not concurrently serve as executive officers, and a majority of its members are independent external directors. The chairperson of the Audit Committee is selected, in principle, from the pool of committee members who are independent external directors.

External Directors' Attendance at Audit Committee Meetings

External directors 3	No. of meetings 7	Attendance rate 100%
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*From June 28, through November 30, 2018

Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding the SuMi TRUST Group, top risks, and materiality, and (ii) matters concerning the operation of its risk appetite framework, risk management, and monitoring of the effectiveness of the internal control system related to compliance management of the SuMi TRUST Group, and reviews and reports on their appropriateness. In principle, a majority of the members of the Risk Committee are

independent external directors and external experts. The chairperson of the Risk Committee is selected from the pool of committee members who are directors with professional knowledge and expertise in the concerned field.

External Directors' Attendance at Risk Committee Meetings

External directors 2	No. of meetings 3	Attendance rate 100%
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*From June 28, through November 30, 2018

Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on (i) matters concerning the validity of the conflict of interest management framework of the SuMi TRUST Group, (ii) matters concerning the effectiveness of conflict of interest management, client explanation management, and client support management of the SuMi TRUST Group, as well as the enhancement of associated systems, (iii) matters concerning Policies regarding the Fiduciary Duties of the SuMi TRUST Group and the action plans, etc. of each Group company, (iv) particularly important matters concerning the dissemination of conflict of interest management and fiduciary duties in the SuMi TRUST Group, and other matters, and reviews and reports on their appropriateness. In principle, a majority of the members of the Conflicts of Interest Committee are independent external directors and external experts. The chairperson of the Conflicts of Interest Committee is selected from the pool of committee members who are independent external directors or external experts with professional knowledge and expertise in the concerned field.

External Directors' Attendance at Conflicts of Interest Committee Meetings

External directors 1	No. of meetings 3	Attendance rate 100%
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*From June 28, through November 30, 2018

Members of Committees (△: Chairperson, ●: Member (external), ●: Member (internal/non-executive), ●: Member (internal/executive))

			Nominating	Compensation	Audit	Risk	Conflicts of Interest	
External	Directors	Isao Matsushita	△	△				
		Soichi Shinohara	●	●				
		Takeshi Suzuki	●	●		●	●	
		Mikio Araki	●	●		△		
		Shinichi Saito	●		△			
		Takashi Yoshida			●			
		Hiroko Kawamoto			●			
		Experts	Hideki Kanda*					
	Haruyuki Toyama*					●		
	Toshinori Kurihara*					●		
	Akiko Hosokawa*							●
	Internal		Tetsuo Ohkubo	●	●			
		Masaru Hashimoto	●	●				
		Yasuyuki Yagi			●			
		Hiroshi Misawa			●			
		Yutaka Nishida				●	●	

* Mr. Hideki Kanda is an external director of SuMi TRUST Bank. Mr. Haruyuki Toyama, Mr. Toshinori Kurihara, and Ms. Akiko Hosokawa are external experts.

5. Compensation System for Directors and Officers

Policy Regarding Decisions on the Content of Compensation

- Compensation for directors and officers is intended to function effectively as an incentive for the improvement of corporate performance and expansion of enterprise value.
- Rather than focusing on a single-year performance evaluation in which short-term contributions to profit are emphasized, we are building a compensation system with a balance of near-term incentives and medium- to long-term incentives, with rewards based on a comprehensive evaluation that reflects earnings contributions over the medium to long term.
- As a holding company, in order to adequately discharge our supervisory duties over the Group companies, we accurately assess the roles that directors and officers of SuMi TRUST Holdings must perform in corporate management, as well as the results of their efforts, and determine individual compensation based on highly transparent, fair, and objective evaluations.
- The Compensation Committee forges deeper collaborations with committees in order to build a higher accountability compensation system, and engages in deliberations with the aim of operating a fair and balanced compensation system.

- before credit costs and consolidated net income and reflects corporate performance, etc. It shall make up around 15% of the overall compensation.
- 4) The number of stock options to be provided as compensation is determined when necessary, and reflects annual performance, etc. It currently makes up around 15% of the overall compensation.
 - 5) The approximate ratio of each to the overall compensation is as follows.

President	Fixed compensation portion of monthly compensation	Individual performance compensation portion of monthly compensation	Director/officer bonus	Stock options provided as compensation	Total
	4	3	1.5	1.5	10

Compensation for FY2017

The total amount of compensation in fiscal year 2017 for directors, excluding external directors, was ¥132 million and for corporate auditors, excluding external corporate auditors, was ¥14 million. Moreover, we have not disclosed compensation of individual directors or corporate auditors because no one at SuMi TRUST Holdings received total compensation in excess of ¥100 million, the level which triggers mandatory disclosure.

Director/officer category	Headcount	Total amount of compensation (¥ million)			
		Annual compensation	Compensation as stock options	Bonus	
Directors (ex. External Directors)	7	132	120	4	6
Corporate Auditors (ex. External Corporate Auditors)	2	14	14	—	—
Executive Officers	13	264	188	28	47
External Directors	7	94	94	—	—
External Corporate Auditors	3	7	7	—	—

- (Notes)
1. SuMi TRUST Holdings transitioned to a "company with Three Committees" from a "company with a Board of Corporate Auditors" by a resolution of the Ordinary General Meeting of Shareholders for the Sixth Fiscal Period held on June 29, 2017. Therefore, the headcount and the payment amount for corporate auditors and external corporate auditors stated above are the headcount of those who served as corporate auditors and external corporate auditors from April 1 to June 29, 2017 as well as the compensation for the duties executed by corporate auditors and external corporate auditors during that period.
 2. Compensation paid to executive officers who concurrently serve as directors is stated in the executive officer row.

Fiscal year under review (April 1, 2017 to March 31, 2018)

Overview of the Compensation System

In principle, compensation is paid via a combination of monthly compensation, director/officer bonuses, and stock options.

<Reference> President's Standard Compensation Table

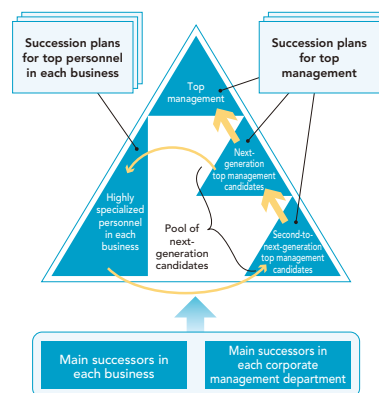
The composition and range of the President's compensation are specified as indicated below. This table is used for reference by the Compensation Committee in determining individual compensation amounts.

- 1) Monthly compensation consists of "fixed compensation," an amount fixed by position, and "individual performance compensation," an amount which is based on individual directors and officers' previous fiscal year assessment and reflects their earnings contributions over the medium to long term.
- 2) The "individual performance compensation" range shall be between 70% and 160% of the standard amount.
- 3) "Director/officer bonus" is determined when necessary, and is indexed on consolidated net business profit

6. Succession Plan

In order to realize the sustainable growth of the Group and enhance its enterprise value, the Group has created succession plans for the top management of SuMi TRUST Holdings and its core subsidiary, SuMi TRUST Bank. We have also created management personnel development plans for the personnel that will be responsible for the management of each business and corporate management.

These plans identify important positions, define the ideals and requirements of personnel in these positions, and assist with the management and development of a pool of



candidates that meet these ideals and requirements.

The status of the progress of succession plans and management personnel development plans is reported

regularly to the Nominating Committee, which engages in consultations regarding the appropriateness of this status, and reports to the Board of Directors.

7. Initiatives for Enriching Agendas at Board of Directors Meetings

The Board of Directors supervises the status of the execution of duties by executive officers, etc., defines basic management policy, and selects business models and makes decisions regarding risk-taking by formulating a management plan. In order to play this role, the Board of Directors selects management themes, consisting of legal and regulatory requirements, priority management issues, and medium- to long-term themes, and freely discusses these themes in the Board of Directors meetings, without an obligation to reach conclusions.

Through these initiatives, we utilize the expertise and perspectives of the external directors regarding the major themes that form the core of our corporate management.

Past Management Themes

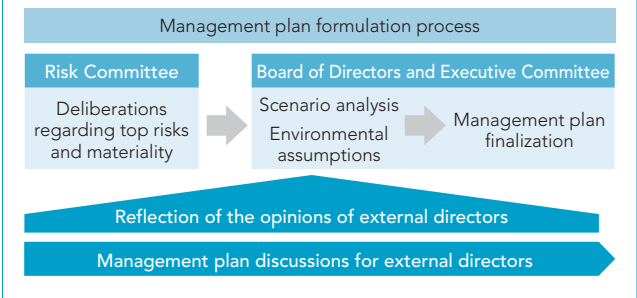
July and August 2017	Personnel development
September	Business model
November and December	Group corporate governance
January 2018	ESG initiatives
August	client assessment
September	Globalization of personnel
November	Case studies of governance failure at other companies

8. Management Plan Formulation Process

When formulating a management plan, the Risk Committee first discusses the top risks and materiality. Afterwards, the external environment scenarios that will serve as the premises of the management plan are considered, and the management plan is formulated based on these scenarios. In order to improve the effectiveness and objectivity of the management plan, we engage in multiple management plan discussions with external directors before analyzing scenarios or formulating the management plan, leveraging the knowledge of both external directors and external experts from the early stages of plan formulation.

Early Stage Participation in the Management Plan Formulation Process

The opinions of external directors are reflected in the management plan from the early stages of the formulation process



9. External Directors' Meetings

In order to further improve the effectiveness of our corporate governance, we hold external directors' meetings, which are only attended by external directors. These directors engage in exchanges of opinions based on the

operation of the Board of Directors, agendas, demonstration of functions, and results of the Evaluation of the Board of Directors. These meetings contribute to the greater objectivity and independence of the Board of Directors.

10. Dialog between External Directors and Investors

In February 2018, we held "SuMi TRUST IR Day," at which external director Mr. Isao Matsushita, who serves as chairman of the Board of Directors, provided an explanation of our corporate governance initiatives and conducted a Q&A session with the investors in attendance.



11. Regarding Cross-Shareholdings Policies Regarding Cross-Shareholdings

The SuMi TRUST Group shall not acquire and hold the shares, etc. of business counterparties, etc. (the “Cross-Shareholding Shares”), except in the case where it is deemed that such acquisitions and holdings will contribute to medium-to-long term enhancement of the corporate value of the SuMi TRUST Group, from the perspective of, among other things, establishing a stable transactional relationship over the long term or a business alliance, or facilitating or reinforcing collaborative business development with business counterparties, in principle.

Regarding individual Cross-Shareholding Shares, at a Board of Directors meeting, SuMi TRUST Holdings shall examine the relationship between the benefits/risks of holding the shares and capital cost and verify the suitability of holding them, etc., taking into account the aspect of maintaining and enhancing the overall relationship with business counterparties.

In principle, the SuMi TRUST Group shall sell the Cross-Shareholding Shares in cases where the significance and rationality of holding them is not observed, after taking into consideration various factors, including the impact of selling the shares on the stock market.

Standards for Voting on Cross-Shareholding Shares

SuMi TRUST Holdings and SuMi TRUST Bank, which is a core subsidiary of SuMi TRUST Holdings, shall decide to vote for or against each resolution and exercise voting rights pertaining to the Cross-Shareholding Shares (the “Voting Rights”), after comprehensively taking into consideration the business conditions, etc. of the issuer of the Cross-Shareholding Shares (the “Issuer”), as well as the impact on sustainable growth and medium-to-long term enhancement of the corporate value of the issuer and the SuMi TRUST Group.

In the case that SuMi TRUST Holdings or SuMi TRUST Bank is required to pay special attention upon the exercise of voting rights due to a long-term downturn of business conditions, a reorganization, or an occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall decide to vote for or against each resolution after collecting enough information through a variety of methods including engaging in dialogue with the issuer.

In the case that there is a risk of conflicts of interest upon the exercise of voting rights, SuMi TRUST Holdings and SuMi TRUST Bank shall properly deal with the risk pursuant to the Management Policy Concerning Conflicts of Interest prescribed separately.

12. Measures for Protection of Stakeholders’ Interests

Management System of Related Party Transactions

When SuMi TRUST Group engages in transactions with its officers or major shareholders, etc., the transactions shall be referred to the Board of Directors for prior approval, in order to ensure that such transactions do not harm, among other interests, the interests of SuMi TRUST Group or the common interests of its shareholders, except where the trading terms are obviously equivalent to those of general transactions.

Management System of Transactions Involving Conflict of Interest with Customers in SuMi TRUST Group’s Business Operations

SuMi TRUST Group shall separately prescribe the Management Policy Concerning Conflicts of Interest (the “Management Policy”) pursuant to laws, etc., in order to ensure that none of the various services provided by each group company and its related parties unfairly harm the interests of its customers. Pursuant to the Management Policy, SuMi TRUST Group shall appropriately manage transactions that may give rise to a conflict of interest, and shall properly implement its business operations.

Compliance Hotline System

In order to promptly and appropriately respond to any serious violation of laws/regulations and internal rules or to acts that likely constitute such violation, SuMi TRUST Group has established a compliance hotline system where all officers and employees, etc. (including part-time employees, dispatched

employees, retired employees, and officers and employees, etc. of partner business operators, etc.) can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels. This hotline system enforces rigorous control of information and protection of whistleblower privacy to ensure their protection, and prohibits adverse treatment of whistleblowers who utilize the system appropriately and those who cooperate with the investigation.

In addition, in order to ensure unified management of the Group, SuMi TRUST Holdings has its subsidiaries establish systems equivalent to this system (as necessary). The reported information is consolidated at SuMi TRUST Holdings, so that the Company can utilize this information to enhance its compliance system going forward.

Furthermore, in order to promote the appropriate use of the system, SuMi TRUST Bank, one of the major subsidiaries, has taken the lead in establishing and providing Q&As and training tools for employees and others. Compliance awareness surveys are also implemented at major subsidiaries, etc. in order to gauge their level of awareness.

The approach taken for the compliance hotline system is also taken for the accounting hotline system for the reporting of the Group’s inappropriate accounting, etc. SuMi TRUST Holdings conducts activities to raise the awareness of subsidiaries, etc. as well as discloses the contact points for whistleblowers on its website.

(See our website for more information:

https://www.smth.jp/about_us/management/compliance/index.html)

13. Internal Control

An internal control system is designed to prevent the occurrence of misconduct by putting various mechanisms and rules into place for the purpose of conducting sound management in a company. Basically, there are four objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and ordinances concerning business activities, and (4) safeguarding of assets. Through development and operation of its internal control system, a company can attain these objectives.

To attain the aforementioned objectives, the Board of Directors has determined the Basic Policy on the Internal Control System so the Group can attain the aforementioned objectives. The basic policy pertains to the following: (1) the compliance system (ensures compliance with laws, regulations, etc.); (2) the risk management system; (3) the business execution system; (4) the system to ensure management



transparency; (5) the management system to ensure appropriateness of Group operations; (6) the information storage and management system; (7) the internal audit system; and (8) the system for audits by corporate auditors.

14. Risk Appetite Framework (RAF)

Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining the type and level of risk (risk to be taken as a potential source of revenue, risk to be kept at or below a certain level, or risk to be avoided as a rule) within the Group's risk capacity, in order to achieve the management strategies formulated by management based on the Group's social role and management policies, together

with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promotes the realization of these goals through environmental assumptions and risk awareness, increasing the transparency of risk taking process through the setting, communication, and oversight of risk appetite, appropriate allocation of management resources, and monitoring of operational status.

Operation of Risk Appetite

Determining Risk Appetite

The Group's risk appetite is determined in accordance with the management plan, based on management strategies, risk culture, and verification through stress tests. The Group reviews its risk appetite as necessary, at least once per year.

In setting risk appetite, the Group identifies the major risks (risk characteristics), including credit risk, market risk, information security risk, and conduct risk, to which each business is exposed according to the nature of its operations.

Monitoring of Risk Appetite

The Group sets risk appetite indicators to clarify risk appetite, and monitors them regularly. If the risk appetite indicators deviate from the set levels, the Group analyzes the

cause for the deviation and implements countermeasures or revises the levels.

Risk Governance

Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by clarifying and monitoring risk appetite and risk limits.

The Group promotes the enhancement of risk governance, with the aim of achieving the sound development of the Group.

SuMi TRUST Holdings strives to enhance the operation of risk appetite through discussions at the Risk Committee and the Conflicts of Interest Committee, etc. as part of its initiatives to enhance corporate governance.

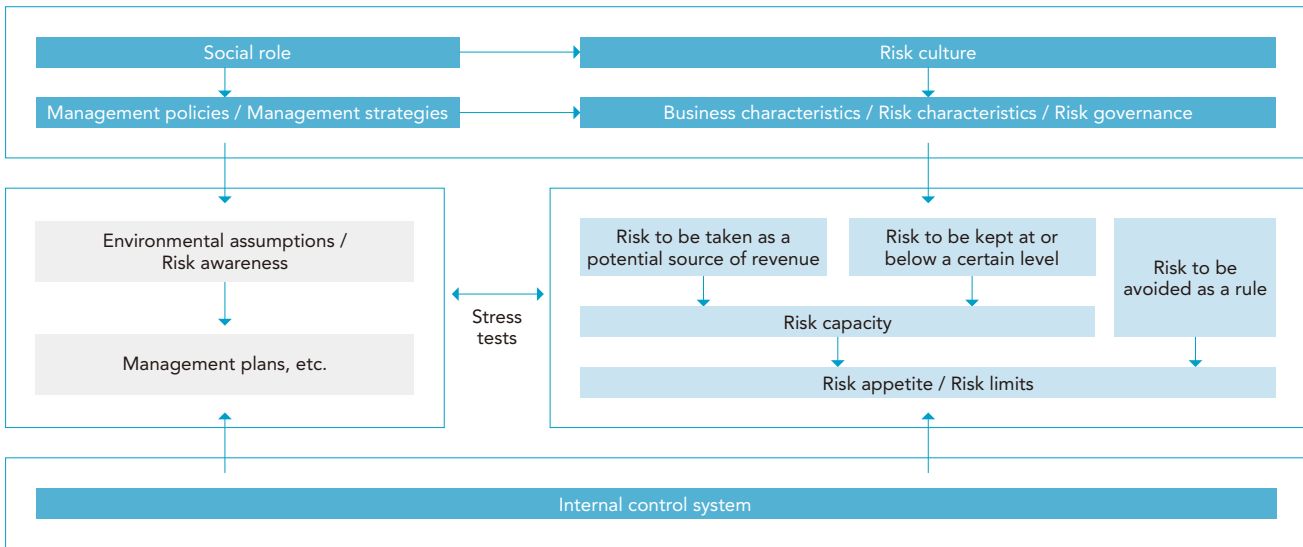
Fostering a Risk Culture that Takes Root across the SuMi TRUST Group

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group's organizations, as well as its directors, officers and employees, that flexibly carry out risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

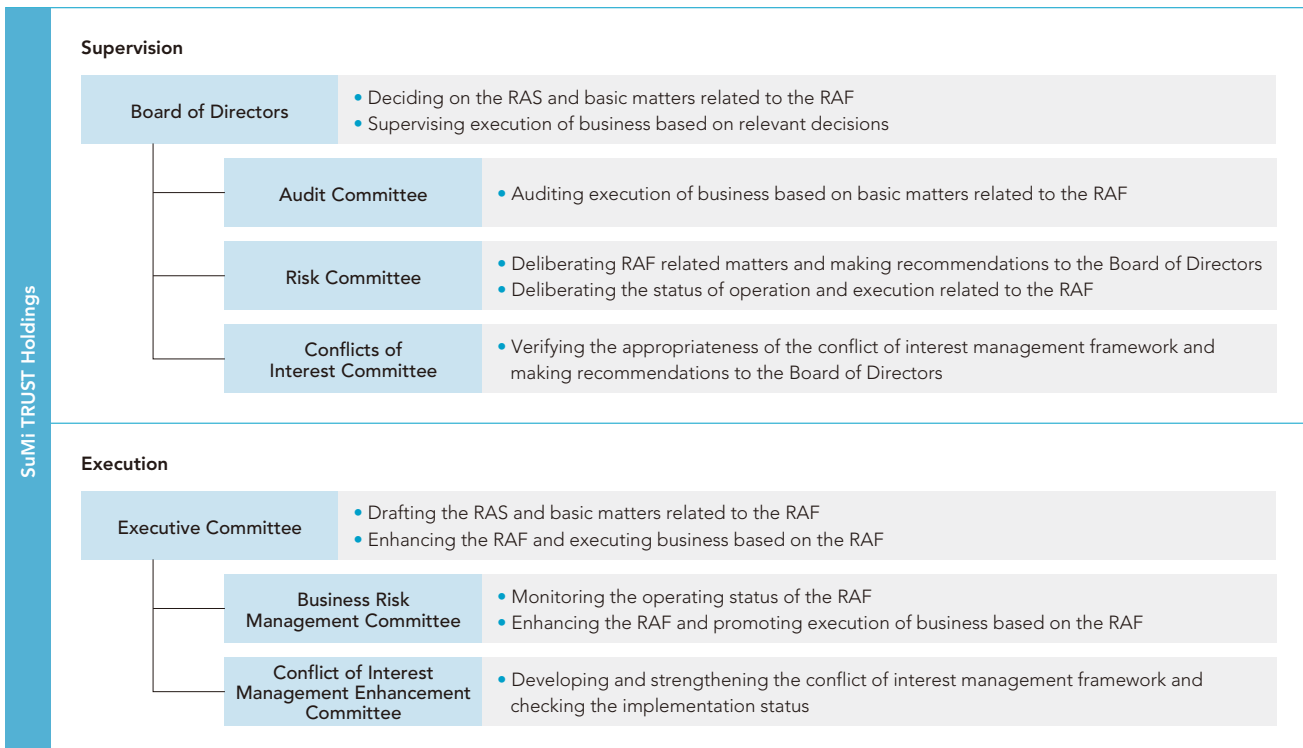
In order to foster a risk culture that takes root across

the Group, we are endeavoring to share and disseminate information regarding risk within the Group, through the delivery of messages from top management, training and education, and other measures. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used in lively discussions concerning risk appetite within the Group.

Outline of the Risk Appetite Framework



Risk Appetite Framework Operating System



15. Internal Auditing

Basic Initiative Policy

The SuMi TRUST Group believes that establishing an efficient and effective internal auditing system commensurate with the size and nature of its business, the content of laws and regulations that apply to operations, and the type of risks is indispensable to achieve management targets, appropriate legal compliance, facilitating financing, client protection, and risk management.

Therefore, with the aim of ensuring the soundness of management by improving and enhancing the business execution system and the internal management system,

Internal Auditing Implementation System

(1) SuMi TRUST Holdings

1) Organization

In addition to establishing an Internal Audit Department independent of departments involved in business execution under the Board of Directors, SuMi TRUST Holdings has strengthened the supervisory and restraint capabilities (governance) with regard to management and business execution departments, by positioning the Internal Audit Department in a direct instruction and reporting relationship with the Audit Committee.

2) Functions and Roles

The Internal Audit Department formulates an internal audit plan, taking into account the basic policy on internal audits, which dictates the direction to be taken in the development of the SuMi TRUST Group's internal auditing system, as well as significant group-wide risks. After receiving the consent of the Audit Committee, the plan is approved by the Board of Directors. The Internal Audit Department reports the results of the internal audit, without delay to the President and the Audit Committee, while also analyzing the internal audit results, including those for Group companies, and reporting regularly to the Board of Directors.

In addition, the Internal Audit Department, as the department supervising the Group's internal auditing,

SuMi TRUST Holdings and its main Group companies have established internal auditing units that are independent of departments involved in business execution and that adequately act as a restraint function. The internal auditing units verify the appropriateness and effectiveness of the business execution system and internal management system, provide comments and recommendations for correcting problems, and follow up on the status of improvement measures.

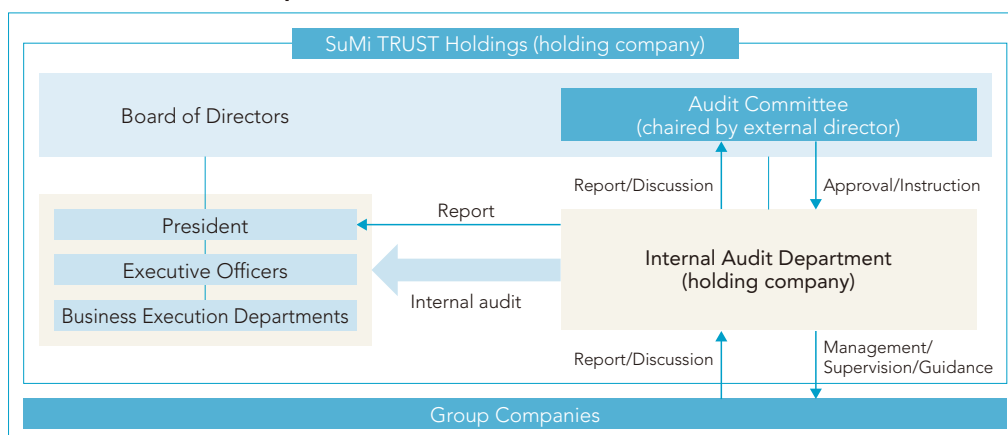
receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each Group company. The role of the Internal Audit Department also includes receiving reports of internal audit results from Group companies, assessing and verifying the internal auditing system and its implementation status at each Group company, and providing guidance as necessary.

(2) Group Companies

Internal auditing units that are independent of departments involved in business execution have also been established at the main Group companies including SuMi TRUST Bank, and conduct internal audits. Each Group company formulates an internal audit plan in line with the basic policy on internal audits set by the holding company, which is approved by the Board of Directors after consultation with the holding company.

Results of internal audits are reported, without delay to the president and to the holding company, and are also reported regularly to the Board of Directors and the holding company.

The SuMi TRUST Group



16. Communication with Shareholders and Investors

Basic Philosophy

SuMi TRUST Holdings aims for highly transparent corporate management by striving for timely and appropriate disclosure of corporate information, as well as through proactive IR activities and constructive dialogue with shareholders and investors in Japan and overseas.

Specifically, we endeavor to give our shareholders and investors a deeper understanding of SuMi TRUST Holdings' performance, business conditions, business strategies, etc., by holding information meetings and other events in addition to disclosing corporate information in a timely, fair, and accurate manner.

Information Meetings for Investors

Activities for Individual Investors

We strive to provide information that will allow individual investors to better understand SuMi TRUST Holdings through measures such as organizing information meetings, setting up a dedicated website for individual investors, and distributing a newsletter for shareholders ("The Trust Newsletter – Business Report").

Activities for Institutional Investors

Investor meetings on financial results aimed mainly at analysts and institutional investors are held twice a year, for the full-year and interim results. We also conduct briefings on our management strategy and financial position,

etc. by participating in conferences organized by securities companies and by holding one-on-one investor meetings in Japan and overseas. In February 2018, we held SuMi TRUST IR Day, where the officers in charge of our businesses described the features and strengths of the Group's main businesses, as well as our strategic direction. In addition, Mr. Isao Matsushita, an external director and chairman of the Board of Directors, gave a presentation describing our governance.



At an information meeting held in December 2017, we communicated the appeal of SuMi TRUST Holdings to individual investors in an easy-to-understand manner, through a dialogue with Mr. Yasushi Miyosawa, an announcer with Asahi Broadcasting Group Holdings Corporation.

For details, see "Information Meeting for Individual Investors" on our website (Japanese only).
https://smth.jp/investors/individual_meeting/index.html

IR Activities Carried Out in FY2017

Investor meetings on financial results for analysts and institutional investors	2 times
Overseas IR events	8 times
One-on-one meetings with institutional investors in Japan and overseas	Number of companies: 411 (including 205 overseas investors)
Information meetings for individual investors	Number of participants: 498



SuMi TRUST IR Day held in February 2018

General Meeting of Shareholders

In addition to promptly sending out the convocation notice for the General Meeting of Shareholders held in June of each year, we post the notice on stock exchange websites and our own website one week before it is sent out. We are also striving to improve the voting environment by making it possible to exercise voting rights online or by cell phone (including smartphones), and by participating in a platform for the exercise of voting rights. Furthermore, we post an

English translation of the convocation notice on our website at the same time as the Japanese version, before it is sent out, in an effort to increase the convenience of overseas investors.

Notices of resolutions and voting results are posted on our website immediately after the conclusion of the General Meeting of Shareholders.

17. Sustainability Initiatives of Sumitomo Mitsui Trust Group Fundamental Perspectives

SuMi TRUST Group's Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increase the corporate value of SuMi TRUST Group by promoting active

efforts to resolve sustainability-linked environmental and social issues while taking into consideration its stakeholders. The sustainability initiatives of the Group are organized into the following three approaches.

Approach to Sustainability of Sumitomo Mitsui Trust Group

A

Promotion of materiality management to create shared value (please see pages 6-7)

A sustainability perspective is essential in order for the Group to create shared value and achieve growth with its stakeholders. The Group emphasizes ESG (environment, social and governance) as elements that form our management base, and promote materiality management incorporating the evaluation standards of long-term investors who expect sustainability in profit growth as well.

B

Sustainability initiatives in our business

The Group seeks to build a sustainable society with its clients by leveraging the functions of a financial group specialized in trust banking to provide total solutions that address social issues faced by clients. We use the SDGs (Sustainable Development Goals) as a standard to understand (verify the appropriateness of) the social value created by the products and services we provide.

C

Providing value to the community

Providing value to the community that constitutes society is linked to maintaining a sound business foundation, and we therefore consider it to be a social license required in order to conduct business. From this point of view, the Group makes it a practice to provide value to the community in various forms while also bearing SDGs in mind.

Structure for Promoting Sustainability

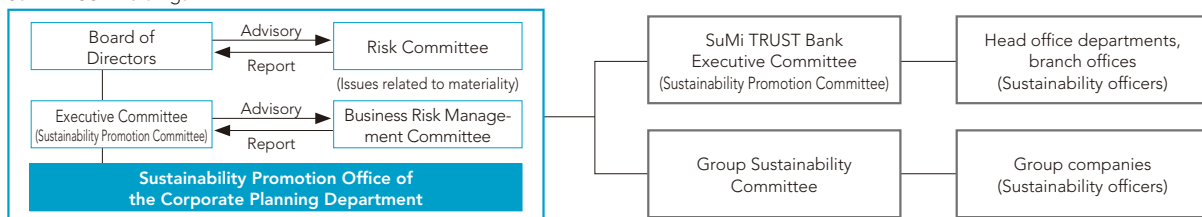
- 1) The Board of Directors formulates the Sustainability Policy, while managing sustainability activities as a whole in an effort to enhance the awareness of officers and employees of SuMi TRUST Group. At times the Board of Directors freely discusses sustainability as a management theme in order to leverage the insight and viewpoints of external directors.
- 2) The Sustainability Promotion Committee, which is held as part of the Executive Committee, formulates medium-term policies on sustainability as well as the policies for each fiscal year and manages the sustainability activities of SuMi TRUST Group based on the PDCA cycle.
- 3) With regard to issues related to materiality, the Risk Committee and Business Risk Management Committee function as advisory bodies to the Board of Directors and Executive Committee respectively.
- 4) The Chief Sustainability Officer oversees the Group's overall day-to-day operations related to sustainability,

based on the instructions of the officers in charge. The Sustainability Promotion Office, Corporate Planning Department plays an integral role in the practical operations.

- 5) Sustainability officers and sustainability coordinators have been appointed at each Group company and each branch of SuMi TRUST Bank to play a role in promoting sustainability activities.
- 6) Group affiliates formulate policies based on their respective operational attributes, and have promoted them in sustainability activities. Also, Group Sustainability Meetings are held regularly to exchange information.

Officer in charge of sustainability activities	Shigeki Tanaka (Managing Executive Officer)
Chief Sustainability Officer	Tsukasa Kanai (Fellow Officer)

SuMi TRUST Holdings



Four Pillars of Sustainability Promotion Office Activities

ESG management that aims to create shared value

- Supervision of sustainability activities (formulate management plans and promote sustainability activities based on the PDCA cycle)
- Promotion of materiality management
Act as secretariat for the Board of Directors and Executive Committee
Implement internal engagement
- Respond to ESG survey firms, engage in dialogue with investors
- Strategic ESG information disclosure through our integrated reports, ESG reports, etc.

Sustainability permeation across the Group, promoting "With You" activities

- Hosting various meetings
Group Sustainability Meetings, Global ESG Meetings, ESG Risk Response Project Team, Human Rights Due Diligence Liaison Committee, LGBT Matters Information Liaison Committee
- "With You" activities promotion at branches, budget grants, points management, and blogs management
- Providing information to individual clients about super-aging society problems, promoting regional collaboration, and responding to issues arising from dementia



(See page 158 regarding "With You" activities)

Developing innovative products and services, rolling out CSV businesses

- Developing innovative financial products and services that contribute to addressing environmental* and social issues



*We have coined the word "Eco-Trustution" to describe initiatives that provide solutions to ecological issues through the use of our trust function, and we are actively promoting such initiatives.

- Collect information on ESG risks for loans and investments related to climate change, natural capital, human rights, etc. which are prioritized by investors; disclose it internally

Building sound relationships with stakeholders

- Exchanging information with NPOs/NGOs in Japan and overseas, government organizations and universities, etc., and understanding the needs of stakeholders
- Actively participating in international initiatives (UNEP FI, United Nations Global Compact, Business and Biodiversity Initiative, Natural Capital Finance Alliance [formerly The Natural Capital Declaration], etc.)
- Actively participating and playing a leading role in financial alliance projects in Japan (Principles for Financial Action for the 21st Century, COLTEM Financial Satellite, etc.)

Sustainability Medium-term Policies/FY2018 Policies

(1) Sustainability Medium-term Policies (FY2017-2019)

Themes	Medium-term Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • Further sophistication of materiality management • Bolster ESG risk management for loans and investments • Strengthen messaging to investors, elevate sophistication of ESG information disclosure in our ESG/CSR reports and integrated reports
Contribute to improving earnings and actively promote CSV businesses	<ul style="list-style-type: none"> • Actively advance solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursuit of social returns	<ul style="list-style-type: none"> • Link CSV businesses and "With You" activities to the 17 SDG themes, build frameworks for specific initiatives and adopt concepts for pursuing not only economic returns but also social returns • Support research on problems arising from dementia, and actively contribute to property management initiatives in particular

(2) Sustainability FY2018 Policies

Themes	FY2018 Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • Enhance ESG initiatives to establish itself as the No. 1 financial institution for ESG management • Increase sophistication of materiality management • Increase sophistication of value creation process • Adopt more sophisticated information disclosure mechanisms to earn even better evaluations from ESG ratings agencies • Change names of operations and organizations (CSR → sustainability)
Actively promote CSV businesses and substantially contribute to improving earnings	<ul style="list-style-type: none"> • Bolster solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursue social returns	<ul style="list-style-type: none"> • Develop and promote operations in each business themed on the SDGs • Strengthen ability to cope with problems arising from dementia and disseminate information to the financial industry

Compliance and Conducting Business Activities Fairly

1. Basic Initiative Policy

The SuMi TRUST Group sees compliance as adhering to laws, regulations, market rules, and internal company rules, etc., in addition to conformity to social norms, so we can fulfill the expectations of the stakeholders (clients, communities and society, shareholders, and employees) and earn their trust as stated in our Management Principles (“Mission”). The Group positions compliance as one of the most important management issues necessary for creating “The Trust Bank” we aspire to be.

So that the Group can implement a proper compliance framework at “The Trust Bank,” the Codes of Conduct (“Value”) declare our “strict compliance with applicable

laws and regulations” and the Compliance Rules stipulate what directors, officers, and employees need to comply with. In addition, the Compliance Manual, a detailed companion guide to the Codes of Conduct, offers (1) explanations of codes of conduct that must be followed regardless of one’s duties and (2) clarification on how to respond when one discovers illegal behavior, while the Compliance Handbook and Company Rules provide specifics of the understanding and awareness directors, officers, and employees need to have according to their duty. We thus implement compliance by following these codes of conduct strictly in our daily business operations.

Compliance Standards for Directors, Officers, and Employees

1. Earn the Trust of Society	We must establish public trust through awareness of our social responsibilities and public mission, as well as through sound business administration founded on strong self-discipline.
2. Offer Quality Financial Products and Services	We must carry out all the functions of a trust bank group and endeavor to provide clients with quality financial products and services.
3. Be Firm against Antisocial Forces	We must be firm against antisocial forces.
4. Prevent Abuse of Financial Functions by Organized Crime	In accordance with the “Anti-Money Laundering Compliance Policy,” we must make efforts to prevent abuse of our financial services by taking a firm stance against money laundering and terrorist funding, and by strictly complying with relevant laws and regulations.
5. Ensure Management Transparency	We must strive toward appropriate and fair disclosure of how we manage our business and information about SuMi TRUST Holdings to ensure management transparency.
6. Construct Sound and Normal Relationships with Concerned Parties	With respect to public servants/deemed public servants, as well as shareholders and other concerned parties with a business interest, we shall not offer entertainment, favors, or the like beyond socially accepted courtesies, nor shall we accept such entertainment or favors from concerned parties or other third parties (unless permitted under laws, regulations, internal company rules, or the like). In accordance with the “Anti-Bribery and Corruption Compliance Policy,” we must strictly comply with applicable laws and regulations on preventing bribery and corruption as we avoid pursuing profits by improper means.
7. Pursue Comprehensive Fairness	We shall always distinguish between business and personal matters, and in the course of business operations, we shall not take a position contrary to SuMi TRUST Holdings’ interests nor use one’s position to advance personal interests or those of a third party.
8. Pursue Comprehensive Information Management	We shall not release to others any information obtained in the course of business or confidential matters of SuMi TRUST Holdings. We shall not, for any reason, use important unpublicized information, SuMi TRUST Holdings’ business secrets, or the like for illicit gain, to cause harm to SuMi TRUST Holdings or others, or for other illegitimate purposes.
9. Recognize Duties as a Fiduciary	With regard to the trusts offered by the Group, we must recognize our obligation as a fiduciary toward settlors and beneficiaries, and as a fiduciary we must faithfully carry out our trust operations with the care of a good manager.
10. Prohibit Compensation for Losses	In the event that a client or other party suffers a loss originating from a financial product or service provided by the Group, losses shall not be compensated without rational grounds.
11. Improve Workplace Orderliness	We must respect individual people’s personalities and traits without discriminating in any situation. We must also emphasize, and constantly endeavor to sustain and improve, order in the workplace, thus ensuring a pleasant work environment.
12. Uphold our Fiduciary Duties	In accordance with the “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group,” we must endeavor to uphold our fiduciary duties.

Initiatives to Foster Compliance Awareness

The Group works to exhaustively spread compliance awareness far and wide among directors, officers, and employees through the Compliance Manual, which lays out the background, intent and other information about the Codes of Conduct and rules concerning laws, regulations, and other conventions to be followed.

Furthermore, to foster awareness among the Group's directors, officers, and employees, we support training and other action, led by supervisory departments, on compliance at group companies. This involves augmented group-wide compliance training, SuMi TRUST Holdings providing training materials and dispatching instructors for topics that apply group-wide, the planning and administration of discussion-style study groups, and the organization of e-learning training on specific topics.

In addition to the aforementioned training, group companies hold training and study groups tailored to the characteristics of each company's operations and products, as well as to their clients' attributes, and provide daily instruction in a meticulous effort to raise and thoroughly spread compliance awareness.

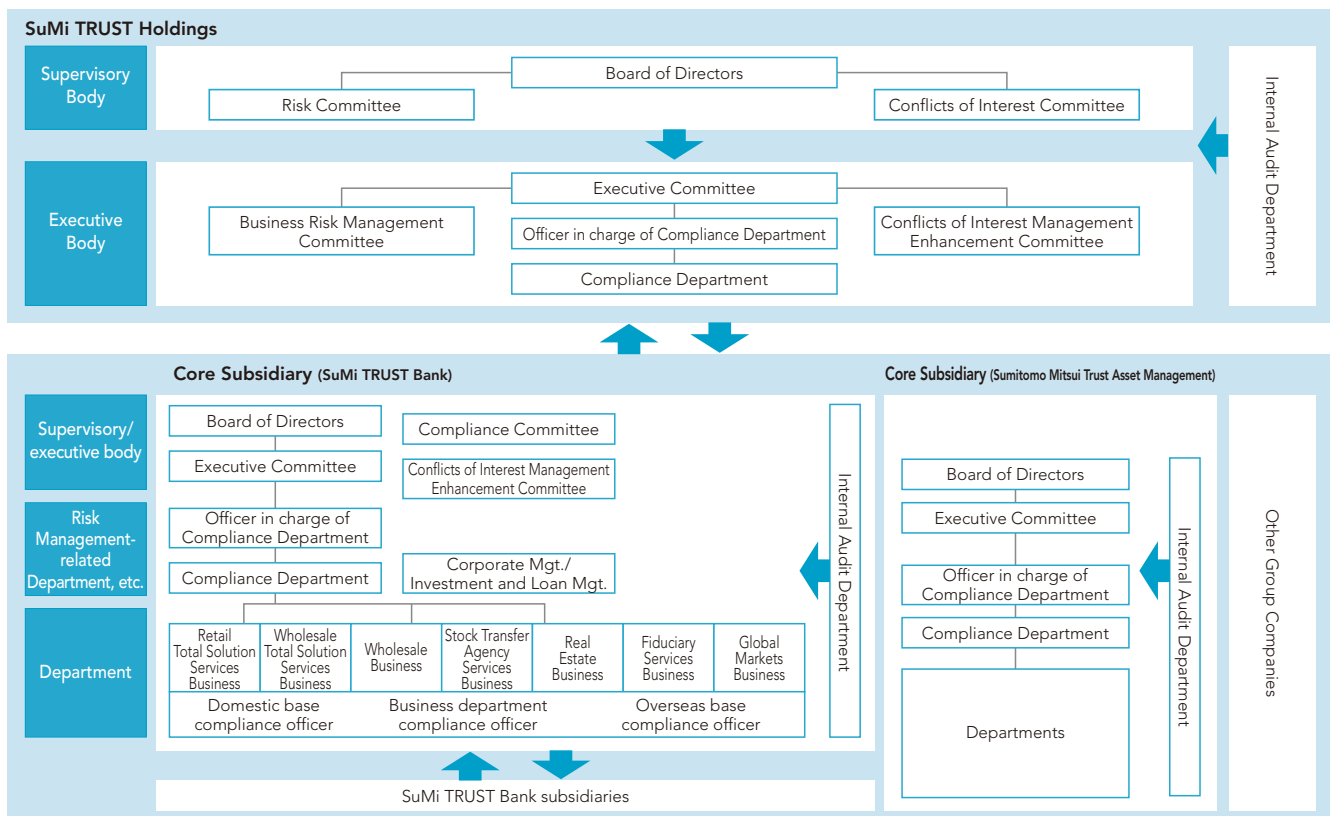
Moreover, to gain an accurate understanding of how well compliance awareness has fostered at major subsidiaries and elsewhere, we conduct an annual survey on compliance awareness as we take action to assess the situation and address issues. Additionally, to address group-wide issues and implement effective measures, we make survey questions consistent and otherwise work to understand circumstances across the Group.

2. Outline of Initiatives Group Compliance System

The Group formulates a Compliance Program (specific practice plans in various measures on compliance) every fiscal year and regularly identifies and assesses the state of progress. Group companies create compliance structures that are suited to their operations and founded on the compliance policy and other guidelines prescribed by SuMi TRUST Holdings.

For example, the supervising unit for compliance at core subsidiary SuMi TRUST Bank is the Compliance

Department. In accordance with SuMi TRUST Holdings' compliance policy, SuMi TRUST Bank formulates its own compliance policy and a Compliance Program, while also monitoring the state of management and administration. In addition, the state of management and administration and other states are reported to the Executive Committee and the Board of Directors upon verification by the Compliance Committee, which is chaired by the officer in charge of the Compliance Department.



The Roles of the Board of Directors, Executive Committee, and Compliance Department Officers

Board of Directors	<ul style="list-style-type: none"> • Establish the Group's compliance framework, supervise execution • Set policy and organizational structure pertaining to compliance • Prepare the compliance manual, assess preparation, progress, etc. of the compliance program
Executive Committee	<ul style="list-style-type: none"> • In advance examine Board of Directors decisions and reports (decisions on compliance matters and matters on constructing frameworks for supervisory departments) • Matters concerning the approval and publicity of rules and regulations • Analyze the state of compliance, look into problems
Directors/Executive Officers	<ul style="list-style-type: none"> • Execute compliance-focused management while keeping in mind important points such as compliance's importance and laws and regulations pertaining to assigned duties
Compliance Department Officers	<ul style="list-style-type: none"> • Review policies and concrete measures that establish and entrench a proper compliance framework based on an accurate understanding on the state of compliance in the Group
Compliance Department	<ul style="list-style-type: none"> • Generally supervise compliance in the Group • Prepare required rules for our compliance framework, implement action and guidance, address issues, augment the training system • With regard to the compliance program, formulate plans and manage progress, etc., provide guidance by monitoring the state of administration • Bring up and report to the Board of Directors, the Executive Committee, etc. on compliance matters

Response at the Time of Compliance Violations

To effect an appropriate response when compliance violations by directors, officers, or employees are discovered, the Group clarifies "How to Respond to the Discovery of Illegal Behavior" in the Compliance Manual, a detailed companion guide to the Codes of Conduct, and obligates directors, officers, and employees to report to the Compliance Department through higher-ups. When the Compliance Department receives a report from a department committing a compliance violation, the Compliance Department

will conduct an investigation with the reporting department, coordinate with clients to reach a solution, submit reports in-house and to the authorities, and otherwise provide guidance and advice on executing the required response in order to settle the issue. Along with verifying the appropriateness of measures to prevent recurrence by the violating department and its supervising unit, the Compliance Department will improve the report and control framework to deter/curtail accidents and to raise the quality of work.

3. Response to Major Compliance Risks

Major Compliance Risks

- Leakage of customer information
- Inappropriate acquisition and use of personal information
- Lack of credibility in products and services offered
- Violation of the principle of suitability
- Inadequate explanations to customers
- Insincere responses to customer consultations and complaints
- Relationships with customers that lack moderation
- Transactions with conflicts of interests
- Inappropriate accounting treatment
- Disregard for information disclosure
- Illegal payoffs
- Inhibiting free and fair competition
- Insider trading and other forms of unfair trading
- Violation of Foreign Exchange and Foreign Trade Act
- Infringement of intellectual property rights
- Opaque relationships with government authorities
- Dealings with antisocial forces
- Money laundering

Prevention of Money Laundering

The Group has released the Anti-Money Laundering Compliance Policy to make clear its resoluteness in standing up to money laundering* and related issues. In addition, we established our global guidelines on AML/CFT (AML: Anti-Money Laundering, CFT: Combating the Financing of Terrorism) to realize a unified approach to AML measures that includes overseas bases, and the Group is working to sophisticate its approach to client management and detection of suspicious transactions.

Looking ahead to the fourth round of mutual evaluations of Japan by the Financial Action Task Force (FATF) that are scheduled for fiscal 2019, the Group is working to build more sophisticated frameworks. For example, we are giving group companies supervision and guidance on establishing anti-money laundering organizations. We are also providing group companies with support for in-house training and acquiring specialized qualifications related to the anti-money laundering measures they are implementing.

The Group is checking for the presence of anti-social forces and is making confirmations based on the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act. Additionally, we periodically conduct routine risk assessments on money laundering and related matters, while implementing risk-mitigation

measures in proportion to the corresponding risks, all as part of our anti-money laundering framework that is in line with our Anti-Money Laundering Compliance Policy and the AML/CFT Global Guidelines.

Specifically, when an account is opened or funds are remitted, we are preventing financial service abuse in ways that include conducting stringent reviews to confirm the purpose and funding source of transactions that come with a risk of money laundering, as well as validating with the AML system to confirm, according to the amount of risk involved, whether or not an account has been transferred improperly.

Moreover, when the Group's employees come across transactions suspected to be related to criminal proceeds or terrorist financing, they shall immediately report the suspect transaction to the person in charge, who notifies the relevant authorities. When use of accounts for illegal purposes, such as remittance fraud, has been found, SuMi TRUST Bank strives to prevent expansion of the damage by quickly taking such measures as freezing the relevant accounts.

* Money laundering involves moving criminal proceeds from drug trafficking or other illegal activities through financial institutions' accounts or financial products so as to conceal the source of the illicit funds. Terrorists and perpetrators of remittance fraud are examples of people who may abuse the accounts of financial institutions. It is responsibility of financial institutions to prevent the abuse of financial services. Such efforts are referred to as "money laundering prevention countermeasures."

Anti-Money Laundering Compliance Policy

1. Organizational structure

The SuMi TRUST Group has established and developed a comprehensive organizational structure and its Anti-Money Laundering Compliance Program for preventing money laundering and terrorist financing.

2. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Money Laundering Compliance Program.

3. Assessing money laundering risk

The SuMi TRUST Group conducts a periodic money laundering risk assessment, and based on it, implements and enforces its Anti-Money Laundering Compliance Program.

4. Customer Due Diligence

The SuMi TRUST Group has established and maintains risk-based customer due diligence, identification, verification and know your customer (KYC) procedures.

5. Sanctions list screening

The SuMi TRUST Group fully complies with applicable sanctions laws and regulations in every jurisdiction in which it operates, including filtering customers and other persons.

6. Suspicious activity monitoring and reporting

The SuMi TRUST Group conducts transaction monitoring on an ongoing basis to detect and report suspicious transactions to the appropriate regulatory body.

7. Training

All officers and employees are required to take appropriate training regarding anti-money laundering compliance on a regular basis.

8. Record keeping

The SuMi TRUST Group maintains appropriate records for the minimum prescribed record-keeping periods.

9. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

10. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Money Laundering Compliance Program through a risk-based approach.

Response to Antisocial Forces

Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies with ties to them, who may threaten public order and the security of civil society.

The Group has declared, both internally and externally, its resolute stance against antisocial forces in its Code of Conduct (“Value”) and various other codes. We have established a system for investigating and conducting systematic checks in all types of transactions in order to prevent transactions with antisocial forces.

In addition, we include clauses in various kinds of transactions, contracts with business partners and elsewhere to exclude the involvement of antisocial forces. This action in

our contracts acts as a check on antisocial forces and terminates in-progress transactions when the involvement of antisocial forces becomes known after the fact.

If the counterparty in a transaction is shown to be as an antisocial force after the commencement of a transaction, we have developed a framework that allows us to take measures in close coordination with police and other external expert organizations for the eventual cancellation of such a transaction.

In addition, in fiscal 2017 we once conducted training on preventing transactions with antisocial forces for directors, officers, and employees so as to bolster compliance awareness and frameworks.

Prevention of Insider Trading

The Group tightly controls insider information. To prevent insider trading, the Rules on Insider Information Management set an obligation to promptly report when employees have obtained information that may constitute insider information, while general managers at branches tightly control this information so that none of it whatsoever is communicated to departments that do not require access to the said information.

Previously, the Fiduciary Risk Management Department controlled insider information for Fiduciary Services at core subsidiary SuMi TRUST Bank, but on October 1, 2018, we integrated investment services at SuMi TRUST Bank with Sumitomo Mitsui Trust Asset Management and we are building a rigorous information containment infrastructure with other group companies. In addition to Sumitomo Mitsui Trust Asset Management’s especially tight controls and information containment to keep departments involved in investing from receiving insider information, SuMi TRUST Holdings has set down the Guidelines on Contact, etc. with Securities Companies, etc. to prevent improper contact between investment managers and securities firm brokers.

In addition, the Group has created a training framework for preventing insider trading in a way that is tailored to each company’s situation. For example, core subsidiary

SuMi TRUST Bank conducted two rounds of training for all employees in fiscal 2017 (in addition to four rounds a year for Fiduciary Services Business), while all directors, officers, and employees submit a vow twice a year (four times a year in the Fiduciary Services Business) that includes a pledge to comply with internal company rules on preventing insider trading.

Progress in the implementation of the measures to prevent recurrences of insider trading

We have implemented all the measures to prevent recurrence of insider trading that were announced by the SuMi TRUST Group in March and June 2012. In addition, while investment services at SuMi TRUST Bank were integrated with Sumitomo Mitsui Trust Asset Management on October 1, 2018, SuMi TRUST Bank is still working to prevent recurrent insider trading as SuMi TRUST Holdings continues to take a lead in conducting regular monitoring of how the preventive measures are being implemented and entrenched.

* Details of the violation of insider trading regulations that occurred in 2012 are described in the 2012 CSR Report.

URL: https://www.smth.jp/en/csr/report/2012/2012e_04.pdf

Initiatives to Prevent Bribery

The Group has formulated and released the Anti-Bribery and Corruption Compliance Policy based on the results of a bribery and corruption risk assessment. Under the policy, management teams oversee anti-bribery and corruption programs. In addition, we periodically conduct bribery and corruption risk assessments as we review programs to make them stronger.

To make sure we abide by anti-bribery initiatives, we periodically conduct monitoring to confirm the state of implementation and every fiscal year we conduct training

for directors, officers, and employees. In addition to these efforts, personnel in positions with an elevated likelihood of encountering bribery risks also undergo more rigorous training and submit a pledge of compliance.

Furthermore, at overseas bases with particularly high risks of bribery and corruption, we endeavor to create an anti-bribery and corruption framework. To do this, we have built close partnerships between local legal offices and these overseas bases to enable a rapid and appropriate response to any potential circumstances.

Example Initiatives in Anti-Bribery and Corruption Programs

Prior authorization system for entertainment, gift-giving, etc.	For corporate action that could lead to bribery or corruption—including of course entertainment and gift-giving, as well as bearing expenses, making donations, or providing aid—we manage this action to require prior authorization, even if the said action is permitted under relevant laws, regulations or other rules
Centralized Hiring and Trainee Acceptance	To prevent illegitimate provision of benefits through hiring or trainee acceptance, we have built mechanisms that are centrally managed by HR departments
Obligatory due diligence before concluding certain contracts, training for directors, officers, and employees	To address the risk of funds being provided through consultants or other third parties, due diligence on the said third parties is obligatory before concluding certain kinds of contracts
Monitoring and testing (including internal audits)	Periodic monitoring and testing verify the state of implementation on an individual basis

Anti-Bribery and Corruption Compliance Policy

1. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Bribery and Corruption Compliance Program.

2. Assessing bribery and corruption risk

The SuMi TRUST Group conducts a periodic bribery and corruption risk assessment, and based on it, implements and enforces the Anti-Bribery and Corruption Compliance Program.

3. Pre-approval before providing entertainment and gift

All officers and employees are required to obtain pre-approval before providing any form of facilities such as entertainment, gift, or donation to any governmental official or any related persons even where it is specifically permitted by law or regulation.

4. Conducting an appropriate due diligence

When establishing a relationship with a new third party, including an agent or consultant, or merger and acquisition targets, the SuMi TRUST Group conducts a due diligence regarding bribery and corruption risk through a risk-based approach.

5. Overseeing employment and trainee acceptance

The SuMi TRUST Group assesses the appropriateness of hiring employees and accepting trainees to avoid even the appearance of unlawfully offering a benefit to any governmental official or any related persons.

6. Training

All officers and employees are required to take appropriate training regarding anti-bribery and corruption compliance on a regular basis.

7. Whistle-blowing system

If a violation related to bribery or corruption is detected, all officers and employees can use a whistle-blowing system with a prohibition against any retaliation of anyone who makes a report in good faith.

8. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

9. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Bribery and Corruption Compliance Program through a risk-based approach.

Prevention of “Dango” Bid-Rigging and Cartels

To comply with the Antimonopoly Act, the Group has instituted the Company Code of Conduct for the Antimonopoly Act in the compliance manual. This code of conduct spreads awareness among directors, officers, and employees by providing them with comprehensible and relatable content, which includes specific examples using problems

that could occur in the course of business at the Group.

Furthermore, at group companies we have created rules for checking up on prohibited concerted action, abuse of one's dominant position, false or exaggerated advertising and the like as a means of strict management to remain compliant with the Antimonopoly Act.

Protection of Intellectual Property Rights

The Group's compliance manual contains a policy on respecting intellectual property rights. Directors, officers, and employees are strictly prohibited from engaging in the unauthorized duplication or use of other people's

copyrighted materials or the like. To further properly defend intellectual property rights, the Group writes internal rules for the proper use of such rights belonging to group companies.

Management of Conformity with Legal Revisions

To respond appropriately to legal revisions or the like, the administrative departments of core subsidiary SuMi TRUST Bank lead the collection of information on these revisions, and the Compliance Department plays a central management role while building a framework for instructing affected

departments on their response. For group companies other than SuMi TRUST Bank, SuMi TRUST Holdings shares information it collects on revised laws and regulations so that each company can also respond, thus enabling a proper response to these revisions throughout the Group.

SuMi TRUST Group's Basic Policies on Tax Compliance

The Group has so far properly met its tax obligations in accordance with its basic policy concerning tax compliance amid growing scrutiny on tax issues confronting global companies such as transfer price tax regulation and tax haven countermeasures. In August 2016, we amended this policy by adding documentation relating to transfer pricing as a way of clarifying the appropriateness of our international tax practices as a global company. In addition, large companies with a base in the United Kingdom have been required to devise and publicly disclose a UK tax strategy, and the Group has responded properly in

accordance with this basic policy.

Our response was aimed at further raising awareness about tax among our directors, officers, and employees and thereby ensure compliance with tax laws and appropriate fulfillment of our tax obligations. Through such efforts and the balancing of the interests of various stakeholders such as clients, investors, national governments, and local communities from an overall perspective, the Group conducts its corporate activities in ways that are not contrary to social norms.

Tax Compliance Policy

Tax Law Compliance

We comply with rules regarding taxes such as national tax laws, directives and tax treaties and properly fulfill our tax obligations.

Response to Tax-related Risks

The Group recognizes risks relating to taxes as an important issue from a management viewpoint. In a context where we balance the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, we appropriately manage tax-related risks and conduct our corporate activities.

Relationship with the Tax Authority

We build a relationship of trust with the tax authority by enhancing transparency through information disclosure and other means.

The Group documents transactions that comply with the principle of arms' length transactions between independent companies for transactions that cross borders but are between Group companies. We have put into place systems we can explain to the tax authority of each country where we operate.

Adaptation to International Financial Regulations

1. Adaptation to the Basel Standards

The Group must adapt to the Basel standards that set international norms governing the soundness of banks. Basel I sets out minimum levels for capital adequacy regulations, and Basel II stipulates self-management and supervised verification of financial institutions, and Basel III lays out marketplace regulations for accepting market-based assessments founded on proper disclosure. Basel II was applied in Japan beginning in March 2007. Moreover, March 2013 marked the beginning of Basel III's gradual phase-in in Japan, which comprises capital adequacy regulations to enhance the quality and quantity of capital and to bolster risk recognition, leverage ratio regulations, and liquidity regulations.

As part of the Group's initiatives toward more sophisticated risk management, we introduced Advanced Measurement Approach to operational risks in March 2014 and Advanced IRB Approach to credit risks in March 2015 with regard to the calculation of capital adequacy ratios. To complement capital adequacy ratios, we introduced liquidity coverage ratios as the first pillar of our liquidity rules and leverage ratios as the third pillar in March 2015.

In December 2015, the Group was added to the list of "Domestic Systematically Important Banks" (D-SIBs), a

"domestic version" of the "Global Systematically Important Banks" (G-SIBs) designated by the Financial Stability Board (FSB). This designation applied an additional capital adequacy ratio of 0.5%.

After the introduction of Basel III, the Basel Committee on Banking Supervision considered continuous revisions to capital adequacy regulations, but to ensure that risk is properly reflected and the simplicity and comparability of regulations, a final agreement was reached in December 2017 to review regulations on measuring risk assets that serve as the denominator for the capital adequacy ratio. While partially limiting the extent to which banks can use internal models, it is also, by introducing a capital floor via a standardized approach, central to suppressing excessively small assessments of risk assets by the internal models. In response to the final revisions to regulations, the Group is taking appropriate steps to introduce new rules.

Considering the fact that these revisions are scheduled to come into gradual effect beginning in 2022, the Group expects that future capital reserves will be sufficient to comply. Meanwhile, while the risk weight of individual loans is expected to fluctuate, the Group will implement proper profit control and portfolio management.

Conceptual Diagram of Risk-weighted Assets Measurement Approach for Credit Risk

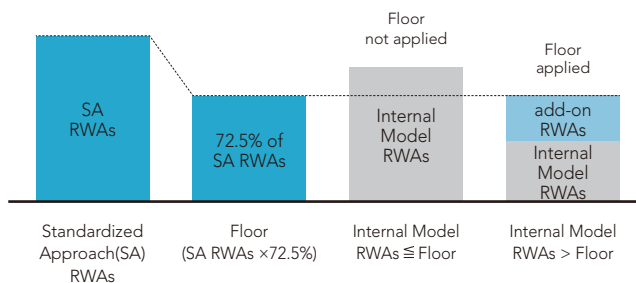
Exposures		Current Standards	New Standards
Equity		Advanced or Foundation IRB Approach	Standardized Approach
Financial Institution			Foundation IRB Approach
Corporate	Large corporate		Advanced or Foundation IRB Approach
	Small and medium-sized corporate		Advanced or Foundation IRB Approach
Specialized Lending (e.g. Real estate non-recourse loan)			Advanced or Foundation IRB Approach

Standardized Approach: Supervisory risk weight according to external credit ratings

Foundation IRB Approach: Risk weight calculated based on banks' own estimates of probability of default (PD)

Advanced IRB Approach: Risk weight calculated based on banks' own estimates of probability of default (PD) and loss given default (LGD)

Capital Floor Structure



- In the case where 72.5%* of SA RWAs (Floor) is larger than internal model RWAs, Add-on RWAs are charged.

*As for the applicable multiplier of the floor, starting at 50% in 2022, it will be raised by 5% each year to 72.5% in 2027.

2. Adaptation to Other International Financial Regulations

In addition to the regulations on capital adequacy and liquidity mentioned above, the international financial regulatory reforms that commenced after the collapse of Lehman Brothers kicked off the global financial crisis have already brought numerous regulations into effect, such as stronger governance and risk management, over-the-counter derivatives market reforms, reduced bank risk (the

Volker Rule, ringfencing), “too big to fail” action and more. The Group properly adapts to these regulatory reforms.

The main rules that will be strengthened or fleshed out in the future are spotlighted below. As a trust bank group that handles the valuable assets of clients, we are steadily working to initiate an appropriate response based on our “client-oriented” values.

(1) Conduct Risk

Conduct risk is a concept that has come under increasing regulation, particularly in the U.K., as it has recently received greater attention by national financial authorities. Although there is no common definition between countries, it is often thought of as the risk accompanying a financial institution acting against social norms, the upholding of

sound markets, or client interests. While monitoring developments at national authorities, the Group is following the code of conduct on being “Completely Client-oriented — Truthfulness and Loyalty” by implementing the framework for a system that prevents potential conduct risk from manifesting and properly responds to any manifestation.

(2) Stronger Regulations for Fund and Asset Managers

In January 2017, the Financial Stability Board (FSB) released the “Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities.” The document points out structural vulnerabilities and offers various policy recommendations for four areas: (1) liquidity mismatch between fund investments and redemption terms and conditions for open-ended fund units, (2) leverage within investment funds, (3) operational risk and challenges at asset managers in stressed conditions, and (4)

securities lending activities of asset managers and funds. In addition, the International Organization of Securities Commissions (IOSCO) is gradually releasing various rules and practice frameworks pertaining to investment funds to serve as guidelines for national authorities applying international regulations to their domestic legal systems. As a trust bank group responsible for managing client assets, SuMi TRUST Holdings is working hard to gather information about these regulations and adapt.

(3) Cybersecurity

The digitalization of financial businesses and operations further increase cybersecurity risks by connecting systems to networks. To adapt, there is an international dialog on financial sector cybersecurity occurring at venues such as the G7 meeting of finance ministers and central bank governors, while regulations are taking shape in different countries on cybersecurity risk assessment and technological

adaptations and frameworks which financial institutions should realize. The group has set up a global IT management office and cybersecurity response team within the IT & Business Process Planning Department as we promote the construction of frameworks for cybersecurity response in the Group’s global network.

Company Adaptation System

Global Management: Global Business Management Office, Corporate Planning Department				
Capital Adequacy Ratio & Liquidity Regulations	Out-of-Area Applicable Law & Regulation Conduct Rules	Overseas Office Regulatory Compatibility Support	Cybersecurity	Overseas Office Recovery & Resolution Planning
Risk Management Department Financial Planning Department	Compliance Department	Global Business Planning and Coordination Department* Global Markets Business Planning Department* Fiduciary Business Planning Department* Asset Management Business Planning Department	Risk Management Department IT & Business Process Planning Department	Corporate Planning Department Risk Management Department

* SuMi TRUST Bank

Risk Management

1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, evaluation,

monitoring, control and mitigation, validation for advancement, and review, based on the Group's management policy and basic policy on the internal control system.

The Group's risk management framework encompasses the Risk Appetite Framework, and integrates it to function organically within the Group.

2. The Group's Risk Characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a financial group specialized in trust banking, strives to create distinct value through a total solution business model that combines its banking, asset management and administration, real estate businesses and others.

The Group's businesses consist of the Retail Total Solution (TS) Services Business, the Wholesale Total

Solution (TS) Services Business, the Wholesale Asset Management (AM) Business, the Fiduciary Services Business, the Stock Transfer Agency Services Business, the Real Estate Business, and the Global Markets Business.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group's businesses. With regard to trust business risks,

Group Businesses and Features of Major Risks

Risk Categories	Businesses								
	Retail TS	Wholesale TS	Wholesale AM	Fiduciary	Stock Transfer Agency Services	Real Estate	Market	Corporate Management*	
Credit Risk	✓	✓	✓				✓		
Market Risk		✓					✓	✓	
Funding Liquidity Risk							✓		
Operational Risk	✓	✓	✓	✓	✓	✓	✓	✓	

* Management of strategic shareholdings, etc.

Risk Definition

Risk Category	Definition
Credit Risk	Risk that the Group may incur losses due to a decrease or impairment of the value of assets (including off-balance sheet assets), for reasons such as deterioration of the financial condition of obligors. In this regard, "country risk" in particular refers to the risk that the Group may incur losses on credit provided overseas, due to the foreign exchange, political, or economic conditions in the country of obligors.
Market Risk	Risk that the Group may incur losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. In this regard, "market liquidity risk" in particular refers to the risk that the Group may incur losses due to a situation in which it becomes impossible to conduct transactions in the market, or becomes obligatory to trade at prices that are significantly more disadvantageous than usual, due to market turmoil.
Funding Liquidity Risk	Risk that the Group may incur losses in a situation where it becomes impossible to secure necessary funds, or becomes obligatory to raise funds at interest rates significantly higher than usual.
Operational Risk (Below are "risk sub-categories" within Operational Risk)	Risk that the Group may incur losses due to inadequate or failed business processes, the activities of executives or employees, computer systems, or due to external events.
Business Processing Risk	Risk that the Group may incur losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accidents or fraud.
System Risk	Risk that the Group may incur losses due to reasons such as computer system failures, malfunctions, and defects, as well as the risk that the Group may incur losses due to unauthorized computer usage.
Information Security Risk	Risk that the Group may incur losses due to the improper management or maintenance of information assets. This includes information leaks, information errors, and misuse of information, as well as an inability to use the information system.
Legal & Compliance Risk	Risk that the Group may incur losses due to uncertainty regarding the legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
Human Resource Risk	Risk that the Group may incur losses due to personnel and labor management issues, such as unequal or unfair management of personnel, and harassment.
Event Risk	Risk that the Group may incur losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, and the spread of infectious diseases, or due to the inappropriate use or management of tangible assets.
Reputational Risk	Risk that the Group may incur losses as a result of a deterioration of the reputation of SuMi TRUST Holdings or its subsidiaries, due to reasons such as mass media reports, rumors, or speculation.

SuMi TRUST Bank provides management primarily in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee.

Reporting is regularly performed regarding whether

the overall risk of the Group, combining the risks of each business, is within the limits of risk capacity (soundness and liquidity) that have been determined by the Board of Directors.

3. Risk Governance System

For the group-wide risk governance system, the Group has developed a Three Lines of Defense system consisting of risk management by individual businesses (first line of defense), risk management by the Risk Management Department and individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).

First Line of Defense

Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business.

Each business engages in risk taking within the established range of risk appetite, and, when a risk materializes, promptly implements risk control at the on-site level.

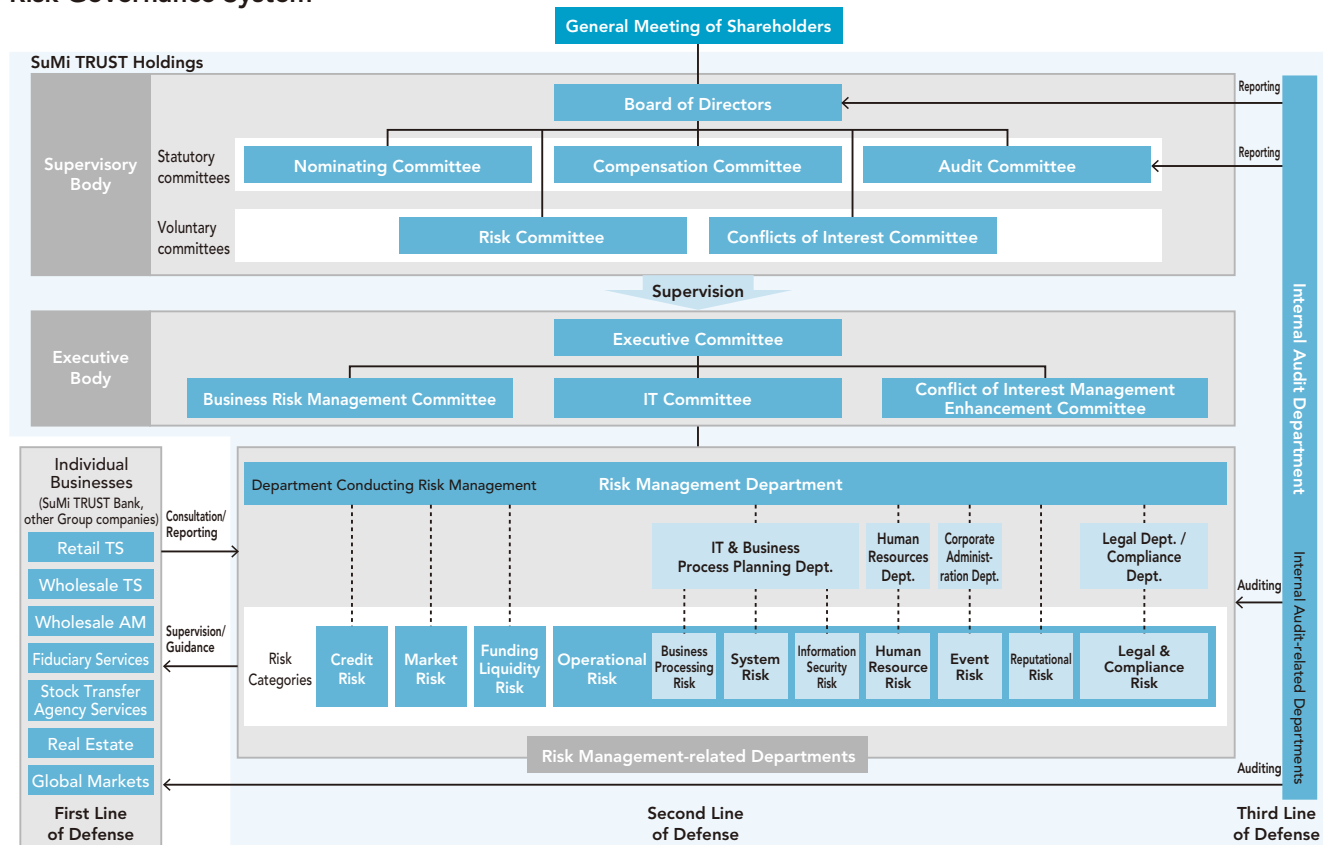
Second Line of Defense

The Risk Management Department performs overall risk management, identifies and evaluates group-wide risks, creates a risk management process, and sets risk limits in accordance with the group-wide risk management policy determined by the Board of Directors. In addition, it formulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize.

The Risk Management Department and risk management-related departments act as a restraint function for the risk taking of the first line of defense, and supervise and provide guidance regarding the risk governance system.

The Risk Management Department reports on the status of risk management to the Executive Committee and the Board of Directors.

Risk Governance System



Third Line of Defense

The Internal Audit Department verifies the effectiveness and appropriateness of the group-wide risk governance system and processes from an independent standpoint.

Executive Committee

The Executive Committee is composed of representative executive officers and executive officers designated by the President. It makes decisions on matters concerning risk management and undertakes preliminary discussions regarding matters to be resolved by and reported to the Board of Directors.

Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group's management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises

4. Risk Management Process

In the Group, the Risk Management Department and individual risk management-related departments act as the second line of defense, performing risk management using the following procedure. This risk management process, along with its associated systems, undergoes regular auditing by the Internal Audit Department, which acts as the third line of defense.

Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group's operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks.

Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles.

When risks cannot be quantified, their impact is assessed to the greatest extent possible, and they are managed through measures such as implementing preventive measures based on the nature of the risks.

Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group's internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to the Group's businesses based on the risk conditions.

its implementation. The Board of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies, based on the business strategies and risk characteristics of the Group.

Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on matters concerning the business circumstances surrounding the Group and the effectiveness of its risk management, etc., reviews their appropriateness, and reports its findings.

Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on matters concerning the Group's fiduciary duties and conflict of interest management, which are the foundation on which the Group seeks to become the "Best Partner" of its clients based on a fiduciary spirit, reviews their appropriateness, and reports its findings.

Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

Risk Control and Mitigation

If any incidents that could have a significant impact on the soundness of management occur, such as the risk amounts exceeding the risk limits, or the existence of concerns that it might do so, appropriate reports are presented to the Board of Directors, the Executive Committee, and other bodies, and the necessary countermeasures are implemented.

Risk predictor management for top risks, etc.

Risk appetite indicators are defined for risks resulting from internal factors, based on the features of the Group's business model and risk characteristics, and these management indicators are monitored. Regarding risks resulting from external factors, the top risks (risks that have a high probability of occurrence and that would have a large impact on the Group) are selected, and risk predictors are monitored. Countermeasures are implemented based on the monitoring results for all types of risks.

Our top credit risks include "worsening of credit among major obligors," our top market risks include "falling prices for strategic shareholdings, etc.," and our top operational risks include "cyber-attacks."

5. Enterprise Risk Management

(1) Enterprise Risk Management System

We manage risks by comprehensively grasping the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength (enterprise risk management).

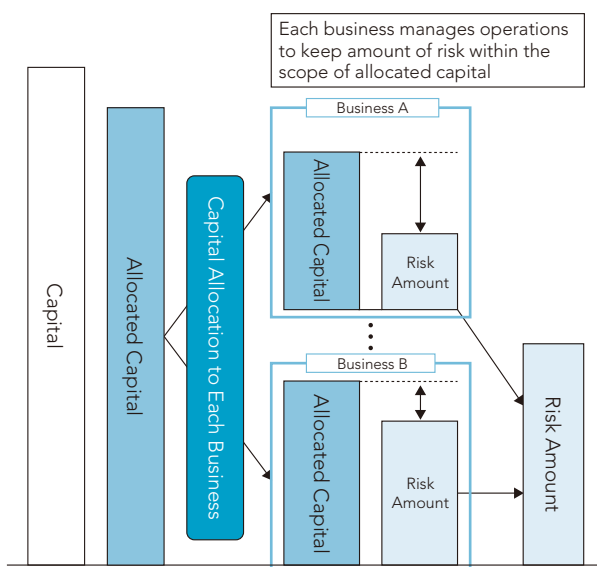
Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as VaR, and compare the combined value against our corporate strength (capital position), thereby managing risks (integrated risk management).

(2) Capital Allocation Operations

For the purpose of the Group's capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category (credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group's risk appetite.

Each business is operated within both the allocated amount of risk capital and its risk appetite. The Risk Management Department measures the risk amount on a monthly basis, and reports regularly on the risk conditions, compared to the allocated capital and risk appetite, to the Board of Directors, and others.

Capital Allocation Scheme



(3) Stress Tests and Assessment of Capital Adequacy Level

The Risk Management Department performs three types of stress tests (hypothetical scenario stress testing, historical scenario stress testing, and examination of probability of occurrence) each time a capital allocation plan is formulated or reviewed, with the aim of ensuring capital adequacy from the standpoint of depositor protection. Based on the results of these stress tests, it assesses the level of capital adequacy, and reports to the Board of Directors, and others.

Stress Tests with Hypothetical Scenarios

We assess capital adequacy level by formulating plausible stress scenarios that are sufficiently strong and realistic to estimate capital adequacy ratio during times of stress.

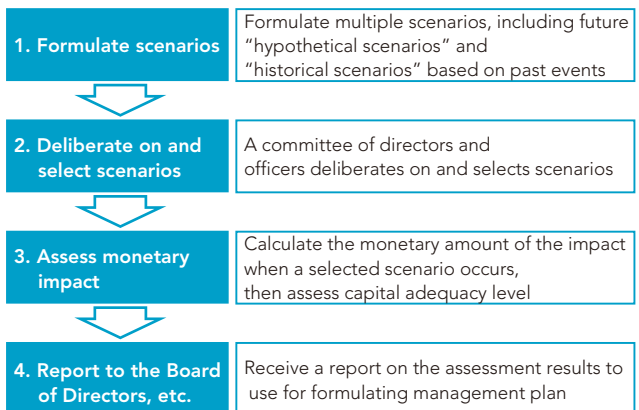
Stress Tests with Historical Scenarios

We also assess capital adequacy level by using parameters from previous times of stress to estimate capital adequacy ratio during times of stress.

Likelihood Validation

We further assess capital adequacy level by calculating the amount of risk (with a confidence interval of 99.9%) to compare those figures with total capital under capital adequacy regulations.

Stress Test Framework



6. Managing Risk in Each Risk Category

(1) Managing Credit Risk

1) Definition of Credit Risk

Credit risk is “risk that the Group incurs losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing owing to such reasons as deterioration in the financial condition of an obligor.” Of this, country risk in particular means “risk that the Group incurs losses on credit provided overseas, due to foreign exchange, political, and economic conditions of the country of the obligor.”

2) Characteristics of Credit Risk

Credit risk is the most fundamental risk related to “credit creation,” the primary function of a finance. As the Group manages bank operations, it is also an important risk affecting the Group.

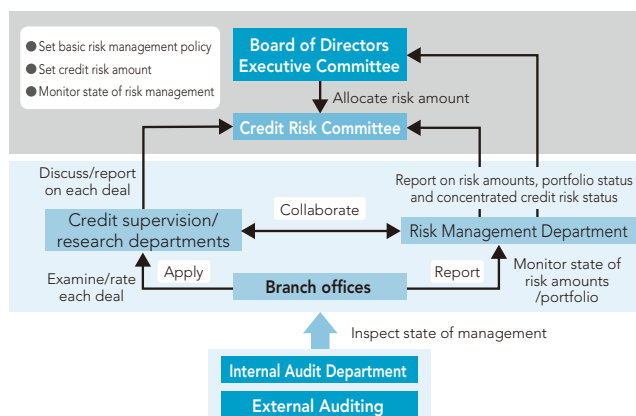
The major credit risk affecting the Group is the risk of sizable bad debt (or the provision of reserves) due to a default or deteriorated credit for a large obligor. To properly control for “concentrated credit risk” arising as the result of concentrated credit at a certain company or company group and “the risk of default chain” reaction arising as the result of concentrated credit to a region or industry, the Group sets credit guideline amounts according to borrower ratings and country ratings and conducts monitoring of loan balances and risk amounts in each industry.

3) Credit Risk Management Policy

The Group’s basic policy on credit risk management consists of two parts: “strict management of individual loans” and “a decentralized credit portfolio.” The first is a meticulous process of managing individual loans by screening and studying deals, self-assessment, internally assigned credit ratings and so forth. The latter involves efforts to mitigate concentrated risk by managing the decentralization of the overall credit portfolio, including large accounts, by industry and country. In addition, we measure credit risk amounts to quantitatively understand the portfolio’s potential for loss.

Furthermore, to set “appropriate risk-return,” we configure earnings levels that include such factors as anticipated losses and expenses for each credit rating, and we strive to ensure a certain profit margin (i.e. spread) proportionate to the risk by reflecting the terms of each deal.

Credit Risk Management System



4) Credit Risk Management System

The Bank supervises group-wide credit risk management while endeavoring to build structures for each group company. SuMi TRUST Bank has built a structure for managing consolidated and global based risk while managing credit risk.

5) Credit Risk Management Method

The Group takes two mutually complementary approaches to properly manage credit risk in our efforts to construct and sustain a sound portfolio. The first is “management of individual loans,” which is done through inspection of new loans and management during the term of a loan. The other approach is “credit portfolio management,” by which we analyze and assess factors such as the state of concentrated risk to particular industries, regions, or company groups via statistical techniques to gain an understanding of all loans as a single portfolio, then manage from a macro perspective.

(2) Managing Market Risk

1) Definition of Market Risk

Market risk is “risk that the Group incurs losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads.” Of this, market liquidity risk in particular means “risk that the Group incurs losses caused in a situation where it becomes impossible to conduct transactions in the market or becomes obligatory to trade at prices much more disadvantageous than usual due to market turmoil, etc.” In addition, there is interest rate risk in the banking book (IRRBB), which is risk of harm to a bank’s capital or profit/loss, either in the present or future, due to interest rates fluctuating to the disadvantage of banking book positions.

2) Characteristics of Market Risk

SuMi TRUST Bank engages in banking operations to ensure earnings through interest rate risk control on assets and liabilities, while also engaging in trading operations to ensure earnings from transactions such as short-term buying and selling to leverage interest rates and foreign exchange rates. We manage market risk by using VaR and other methods in both types of operations. In trading, we seek to secure steady earnings through market-making operations in foreign exchange rates, derivatives and the like.

The major market risk affecting the Group is the risk of losses from price declines in held assets such as strategic shareholdings. The basic policy for the strategic shareholdings held by SuMi TRUST Bank is to reduce balances while we endeavor to properly control risks through hedging and other means.

Additionally, IRRBB may arise in banking book positions due to a maturity mismatch (gap risk), interest rate mismatch (basis risk), optionality accompanying interest rate changes (optionality risk) or the like. Interest rate risks at SuMi TRUST Holdings and SuMi TRUST Bank are low.

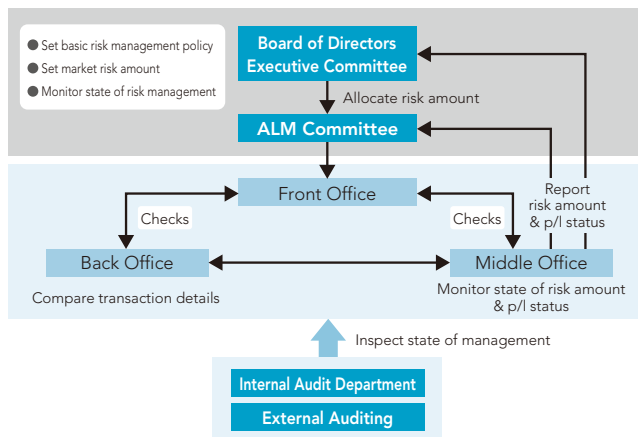
3) Market Risk Management Policy

To manage market risk, we seek to guarantee sound operations by properly controlling the risk, while we work to develop more sophisticated management systems, thus ensuring proper earnings in line with the Group's strategic targets as well as the scale and characteristics of our business. Furthermore, when controlling for interest rate risk, we hedge through interest rate swaps and other means, while applying hedge accounting to transactions that fulfill the requirements for doing so.

4) Market Risk Management System

The Bank supervises group-wide market and funding liquidity risk management while endeavoring to build structures for each group company. SuMi TRUST Bank has built a structure for managing consolidated and global based risk while managing market and funding liquidity risk.

Market Risk and Funding Liquidity Risk Management System



5) Market Risk Management Method

The Bank formulates capital allocation plans to allocate capital to group companies within the amount of capital available. SuMi TRUST Bank sets limits based on allocated capital and also sets loss limits, thereby managing to keep amounts of risk and losses within a certain range.

In addition, for interest rate risks we set alarm points to monitor changes in the economic value of positions.

(3) Managing Funding Liquidity Risk

1) Definition of Funding Liquidity Risk

Funding liquidity risk is "risk that the Group incurs losses in a situation where it becomes impossible to secure necessary funds or becomes obligatory to raise funds at interest rates significantly higher than usual."

2) Characteristics of Funding Liquidity Risk

The major funding liquidity risk affecting the Group is an intensified risk pertaining to the procurement of foreign currency if credit ratings for Japan or for Japan's financial institutions are lowered. SuMi TRUST Bank formulates medium- to long-term procurement policies tailored to the characteristics of each currency, such as market liquidity and the state of assets and liabilities, to manage stable foreign currency liquidity that can withstand market tumult and financial outflows like those that have occurred in the past.

3) Funding Liquidity Risk Management Policy

In the course of managing funding liquidity risk, our basic policy is to execute proper funding liquidity risk management based on two principles, as we have a thorough understanding that, when a risk manifests itself, the threat could directly ruin the Group's business. One of the two principles is "to seek a balance between procurement costs and stability" by various means of procurement. The other is "to prepare for emergencies" by examining procurement capabilities in a stressed environment and reviewing countermeasures in advance.

We are continuously enhancing our funding liquidity risk management system by adapting to Basel III and other international standards pertaining to bank capital and liquidity.

4) Funding Liquidity Risk Management System

Our funding liquidity risk management system operates under the same framework as the "market risk management system."

5) Funding Liquidity Risk Management Method

Limits on funding liquidity mismatches for the entire group, individual offices, and each currency act as indicators for funding liquidity risk management. We pre-define our response to when a limit is reached and conduct daily monitoring on the state of compliance. In addition, we perform stress tests for multiple scenarios, including dramatic changes in the market environment and changes in the procurement environment specific to the Group, so that we understand the amount of funds we must procure when a funding liquidity risk arises.

(4) Operational Risk Management

1) Definition of Operational Risk

Operational risk is "risk that the Group incurs losses resulting from an inadequate operational process, action of a director, officer, or employee, or system, or from an external event." The Group manages the risk by separating it into the following categories: business processing risk, system risk, information security risk, legal/compliance risk, human resource risk, event risk, and reputational risk.

2) Characteristics of Operational Risk

One of the major operational risks to the Group is impaired business operations caused by a cyberattack (ransomware or a DDoS attack*), followed by the attackers stealing and publicly releasing client information or other data belonging to the Group. By ensuring the safety of information systems, the Group takes countermeasures to prevent unauthorized access or use via cyberattacks.

*DDoS attack: Refers to a distributed denial-of-service attack. This is a method of forcing a service to cease functioning by using multiple machines to impose a massive computing load on targeted computers.

The Group also treats system development delays and development cost increases as major risks. Expenses such as costs incurred from system release delays and the maintenance of replacement systems caused by slowed system development, etc., or additional costs incurred from an expanded development budget to pay for necessary personnel, can have a detrimental impact on the Group's performance. The Group works to curtail and contain this risk by risk management departments and other related units monitoring development status.

3) Operational Risk Management Policy

When building the operational risk management system, the Group recognizes that some operational risk will inevitably accompany business operations. Therefore, our basic policy is to properly manage risk according to the scale and nature of the operations and particular risk, thus working to ensure that operations are sound and proper.

The Group is further upgrading our operational risk management system in preparation for the improvement of our operations and the products and services we offer, as well as the manifestation of new risks accompanying changes in society and the business environment, such as advances in information technology and diversifying client needs.

7. Crisis Management and Business Continuity Plan (BCP) in Disasters

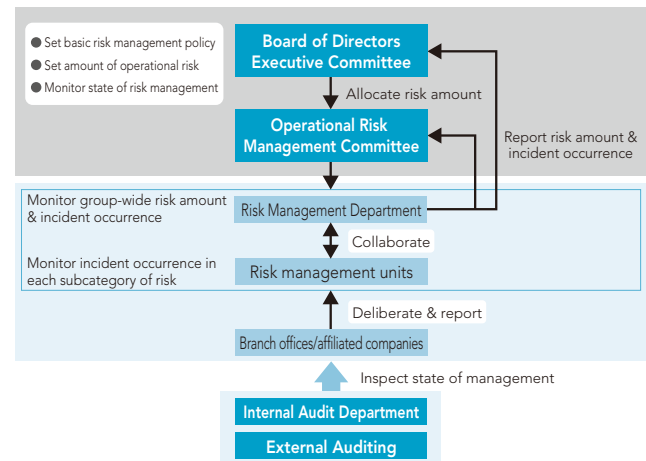
(1) The Group's Initiatives

SuMi TRUST Holdings and SuMi TRUST Bank have developed contingency plans in order to quickly implement emergency response measures in the event of emergencies, such as natural disasters, computer system breakdowns and outbreaks of new infectious diseases.

Moreover, regarding important business operations, such as financial settlement, SuMi TRUST Holdings and SuMi TRUST Bank have developed systems to continue business, including BCPs (business continuity plans) and backup offices. In order to ensure the effectiveness of such systems, they periodically conduct exercises and revise BCPs.

When the crisis is serious and its impact is extensive, causing serious disruptions to the normal business operations of SuMi TRUST Bank and the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish an

Operational Risk Management System



4) Operational Risk Management System

The Group works hard to build systems for operational risk management at group companies in line with the basic policy on group-wide operational risk management.

SuMi TRUST Bank has created a risk management department for operational risk in general, as well as risk management units for each subcategory of operational risk. The general risk management department collaborates with each operational risk management unit to form and upgrade our operational risk management system.

5) Operational Risk Management Method

The Group works to curtail operational risk by managing operational risk in all our business operations, including those of contractors, and properly assessing and identifying risk in both qualitative and quantitative terms, while also taking preventive measures against risks and formulating response, causal analysis procedures, and measures to prevent recurrence in the event a risk does manifest itself.

emergency response headquarters as a company-wide response organization and will quickly implement emergency response measures.

In particular, in preparation for the possible occurrence of a major earthquake, SuMi TRUST Bank, which has branches across Japan, periodically conducts exercises in order to make a response that gives consideration to the safety of clients and employees and to business continuity and ensure the effectiveness of the response.

As for company-wide response, in order to enhance the effectiveness of the functions of the emergency response headquarters, the Group is strengthening systems for information gathering and information coordination, in addition to periodically conducting exercises, and it is also promoting the enhancement of emergency response systems in the Osaka area on the assumption of a disaster in the Tokyo area.

Code of Conduct for Executives and Employees

1. Executives and employees must fully recognize and understand the importance of crisis management and prepare for emergencies. At the same time, they must strive to develop their knowledge in normal times so that they can quickly and appropriately respond in the event of an emergency.
2. In the event of an emergency, executives and employees must make judgments and take actions based on the following principles:

(1) Securing the safety of life

In the event of an emergency, the top priority must be placed on securing the safety of customers, executives and employees, and their families. Executives and employees must also always give priority to humanitarian considerations when taking various emergency response measures.

(2) Protection of Sumitomo Mitsui Trust Bank's Corporate Assets

By taking disaster prevention and mitigation measures in preparation for the possible occurrence of emergencies, executives and employees must protect Sumitomo Mitsui Trust Bank's corporate assets in the event of an emergency. They must also do

their utmost to take risk mitigation measures to guard against adverse effects that may disrupt business activities.

(3) Business Continuity and Early Restoration

In the event of an emergency, executives and employees must strive to quickly restore and continue priority business operations.

(4) Cooperation with Local Communities

In the event of an emergency, executives and employees must strive to cooperate with local communities in rescue and other local activities.

Meanwhile, branches are striving to strengthen response capability through periodic exercises and are promoting disaster countermeasures in light of individual branches' specific circumstances such as the location condition and the status of principal facilities. Branches are also developing a system for mutual support among them.

(2) Response to Threat of Cyberattack

The threat of cyberattacks and the damage they can inflict are growing both in Japan and overseas. While this remains the case, SuMi TRUST Holdings is engaged in the following activities to protect the precious assets of our clients from the attacks.

1) Improvement of Internal Response Systems in Preparation of Cyberattacks

To respond to cyberattacks, SuMi TRUST Holdings monitors

computer systems of SuMi TRUST Bank around the clock. In addition, SuMi TRUST Holdings has established SuMiTRUST-CSIRT as an internal organization for gathering information, conducting analysis, and implementing measures relating to cyberattacks, and coordinates with outside expert organizations to strengthen its management system.

2) Enhancement of Internet Banking Transaction Security

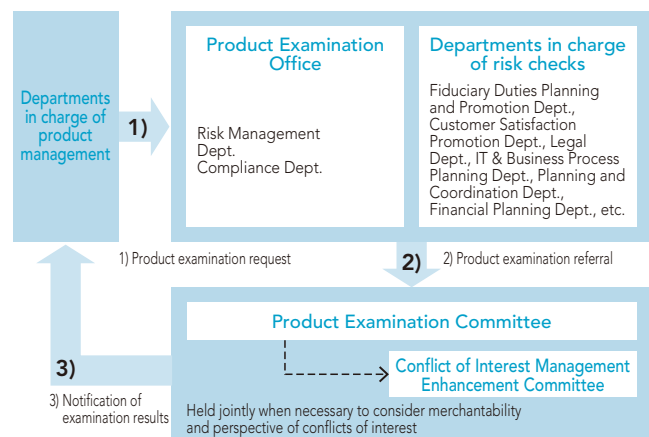
In terms of internet banking, SuMi TRUST Bank offers "Rapport," a type of security software specifically for internet banking, free of charge to help shield clients' precious deposits and other assets from fraudulent transactions.

SuMi TRUST Holdings will continue to keep abreast of other companies' moves and new technologies and implement robust security measures so that clients' transactions remain safe. The measures include the early detection and prevention of unauthorized remittances.

8. Examination System in Introducing New Products and New Operations

When introducing new products or new operations, it is necessary to develop various systems in order to continue offering products and services, including determining in advance whether there are any inherent risks and identifying their type, evaluating and managing such risks, providing explanatory materials to clients, and determining a way to explain. To that end, we have in place a system for examining the introduction of new products and new operations. In the product examination process, multiple departments carry out verification from various angles, with emphasis on introducing products and operations that will earn the trust of clients. We also conduct verification through regular monitoring after new products or new operations have been introduced.

Product Examination Process

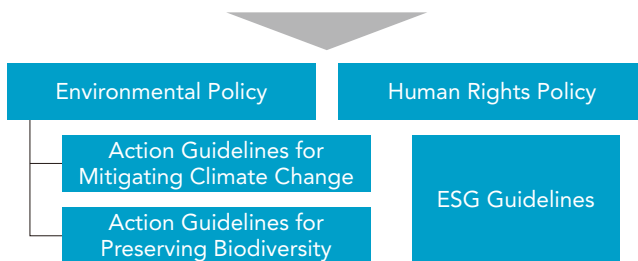


Consideration for Borrowers' Environmental and Social Impact

Basic Policy on Environmental and Social Considerations

The SuMi TRUST Group identifies “consideration of environmental and social impact of investment and financing targets” as one of its most important (materiality) issues from the standpoints of both the impact on the Group’s corporate value and the Group’s impact on society.

Basic Policy on the Social Responsibility of the Sumitomo Mitsui Trust Group (Sustainability Policy)



Please refer to the SuMi TRUST Holdings’ website for further details, etc. of each of the above policies.

Under the “Basic Policy on the Social Responsibility of the Sumitomo Mitsui Trust Group,” the Group provides products and services that contribute to solving environmental problems through its business. The Group has also established the “Environmental Policy” to reduce the environmental burden arising from its business activities. Furthermore, it has established the “Action Guidelines for Mitigating Climate Change” and the “Action Guidelines for Preserving Biodiversity” to promote initiatives to address the two globally important environmental issues, and has been making efforts to engage in dialogue and

cooperation with various stakeholders. In terms of social issues, with the aim of respecting each individual’s human rights and diverse values and rejecting unjustifiable acts of discrimination, the Group has established the “Human Rights Policy” and gathers information regarding how the investment and financing targets negatively impact human rights. In addition, the Policy provides that the Group takes necessary countermeasures in cases where legal norms, etc. are violated.

Environmental and Social Considerations in Asset Management

As a “responsible institutional investor,” Sumitomo Mitsui Trust Asset Management institutes the ESG Guidelines (see page 53). The contents of the guidelines are based on the UN Global Compact, an international corporate code of conduct. The guidelines clearly spell out expectations on investee companies to minimize their environmental impact, uphold international labor rights, ban discriminatory hiring practices, prohibit child labor, stamp out forced labor, prevent every form of corruption, including extortion and bribery, and more.

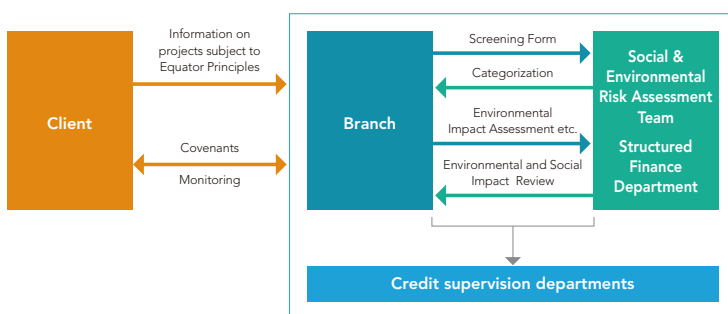
SuMi TRUST Holdings follows the ESG Guidelines to practice various forms of engagement (dialog) with investee companies on ESG issues. In addition to the work performed by analysts and specialists in the Stewardship Development Department, our engagement involves collaboration with organizations in Japan and abroad on specific topics such as palm oil and forest resources (see page 62 for details).

Initiatives as an Equator Principles Signatory

SuMi TRUST Bank is a signatory to the Equator Principles. These international guidelines for private-sector financial institutions in approving loans for project finance etc. are to ensure project implementers give sufficient consideration to impacts on the natural environment and regional

communities. In the decision-making process for lending, banks review the environmental and social risks of projects, the country where projects are located, and impacts on the environment and society according to sector in arriving at a comprehensive risk assessment.

Systems and Processes for Evaluating Environmental and Social Considerations



Application processes: Following internal policies based on procedures for evaluating social and environmental considerations, the Equator Principles Department carries out assessments of environmental and social impacts relating to individual projects.

Implementing environmental and social impact reviews: Reviews of the environmental and social impacts of a project proposed by developers take into account its industry, the country where it is sited, and whether it meets the standards called for by the Equator Principles, and from there, a comprehensive risk is judged.

Monitoring compliance: Compliance with important items concerning environmental and social impacts have been reflected into loan agreements, and compliance with these is regularly confirmed through such methods as reports on project compliance status on these fronts.

Company training programs: Regular training sessions are provided for employees in departments and sections relating to sales, assessment, and screening to foster a thorough understanding of internal operations supporting environmental and social impact reviews and raise their awareness about related concepts.

The Equator Principles

The Equator Principles are standards that enable private-sector financial institutions approving loans for a large-scale project to confirm the project pays sufficient care to impacts on the natural environment and regional communities. Regardless of the country where the project is sited or industry, the Principles apply to project finance, project-related corporate loans (PRCL), and bridge loans that are intended to be re-financed by a project finance or PRCL.

The Equator Principles are based on guidelines and standards concerning environmental and social risk management established by International Finance Corporation, a member of the World Bank Group. These standards and guidelines span many fields from implementation processes for assessing environmental and social risks and/or impacts, pollution prevention, and consideration for regional communities to environmental protections.

As of December 2018, 93 banks (including export

credit agencies) from around the world have signed the Equator Principles. Signatories require project proponents to comply with the Equator Principles. The signatories can refrain from providing financing if requirements are not met, particularly in the case of large-scale projects in developing countries.

Operational Structure of Equator Principles at SuMi TRUST Bank

Operational Structure and Processes for Applying Equator Principles

SuMi TRUST Bank has drawn up internal operating rules that stipulate procedures for evaluating environmental and social impacts, and established policies for protecting the environment and communities based on the Equator Principles framework. Departments and sections responsible for the Equator Principles implement evaluations of environmental and social impacts relating to individual projects.

Types of financial instruments and other criteria including financing size for the application of the Equator Principles

Type	Application criteria including financing size
Project finance	All projects with total project capital costs equivalent to USD 10 million or more
FA services*1	Same as the above
Project-Related Corporate Loans (PRCL)*2 PRCL: Project-Related Corporate Loans	If all four of the following criteria are met: 1. The majority of the borrowing amount is intended for a single project in which the borrower has effective control (either direct or indirect) of the project; 2. The total borrowing amount is equivalent to USD 100 million or more; 3. The commitment amounts (at syndication or prior to sell-down) of the individual signatories are equivalent to USD 50 million or more; and 4. The loan term is two years or more.
Bridge loans	Bridge loans with a loan term of less than two years that are intended to be re-financed by a project finance meeting the above criteria or PRCL

*1 Project finance advisory services

*2 PRCL includes the buyer's credit-type export financing but does not include the supplier's credit-type export financing. Furthermore, it does not include asset financing, M&A financing, hedging transactions, leases, L/C transactions, general funds and general working capital to maintain operations of a company.

Implementing Environmental and Social Impact Reviews

In our processes for assessing project finance for projects subject to the Equator Principles, we conduct environmental and social impact reviews to confirm whether the response of project implementers in taking into account environmental and social impacts satisfies the standards set by the Equator Principles.

In environmental and social risk/impact reviews based on screening forms, the relevant project is categorized into one of three categories—A, B, and C as shown below—reflecting its environmental and social risks and/or impacts. The Structured Finance Department conducts detailed reviews based on environmental impact assessment reports that take into account the risk/impact category, the status of the country (designated* or non-designated country) where the project is sited, and industry. The results of the environmental and social risk/impact reviews are sent to a credit supervision department, where

it devises a comprehensive risk assessment based on the review results.

*Designated countries are those countries deemed to have built robust environmental and social governance, legal systems, and institutional capacity to protect their people and the natural environment. Specifics can be viewed at the Equator Principles Association's website.

<http://www.equator-principles.com/index.php/ep3/designated-countries>

Company Training Programs

In adopting the Equator Principles in February 2016, we provide multiple training sessions for the employees of sales, assessment, screening and other departments and sections involved to foster a thorough understanding of Equator Principles concepts as well as implementation processes for environmental and social risk/impact reviews. Through regular training programs, we strive to go further to raise awareness regarding environmental and social impacts among our employees and deepen their understanding of Equator Principles concepts and implementation processes for environmental and social risk/impact reviews.

Monitoring Compliance with Equator Principles

As a rule, projects subject to the Equator Principles are engaged to submit regular reports in the loan agreement stipulating compliance with important items concerning environmental and social laws, regulations and rules as well as approvals and permits. Based on regular reports submitted by the borrower of the projects, we monitor compliance with rules relating to the environment and communities.

Project Finance Cases

	FY2017			
	A	B	C	Total
	1 ✓	23 ✓	4 ✓	28 ✓
Sector	A	B	C	Total
Mining	0 ✓	0 ✓	0 ✓	0 ✓
Infrastructure	1 ✓	1 ✓	0 ✓	2 ✓
Oil & Gas	0 ✓	0 ✓	0 ✓	0 ✓
Power	0 ✓	22 ✓	4 ✓	26 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	0 ✓	0 ✓	0 ✓
Region	A	B	C	Total
Americas	0 ✓	2 ✓	0 ✓	2 ✓
Europe, Middle East, and Africa	1 ✓	0 ✓	0 ✓	1 ✓
Asia and Pacific	0 ✓	21 ✓	4 ✓	25 ✓
Country classification	A	B	C	Total
Designated Country	0	23	4	27
Non-Designated Country	1	0	0	1
Independent Review	A	B	C	Total
Implemented	1	21	4	26
Not implemented	0	2	0	2

Number of Projects Subject to Equator Principles

28 projects were subject to the Equator Principles in fiscal 2017. Projects featuring the mark have received third-party certification from PwC Sustainability LLC.

Project Finance for Coal-fired Power Generation

Regarding the issue of climate change, which has become a major global issue, SuMi TRUST Bank has always made careful decisions regarding coal-fired power generation projects, which emit a relatively large amount of CO₂, by setting certain internal criteria on factors including power generation efficiency and environmental impact. As initiatives for realizing a low-carbon society are crucial management issues for financial institutions in the industrialized world, SuMi TRUST Bank has decided, in principle, not to engage in new projects for the construction of coal-fired power plants. However, in cases where exemptions are considered, lending decisions will be made carefully, with a comprehensive consideration of backgrounds and characteristics undertaken on a case-by-case basis, under strict standards that address the environmental impact, such as the OECD Guidelines and the energy efficiency of the specific projects.

Establishment of Policies for Specific Sectors

The Group has established policies for specific sectors that promote business activities with significant environment and social impacts and restricts loans and investments to companies and projects with negative impact.

In specific terms, SuMi TRUST Bank does not provide loans to companies that manufacture cluster bombs, regardless of whether they are located in Japan or overseas. In asset management, we prohibit active investment, actively conduct engagements to demand the suspension of manufacturing of cluster bombs in passive investment, and publicize such engagements.

The Group also intends to establish a policy for sectors that are considered to be involved in the manufacture of palm oil and the destruction of tropical rainforests during fiscal year 2018.

CSR Procurement (Procurement that Considers the Environment and Society)

The Sumitomo Mitsui Trust Group strives to give procurement priority to goods and services that factor in consideration for the environment and society based on its Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy). Through its cooperation

with suppliers who care about the environment and society and efforts to spread CSR procurement, the Group seeks to contribute to sustainable social development as a corporate group trusted by the public.

CSR Procurement Policy

Papers, stationery goods, fixtures and equipment used by SuMi TRUST Holdings in its businesses have been procured through a long supply chain that begins with the mining of resources and extends to its processing, manufacturing and sales. Throughout this process, it is a duty

of consumers to procure products and services that have been designed not to pollute the environment or cause human rights issues. SuMi TRUST Group has formulated a CSR procurement policy to promote procurement that gives consideration to the environment and society.

1. Fair Transactions

We select suppliers through a fair and transparent method by taking comprehensive account of economic rationality, appropriate quality, delivery punctuality, compliance with social norms, consideration for social challenges and consideration for the environment.

We do not provide profits to or impose undue disadvantages on specific clients without due reason.

2. Compliance with Laws, Regulations, etc.

We respect laws and social norms in procurement and never violate them in any case. We are not involved with antisocial forces in any way and reject unjust demands.

3. Consideration for Social Challenges

We strive to conduct transactions with and procure products and services from suppliers who respect basic human rights,

give consideration to industrial safety and health and avoid violations of human rights, such as unjust discrimination, forced labor and child labor.

4. Consideration for the Environment

We strive to conduct transactions with and procure products and services from suppliers who promote efforts to reduce the environmental burden and contribute to mitigating and easing environmental problems, including climate change and biodiversity problems.

5. Cooperation with Suppliers

We seek cooperation from and promote cooperative initiatives with suppliers in order to give consideration to social challenges and the environment across supply chains in our procurement activities.

The Problem of Ocean Plastic Garbage

The massive amount of plastic garbage entering the oceans is causing pollution that has a grave impact on marine ecosystems, the fishing industry, the tourism industry and beyond. It is becoming an issue of global import. The pursuit of economic growth and convenient living continues to generate greater amounts of waste.

SuMi TRUST Bank has set up employee convenience stores for offices located in large buildings. When an

employee makes a purchase at a store in the head office or the Fuchu building, they do not receive plastic bags or straws. Moving forward, we will do what we can to limit the use of plastic bags and other plastic items at additional office buildings. Furthermore, we will consider yet more feasible ways to switch from plastic products once we ascertain exactly how envelopes and other supplies are used in our business operations.

Rules on Human Rights Policy

The human rights policy formulated by SuMi TRUST Group prescribes that SuMi TRUST Group "gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies we invest in or lend to, negatively impact human rights" and that "in cases where relevant laws,

standards and policies are violated, necessary measures are taken as appropriate." The measures include requesting the resolution of a situation where human rights are being violated and suspending transactions and refusing to purchase products and services in case the situation is not resolved.

Sustainable Use of Paper

SuMi TRUST Bank regards destruction of ecosystems and logging in tropical rainforests to supply raw materials for paper as a serious issue. Along with other corporate paper users that share its concern and the World Wide Fund for Nature Japan (WWF Japan), the Bank has established the Consortium for Sustainable Paper Use. With the aim of

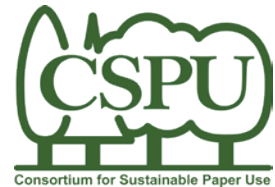
promoting the spread of sustainable paper use throughout society, member companies share how their initiatives are progressing and ask their suppliers to supply them paper products that are environmentally and socially sound. The consortium launched in 2013 with five member companies has grown to ten companies as of October 2018.

Consortium for the Sustainable Use of Paper

Rather than a group of companies that manufacture or sell paper, the consortium's members are companies and organizations that purchase and use printed material for product packaging or promotional materials, as well as copier paper, envelopes and other paper products. Participating companies are urged to formulate and carry out responsible procurement policies. By responsibly managing procurement of paper, companies whose position is nearer to consumers' seek to encourage more sustainable use of paper not only among consumers and consuming companies farther down the supply chain, but also among upstream businesses.

Consortium for Sustainable Paper Use Policies on Paper Procurement

- Prioritize use of recycled paper and reliable verification systems
- Do not use paper from sources that destroy forests with high protection value
- Use paper that has been produced through appropriate procedures, from logging of raw wood in compliance with laws in the country of origin
- Do not procure products from business operators connected to significant environmental or social problems



In our group-wide efforts to encourage CSR procurement, the Group is making careful use of copier paper and otherwise taking eco-friendly and socially-sensitive action, as detailed below, in our procurement of paper, which we consume and dispose of in large quantities in our business operations.

- We conduct surveys of suppliers regarding the environmental and social soundness of their paper products, such as copier paper and office supplies.
- All Group companies are prohibited from purchasing copier paper with environmental and social consideration problems, such as illegal logging in tropical rainforests.
- We procure copier paper, in principle, with a 100% recycled content ratio.
- We reference the viewpoints of Rainforest Action Network and other domestic and overseas NGOs on the environmental and social responsibility of products.



Sustainability Policy 4

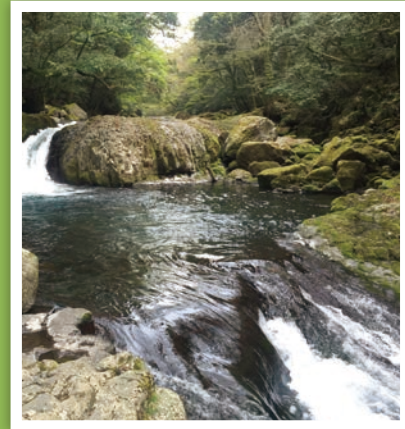
Address Environmental Issues

- We aim to build a low-carbon society, a natural symbiosis society which fosters biodiversity, and a circular society, and will work to solve problems which obstruct these aims through our core businesses by cooperating with various stakeholders.
- We work on energy and resource conservation to reduce the direct environmental burden caused by our own activities.



Environmental Burden Reduction Measures

The Group limits negative impacts from business activities in ways that relate to SDG themes through the operation of environmental management systems (EMS).



Through its natural resources, CO₂ emissions, waste generation from the use of energy, paper and the like in its business activities, the Group impacts natural capital and the environment, and it works to reduce environmental impacts that arise from its business activities and recognizes reducing negative impacts on society is an important matter. The Group also factors in environmental and social consideration by investee and lendee companies into its decision-making processes for loans and investment. With the aim of realizing smaller environmental impacts on social as a whole, we promote both initiatives to reduce direct environmental impacts from our business activities and initiatives to reduce indirect environmental impacts from investee and lendee companies in our portfolios.

SDGs have established goals and targets relating to a host of environmental issues. Our initiatives aimed

at responding to environmental issues arising from the Group's business activities are linked to the 17 SDG goals: reduction of waste, including chemical substances such as PCBs and generic waste such as paper waste, and properly managing, recycling and disposing of waste (Goal 3); efficient use of water (Goal 6); use of renewable energy generated by solar panels newly installed on four branch offices since 2013 (Goal 7); certification of the head office building under the "CASBEE* for Real Estate" system (Goal 11); CSR procurement that guards against buying paper from sources deemed at risk for human rights and environmental abuses from tropical rainforest logging (Goal 12, Goal 15); and energy conservation activities aimed mainly at reducing electricity use (Goal 13). Every year, SuMi TRUST Bank provides e-learning on environmental management for all employees to deepen their understanding.

Sumitomo Mitsui Trust Holdings Environmental Policy

1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

*The Action Guidelines for Mitigating Climate Change (see page 15) and the Action Guidelines for Preserving Biodiversity (see page 29) are specific guidelines that were drawn up based on this Environmental Policy.

Examples of Initiatives Aimed at Concurrent Achievement of Greater Operational Efficiency, Lower Environmental Burden, and Lower Costs

Initiative example	Effects from greater efficiency	Effects from lower costs	Effects from lower eco-burden
Paperless meetings	Lighter work load (e.g. preparing copies, replacing materials) and fewer work hours; prevent information leaks	Spend less on purchasing paper, reduce waste disposal costs	Conserve environment on lower paper use, less waste disposal
Even out work allocation and manage time to reduce overtime (encourage people to leave work at a set time, create leave-work-early days)	Less overtime means more self-initiated activities during off hours	Less overtime trims personnel costs and lowers electricity costs (reduced use of lighting and air-conditioning)	Help mitigate global warming via reduced electricity use

Attainment Status of Environmental Targets for Main Large Buildings (buildings where we had formerly applied ISO14001)

Category Inside (: Unit)	Building	Fiscal Year 2017 Results			
		Cumulative results	YoY	Target attainment	Main factors behind performance variability
Paper consumption (thousand sheets)	Head office	52,268	Down 2%	○	Company-wide initiatives to make less copies successfully reduced paper use YoY throughout the entire fiscal year
	Fuchu	10,824	Up 5%	×	Paper procurement increased mainly due to occupants transferring to the Fuchu Building upon the closure of the Chofu Building
	Senri	4,553	Up 2%	×	Paper procurement increased due to the acceptance of some departments in the Kitahama Building
	Shiba	15,833	Down 5%	○	Company-wide initiatives to make less copies successfully reduced paper use YoY throughout the entire fiscal year
Electricity consumption (thousand kWh)	Head office	5,252	Down 3%	○	Decreased YoY due to savings from increased operational efficiency, such as employees leaving the office earlier, reducing/shortening meetings, and thorough management of overtime work
	Fuchu	17,218	0%	×	Updated to low electricity consumption systems (replaced downlight under eaves of canteen, changed downlight equipment in accommodation passageway, switched outdoor lights of training institute and downlight of office hallways to LED, updated air-conditioning system of office, etc.)
	Senri	6,067	Up 3%	×	Increased energy use due to installation of more backup computer equipment for Group affiliate companies to enhance the operations continuity system
	Shiba	4,403	Down 5%	○	Savings from increased operational efficiency, such as employees leaving the office earlier, reducing/shortening meetings, and thorough management of overtime work
Waste discharge (t)	Head office	438	Up 4%	×	Increased disposal of expiring confidential documents (up 3%) and replacement of aging equipment (increased bulk waste, such as monitor stand, microwave, and office equipment [up 39%])
	Fuchu	82	Down 8%	○	Decreased noncombustible waste (down 22%) due to cost reduction, decrease in magazines read (down 37%), and increased employee awareness
	Senri	126	Down 23%	○	Decreased significantly YoY due to swing-back from large waste discharge in FY2016. Newspapers, magazines, mixed papers, etc. decreased
	Shiba	162	Up 1%	×	Up 12% YoY due to increase in tenants and temporary sharp rise in noncombustible waste disposal by some tenants; PET bottle disposal increased 14% YoY due to increase in seminars, etc.
Green purchase (%)	Head office	90%	Down 1%	×	Nearly unchanged due to implementation of procurement system

1. Initiatives to Reduce Environment Impacts from Business Activities

EMS Integrated with Framework for Operational Efficiencies



The Group operates environmental management systems (EMS) based on a framework that promotes operational efficiencies via initiatives for reducing the environmental impacts of its business activities. Through common activities relating to time (labor productivity), materials (resource productivity), and costs (efficiency), our aim is the simultaneous attainment of the goals of operational efficiency, environmental burden reduction, and cost reduction. For each activity aimed at achieving gains in operational efficiency mainly via reforms to operational flows and reorganizing shifts to reduce overtime hours, we seek to operate systems to harvest benefits from those activities such as lower paper consumption and less electricity consumption from the use of

lighting and air-conditioning during overtime hours.

We target the following to reduce our environmental impacts: (1) reducing electricity consumption (CO₂ emissions), (2) reducing paper consumption, (3) reducing waste disposal volume, and (4) promoting green procurement (CSR procurement). We implement the promotion of operational efficiency at all branches, which are all working to promote awareness on reducing environmental impacts. We continue to implement a PDCA cycle that reflects the main elements of the ISO14001 environmental management system for the large office buildings where key operations are located. Our promotion of initiatives in CSR procurement is in keeping with the main theme of the 2015 revisions to ISO14001, supply chain management.



Initiatives to Reduce Energy Use and CO₂ Emissions Related to Business Activities

The Group is striving to reduce its environmental impacts in the form of both inputs such as electricity and gas used for business activities and outputs such as CO₂ emitted as a result of activities. As SuMi TRUST Bank is subject to the Act on the Rational Use of Energy, it calculates the volume of energy consumption and CO₂ emissions at all of its sites across Japan using a common system. In fiscal year 2017, total electricity consumption at all sites across Japan came to 60 million kWh, down 9.4% from 67 million kWh in the previous year. City gas consumption declined 5.3% at 2.0 million m³ from the previous fiscal year. Since fiscal year 2012, when the three banks merged to form SuMi TRUST Bank, the Group has steadily reduced total energy consumption inputs into its businesses. This reflects progress in energy conservation mainly at the large office buildings where we have key operations, in addition to savings from the closure and consolidation of branches in areas with redundancies at the initial merger stage. At the Fuchu Building, which consumes the most electricity among Group facilities, the building's coordinating and communication group rigorously managed applications for extended use of the air-conditioning system into off hours, as well as promoted employees to request shutdown of the air-conditioning system if they were leaving sooner than planned. Major benefits were obtained from raising awareness by providing feedback in the form of aggregate data on actual air conditioner operating hours and early shutoff requests from each section and department, and from constant efforts to

disseminate information about implementation.

As for CO₂ emissions, which are a driver of global warming, the Group lowered its annual GHG emissions to 37,068t-CO₂ in fiscal year 2017, a 26.8% reduction compared to the post-merger peak of 50,605t-CO₂ in fiscal year 2013. Both scope 1 and scope 2 emissions have decreased significantly, declining by 21.2% and 27.5% compared to fiscal year 2013 levels, respectively. On the other hand, emissions intensity per floor area was 0.093t-CO₂/m², declining by no more than 4.2% compared to the fiscal year 2013 level. This was because the floor area decreased considerably due to the merger of branch offices which were overlapping in the regions initially after the bank merger as well as the elimination of some large buildings.

The large buildings in the greater Tokyo metropolitan area that house key SuMi TRUST Bank operations are subject to the mandatory reductions in CO₂ emissions prescribed in the Tokyo Metropolitan Ordinance on Environmental Preservation. In fiscal year 2017, we eliminated two bases, leaving three bases subject to the mandatory reductions. The bases have steadily reduced emissions in single fiscal year units. In the five years of the No. 1 plan period (from fiscal year 2010 to fiscal year 2014), reductions far exceeded the mandatory level, so the Group received emission permits equating to 39,117t-CO₂, and we carried forward these emission permits into the No. 2 plan period. During the No. 2 plan period (from fiscal year 2015 to fiscal year 2019), we expect to be able to achieve our targets again without using emission permits.

Energy Usage and CO₂ Emissions (Domestic Bases)

Energy usage		FY2013	FY2014	FY2015	FY2016	FY2017
Total volume of energy usage (heating value)	GJ	954,891	913,437	846,829	801,370	736,011
Total volume of energy usage (converted to crude oil)	kl	24,636	23,566	21,848	20,675	18,989
Energy usage intensity	kl/m ²	0.055	0.053	0.051	0.049	0.047
Electrical power	thousand kWh	79,932	76,768	71,206	66,742	60,444
City gas	thousand m ³	2,502	2,398	2,153	2,107	1,996

CO ₂ emissions		FY2013	FY2014	FY2015	FY2016	FY2017
Greenhouse gas emissions volume	t-CO ₂	50,605	48,918	43,816	40,833	37,068
Greenhouse gas emissions after adjustment	t-CO ₂	42,219	48,426	43,470	40,393	36,240
Emissions intensity	t-CO ₂ /m ²	0.114	0.111	0.103	0.098	0.093
Emissions intensity (after adjustment)	t-CO ₂ /m ²	0.095	0.110	0.102	0.097	0.091
Scope 1 emissions volume	t-CO ₂	5,806	5,577	5,002	4,907	4,575
Scope 2 emissions volume	t-CO ₂	44,798	43,340	38,813	35,925	32,493

Scope of calculations: SuMi Trust Bank facilities in Japan subject to the Act on the Rational Use of Energy; Group companies are tenants in some facilities. Calculation method: Calculations conform to the method in the Act on the Rational Use of Energy; our disclosed figures have been revised following adjustments made to data for past fiscal years.

Some subtotals may not add up to totals due to rounding.

CO₂ Emissions at Bases Subject to the Tokyo Metropolitan Ordinance on Environmental Preservation

		No. 1 plan period cum. total		No. 2 plan period				
		Four bases		Four bases		Two bases	Head Office	
		FY2010 — FY2014	FY2015	FY2016	FY2017	FY2015	FY2016	FY2017
Standard emissions	t-CO ₂	146,153	38,446	39,224	28,921	13,287	13,287	13,287
Mandatory reduction ratio	%	8	17	17	17	6	6	6
Maximum emissions limit	t-CO ₂	134,467	31,912	32,558	24,005	12,490	12,490	12,490
Mandatory reduction	t-CO ₂	11,686	6,534	6,666	4,916	797	797	797
CO ₂ emissions	t-CO ₂	95,350	21,024	14,566	14,359	10,711	10,912	10,566
Emissions reduction	t-CO ₂	50,803	17,422	19,586	14,562	2,576	2,375	2,721
Excess reduction	t-CO ₂	39,117	10,888	12,920	9,646	1,779	1,578	1,924
Emission permits awarded (after correction)	t-CO ₂	47,540						

The emission figures in the table above show the reduction status at SuMi TRUST Bank's four bases (the Fuchu Building, Shiba Building, Chofu Building, and Meguro Building) and the head office building with regard to the "mandatory reductions in total greenhouse gas emissions" and the "mandatory reductions in total greenhouse gas emissions via the emissions trading system" prescribed in the Tokyo Metropolitan Ordinance on Environmental Preservation. Since fiscal year 2017, the Chofu Building and Meguro Building are not subject to the mandatory reductions. The head office building is a multi-tenant building with mandatory reductions that came into effect from fiscal year 2015 but SuMi TRUST Bank's mandatory reductions have not yet been finalized and so this data is shown in three columns in a separate table. Our emission reporting has been verified by a third-party assessment organization. The coefficients used to calculate emissions for the No. 1 plan period and the No. 2 plan period differ, so the performance over time of these periods cannot be compared.



Other Initiatives to Reduce Our Environmental Impacts

As for copier paper, we increased our total paper use to 738 tons, up 26 tons or 3.7% year on year, in fiscal year 2017, bringing an end to the downtrend in use. We will continue to strive to reduce paper use through efforts to streamline operations. In output categories, waste paper output fell to normal year levels and decreased by 18.0% year on year. The Group maintains a 100% waste paper recycling rate. Waste output other

than waste paper decreased to 282 tons, down 4.9% year on year. The recycling rate was 41%, the highest in the last five years. We will continue to work to reduce total waste generated, as we strive to properly manage and dispose of equipment and chemical substances required by business operators under laws such as the law on special measures against PCB waste and the fluorocarbons (freon) emission control law.

Performance in Paper Use, Water Use, Waste Output and Recycling

		FY2013	FY2014	FY2015	FY2016	FY2017
Paper use	t	764	861	726	712	738
Recycled paper	t	524	508	526	596	566
Water use	thousand m ³	193	178	166	166	139
Total waste output	t	1,972	1,646	1,347	1,756	1,332
Paper output	t	1,064	1,057	946	1,280	1,050
Recycled volume	t	1,015	1,018	930	1,280	1,050
Recycled rate	%	95	96	98	100	100
Other waste output	t	909	589	401	477	282
Recycled volume	t	357	142	124	132	115
Recycle rate	%	39	24	31	28	41

Tabulation scope: Base buildings (excludes some branches in the case of water use)

2. Initiatives to Reduce Environmental Impacts at Group Companies

Nikko Asset Management Co., Ltd. (Nikko AM) has offered its clients investment trusts that factor in environmental considerations since it launched Japan's first eco-fund in 1999, and at the same time, it has as a company actively supported activities to care for the environment and

encouraged its employees to participate in social contribution activities. With regard to reducing its environmental load, Nikko AM works to reduce copier paper use, electricity use, reduce CO₂ emissions, and implement green procurement policies. In fiscal year 2017, electricity use increased by 28,000 kWh, and as a result, total energy use also increased by 2.7% year on year. Thanks to the shift to online application forms and introduction of iPads for meetings, the purchased volume of copier paper per employee declined by 10.7% year on year, a significant reduction. Nikko AM is mindful to refrain from purchasing new office stationery and to recycle them internally.

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. (SMTDFC) is working to reduce electricity use, the volume of copier paper use, and gasoline consumption. The adoption of a system where employees can work wherever a desk is empty (the free address system) along with the networking of PCs and projectors enabled SMTDFC to realize a compact office. SMTDFC continued to reduce electricity use and copier paper use by moving to paperless meetings, electronic settlements via work flow reforms, and overtime hour reductions. In fiscal year 2017, electricity use decreased by 2.5% year on year, and copier paper use was nearly the same as the previous fiscal year. As for the decrease in electricity use, SMTDFC will continue to strive to realize shorter operating hours for lighting and air conditioning via the implementation of work style reforms.

Nikko Asset Management's Three Environmental Policies

Increase green investors

As flows of funds through socially responsible funds (SRIs) are very significant for preservation of the environment, Nikko Asset Management strives to increase green investors.

Promote office activities such as energy and resource conservation

Nikko Asset Management strives to promote energy and resource conservation and recycling of waste and expand green procurement in offices. Nikko Asset Management also strives to prevent environmental pollution by complying with laws, regulations and other requirements related to the environment.

Develop information disclosure

Based on the recognition that it is extremely important from the perspective of the preservation of the environment that information disclosure related to the environment takes hold and develops as a social system, Nikko Asset Management develops information disclosure by actively disclosing information concerning its environment-related initiatives, including the environmental policies.

Environmental Performance of Nikko Asset Management

		FY2013	FY2014	FY2015	FY2016	FY2017	YoY Change
Electricity consumption	thousand kWh	1,025	1,026	1,071	1,029	1,057	Up 2.7%
Total energy consumption	GJ	13,280	13,317	14,022	13,441	13,807	Up 2.7%
CO ₂ emissions	t-CO ₂	508	510	537	530	517	Down 2.5%
Copy paper procurement amount per employee	Piece	628	627	672	614	548	Down 10.7%
Stationery goods green procurement ratio	%	58.6	59.6	50.6	65.0	58.8	Down 9.5%

Facilities covered by the above data: Head office building (Midtown)

CO₂ emissions: calculated based on the method of specified greenhouse gas emissions in the Tokyo Metropolitan Ordinance on Environmental Preservation (same emission coefficients as in fiscal year 2014).

Environmental Performance of Sumitomo Mitsui Trust Panasonic Finance

		FY2013	FY2014	FY2015	FY2016	FY2017	YoY Change
Electricity consumption	thousand kWh	1,692	1,219	1,007	1,008	982	Down 2.5%
Gasoline consumption	kℓ	168	140	127	118	117	Down 1.3%
Copier paper consumption	thousand sheets	18,016	16,788	16,590	17,464	17,508	Up 0.3%



3. Medium- to Long-Term Targets

The Group sets medium- to long-term environmental management targets for reducing CO₂ and creating a circular society with a view to enhancing initiatives of the whole Group. As regards the reduction target for electricity use per total floor area set by the Japanese Bankers Association, as of fiscal year 2017 we decreased electricity use by 11.7% compared to fiscal year 2009. We will continue to make

reduction efforts and aim to steadily achieve the targets. With regard to long-term targets beyond fiscal year 2030, we plan to set our own targets based on the Basic Energy Plan, etc. issued by Japan's national government. To promote the creation of a circular society, we will continue to strive to purchase 100% recycled paper for copier paper.

Medium- to Long-Term Environmental Targets for SuMi TRUST Bank

CO ₂ reduction (reduction of electricity consumption)	Reduce electricity consumption rate (electricity consumption/total floor area) in fiscal year 2020 by 10.5% compared to fiscal year 2009. (Sumitomo Mitsui Trust Bank)
Creation of circular society (waste disposal)	Raise purchase rates of recycled paper and environmentally friendly paper to 75% or more in fiscal year 2020. (Sites consisting of the head office, Shiba, Fuchu, and Senri)

Attainment Status of Medium- to Long-Term Environmental Targets Related to Electricity Use Intensity

		FY2009	FY2014	FY2015	FY2016	FY2017
Electricity use intensity	kWh/m ²	213.31	174.59	168.14	161.06	152.60
	Compared to FY2009	—	Up 1.1%	Down 2.7%	Down 6.8%	Down 11.7%
CO ₂ emissions intensity	t-CO ₂ /m ²	0.087	0.093	0.086	0.081	0.076
	Compared to FY2009	—	Up 6.9%	Down 1.1%	Down 6.9%	Down 12.7%

Fiscal year 2009 figures were calculated from each intensity's pre-merger total.

4. Bolstering Supply-Chain Initiatives

The CSR procurement policy SuMi TRUST Group established calls for preferential procurement of goods and services that give due consideration to the environment and society, and CSR procurement, including at Group companies, is moving ahead. While seeking the cooperation of suppliers, we plan to expand the list of products covered by CSR procurement (to read our CSR procurement policy, please refer to page

123). SuMi TRUST Bank makes it a priority to purchase environmentally friendly products, such as energy-saving products and products on green procurement lists for purchases of office supplies and equipment for internal use. SuMi TRUST Bank will promote initiatives from the perspective of countering resource depletion, preventing illegal logging of tropical rainforests, and preventing marine pollution.





Sustainability Policy 5

Respect the Individual

- We respect individual rights and diverse values, rejecting unjustifiable acts of discrimination in all our activities.
- We create a safe and pleasant workplace environment, respect employees' diverse ways of working, and strive to achieve work-life balance.
- We work to develop the skills of employees and strive to build sound minds and bodies.

Enhancing Human Capital to Increase Corporate Value

Human Resources Strategy

The Group's Codes of Conduct ("Value") state: "We will realize our organizational capabilities full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust." It is essential that we create more sophisticated human capital to raise corporate value and maximize the value we provide to stakeholders.

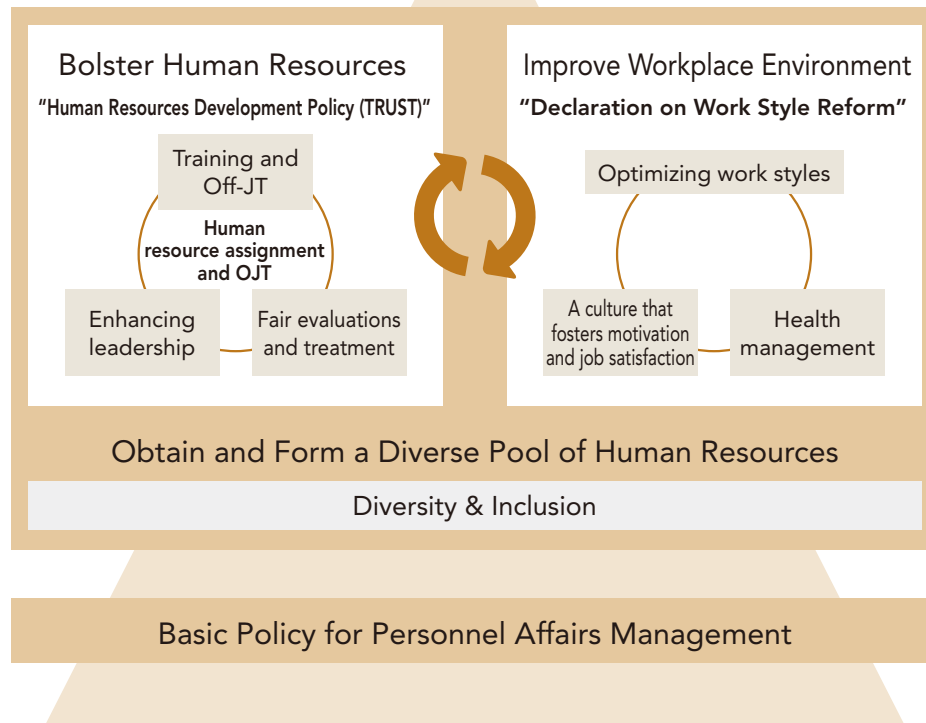
The Group categorizes individual human resources measures by function. We then apply a long-term investor's perspective to processes that create more sophisticated human capital while activating synergies between each function. This approach is also conducive to the enhancement of information disclosure.

Personnel System and Management Principles

1. SuMi TRUST Bank respects individuals' diversity and promotes voluntary initiatives so as to exercise creativity and create value added in a broad range of fields.
2. SuMi TRUST Bank promotes friendly rivalry among employees to improve themselves as well as their autonomous growth in order to enhance its expertise and comprehensive capabilities as a trust bank.
3. SuMi TRUST Bank assigns the right person to the right job according to job capability in order to make the most of individuals' potential.
4. SuMi TRUST Bank gives fair and just evaluation and treatment to individuals according to their capability, role and achievement so that they can have motivation and feel a sense of satisfaction at achieving self-fulfillment and contributing to the Company.

Increase Corporate Value

Enhance Human Capital



Basic Policy for Personnel Affairs Management

The SuMi TRUST Group provides a workplace in which individuals' diversity and creativity are fully utilized as value-added to the organization and they can have dreams and pride and feel motivation when working. It also forms a group of personnel capable of providing comprehensive solutions by making full use of their advanced expertise and comprehensive capabilities and helps them to make successful achievements.

Diversity & Inclusion

Promoting Diversity & Inclusion

The Group has various functions and a diverse business portfolio. With these as our strengths, we conduct diversity-focused hiring practices and position the development of expertise as a central aspect of our HR development. As diversity promotion becomes a more widely recognized concept in society, SuMi TRUST Bank established the Diversity & Inclusion Office (D&I Office) within the Human Resources Department in October 2016 to accelerate the efforts to promote diversity and inclusion by correlating diversity promotion with a corporate culture that emphasizes diversity. The D&I Office comprises specialists from

the Human Resources Department and members from business supervision departments. The office promotes diversified work styles for individual employees and implements measures that raises corporate value in a way that is tailored to each business unit's circumstances.

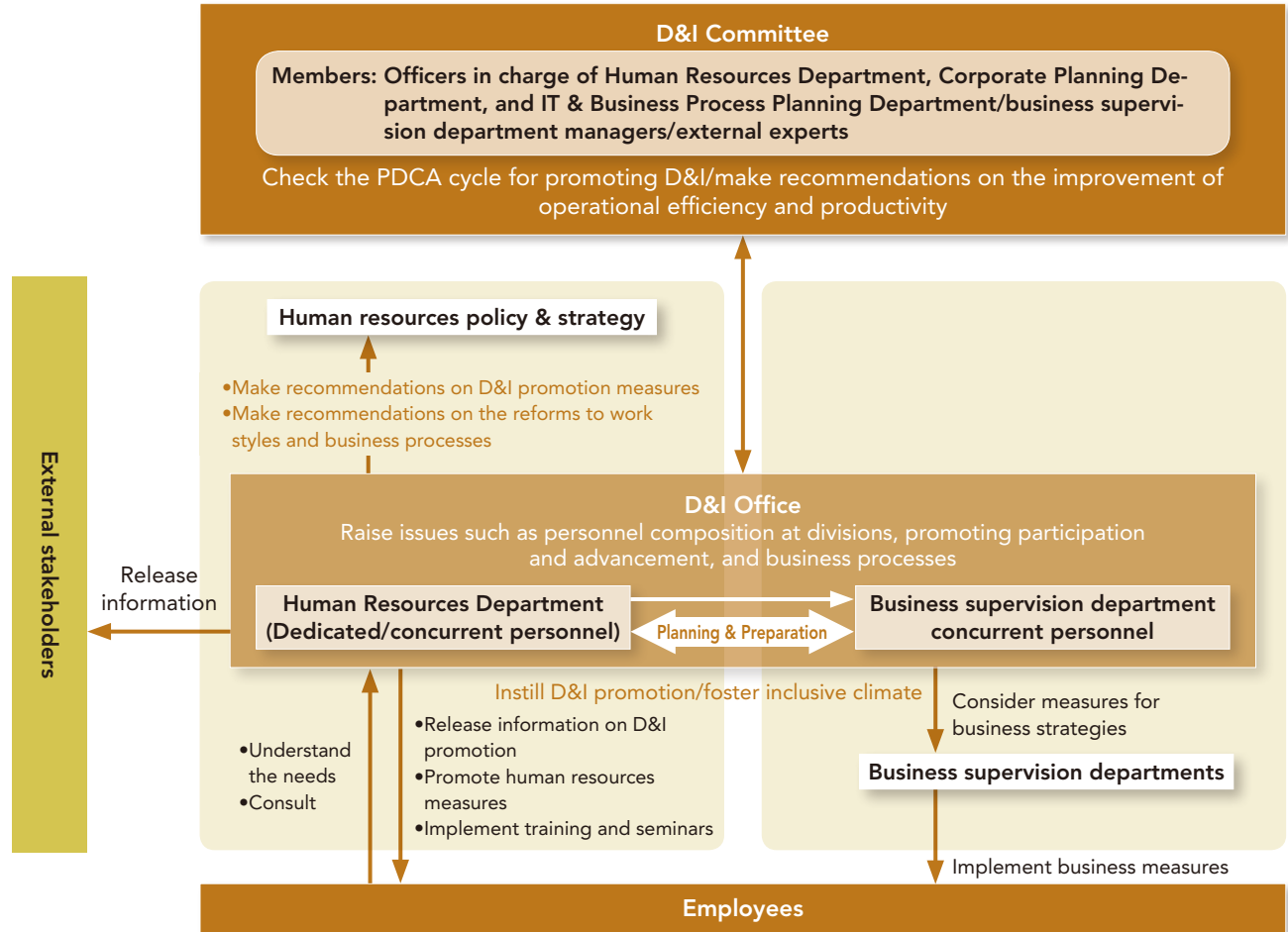
In addition, promoting diversity has become a major business trend and long-term investors emphasizing ESG are taking a greater interest. In response, SuMi TRUST Holdings also established the D&I Office within its Human Resources Department in October 2017 to promote diversity and inclusion throughout the Group.

1. Diversity & Inclusion Promotion Framework at SuMi TRUST Bank

SuMi TRUST Bank's initiatives for promoting diversity and inclusion focus on the empowerment of women, persons with disabilities, and global workforce, enhancement of

work-life balance, and encouragement of understanding human rights and the LGBT community.

Organizational Chart for D&I Promotion at SuMi TRUST Bank



2. Initiatives for Promoting Women's Active Participation and Advancement

As the Group ensures "the right people are placed in the right positions based on their capabilities in order that all of our employees can realize their full potential," we proactively place women in managerial positions based on their abilities.

SuMi TRUST Bank has an action plan to "place 300 female employees in managerial positions at the level of section manager or higher" by March 31, 2020. In our aspiration to be "the No. 1 financial group for human resource development," we provide a wide range of trainings and positions and offer growth opportunities with an eye toward providing women a gateway to management.

As of September 30, 2018, SuMi TRUST Holdings has one female director and SuMi TRUST Bank has two female executive officers.

Number of Female Employees in Management Positions at SuMi TRUST Bank

	End of March 2017	End of September 2017	End of March 2018	End of September 2018
Directors	1	0 (0%)	0 (0%)	0 (0%)
Executive Officers Level of General Manager	0	2 (5.6%)	2 (5.7%)	2 (5.9%)
Level of General Manager	14	14 (2.4%)	16 (2.7%)	17 (2.7%)
Level of Section Manager	232	229 (11.2%)	245 (11.9%)	247 (12.3%)
Level of Assistant Manager	1,069	1,061 (31.6%)	1,108 (32.7%)	1,103 (32.7%)

*The number inside the parenthesis is the female employee ratio.

**As of September 30, 2018, there was one female external director at SuMi TRUST Holdings.

Human Resource Development in consideration of Placing Female Employees in Managerial Positions Support for Women's Solid Career Formation

In its proactive efforts to place female employees in managerial positions at the level of section manager or higher, SuMi TRUST Bank conducts training at three stages so that female employees can build their own career path and network: before becoming an assistant manager, upon reaching the level of an assistant manager, and before becoming a section manager. In fiscal 2017, the Bank revamped the training for those about to reach the level of an assistant manager. The curriculum was redesigned so that those female employees can proactively study through lectures by outside instructors and introduction of successful female employees in senior positions, and aim at the human resources with broader perspectives and added value by considering current social trends, including the various ways of building careers and how one can exhibit leadership. We endeavor to stay present to the concerns of female employees who are easily affected by the life events and provide early opportunities so they can design careers as part of their life plans.

Use of Outside Networks and Dialogue with Directors and Officers

We send female employees to joint events with other companies and hold training sessions inviting female officers from other companies as instructors to provide opportunities for them to broaden their perspectives through interaction with people from other businesses, as well as to make



an objective reassessment of their careers. Most of these employees are in the A-course, who are never assigned to a different workplace accompanied by relocation. Directors and officers are also actively involved in the development of female employees. We held seminars where female employees was able to speak directly with officers to learn management view-points and what is expected of female employees, as well as lectures as part of the program at joint events, etc. In addition, we invited outside advisors with a successful track record of D&I promotion in other companies, and they delivered lectures and advice, beyond the boundaries of the companies, about the expectations for the empowerment of women. In addition, we have been taking initiatives to consider how to balance childrearing with work based on the direct dialogue with officers. The direct dialogue includes round-table talks between officers and female employees currently raising children (see page 136 for information on the career course system).

Training for Directors, Officers, and Management

To create a workplace environment where women can thrive, SuMi TRUST Bank invited Director Kawashima of specified non-profit corporation Fathering Japan as an instructor for training of section managers with subordinates who have returned from childcare leave and for Iku-boss (managers who are involved in parents) lecture at its nationwide meeting of deputy general managers. Through these actions,

SuMi TRUST Bank promoted changes in the consciousness of management, which are important in order for female employees to thrive. In addition, at the conference of all executive officers, the Bank held a diversity & inclusion training session led by SuMi TRUST Holdings Director Hiroko Kawamoto as a way to deepen the understanding of directors and officers about diversity and inclusion.

3. Initiatives to Support Work-Life Balance

Career-Building Support to Weather Life Events

A System of Workplace Reassignments and Leave to Accompany Spouses on Overseas Transfers

In fiscal 2016, SuMi TRUST Bank instituted a system so that A-course employees (who are not subject to new workplace assignments accompanied by relocation) can change their workplace location in the event of spouse's relocation. Furthermore, since July 2017, employees have been allowed a leave of absence to accompany a spouse on an overseas transfer, regardless of whether that spouse works for the same company or a different company. Both male and female employees can apply to take advantage of the system. When a spouse is transferred overseas, it imposes a heavy burden on the family environment. This system

Work-Life Balance

One theme of the Declaration on Work Style Reform (see page 140) is an initiative for "achieving diverse work styles and work-life balance." As a part of that effort, SuMi TRUST Bank has set a target of 100% for the acquisition ratio of childcare leave among male employees. In fiscal 2017, the Bank achieved a 100% acquisition ratio in a company-wide drive to foster a culture to think natural for male employees to play a role in the family, and to encourage them to notice afresh what is happening in the world outside the company and sense the changes happening in society.

In addition, SuMi TRUST Bank and the labor union have together held nursing care seminars to deepen understanding among employees about the anticipated growing

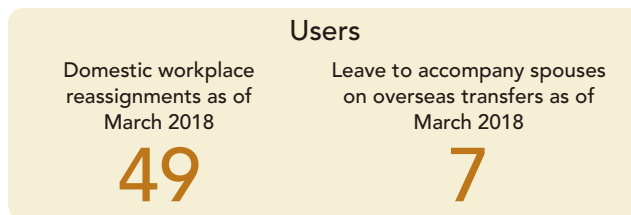
4. Empowerment of Global Employees

SuMi TRUST Bank offers training every year to local-country employees working at its overseas branches and overseas subsidiaries and affiliates. Training is focused on deepening employees' understanding of the SuMi TRUST Group and its operations, and strengthening networks among participants and business lines. The training includes a management strategy briefing with an accompanying discussion as well as lectures on Japanese business culture and history, and business overviews.

In addition, to encourage smooth communication with

5. Promoting Advancement of Disabled Persons

At the SuMi TRUST Group, we strive to create a workplace for disabled persons to gain fulfillment in their jobs as members of the workplace. There is an increasing number of workplaces at SuMi TRUST Bank where disabled persons are working. For example, at branch offices they serve clients and at the head office they are involved in the clerical work. In addition, SuMi TRUST Bank makes a good amount of effort to implement individual meetings with newly hired disabled persons to address their concerns and requests emerged after joining the company. The insights obtained from the meetings are utilized to make the workplace more comfortable in both



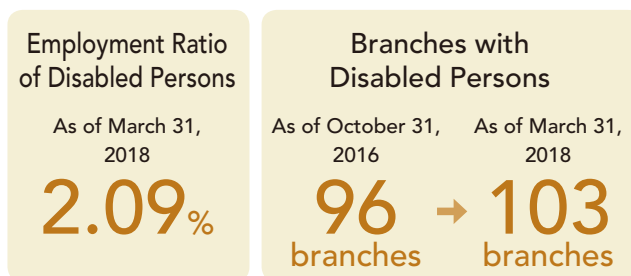
came about from a desire to help our employees independently build their careers by offering them more than just a choice between career and family. Both domestic workplace reassignments and leave to accompany spouses on overseas transfers are used as ways for employees to continue their careers despite life events.

need to balance between job and nursing care obligations. Meanwhile, "employee information sharing sessions on nursing care" have been held to talk about employees' personal experiences of nursing care in an effort to encourage networking between employees who are caring for family members.



newly hired overseas recruits assigned to Japan, we've conducted cross-cultural communication training for managers in departments where those new employees are placed. By comparing the difference in culture and custom between Japan and other countries, trainees learn about cultural diversity, such as values and customs. This is an initiative to spread an approach to communication that avoids the intercultural misunderstandings and trouble that may occur on the job.

tangible and intangible ways. As of March 31, 2018, disabled persons made up 2.09% of our employment rate.



Gaining & Shaping a Population of Diverse Human Resources

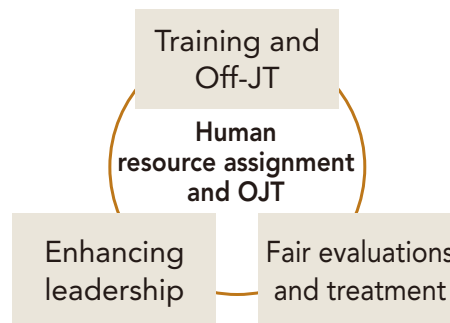
Bolstering Human Resource

The SuMi TRUST Group Human Resources Development Policy

The SuMi TRUST Group will maintain its workplace environment and bolster its human resources based on a development spirit consisting of "TRUST," for the growth and career development of the employees who will create our future.

- T**alent Talent (individuality) can blossom
- R**espect Respect each individual
- U**niqueness Develop true professionals
- S**upport Make mutual teaching and support our motto
- T**ry Praise small, daily challenges

Based on the "fiduciary spirit of TRUST," the SuMi TRUST Group aims to contribute to our clients and the continuous development of society through the growth of our employees, thereby maximizing the creation of shared value and becoming the corporate group that is chosen by society.



We have been advancing measures to be the "No. 1 financial group for human resource development" with the aim of "bolstering human resources," which is one of the two wheels for raising the level of our group of personnel that provides comprehensive solutions. Today, however, as digitization and other advances are changing business models at an ever-accelerating pace, we need to share concrete guidelines within the group and accelerate their promotion.

It was for this reason that, in April 2018, we created our "Human Resources Development Policy" as the shared human resource development slogan within the SuMi TRUST Group. Through this policy, we will strive to build a diverse group of personnel that shares a passion for "TRUST," and maximize the creation of shared value through the realization of "The Trust Bank."

Career Course System Enabling Proactive Choice

SuMi TRUST Bank has implemented a course-based system that promotes employee career formation. Employees are streamed into three courses, the G Course, the R Course, or the A Course, depending on their likelihood of being transferred and the nature of their work duties.

employees into four work groups based on their demonstrated capabilities. By adopting this system, we encourage personnel management based on ability, rather than age or gender.

There is also a system, applied to all courses, that places

All employees regularly talk with their superiors on the status of career formation to be evaluated and receive feedback.

Course name	Residence and workplace relocation	Eligible business operations	Primary role
G Course (General and Global)	Nationwide relocation type	Possible	All operations <ul style="list-style-type: none"> Leaders of department- and branch-level organizations, or High-level professionals regarding various specific operations
R Course (Retail & Region)	Operation- and region-specific type	Possible within the specified area*	Retail operation <ul style="list-style-type: none"> Leaders of retail-related department- and branch-level organizations, or High-level professionals regarding retail operation
A Course (Area)	Region-specific type	None	All operations <ul style="list-style-type: none"> General managers of departments and branches, or Professions regarding various specific operations

*Nationwide- and regional-types (Tokyo, Kinki and Chukyo areas)

Skill-raising Human Resource Assignment and OJT*

The SuMi TRUST Group views OJT as the foundation for human resource development. We also focus on assigning employees to roles that awaken their passion for growth and allow them to display their abilities to the maximum extent. In fiscal year 2018, SuMi TRUST Bank introduced a program that enables younger employees to experience multiple work domains within a fixed period. We are

also advancing initiatives such as a trust internship program aimed at developing human resources who possess a “high degree of expert knowledge in trust operations” and a “deep understanding of the fiduciary spirit.”

* OJT: On the Job Training. OJT is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via their daily tasks.

Recruiting Highly Capable Human Resources

It is indisputable that employing capable human resources is the starting point for developing a robust corporate foundation. The recruitment section of SuMi TRUST Bank website provides clear explanations of the characteristics of its personnel system, the mechanism of trusts and their significance, and the overview of its businesses. The website is also carefully designed to give visitors an idea of what working at a Group company is really like with features such as employee interviews. In addition, human resources likely to demonstrate expertise as trust bank employees are strategically acquired by setting aside the recruitment quotas for experts in law and other fields, as well as assigning them to digital-related operations or asset management operations at the initial stage of job assignment.

More than 33,000 recent graduates applied via the website during the recruitment period for new entrants to join the Group in April 2019. We will go through a rigorous selection process to make hiring decisions.

Respect for Employees' Will in Job Assignment

SuMi TRUST Bank determines new hires' job assignments after examining their aptitude through interviews with each of them before they formally join the Bank. On the other hand, SuMi TRUST Bank attaches importance to new hires' will and motivation and provides them with opportunities to try acquiring qualifications new hires themselves desire (pension actuary, real estate appraiser) and to challenge work at their first assignment (asset management and administration, market-related operations, etc.). SuMi TRUST Bank makes an effort to encourage an early acquirement of the expertise trust bank employees should have, as well as to continuously bring out specialized talent.

Number of New Recruits

	Total (total of male and female)	Male	Female
FY2016	412	168	244
FY2017	433	179	254
FY2018	402	178	224

Internal Job Posting System

With regard to employees' assigned positions, SuMi TRUST Bank has initiated an internal job posting system to encourage its employees to independently and voluntarily form their own careers. Under this system, employees applying for job quotas various departments set can actually move to the departments where they have applied if they clear the Human Resources Department's selection process.

Internal Job Posting System Users

FY2016 **378** → FY2017 **445**

Personnel Exchanges among Group Companies

To bolster consolidated management and create stronger human resources group-wide, the SuMi TRUST Group encourages mutual exchanges of human resources on temporary assignments. To ensure smooth human resource exchanges, Sumitomo Mitsui Trust Career Partners offers training to Group companies.

Enhanced Off-JT*, Including Training Programs

While human resource training and skill development in the Group are generally provided on an OJT basis, we provide various options for group training which aims to improve employees' operational skills and management abilities, and for self-development which encourages employees to continue improving their skills.

For example, we operate SuMiTRUST University. This company-wide program is aimed at realizing distinct added value that is "unique to a trust bank" and "distinctive of Sumitomo Mitsui Trust Bank" and developing human resources who can swiftly provide comprehensive solutions to clients. Under the operation principle of "building a culture of learning and developing human resources who can help themselves and be independent," we are developing a system to support employees improving their skills.

SuMi TRUST Bank's president serves as SuMiTRUST University's president, while SuMi TRUST Bank's officer in charge of the Human Resources Development and an external expert serve as the university's vice presidents. The SuMiTRUST University receives advice regarding its operation from Hitotsubashi University's Graduate School.

Various Training Programs

- Training for new employees, rank-based training, business process-based training, language training (English and Chinese); carefully tailored trainings are provided according to the levels of experience and skill.

Web Campus

- Learning system using the Internet, including e-learning
- All employees can learn compliance rules, operational knowledge, business skills, etc.

Self-development Support

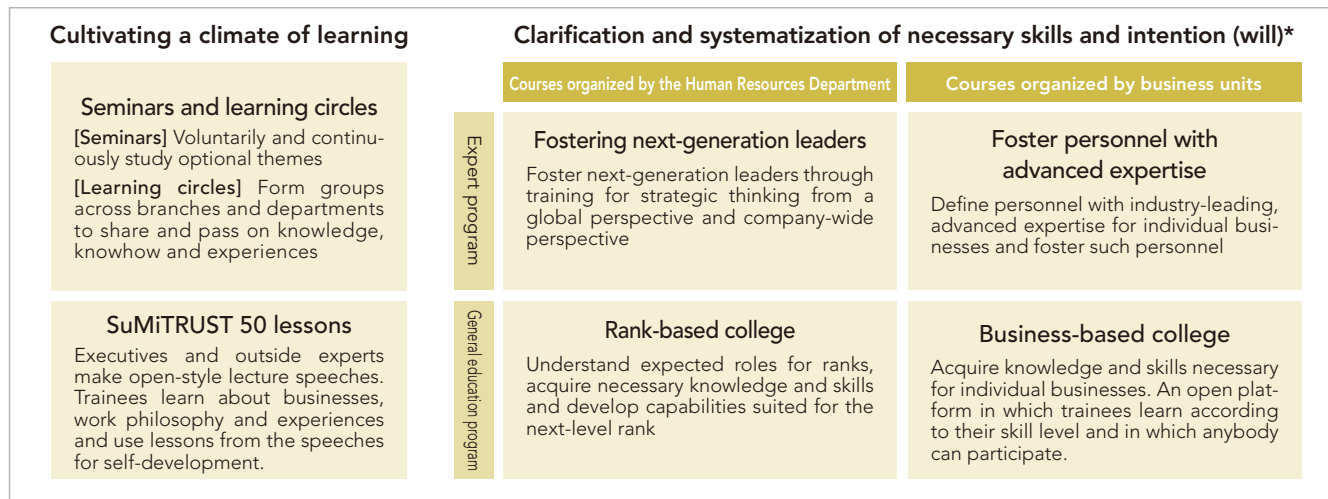
- Financial assistance to cover the cost of various qualification and certification tests, grants to support obtaining credentials, provision of books for the disabled

Various Trainee Programs

- Capability development training programs, including training for acquiring qualifications and language trainee programs, are implemented
- Overseas training and language trainee programs (English, Chinese, and Thai), business process trainee program (New York, London, Shanghai, Singapore, etc.)

* Off-JT: Off-the-Job Training. Through programs such as lectures and training sessions, Off-JT provides knowledge and skills employees cannot obtain in OJT.

Concept Image of SuMiTRUST University



* The two core components are "rank-based college" managed mainly by the Human Resources Department and "business-based college" managed mainly by individual business units. In addition, the curriculum is enhanced by systematizing and classifying the courses into "general education program" in which all trainees participate and "expert program" in which trainees acquire advanced skills and expert knowledge.

Data concerning Training for Human Resources Development (FY2017)

Training implemented by business units (a college for each business)	Training implemented by the Human Resources Department (rank-based training)	SuMiTRUST Academy*	Total
696 days (4,872 hours)	119 days (833 hours)	47 days (329 hours)	6,034 hours

*SuMiTRUST Academy is a program to provide various training in order to support employees willing to actively learn in a challenging environment from the perspective of fostering a culture of proactive learning.

Strengthening Leadership

Developing Next-Generation Leaders

SuMi TRUST Bank offers GL training for Global Leaders (deputy general managers, associate general managers, and equivalents) in cooperation with Hitotsubashi University's Graduate School and SL training for Strategic Leaders (section managers, operational chiefs, and equivalents) to develop the next generation of executive and leader candidates respectively. Candidates learn the values, general knowledge (liberal arts), and MBA elements they need for management, and through sessions and courses, they complete the program by presenting a proposal to senior executives. Furthermore, to develop leaders among our female employees, we run training for them at three stages: before becoming an assistant manager, upon reaching the level of an assistant manager, and before becoming a section manager. This training provides an avenue toward management (see page 134).

After these training sessions, employees receive opportunities to put their learnings at the sessions into practice in a variety of settings through their assigned duties and replacement.

In addition, through exploring the history of the Mitsui and Sumitomo corporate groups and communication with outside lecturers and foreign students, the program aims to reaffirm SuMi TRUST Group's origins and business spirit, broaden horizons, instill global awareness, and

enable participants to build networks within and outside the Company.

Strategy for Global Human Resources

To foster a global mindset and produce a continuous stream of human resources who can succeed in business sectors both in Japan and overseas, the SuMi TRUST Group has increased the number of employees sent from Japan to work overseas to 216 as of September 30, 2018, up from 115 as of March 31, 2012. We have also increased the number of employees with foreign citizenship working in Japan to 50 as of September 30, 2018, up from 22 as of March 31, 2012. Relocation between overseas locations is also undertaken for those employees hired overseas.



Fair Evaluations and Treatment

In order to fairly evaluate and treat diverse human resources, it is necessary for all employees to share and practice the goals of the evaluation system, and in practice, objectivity is essential. For this reason, roughly every three years, SuMi TRUST Bank sends members of the Human Resources Department to each branch and department to interview employees. Additionally, as a means of obtaining

a multifaceted view of our personnel, we have introduced an anonymous survey for subordinates and others to rate the day-to-day management actions of line managers in the branch management ranks (general managers, deputy general managers, section managers, etc.). Further, we also promote management action reform and encourage the cultivation of a climate of bi-directional dialogue.

Purpose of Personnel Evaluation System

- To maximize our performance as an organization by aligning the vectors of the Company and individual employees in the same direction
- To ensure goal setting and issue identification, daily communication, and face-to-face meetings to review performance, etc. lead to changes in behavior and capacity development
- To fairly evaluate the various achievements of employees and the diverse capabilities they have demonstrated to ensure they are assigned to appropriate jobs and treated justly

Personnel Evaluation Systems with Individual Employee Participation

SuMi TRUST Bank's personnel evaluation system enables individual employees to participate in the evaluation process. At the beginning of each business term, SuMi TRUST Bank's employees consult with their supervisors and determine specific business execution tasks.

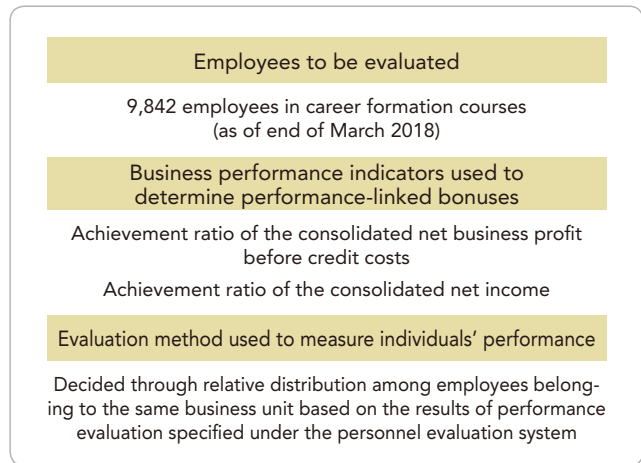
After the end of the term, supervisors meet face to face with employees and review their attainment level versus

issues identified and the process they went through to deliver results, provide them with assessments they find convincing, and afford them capability evaluations across the process they followed to achieve results. As for capabilities demonstrated, among the matters that are evaluated is their compliance with ethics and the state of their compliance and their degree of involvement in developing human resources.

Bonus System Reflecting Business Performance

From the perspective of encouraging individual employees to fully exercise their capabilities, SuMi TRUST Bank has introduced a system to appropriately reflect the business performance of the whole of the Group and individuals' performances and achievements in the bonus amount with a view to realizing "incentives for building up earnings for the whole Group as well as for contributing to business units, branches and departments" and "fair and highly transparent system management through clarification of the process of reflecting business performance."

Through appropriate evaluation of personnel and the payment of bonuses reflecting performance, the Group has developed an environment that enables capable personnel to fully exercise their capabilities.



Upholding Positive Workplace Environments

Declaration on Work Style Reform

The SuMi TRUST Group hereby declares it a top commitment to offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions. The Group as a whole will work towards the following goals.

- Achieving diverse work styles and work-life balance**
- Supporting health improvement through measures such as boosting health awareness and appropriately managing work hours**
- Providing opportunities for all employees to grow while participating actively with motivation**

Through the enthusiastic work of each individual employee, we will continue to be a corporate group that contributes to the benefit of clients and is useful to society.

Optimizing work styles

A culture that fosters motivation and job satisfaction

Health management

To "improve the workplace environment" the other side of our action to raise the level of the Group's workforce (see page 132), in May 2017, we created the Work Style Reform Headquarters, led by the presidents of SuMi Trust Holdings and SuMi TRUST Bank, and instituted the "Declaration on Work Style Reform" to demonstrate the commitment from the top of the Group.

Initiatives based on the declaration have generally

improved HR strategy indicators in the annual survey of employee awareness at SuMi TRUST Bank.

Support for the International Labour Principles

The SuMi TRUST Group supports the ILO Declaration on the Fundamental Principles and Rights at Work as a signatory to the UN Global Compact.

Optimizing Work Styles Improving the Workplace Environment

The Group is conducting a broad range of initiatives to improve the workplace environment. Specifically, we have been working on reducing the level of overtime work by carrying out thorough work-efficiency and time-management measures.

SuMi TRUST Bank aims to achieve a goal of cutting clerical work by 70% in around five years by implementing business process reforms and promoting branch strategies.

The manpower created from these changes will be shifted to face-to-face sales and IT operations, and utilized to enhance client support and to improve services.

Furthermore, the Group has been working to reduce overall work hours by encouraging employees to take paid leaves and setting months for leaving work early and weeks for leaving work on time.

Specific Initiatives

- Set and enforce a nine-hour interval rule (the minimum number of hours between the end of a work day and the start of the next work day)
- Ascertain working hours of all Group employees, including those at affiliated companies, and take thorough measures to prevent overwork
- Discuss overtime work status and the management status of systems to promote employee health for the entire Group four times per year at meetings of the Board of Directors. Utilize the opinions of attendees, including those of external directors and external auditors, in drawing up and executing proposals
- Upload to our internal intranet successful management examples of efficient work operation execution
- Ban smoking in all buildings
- Introduce “business processes to end primary duties by 4 p.m.” at branch offices

Status of paid holiday use among SuMi TRUST Bank career-course employees (FY2017 results)

Average number of days of paid holiday use	14days
Average paid holiday usage rate	53%

Status of overtime hours among SuMi TRUST Bank career-course employees (FY2017 results)

Average overtime hours per month (outside of mandatory work hours)	14hours
Ratio of career-course employees exceeding 60 hours of overtime per month (outside of mandatory work hours)	0%

*As for career-course employees, see page 136

Initiatives to Realize Work-Life Balance

The Group actively strives to create working environments that enable employees to work at ease and maintain a good balance between work and home lives. As one plank in this effort, the Group is a member of the “Iku-boss Corporate Alliance” established by specified non-profit organization Fathering Japan, which develops businesses to support fathers and promote work-life balance for men. Through the activities of the alliance, we will again spread within the Group a message that “realizing diverse work styles and work-life balance” for employees is crucial for sustainable growth of the Group, and promote the development and reform of awareness among senior executives.

As for childbirth and childcare, SuMi TRUST Bank has created an environment where employees can raise their children with peace of mind by implementing a variety of measures. For example, in addition to offering childcare leave until children reach the age of two, SuMi TRUST Bank promotes childcare leave for male employees, and has established a nursing care leave system where employees with two or more children requiring care can apply for up to 10 days of leave per year. Furthermore, employees who are pregnant or who live with and raise children of or below the third grade of elementary school are eligible for a system

of shorter working hours and an exemption from working overtime or at night. As of March 31, 2018, 358 employees are on childcare leave via these systems. SuMi TRUST Bank has also produced a childcare handbook as a guide for employees who plan to have a child and their managers on system concepts, procedures, and points to be considered. Through Web Campus, which employees can access while on childcare leave, SuMi TRUST Bank periodically provides employees with company information and forms to file for childcare leave extensions, etc. in an effort to support a smooth return to the workplace.

Regarding nursing care, SuMi TRUST Bank has established a nursing care leave system where employees can apply for up to 10 days of leave per year (for those with two or more family members requiring care), a nursing care leave system that provides leaves for one year at longest, and a system of shorter working hours that can be extended for up to three years (per eligible family member).

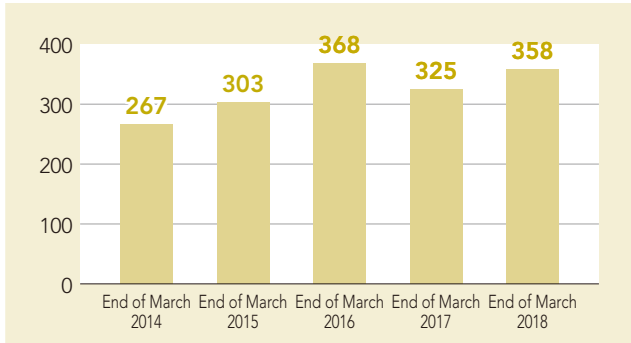
Moreover, in addition to encouraging telecommuting, SuMi TRUST Bank holds “Family Visit Days” to provide employees and family members with an opportunity to deepen bonds and communication between them and consider what it means to “work as part of society.”

Usage status of flexible employment system (fiscal year 2017 results)

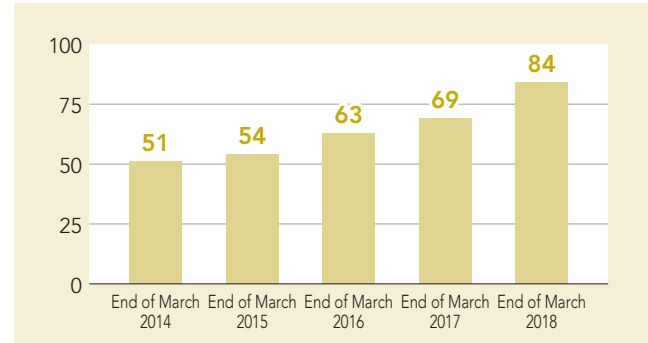
Number of employees using shorter working hours system for childcare or nursing care	559
Number of employees using staggered work starts, overtime work exemptions for childcare or nursing care	242
Number of employees on telecommuting trials	160



Number of Employees Taking Childcare Leave



Number of Employees Taking Nursing Care Leave



SuMi TRUST Bank's System for Childbirth and Childcare (as of end of March 2018)

Item	Pregnancy	Before childbirth	After childbirth	Under 1 year of age	Until the child's second birthday	To under elementary school age	Until third grade of elementary school
Staggered working hours	✓	✓	✓	✓	✓	✓	✓
Secure time for hospital visits, ease the burden of commuting, etc.	✓	✓	✓	✓			
Prenatal and postnatal leave (8 weeks before and after childbirth/paid)		✓	✓				
Maternity and childcare leave (first week is paid leave)	✓	✓	✓	✓	✓		
Childcare time (1 hour a day or two 30 minute periods a day/paid)				✓			
Exemption from overtime work	✓	✓	✓	✓	✓	✓	✓
Exemption from late-night work	✓	✓	✓	✓	✓	✓	✓
Shortened workday system (shorten working hours by no more than 2 hours a day)	✓	✓	✓	✓	✓	✓	✓
Nursing care leave				✓	✓	✓	

Employee Health Management

With regards to "assistance to advance health by raising health awareness in the workplace and properly managing working hours," we seek to promote both the physical and mental health of all Group employees. In addition to promoting the aforementioned optimized work styles, the Group has appointed medical and hygiene supervisors (hygiene promoters) at each of our business locations to provide detailed health management guidance, and through e-learning courses, we seek to raise employee

awareness about the importance of health. We also conduct activities such as training to raise the awareness of line managers about the importance of managing their own mental and physical health and that of their subordinates.

The Group's initiatives have been highly evaluated, and as a result, it was recognized by the Ministry of Economy, Trade and Industry as a Certified Health and Productivity Management Organization in the "White 500" large enterprise category, which practices good health management.

Specific Initiatives

- To bolster employee health management, we thoroughly inform employees of their duty to manage their own health, and we encourage independent and voluntary health management.
- We ensure a flexible approach is in place for employees working long hours by encouraging them to take half-day paid leave or come to work later in the day.
- We have commenced a program, in coordination with branches and departments, to make sure that those employees who have not taken a necessary health checkup, re-examination, or medical treatment will take the one they have missed.
- We put into place a framework for ascertaining the health status of each employee through daily communication within branches, meetings with Human Resources Department personnel, and the filing of job condition declaration (once a year), in addition to regular health checkups.
- We arrange influenza vaccination at the head office building, the Shiba Building and some branches, and we call for attention to prevent the spread of influenza, norovirus and other infectious diseases.
- We encourage employees to participate in radio gymnastics at the start of the work day.
- We report the status of overtime work hours and the management status of health promotion systems to meetings of the Board of Directors four times per year, and utilize a broad range of opinions, including those from external directors and external corporate auditors, in drawing up and executing measures.

Physical Health

Obligatory health examinations are provided every year to all employees. The Human Resources Department or other responsible department takes an individual measure to ensure all of those employees who need to go to medical institution to receive a checkup, in order to maintain a 100% participation rate. We also support health examinations such as complete medical checkups for employees' family members through health insurance associations.

A Motivating, Fulfilling Work Culture

To "provide all employees with motivating opportunities to succeed and grow," we endeavor to build a work culture that encourages employees to challenge themselves and learn, and stimulate mutual communication. As previously mentioned, we have recommended employees enlist their colleagues beyond each branch or department to create such learning opportunities as seminars and learning circles, and hosted lectures inviting outside lecturers on a regular basis. In addition, SuMi TRUST Bank encourages employees to independently and voluntarily form their

Dialogue with Employees

In addition, to make sure our desired corporate culture continues to spread, good mutual communication between officers and employees, as well as between co-workers, is essential. SuMi TRUST Bank takes advantage of events where employees congregate, such as rank-based training and provides opportunities where the President and other officers talk about topics including management policy and their leadership with a question-and-answer session.

By conducting proactive dialogue with the labor union, employees are working together to advance the formulation and implementation of policies that reflect the diverse views. "The Trust Bank discussion" is also held at the workplace to foster the awareness of fiduciary spirit and improve teamwork. Through open discussion on specific topics between fellow employees, regardless of their position or team, SuMi TRUST Bank puts into practice the concept of "shaping workplaces to be highly motivating."

The SuMi TRUST Bank labor union has 10,954 members, equivalent to 74% of all employees, as of September 30, 2018. The number of employees in the union in March 2017 was 8,537, however, the addition of associate employees as new labor union members in July 2018 vastly raised the ratio of union organized employees. The Company and the union have concluded a labor agreement and are both conscientiously complying with it in order to ensure sound development of the Company and enhance the status of union members. In addition, under the labor agreement, management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department

Mental Health

In addition to conducting stress checks for all employees once per year, the Group has developed a counseling system that is easy for employees to use. For example, industrial physicians provide education for line managers to implement care, mental counseling sessions are available at health promotion centers within the Company, and health insurance associations offer free health advice over the phone. When we conduct annual stress checks, we provide the aggregate results to the labor union, discuss ways to "improve the workplace environment," and take action to do so.

own careers by switching the relocation type from region-specific type to nationwide type, and through internal job posting system by which employees can apply for transfers to different duties or business units as they desire.

So that the eagerness of all Group employees leads to new solutions in the form of fresh products and innovation in fiscal 2018, we are promoting employees' future-oriented activities for the creation of new businesses and operations, that will lead to enhance employees' motivation.

consultation meetings, which are attended by representatives of labor and management at individual branches and departments, are periodically held to discuss working conditions for union members and how to maintain the working environment, as well as to reflect employees' views in management.

At other Group companies as well, there are initiatives to ensure smooth business operation and maintain and improve the workplace environment through dialogue between the companies and unions or representatives of employees.

Drafting and Distribution of the Integrated Report (Employee Version)

In May 2018, the Group prepared and distributed the Integrated Report (Employee Version) for each and every employee to understand the Group's management strategy and connect the management strategy's story to their own "value creation process." This publication also encourages individual employees to consider their careers more deeply.



Encouraging Senior Employees to Thrive

SuMi TRUST Bank has a program that continuously re-employs retirees who meet certain criteria until they reach the age of 65 if they request employment (the Elder Partner Program). In recent years, approximately 90% of employees that have reached retirement age use this program.

In addition, we certify employees with advanced expertise as Fellows, and have adopted a system where, depending on their results, their benefit levels do not decline after the age of 55. Employees that are eligible to become Fellows, in principle, can extend their re-employment period through the age of 70, instead of 65.

A Handbook for Overseas Employees, Domestic Employees Posted Overseas

SuMi TRUST Bank has prepared a guide, the "Overseas Application Handbook," on all the social and cultural custom risks that overseas employees and domestic employees sent overseas ought to be aware of. In drafting the handbook, we referenced reports by Business for Social Responsibility (BSR), a nonprofit that originated in the United States that works with companies on sustainability issues, and research materials released by the Industrial Federation for Human Rights, Tokyo.

Understanding the customs and taboos emanating from the culture, religion, national identity, and unique attributes of each country enable our employees to obtain a deeper understanding of the behavior and sentiments of people in other countries and thus build a foundation for smooth communication and mutual trust. The handbook covers a wide array of bases from summary data on each country such as Transparency International's Corruption Perception Index* (country rankings), manners for various scenarios such as when doing business or sharing a meal, widely shared sensibilities and basic knowledge as well as taboos, differences between Japanese culture, customs, and lifestyles and those of the relevant country to the human rights of women in each country and customs and rules arising from religion. With our Global Business Planning and Coordination Department and Human Resources Departments at the fore, we publicize the handbook to encourage employees to look through it as a reference

before going overseas.

*Transparency International is an international NGO dedicated to fighting corruption, especially corruptions among public-sector authorities. The handbook's country ranking is based on Transparency International's Corruption Perception Index that covers 175 countries and territories.

Preparation and Distribution of Harassment Prevention Handbook

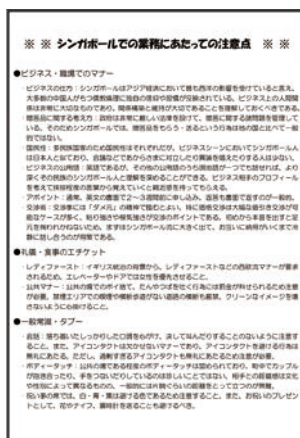
In response to matters brought to the Consultation Desk and increased public interest, we have prepared a common handbook used throughout the Group to prevent harassment before it happens and from being aggravated, as well as to foster a correct understanding of harassment and encourage all Group employees to act appropriately as a person in an organization. This booklet is handed out to all Group employees. It is our hope that a correct understanding through the booklet will stamp out harassment and cultivate a friendly and motivating workplace environment that is characterized by mutual respect.

System to Respond to Complaints Related to Labor Practices, etc.

From the perspective of promoting appropriate labor affairs management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk (LGBT Consultation Desk), at which employees can receive consultation without going through regular reporting line when problems related to personnel and labor affairs management, such as unfair or unjust labor affairs management practices or workplace harassment, occur. As a safety net to guard against labor affairs problems, the Personnel Consultation Desk strives to appropriately handle consultation cases—also received anonymously—while promptly cooperating with relevant persons.

Regarding fixed-term employees, in addition to labor affairs management at workplaces, SuMi TRUST Bank has started "personnel affairs support services," including rotation interviews with employees, through an affiliated company (Sumitomo Mitsui Trust Business Service).

SuMi TRUST Bank strives to prevent labor affairs problems by trying to grasp the circumstances of individual employees and collecting opinions and views which may be difficult to express in the workplace (see page 143).



Number of Consultations Concerning Labor Practices, etc. at SuMi TRUST Bank

FY2013	39
FY2014	46
FY2015	42
FY2016	78
FY2017	65

Results of the Employee Satisfaction Survey

SuMi TRUST Bank conducts an "attitude survey" of all employees in order to objectively identify employees' perception of the dissemination of measures taken by the company, the personnel system and its operation, the workplace environment and engagement.

	FY2014	FY2015	FY2016	FY2017
Vitality level	62.1	61.5	60.9	62.1
Satisfaction level	61.4	61.1	60.8	59.8

Vitality level: Indicator of the level of expectations for the future, forward-looking thinking, willingness to contribute to the organization, work motivation.

Satisfaction level: Indicator of how much satisfaction employees get from the contents of their job duties, the working environment and personal relationships.

Employee Breakdown (Sumitomo Mitsui Trust Bank)

	As of end of March 2017	As of end of March 2018
Number of employees	13,647 (6,212 men)(7,435 women)	13,659 (6,145 men)(7,514 women)
Hong Kong	58	59
Japan	12,941	12,961
China	151	141
Korea	3	3
Singapore	140	140
Indonesia	6	6
UK	160	157
USA	188	192
Average age	42.7 (Male: 43.5)(Female: 41.9)	42.7 (Male: 43.5)(Female: 42.0)
Average continuous years of employment	13.2 (Male: 16.2)(Female: 10.6)	13.2 (Male: 16.0)(Female: 10.8)
Average annual salary	7,072 thousand yen	6,960 thousand yen
Number of temporary staff	541	467
Number of part-timers	89	62
Number of disabled persons employed	272 (Disabled person employment ratio: 2.08%)	276 (Disabled person employment ratio: 2.09%)
Number of employees using the Elder Partner Program	418	395
Number of absentees (annual)	333 (117 men)(216 women)	354 (130 men)(224 women)
Number of employee turnover (annual)	306 (126 men)(180 women)	282 (131 men)(151 women)
Number of work-related accidents (annual)	95 (accidents during work: 67; accidents during commuting: 28)	110 (accidents during work: 59; accidents during commuting: 51)

Initiatives concerning Human Rights

1. Human Rights Management

Establishment of Human Rights Policy

Under the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” the Group upholds respect for individuals’ human rights and diverse values and rejects unjustifiable acts of discrimination in all its activities. Moreover, in December 2013, to ensure the execution of the aforementioned basic policy, the Group formulated its human rights policy, which serves

as a standard for acts and judgments concerning human rights, and on November 1, 2016, we amended this policy to add text prohibiting discrimination against LGBT and disabled people. Based on this policy, the Group respects the human rights of all stakeholders with whom we are involved when conducting routine business activities and providing products and services.

Human Rights Policy

At the Group, based on the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” we strive to foster a corporate culture and workplace environment that respects the basic human rights of clients and all stakeholders, always act with a strong sense of ethics and social conscience in all aspects of our corporate activities, and achieve sustainable development as a corporate group that is trusted by society.

1. Respect International Standards

We respect international standards on human rights, such as The Universal Declaration of Human Rights and corporate codes of conduct based on the United Nations Global Compact.

2. Prohibit Discrimination

We reject, in all our corporate activities, discrimination and infringement of human rights based on race, nationality, gender, sexual orientation, gender identity, origin, social status, beliefs, religion, disability, physical characteristics, and the like.

3. Foster a Corporate Culture that Respects Human Rights

We regard every kind of human rights issue as one facing us and encourage our employees to think from the other person’s point of view so as to foster a corporate culture that respects human rights.

4. Establish a Pleasant Workplace Environment

We establish a pleasant workplace environment by encouraging all executives and employees to treat each other as business partners

and build equal relationships that allow a free exchange of opinions.

We acknowledge that such behavior as sexual harassment and power harassment impair human dignity; therefore, we do not allow such behavior.

5. Ensure Fair Recruitment

We implement strict and fair screening in the recruitment of employees and others, solely based on individual capability and suitability.

6. Implement Human Rights Education Training

With the aim of resolving all kinds of actual or potential issues related to human rights and encouraging all executives and employees to develop a deep appreciation of human rights that appropriately reflects relevant and accurate facts and information, we work on a wide range of human rights education activities, including one addressing discrimination against the Dowa caste, a specifically Japanese social minority, through every kind of opportunity, mainly annual workplace-based human rights education training.

The above-mentioned policy also applies to our overseas network, and the Group gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies that we invest in or lend to, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

Basic Philosophy

The Group’s human rights management is based on the “Guiding Principles for Business and Human Rights,” which

was adopted by the United Nations Human Rights Council in June 2011.

Human Rights Management System based on the Guiding Principles for Business and Human Rights

Commitment	Establishment of the Human Rights Policy
Implementation of human rights due diligence*1	Once a year, the Human Rights Due Diligence Self-check List*2 is distributed to all branches, departments, and affiliates both at home and abroad as a tool to check the status of respect for human rights at each unit.
Access to redress	The Personnel Consultation Desk (LGBT consultation desk) in the Human Resources Department serves as a contact point.

*1 Human rights due diligence refers to a series of initiatives to identify actual or potential impact on human rights, resulting from the activities of the Group or related outside parties, to develop measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

*2 A check list serves to verify the progress in each department concerned with the Human Rights Management System, such as the status of implementation of human rights due diligence, compliance with the Human Rights Policy, and occurrence of human rights violations.

Outline of the Human Rights Management System

The Human Rights Due Diligence Liaison Committee chaired by the Head Office Executive of the CSR Promotion Office, Corporate Planning Department, was established in December 2013 as a joint organization by Sumitomo Mitsui Trust Holdings ("SuMi TRUST Holdings") and Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank"). The roles of the concerned units are as follows.

Human Rights Due Diligence Liaison Committee

- Chaired by the Head Office Executive of the CSR Promotion Office, Corporate Planning Department, this committee engages in investigating the status in addressing human rights at all Group companies including overseas entities, derives tasks to be addressed, and discusses measures for improvement.
- This committee conducts annual investigations into the status of addressing human rights by using the Human Rights Due Diligence Self-check List.

Departments Forming Human Rights Due Diligence Liaison Committee

Sumitomo Mitsui Trust Holdings

Corporate Planning Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department

Sumitomo Mitsui Trust Bank

Corporate Planning Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department, Customer Satisfaction Promotion Department, Global Business Planning and Coordination Department, Fiduciary Business Planning Department, and Wholesale Business Planning Department

Corporate Planning Department

This department formulates objectives and plans for the development and reinforcement of the framework to address human rights issues within the Group, based on discussions at the Human Rights Due Diligence Liaison Committee.

Human Resources Department and Human Rights Education Committee

These organizations engage in the planning and implementation of measures including human rights education training, based on discussions at the Human Rights Due Diligence Liaison Committee. Specifically, the Human Rights Education Committee, chaired by the executive in charge of the Human Resources Department, plays the central role

Organizational Structure of the Human Rights Education Committee

Chairman	Executive in charge of the Human Resources Department
Vice Chairman	General Manager of the Human Resources Department
Members	General Managers and employees responsible for personnel affairs at branches and departments
Secretariat	Human Resources Department

in implementing various training programs and conducting education activities concerning human rights issues.

All Branches, Departments, and Affiliates at Home and Abroad

Each unit verifies the status of compliance with Human Rights Policy, based on the Human Rights Due Diligence Self-check List.

Main Items on the Human Rights Due Diligence Self-check List

- Consideration for Human Rights Issues in Management
- System to Promote Human Rights Awareness (system administration, response when human rights issues occur, etc.)
- Human Rights Education (implementation of human rights awareness training, etc.)
- Response to Human Rights Issues by Category
 - Understanding and awareness of the Dowry Issue
 - Whether recruitment and hiring are implemented fairly
 - Companies and society (ending discriminatory expressions, understanding of universal design, etc.)
 - Human rights in the workplace (harassment prevention, consideration for the elderly, consideration for the disabled, understanding for those with contagious diseases such as HIV, etc., understanding for LGBT community)
 - Balancing work and family (consideration for employment diversity in personnel system, consideration for maiden name use, understanding for childbirth & childrearing support and for nursing case leave, etc.)
 - Pursuit of job satisfaction (fairness in personnel evaluation and treatment, equality of opportunity, respect for the individual, safety and crisis management that take into account disabled and pregnant workers, etc.)
 - Awareness activities about various human rights issues (discrimination on the basis of nationality, discrimination against the elderly, child labor; discrimination against lepers, those identifying as LGBT, and ex-convicts, etc.)
 - Consideration for human rights issues in loans & investments and supply chain (racial discrimination, child labor, human health, environmental destruction that affects people's livelihoods, weapons and armament manufacture contrary to humanitarian concerns, fairness in hiring activities, consideration for employee human rights, etc.)
- Activities of those responsible for human rights awareness in Human Resources Department

Personnel Consultation Desk (LGBT Consultation Desk)

While responding to various claims and inquiries concerning human rights, the Consultation Desk works together with the relevant departments and units to swiftly take necessary steps in cases where it becomes evident human rights have been infringed.

The Personnel Consultation Desk received 65 cases in fiscal 2017, of which 35 were cases potentially infringing upon human rights including harassment.

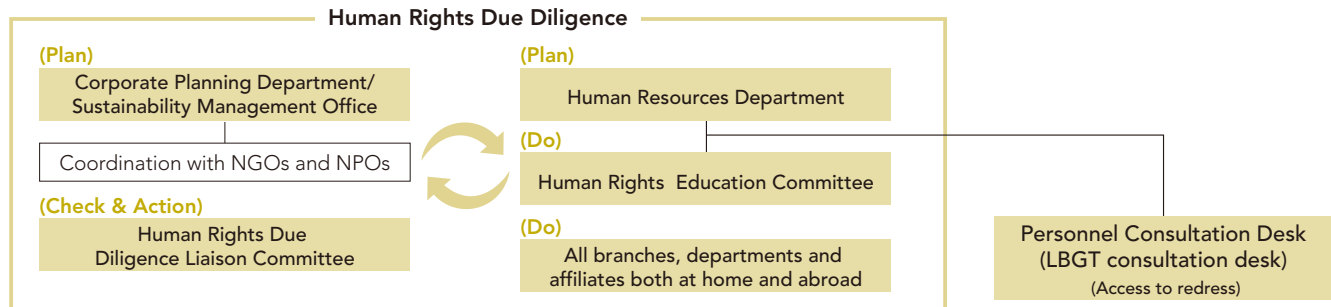
If requested by the employee bringing the case, the Personnel Consultation Desk may approach the workplace, conduct interviews with parties involved and other relevant third parties, and recognize the fact. Furthermore, the Personnel Consultation Desk may take action to transfer parties involved so as to improve the working environment of the consulter, or may discipline the perpetrator in accordance with company rules. All cases the Personnel Consultation Desk received in fiscal 2017 have been resolved, with the exception of one case.

Human Rights Management based on PDCA Cycle

Through the PDCA cycle, the Group strives to improve the quality of its human rights management so as to cultivate a workplace environment and corporate culture where the

basic human rights of all stakeholders are respected, unjustified acts of discrimination are rejected, and individual rights and diverse values are respected.

Human Rights Management System Based on PDCA Cycle



2. Education Concerning Respect for Human Rights

The Human Rights Education Committee dispatches a “Human Rights Awareness Tool” by e-mail to all employees on a monthly basis, which cites outstanding examples that illustrate respect for human rights. The Committee also organizes workplace-based human rights training for an average of about one hour per year for each employee at all branches, departments, and affiliates across the Group. In fiscal 2017, the Committee spent a total of about 405 hours to provide training to 23,801 employees out of the 25,408 at 276 departments covered by this program (training participation ratio: 93.7%).

The potential issues recognized as requiring further training as a result of human rights due diligence can be raised as themes of the once-a-year workplace-based

human rights training.

In addition, human rights topics are taken up in collective training such as ranked-based training, as well as in divisional meetings, in an effort to enhance human rights awareness among employees. In fiscal 2017, 31 sessions of rank-based training were held for a total of about 14 hours, with 1,546 employees participated in total.

FY2017 Human Rights Training

	Number of trainees	Hours spent for training
Workplace-based human rights training	23,801	405 hours
Rank-based training	1,546	14 hours

3. Protecting Various Human Rights Initiatives for Diversity & Inclusion

The Group disseminates information to employees to share the ideals and objectives of and steadily promote “diversity and inclusion” for the entire Group.

Initiatives to Address Dowry and Foreign Residents Issues

The Group regards tackling discrimination against the Dowry caste as a particularly important theme in the promotion of human rights education. The origins of our Group’s efforts to be more active in human rights education goes back to the Dowry issue. The Group has continued to draw on insights from external bodies, such as the Industrial Federation for Human Rights, Tokyo, and at the same time, we have worked to completely eliminate prejudiced or discriminatory views against the Dowry caste through various training programs and education activities, including new employee training.

With regard to foreign residents issues, we discuss the residency management system, which was launched on July 9, 2012. Rank-based training was provided on giving consideration to the human rights of foreign residents, including the handling of personal authentication documents and respecting privacy, envisioning such situations as identifying oneself at service counters.

Prevention of Sexual Harassment and Power Harassment

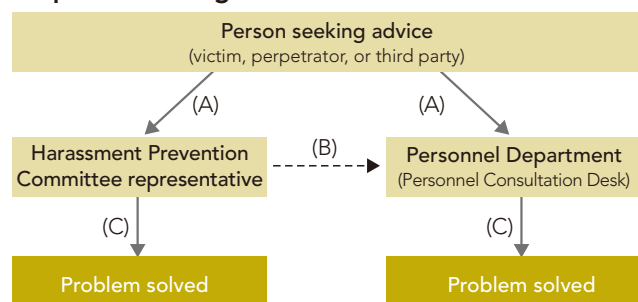
Sexual harassment and power harassment are actions that infringe on the human rights and personal dignity of individuals and are prohibited. In particular, we strictly prohibit sexual harassment. Such behavior can both damage the character of an individual and infringe upon his or her human rights. We have taken a particularly strict stance on prohibiting sexual harassment within the workplace. In terms of power harassment, we are working toward the elimination of all forms of this problem. This problem is based on advantageous positions in the workplace. It is not limited to harassment by superiors of subordinates, but also includes harassment between senior employees and junior employees, colleagues, and even harassment by subordinates of their superiors. In the event harassment does occur, advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk within the Human Resources Department. When advice is sought by a victim, a person in charge conducts an overall investigation that includes interviews with relevant parties on the specific behavior indicated, the relationship of the people involved, the response of the victim, etc. Either stringent

corrective measures or punishment—or both—are implemented against the perpetrators.

Furthermore, we discuss on the prevention of harassment in workplace-based human rights training, new employee training, and a range of rank-based training in our ongoing efforts to raise awareness.

In addition, in step with the consultation cases coming to the Consultation Desk and recent social trends, in fiscal 2018 we created the Harassment Prevention Handbook, which is distributed to all employees to further raise awareness.

Structure for Advice/Complaints and Response relating to Harassment



- (A) Advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch or department, or directly by the Personnel Consultation Desk within the Human Resources Department.
- (B) The Harassment Prevention Committee representative will, where necessary, consult the Personnel Consultation Desk within the Human Resources Department and request advice or measures to address the case.
- (C) The Harassment Prevention Committee representative or the Personnel Consultation Desk within the Human Resources Department will, once they understand the details of the complaint being registered by the complainant, interview the party accused of harassment, as well as other related parties as necessary, in order to accurately understand the situation, and attempt to solve the issue via advice or other measures.

4. Factoring Human Rights Issues into Lending and Investment Decisions

Basic Policy

The Group collects information on whether the business activities of the companies in our loan and investment portfolios, including those based overseas, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

ESG Guidelines Concerning Human Rights

As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management actively approaches investee companies (through engagement and the exercise of voting rights) based on its ESG guidelines and encourages them to address issues. In the case of human rights issues, it clearly signals its unwillingness to tolerate human rights violation by companies. In the case of activities in countries where there are significant risks of human rights violation, it calls on the establishment of guidelines for suppliers and business partners (see page 53).

5. Human Rights in Supply Chain Management

Based on the CSR procurement policy we have formulated, we strive to conduct transactions with and procure products and services from suppliers who respect basic human

LGBT-Linked Initiatives

As described above, the Group added text prohibiting discrimination against LGBT people when it amended its human rights policy in November 2016. At SuMi TRUST Bank, the LGBT Liaison Committee, launched in November 2015, comprises the Human Resources Department, Corporate Planning Department, Corporate Administration Department, Planning and Coordination Department, and Retail Business Planning Department. The Committee collects information relating to LGBT for employees, clients, and business partners and examines internal systems and product development. In October 2016, it also published an “LGBT consultation response manual” to enable consultations and responsive measures within the workplace. In 2017 an e-learning course was provided to all employees aimed at increasing the understanding about LGBT.

These initiatives were well-received, and on October 11, 2018, private organization “work with Pride” (wwP), which supports the promotion and entrenching of LGBT-related diversity management, awarded SuMi TRUST Bank the highest rating of “Gold” in its PRIDE INDEX for initiatives relating to sexual minorities such as LGBT. SuMi TRUST Bank also received the same award in 2017.

From January 2018, SuMi TRUST Bank accepts officially notarized documents stipulated for home mortgages from same-sex partners just as it does from spouses.



Loans and Investments Relating to Cluster Bombs

SuMi TRUST Bank does not provide loans that fund the manufacture of cluster bombs, which are seen as weapons that raise serious moral concerns, regardless of whether related firms are located in Japan or overseas. In asset management, its actively managed funds refrain in principle from investing in companies involved in manufacturing cluster bombs and anti-personnel mines, and its passive funds engage with such companies to end their involvement.

A Dutch NGO announces a list* of financial institutions that ban loans and investment in businesses involved in cluster munitions, and in recognition of its efforts, SUMI TRUST Bank was included in the runners-up list (62 companies) this year, following its appearance last year.

* We refer to the list of companies Dutch NGO Pax Christi provides in its report “Worldwide Investments in Cluster Munitions: A Shared Responsibility.”

rights, give consideration to industrial safety and health, and avoid violations of human rights, such as unjust discrimination, forced labor and child labor (Page 123).



Sustainability Policy 6

Participate in and Contribute to the Community

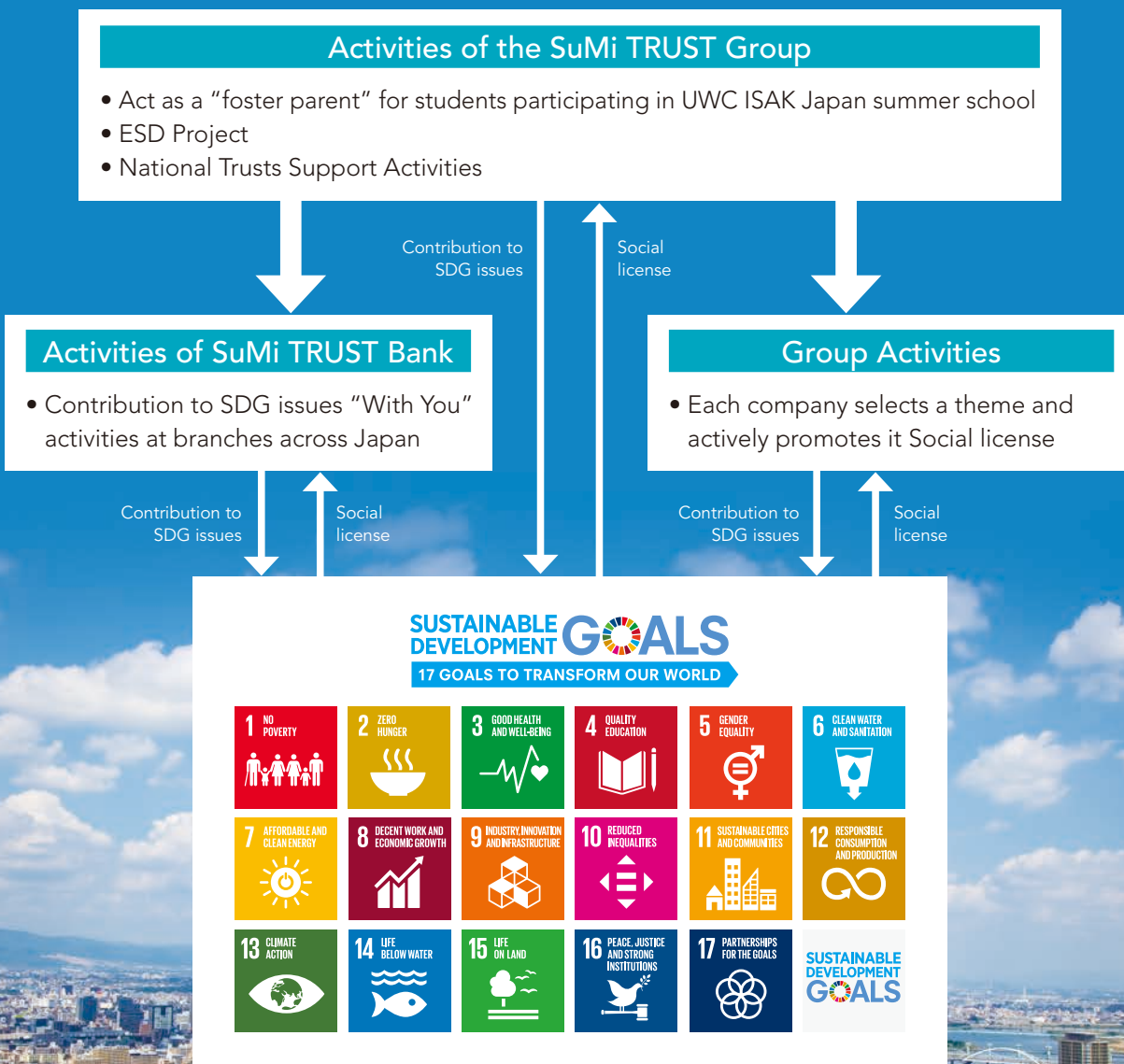
- We aim to revitalize communities and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contributions such as educational and cultural activities.





Meaning of Providing Value to Communities

SuMi TRUST Group integrates an SDG viewpoint into the array of community and regional contribution initiatives it implements in communities where the Group and Group companies, including SuMi TRUST Bank, has office branches. Providing value helps support the soundness of our business foundation, and some also believe it is necessary as a social license to operate a business.



SUMI TRUST GROUP INITIATIVES 01

Supporting Education for Children to Grow into Next-Generation Leaders

We Support UWC ISAK Japan Which Fosters Future Global Leaders

The Group is a proponent of the educational philosophy of United World College ISAK Japan (UWC ISAK Japan) and supports a two-week summer school program aimed at junior high school students on the ISAK Japan campus. Many of the students who participate in the summer school are from developing countries and impoverished socio-economic backgrounds. The Group has since 2013 paid the tuition fees and travel expenses of one scholarship student participating in the summer school as a "foster parent."

The summer school, which goes from July 21 to



August 2, accepts 81 junior high school students from 26 countries around the world. The Group will continue to support the program so it can help as many students as possible soar as global leaders.

Gap Year*/Advance to Universities in Japan or Abroad

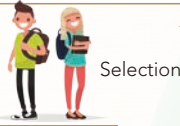
International
baccalaureate (IB) diploma
Japanese high school diploma



UWC ISAK Japan
(United World College ISAK Japan)



Selection



Selection

Summer School

Selection

Main Supporter

Every year SuMi TRUST Group pays the tuition fees and travel expenses for one scholarship student as "foster parents."

Accept applications from junior high students from countries worldwide

TOPIC 01

UWC ISAK Japan

With a campus in Karuizawa, UWC ISAK Japan is an international school where all the students live in dormitories. The first of its kind in Japan, students from 73 countries from around the world attend the school. Of the about 190 students who attend the school, about 70% are overseas students. Many of the students are from economically disadvantaged backgrounds, and about 70% of the student body is on scholarships.

The students all live together in dorms while receiving support from the faculty to learn the skills and confidence they need to become change makers (i.e. a social change agent) who make the world a better place, and grow into global leaders.



Karuizawa campus



Students SuMi TRUST Group Have Supported Since 2013

2013



Vietnam
Hong Lien
Ngyuen

2014



India
Thulasi Priya
Ramesh

2015



India
Thanuja
Ramesh

2016



Mexico
Eduardo
Bautista

2017



India
Prashanth
Babu

2018



India
Prathana
Himalachi

A Thank-You Letter from Prathana



Dear SuMi TRUST Bank
Thank you very much for having me come to Japan. My experience with UWC ISAK Japan is truly wonderful. I'm having a fun time and learning a lot. I have made friends from lots of different countries. I feel this is also a precious opportunity. Again, I am grateful for this wonderful opportunity and support. Thank you very much.

Prathana Himalachi



Commemorative photo with the Sustainability Management Office representative at the summer school

Prathana is a 13-year-old girl who joined the summer school from Shanti Bhavan in India. She has lived away from her family since she was 3 and has received support to study at Shanti Bhavan. She knows exactly what her dream is: "I want to become a doctor who cures heart diseases, and, in the future, I want to build a hospital in India."

Prathana had experienced discrimination in society and knew about the current situation where many leave India when they become adults. She kept these problems in mind and had the strong will to change her country on her own. She said many times, "I had a wonderful experience and received a wonderful opportunity." We hope she takes full advantage of this opportunity she seized to make her dreams come true.

©Jun Toyosaki



Founder Lin Kobayashi

Displays in Branch Lobbies Nationwide

Fiscal year 2017, an ISAK lobby display toured branches across Japan. "All four students who have received support went through a challenging selection process to come to ISAK summer school as scholarship students. I would like to express our appreciation for your deep involvement in the timing that enabled the timing of the first step in changing the live of these students," UWC ISAK Japan founder Lin Kobayashi told us. Among the comments we received about the displays were "I knew my heart was warmed from looking at the children's handwritten letters," and "This is a wonderful endeavor."



Display in lobby at Nagoya Sakae Business Department

TOPIC 02

Support the Shanti Bhavan Children

The Shanti Bhavan school was established for the purpose of educating children who are the most socially and economically disadvantaged by the caste system, which has persisted for 2,000 years in India. The Group sponsors three Indian children that are scholarship students in the Shanti Bhavan school as "foster parents" to attend the ISAK summer school. All three children are highly interested in issues such as discrimination, poverty and the human rights of women, and they strongly hope to improve their homeland. We will continue to watch after them to they can become global leaders involved in activities to abolish the caste system.



A vicious cycle of despair for children living in slums who don't have an opportunity to receive an education

SUMI TRUST GROUP INITIATIVES 02

Education for Sustainable Development (ESD) Projects



Education for Sustainable Development (ESD) is an educational program the United Nations promotes to cultivate the leaders of a sustainable society. In order to achieve a sustainable society, each one of us has to change our day-to-day behavior out of a recognition that the environment we live in is irreplaceable.

SuMi TRUST Bank believes we can achieve the conservation of nature in a truly sustainable way by “educating people who understand nature’s value” as well

SuMi TRUST Bank ESD Project

This project, which started up in 2012, provides original outreach classes for children, who will lead the next generation, in a collaboration between the SuMi TRUST Group and Green TV Japan, an internet broadcaster specializing in the environment.

For the classes, we produce and use video teaching materials whose theme is activities designed to protect and conserve National Trust landholdings across Japan and local environments and rare species. Video teaching materials are expected to have the effect of directing children’s interests towards the object of learning, spurring interest in real society, and embodying issues because they can instantly communicate a large amount of information by appealing to the eyes and ears. When conducting the classes, we select instructors by leveraging the SuMi TRUST Group network, which develops businesses focused on the environment, including natural capital. In addition, for the project, one necessary condition for the selection of a hosting site is that it be a field in close proximity to a branch. Each branch is working to build their own local brand through public relations activities in connection with government bodies.

as “protecting the precious nature left.” In 2012, this idea led to the startup of the ESD Project to provide an environmental education for children, who will lead the next generation.

The fourth SDG is about education.

Through the ESD Project, SuMi TRUST Bank hopes for children, who will lead the next generation, to learn about “what a sustainable society will require.”

How to explain the SDGs?



In the ESD Project, which uses National Trusts as learning materials, the primary topics are about SDGs “14: life below water” and “15: life on land.”



We explained that protecting the forests and other biomes on land allows the water in rivers to bring benefits to ocean life as well.



In the end, with regard to humans we believe this has a close connection to SDG “11: sustainable cities and communities.”

The SDGs will be incorporated into curriculum guidelines for Japanese elementary schools in 2020 and junior high schools in 2021. SuMi TRUST Bank is now promoting the ESD Project about the SDGs.

Project flow

①

Plan

Select a field that can support learning by children in an area with both a school that hosted an ESD class and a branch

②

Do

Carry out advance location scouting for the production of video teaching materials. Conduct a class harnessing video footage, present the recorded footage as a gift.



Place where we collected and recorded footage (recorded by Green TV Japan)



Prepare materials using recorded video footage



Initiatives over the Past Years

SuMi TRUST Bank received an award from the Biodiversity Action Award 2015 (sponsored by the United Nations Decade on Biodiversity 2011-2020).



Please scan these QR codes to see these specific examples.



Nov. 2012



Wakayama Prefecture Tenjinzaki

Sept. 2013



Kanagawa Prefecture Koajiro Forest

Sept. 2014



Okayama Prefecture Waterhead Forest in Mimasaka

Jan. 2015



Kanagawa Prefecture Oyatsu Forest in Kamakura City

Feb. 2017



Chiba Prefecture Shibayama Wetlands

July 2016



Aichi Prefecture Kisogawa River Deepbody Bitterlings

Jan. 2016



Fukui Prefecture Nakaikemi Wetlands

June 2015



Osaka Prefecture Nippon Rosy Bitterlings

July 2017



Niigata Prefecture Sakata Lagoon

Feb. 2018



Shiga Prefecture Lake Biwa

Aug. 2018



Ibaraki Prefecture Forest Trust



Invite an expert as an instructor to teach a class using video footage



Produce recorded footage edited to present the overall project

3

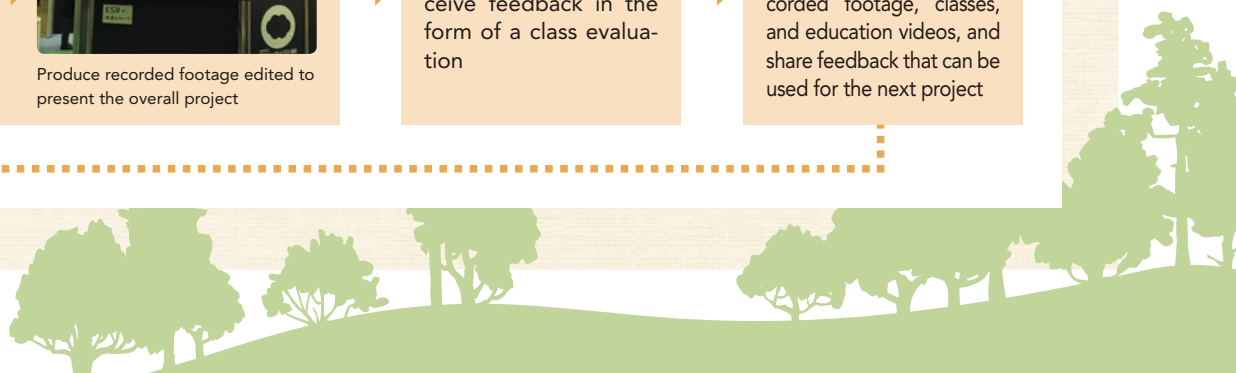
Check

Students are surveyed after class and we receive feedback in the form of a class evaluation

4

Action

Participants meet to look back at the content of recorded footage, classes, and education videos, and share feedback that can be used for the next project



SUMI TRUST GROUP INITIATIVES 03

Our Activities Supporting National Trusts



A movement that traces its origins to nineteenth-century England, the National Trusts acquires sites with natural value and historical buildings via donations from citizens. Its conservation activities protect private-sector sanctuaries as "trust land," highlighting this approach as an effective way to steadfastly protect natural capital. The National Trusts as a movement in Japan goes back to 1960, and the scope of its activities has broadened to

now include over 50 regions across Japan.

SuMi TRUST Bank recognizes that increasing National Trusts landholdings is an investment in the foundation supporting our livelihoods, and through land acquisitions, environmental education, and our products using the trust system, we support its activities, which are rooted in the characteristics of each site.



The Tsushima leopard cat is an endangered wildcat living exclusively on Tsushima Island, Nagasaki Prefecture, with its population now down to just around 100. In addition to programs for Kuromatsunai town and Amami Oshima, SuMi TRUST Bank administers a donation program for funding purchases of National Trusts landholdings through social contribution donation trusts.



The roughly 25-hectare Nakaikemi wetlands, surrounded by mountains on three sides, are rich with nature and designated under the Ramsar Convention. SuMi TRUST Bank has produced a video on the wetlands highlighting the 3,000 species of flora and fauna that call it home despite its proximity to a city center. The video is to be used for environmental education in Fukui Prefecture.



SuMi TRUST Bank has joined the Trust Campaign run by the Association of National Trusts in Japan to protect the rare Amami Rabbit, whose sole habitats are the islands of Amami Oshima and Toku-no-shima. The Kagoshima Branch donated a sum commensurate to that needed to purchase 8,066 m² of forest lands for the rabbit.



Tenjinzaki is a promontory in Tanabe City, Wakayama Prefecture. Despite its location near a city center, the site is home to a rich natural environment. SuMi TRUST Bank produced education videos from interviews conducted by students of a nearby elementary school, and used these for environmental education classes.



The water head for the Yoshii River watershed is in a 62 hectare forest where nature has been preserved in a pristine state. SuMi TRUST Bank created educational materials on the water head forest and used them to teach environmental education classes to elementary school students, prompting the students to think about the importance of water.



Koajiro Forest, located near the tip of the Miura Peninsula, has been preserved by the activities of the National Trust chapter in Kanagawa Prefecture. SuMi TRUST Bank, in collaboration with Green TV Japan, interviewed experts for an education video it produced for use in environmental education classes at elementary schools.



Utasai Bog, Hokkaido's Oldest



SuMi TRUST Bank joined a campaign led by the Association of National Trusts in Japan to protect the Utasai Bog, the oldest high-elevation marshland in Hokkaido with a history that goes back 24,000 years. The donation of the Sapporo Branch and Sapporo-Chuo Branch for the Utasai Bog is commensurate to the sum needed to purchase 1,500 m² of the site.

Northernmost Beech Forest



The Beech Forest in Kuromatsunai town is the most northern habitat of native beech. Moreover, the forest is valuable for awakening us to the environmental changes caused by global warming. Employees of the Sapporo Branch and Sapporo-Chuo Branch planted beech saplings on the National Trusts site and are active in regular activities to conserve the beech trees.

Oyatsu Forest



Oyatsu Forest spreads out behind the Tsurugaoka Hachimangu shrine. To protect this forest, the Kamakura Environment Conservation Society was established in 1964 as the first National Trusts chapter in Japan. SuMi TRUST Bank sponsored an environmental education class in Kamakura City to mark the 50th anniversary of the Society's founding.

Panel Exhibits in Branch Lobbies Nationwide

In fiscal 2017, 71 branches nationwide displayed panel exhibits on the theme of the activities of the National Trust, a natural conservation movement that traces its origins to England.

"Mori-no-boen" (forest cemetery) was opened by the Ecosystem Conservation Society-Japan in February 2016 in the town of Chonan, Chiba Prefecture. In order to revive the nature on this land that has lost its forest due to sand mining, the National Trust approach is used to turn the land into a cemetery and plant and grow locally sourced tree saplings to serve as grave markers. No man-made items such as gravestones are placed at the site, so it is attracting attention as a new type of cemetery business where a natural forest will take root on the burial grounds in the future. Since fiscal 2017, started with six branches in Chiba Prefecture where the cemetery is located, panel exhibits featuring the business has been circulating among our branch lobbies. In the first half of fiscal 2018, the exhibit was circulated among 18 branches.



The exhibit at the Tokyo Business Department lobby

Supporting National Trusts' Activities through Donations for Acquiring Land

Land is the foundation of natural capital in terrestrial ecosystems. While development has destroyed nature, another problem in recent years is that those lands whose succession rights have been relinquished or unregistered have grown sharply due to Japan's shrinking population. We believe that preventing the spread of mountain forests and farmland whose owner is unknown, while putting more land under management to sustain its nature, is an effective approach to arrest the degradation of Japan's natural capital.

SuMi TRUST Bank supports those groups, including the Association of National Trusts in Japan, which promote the activities to acquire high-value sites and land with bountiful nature through contributions from citizens and corporations. The Bank has donated funds to purchase those lands where endangered species live and of academically important. In 2014, the Bank donated funds toward the acquisition of forest land (equivalent to about 8,000 m²) in Amami Oshima, Kagoshima Prefecture, to conserve habitat for the endangered Amami rabbit. In 2015, the Bank donated funds toward the acquisition of the Utasai bog (equivalent to about 1,500 m² of the site), located within Kuromatsunai town, Hokkaido, to conserve the high-elevation wetland, one of the oldest in Hokkaido.

In addition, "social contribution vending machines" that donate a percentage of their sales to the Association of National Trusts in Japan have been installed in the Nakano Branch, the Tokorozawa Branch, the Tokorozawa-Ekimae Branch, and the Omori Branch. By October 2018, they had donated funds equating to the acquisition cost of 2,500 m² of forest land in Chichibu, a source region for water supply to the greater Tokyo metropolitan area.



A "social contribution vending machine" at the Nakano Branch



SuMi TRUST Bank

“With You” Activities Carried Out across Japan

The SDGs have also attracted attention in the business world. A variety of industries and companies across the globe are practicing business with the SDGs in mind. The new demand for funding thus creates an opportunity for the finance business.

SuMi TRUST Bank seeks to achieve the 17 SDGs with the “With You” activities!



Challenge for SDGs!

Every company and individual person can contribute to achieving the SDGs. The Group seeks to achieve the 17 SDGs with our businesses and the "With You" activities!



So that all employees can understand the SDGs and put them into practice, the Group put an SDGs feature in the October 2018 of the in-house newsletter (printed as a booklet) to explain the significance of the Group's SDG initiatives and how the SDGs relate to each business unit. In addition, we ran an e-learning program for all directors, officers, and employees that December to further elevate their understanding. These e-learning classes were also made available at overseas locations in our efforts to encourage personnel at overseas locations, such as our Singapore Branch and the New York Branch near the United Nations Headquarters, to engage in even more activities.

Furthermore, in November each branch began holding "in-house SDG workshops" so that branches across Japan can engage in sustainability activities to help achieve the SDGs (i.e. "With You" activities).

In addition, our sustainability information trove (stored at a dedicated internal website) shares successful examples of "With You" activities related to the SDGs in an attempt to raise the level of activities at all branches.

Feel free to read the continual postings at the "With You" branch blogs about SDG activities at our branches nationwide.



"Future Bloom" in-house newsletter



Introduction of successful "With You" activities



SDG workshop at the Omori Branch



United Nations Headquarters in New York (courtesy of the U.N. public relations department)



SDG workshop at the Koganei Branch

Initiatives Common to All Branches across Japan

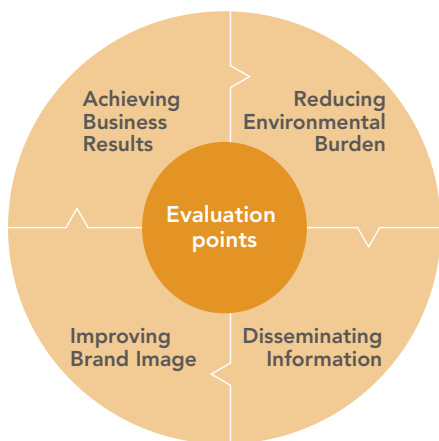
To build strong relationships of trust with community members, SuMi TRUST Bank engages in social contribution activities rooted in local communities, which are known as “With You” activities. These activities are promoted with a focus on the following three areas: (1) support for this generation of seniors, (2) support for the environment and living creatures, and (3) contributions to local communities and society.

With a view to promoting these activities systematically, SuMi TRUST Bank introduced a point system in fiscal year 2012 as a guideline that establishes standards for these activities, dividing activities into categories and measuring their degree of difficulty and effectiveness. The point system sets a baseline point target for each year and assesses each branch from the standpoint of “achieving business

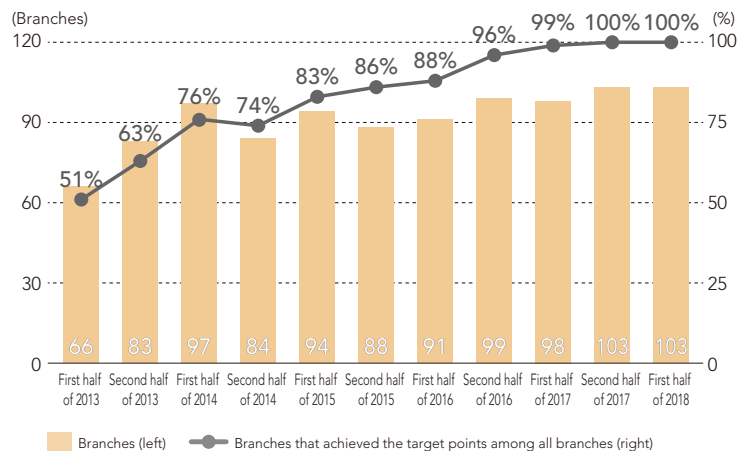
results,” “reducing environmental burden,” “improving brand image,” and “disseminating information” as well as on the basis of its ingenuity in achieving sales results and disseminating relevant information, and posts on its “With You” branch blog. The branches have been steadily achieving their targets since the system began, and use of “With You” activities as an effective marketing approach has taken hold.

Furthermore, the “With You Excellence Award,” “With You Special Award,” or “With You ‘Shine Activities’ Award” are awarded to branches that have achieved outstanding results from “With You” activities. We are actively developing “With You” activities by sharing these award-winning initiatives at branches nationwide.

Goals of “With You” Activities



Branches that achieved Target Points



Note: The total number of branches in each fiscal year was as follows: 130 branches in the first half and 133 branches in the second half of fiscal year 2013; 128 branches in the first half and 114 branches in the second half of fiscal year 2014; 113 branches in the first half and 102 branches in the second half of fiscal year 2015; 103 branches in the first half of fiscal year 2016; 99 branches in the second half of 2016 and in the second half of 2017; 103 branches in the second half of 2017 and in the second half of 2018.

Projects Opening in Lobbies Nationwide

Silver College Seminars

Silver College seminars are a place of learning for seniors among our clients to lead their second life with reassurance and contentment. Leading authorities from different business sectors talk about the thorough preparations needed to carry on a second life that is safe and enriching. There are many issues facing us as human life spans often exceed



Hiroshima and Hiroshima-Chuo branches
Silver College seminar at the Hiroshima
Museum of Art



Namba and Namba-Chuo branches
Kamigata rakugo viewing



the century mark. In addition to seminars with fixed participants covering four basic topics (health, safety and security; late-life housing; the issue of dementia; how to lead an enriched life in old age), each branch plans and hosts its own distinctive Silver College seminars (see page 45).

The Namba and Namba-Chuo branches in Osaka invited participants to a morning session of rakugo (traditional comedic storytelling) at the Temman Tenjin Hanjo Tei theater to enjoy the Kamigata brand of rakugo that is part of the Kansai region’s traditional culture. In addition, the Ikebukuro, Ikebukuro-Higashiguchi, Hiroshima, and Hiroshima-Chuo branches have held lectures where participants can learn about the collections at local museums directly from their curators. In such ways, each branch provides a variety of information on how seniors can live well in their golden years via a mix of hard and soft tactics. The projects have all been well received by participating clients.

Protection of Endangered Species



Several branches are actively engaged in activities to conserve species unique to Japan as a part of the “support for the environment and living creatures” theme. In August 2016, after obtaining approval from the Ministry of the Environment (MOE), the Ichinomiya Branch commenced an exhibit on the Deepbody Bitterling, an endangered fish species, in a joint project with private-sector companies, a first of its kind. The exhibit arose from our participation in environmental and ecosystem conservation activities for the Kiso River basin that we have promoted in concert with local organizations.

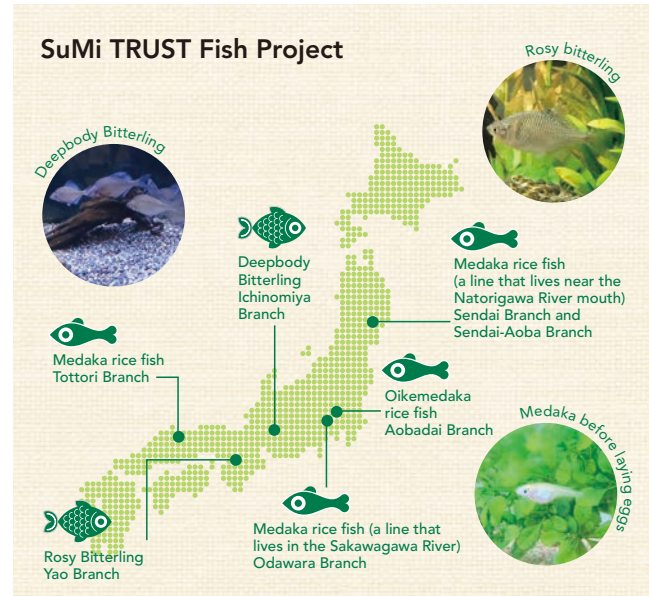


Breeding Rosy Bitterling in a fish tank



Breeding deepbody bitterlings in a fish tank

In addition, other branches are breeding endangered fish species such as the Japanese Rosy Bitterling and Japanese Medaka rice fish indigenous to their region in fish tanks in their lobbies, widening the circle of participation in the SuMi TRUST Fish Project to a nationwide basis.



*Gene differentiation has been confirmed for medaka rice fishes depending on the water area of their habitats, and preservation activities of indigenous medaka rice fishes have been promoted in each respective region using systems such as foster care.

TOPIC

SuMi TRUST Bank “Inheritance from Me” Series



Since June 2013, SuMi TRUST Bank has invited clients to share stories with an “Inheritance from Me” theme. These stories, up to around 400-characters in length, are on the precious “people, things, and matters” the writer wants to pass on as an “Inheritance from Me” legacy for future generations. Each time, the stories selected for the Grand Prize and the Second Grand Prize are published as a collection in a booklet that is available at our branch lobbies across Japan and shared on the company’s website. The Grand Prize winner in the first year was a story entitled “A life-sustaining ten-yen coin.” It describes how a ten-yen coin helped form a bond of trust between a teacher and students. The story appealed to many, even inspiring Aki Yashiro, a well-known Japanese enka (folksong) singer, to turn the story into a song. The generations of entrants have diversified every year, and in our fifth contest, we received over 10,000 entries.

“Inheritance from Me” is also a project that contributes to school education and local communities.

Because the first contest received numerous entries from pupils, students, and schools, we established the School Prize and accepted group submissions from entire schools beginning with the second contest. The number of entries from entire schools has risen each year as they join the contest as part of their educational activities in classes, grades, and clubs. In the fifth contest, 107 schools sent in as many as 5,885 works.

In addition, because we have seen many submitted pieces written about people’s hometowns, we have established the Hometown Prize beginning with the sixth contest. We anticipate a lot of works telling future generations about the towns and villages writers call their dear and wonderful hometowns. Prize winners in the sixth contest will be announced in May 2019.

Main Initiatives at Domestic Branches

Branch Initiative 01

Hoshigaoka Branch

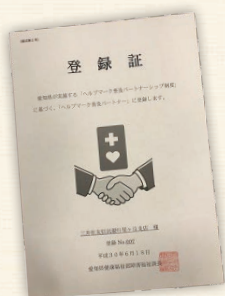
The Hoshigaoka Branch was quick to join the effort to spread the Help Mark* that Aichi Prefecture is promoting. The branch is leading a group effort in the Chukyo area to encourage active use of the mark.

The branch put up Help Mark posters in its building on February 2018. In April, Marie Ozaki, the representative of the Help Mark Promotion Group, held an in-house workshop. In May, the Help Mark Promotion Exhibition was held in the lobby. In addition, the branch applied to join the Help Mark Promotion Partnership Program that was established in June 2018 to raise awareness across Aichi Prefecture. The Hoshigaoka Branch is now signed up as a Help Mark Promotion Partner. Furthermore, in July, Ms. Ozaki was invited as a lecturer for a large in-house workshop held at the Nagoya Business Department for 70 employees in the

Chukyo area. Aichi Prefecture began thoroughly distributing Help Marks on July 20. The branch will continue with awareness-raising efforts to boost the mark's recognition.

Moreover, the branch has promoted a number of activities for employees to join. It has held a lobby exhibition introducing the activities of a local social welfare council (a comprehensive regional support center), joined a cleanup with a local university, cooperated with the Chigusa Police Office to prevent financial scams, and joined a blood donation supporter program run by the Japanese Red Cross Society.

*Help Mark: This mark for common use across Japan was created by the Tokyo Metropolitan Government's Bureau of Social Welfare and Public Health to make it easier for people whose need for assistance or attention is not immediately obvious from their looks, such as people with prosthetic joints or legs, internal impediments, intractable diseases, or women in the early stages of pregnancy, to receive support. A person can place the mark on a holder or elsewhere to indicate their intention.



Help Mark Promotion Partner Certificate



Help Mark seminar



Campaign to prevent financial scams

Branch Initiative 02

Gifu Branch

The Gifu Branch has been focused on activities about "work-life balance," starting with its manager's declaration on work style reform.

At a speaking event on "Work Style Reforms for Financial Institutions" by Mr. Atsumi, a researcher at Toray Corporate Business Research, Inc., in December 2017, participants learned about the importance of environments and facilities that make it easier for people involved in nursing and child

care to work. The content of the speaking event was shared within the branch, and it is putting into practice work-life balance approaches employees came up with and planned, including striking a balance between employees' tasks and familial obligations and taking responsibilities regardless of an employee's career course or time with the company.

In addition, the branch is highly interested in diversity and inclusion (D&I) and has held in-house workshops on various topics, such as "promoting D&I at the Gifu Branch" and "learning more about nursing care systems." These voluntary activities have garnered praise and in February 2018, the Gifu Branch was recognized by Gifu Prefecture as an Excellent Gifu Prefecture Company Promoting Work-Life Balance.

Moreover, the branch promotes activities closely involved in local communities, such as a cleanup of the bed of the Nagara River and a collaboration with the Gifu Police to implement safety measures for senior citizens. In the future, the branch will tie such initiatives to the SDGs as it further promotes activities.



Excellent Gifu Prefecture Company Promoting Work-Life Balance Certificate



"Work Style Reforms for the Financial Institutions" speaking event

Branch Initiative 03

Shizuoka Branch, Shizuoka-Chuo Branch



The Shizuoka Branch has been focused on activities to care for people with dementia. In July 2018, the branch worked with the Shizuoka Physicians Association to hold a “mini speaking event on dementia.” Participants learned in detail from physicians about dementia’s symptoms and types, pointers for early diagnosis, preventive techniques, etc. In addition, after making a visit to a nearby comprehensive regional support center, a financial consultant participated in a joint care meeting between four comprehensive regional support centers as a lecturer and gave a lecture by using “Considering the Problems of Dementia,” a digest report for seniors SuMi TRUST Holdings published. After the lecture, there was a lively Q&A session and exchange of information, and the branch formed a new network with such local experts as care support specialists, public health nurses, social workers, and counselors at the social welfare council.



Joint care meeting between four comprehensive regional support centers



Mini speaking event on dementia

Branch Initiative 04

Oita Branch



As the only trust bank in Oita Prefecture, the Oita Branch continues to hold seminars planned by the branch on a variety of topics. In addition, the branch has responded to requests from large companies and government organizations in the region and sent out lecturers on a regular basis. Meanwhile, local media has covered the branch on multiple occasions.

Furthermore, branch employees are active participants in events such as the citizens’ marathons, environmental events, and the Star Festival in an attempt to communicate with local citizens. Following last year, this year again the Oita Branch and Oita Prefecture Financial Public Information Committee worked together to hold the Parent-Child Summer School, where local children had fun learning about the role of a trust bank.



Participation in the 2018 Oita Relay Marathon



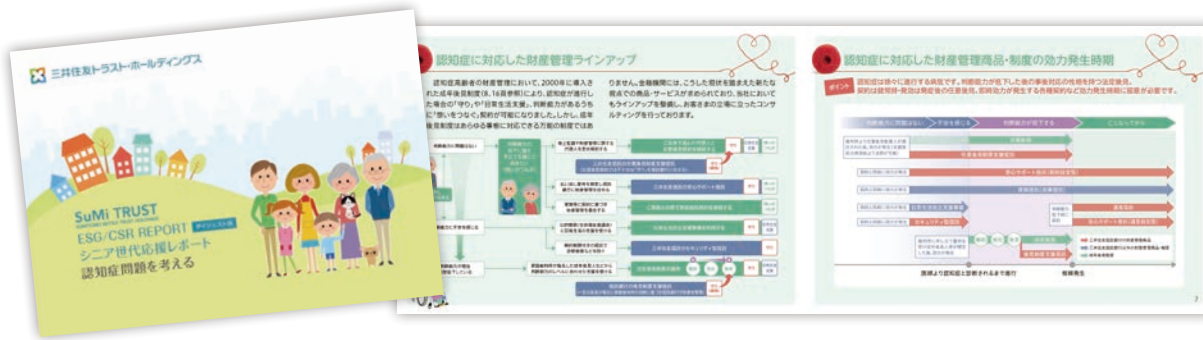
Seminar for the federation of retired civil servants

COLUMN

A Digest Report for Seniors—Considering the Problems of Dementia—



It is said that in Japan, a super-aged society, one in four seniors 65 or older have dementia or are showing warning signs. As Your Last Bank, the SuMi TRUST Group is dedicated to providing a variety of information to help senior citizens lead contented lives. In March 2018, we published a “digest report for seniors: Considering the Problems of Dementia.” It provides specific information on topics such as what kind of disease dementia is and what kind of support a person with dementia needs. SuMi TRUST Bank has an asset management lineup designed to cope with dementia and conducts client-oriented consulting (see page 40). In addition, its branches nationwide put up lobby exhibits introducing this report so that our clients can think carefully about their health and future.



Main Initiatives at Domestic Branches

Branch Initiative 05

Machida Branch

The Machida Branch has followed up on last period's effort by planning and organizing the Second Intercompany Women's Mixer, where 20 female employees in total from four nearby companies joined. The event is planned for female employees to widen their network by exchanging ideas and sharing awareness with women working at other companies in the Tokyo metropolitan area. After a lecture on "Work Style Reforms for Women and Diversity" by an outside lecturer, participants engaged in a lively discussion on "Work Style Reforms for Us."

Moreover, the branch has held multiple in-house workshops, including training to be friendlier and a health management seminar for employees. In addition, the branch is focused on preventing neighborhood crime, as the branch won a joint prize from the heads of the Tokyo Metropolitan Police Department's safety department and the Tokyo crime prevention confederation. Few other branches have won such a prize.



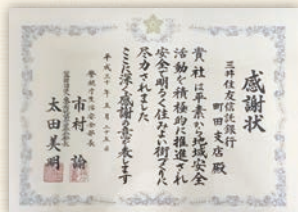
Branch Initiative 06

Sendai Branch, Sendai-Aoba Branch

The Sendai and Sendai-Aoba branches teamed up with the Sendai Mitsukoshi Department Store as a sponsor to host the Silver College seminars. In its second iteration, the theme was "Thinking about Senior Citizen Housing." In the first session, SuMi TRUST Holdings employees explained the optimal housing options according to one's stage in life. The talk was titled, "Thinking about Variation in Senior Citizen Residences: Housing Situations for the Elderly Remodeling or Switching Homes." In addition, a lobby exhibit provided helpful information based on our publication of "digest report for seniors," for senior citizens thinking about their future housing and lives. The exhibit was very well received by clients who viewed it.



Intercompany women's mixer (four companies)



Commendation for preventing crime



"Housing Options" lobby exhibit



Silver College seminar

COLUMN

A Digest Report for Seniors Considering Senior-Generation Housing—V2.0



SuMi TRUST Group supports comfortable living for the senior generation not just a selection of optimal housing, but also reassurance in the form of entrustment of asset management and succession through to life's final stages at Your Last Bank. A digest report for seniors, issued in August 2018, introduces in detail three options for senior living arrangements: 1) stay at their current residence: 2) relocate to a comfortable residence: and 3) relocate to a residence for the elderly. The lobbies of SuMi TRUST Bank branches nationwide exhibit panels introducing this report, and they help and provide consultations to help seniors enjoy their golden years in greater comfort (see page 37).



Main Initiatives at Overseas Branches

OVERSEAS BRANCH 01

New York Branch

Participating in Charity Marathons

•The Color Run

Billed as “The Happiest 5 km on the Planet,” The Color Run is a unique and delightful “paint race” started in the U.S. in 2011 to promote a healthy and active lifestyle. It has become a major event held in 35 or more countries with over 6 million participants. There are two basic rules: participate wearing all white clothing, and become a “color runner” by the time you get to the goal by bathing your entire body in color powder. The New York Branch first joined the Color Run on September 15, 2018. Runners covered their entire bodies in color powder at four color zones set up along the course. Fifteen branch employees reached the goal as color runners. After reaching the goal, participants solidified their friendship enjoying a finishing party, a “color festival.”

•New York Road Runners

New York Road Runners started out with 55 participants in 1970. Today, it is one of the biggest such events in the world, with over 50,000 runners from all 50 U.S. states and 125 other countries. As an event held to bring vitality and hope to people through running, about 2.5 million people cheer on the runners from the streetside. On July 26, 2018, the New York Branch joined the event for the first time with 28 runners.



Sponsorship and Donation Activities

Japan Day Sponsorship

Sponsorship fee of \$2,000 was directed to Japanese culture-mediated exchange promotion activities for the Japanese and local communities. A portion of sponsorship funds went to planting cherry trees in Central Park. Collaborating organization: Japan Day, Inc.

Donation to JSNY Education Council

Donation of \$2,000 was made in 2018 to the JSNY Education Council operating the Japanese School and supplementary study school of New York.

OVERSEAS BRANCH 02

Singapore Branch



Singapore’s POSB PAssion Run for Kids was held on September 10, 2017. Jointly organized by POSB*¹ and PAssion*², the annual event gathers donations from corporate sponsors and participants that are later allocated, along with a portion of runner entry fees, to the POSB PAssion Kids Fund, which supports education and outreach events and programs for local youth.

The Singapore Branch has donated to the POSB PAssion Run for Kids every year since 2012, and many of its employees and their families join. In 2017, a total of 134 people with ties to the Singapore Branch joined the event, running the course at their own pace. People of all ages came together on the day of the event, walking or running the course at a pace that suited them. The event was a valuable opportunity for people in the community to interact.



*1 Formerly known as Post Office Savings Bank, POSB is the oldest bank in Singapore; DBS Bank, with which SuMi TRUST Bank has a major alliance, owns POSB.

*2 PAssion is an acronym for The People’s Association, an organization sponsoring local community centers formed by the Singapore Government.

Communication

SuMi TRUST Bank engages in social contribution activities rooted in the community centered on sales bases in regions nationwide to build strong trust-based relationships with local communities.

To communicate our base activities widely with everyone nationwide, we focus on sending out information using various forms of media.

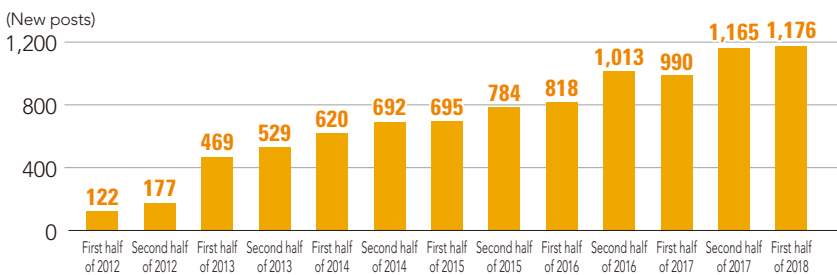
“With You” Branch Blogs

SuMi TRUST Bank launched the “With You” branch blog site in 2012, and branches nationwide introduce their CSR activities (With You activities) on their blogs and update them as needed. Moreover, we use them as a tool to communicate with local customers such as by offering a timely guide to CSR seminars and panel exhibits. With the

number of blog posts by each branch increasing every year, the branch blog has emerged as an important tool for disseminating information to local communities.

In addition, since November 2018, SuMi TRUST Bank has been working to publicize branches’ “With You” activities in connection with the 17 SDGs.

Posts on “With You” Branch Blog Website (Trend)



WebsiteURL: <https://branchblog.smtb.jp/>

“With You” Quarterly Reports on our Local Contribution Activities

We publish the social contribution activities report SuMi TRUST With You four times per year to our clients nationwide. This report plays the role of an information dissemination tool offering coverage on topics of interest to seniors and seasonal matters. In fiscal 2018, we ran a special series on “Senior-Generation Housing” with pieces written by remodeling companies. The series received a very positive response nationwide for providing specifics about remodeling, taking health into account with home design, and public subsidies for barrier-free remodeling.

Branch-produced “With You” Booklets

In addition to disseminating information via posts on their “With You” branch blogs and publishing social contribution activity reports, each branch publishes an original branch booklet called “With You.” It is planned and produced so local communities and the branches where they are located can get to know each other in greater depth. The booklet features employee self-introductions, introduces branch features, includes special feature columns on “With You” activities and CSR plans, and the distinctive traits of each branch such as collaboration with prefectural government offices and municipal halls and preparations of public relations columns on distinctive regional features and attractions.



CSR Activities at Group Companies

This is a guide to various CSR activities at SuMi TRUST Group companies.

GROUP COMPANY 01

Japan Trustee Services Bank

Japan Trustee Services Bank has cooperated with NPO Palette in such activities as in-house bake sales and blood drives. NPO Palette is an organization to help disabled persons become independent members of society. As part of its activities, the organization produces and sells cookies and pound cake. Japan Trustee Services Bank organizes an in-house bake sale each year that the employees love.

Meanwhile, the Harumi and Fuchu offices ran blood drives that drew donations from 204 employees and officers.



NPO-organized bake sale

GROUP COMPANY 02

Sumitomo Mitsui Trust Realty

In 2014, Sumitomo Mitsui Trust Realty and Nagoya City inked an agreement to cooperate on a renewal plan for the Higashiyama Zoo and Botanical Gardens with the aim of forming a bridge connecting people and nature. Both Nagoya City and Sumitomo Mitsui Trust Realty collaborate and cooperate with each other in promoting the renewal plan, and as one plank, they are planning and arranging an array of events such as: stamp rallies with animal quizzes and free delivery of animal calendars to recipients; grandchildren's day (third Sunday of October), when families bringing grandchildren can have their photo taken for free by a professional cameraman; and co-hosting the Higashiyama Zoo variety theater. The calendars and family photos, which have been available now for five years, are exciting draws for which visitors line up in the morning.

Meanwhile, Sumitomo Mitsui Trust Realty has been an Animal Supporter in a new program run by the Fukuoka City Zoological Garden and participated in an activity to help pay for the food given to the zoo's animals. The Global Tiger Distribution Panel set up in front of the tiger house is helpful in creating an opportunity to learn about the distribution and ecology of tigers, which are designated as endangered species.

Going forward, Sumitomo Mitsui Trust Realty will engage in social contribution activities to raise corporate value and revitalize local communities.



Trust-san, the Sumitomo Mitsui Trust Realty mascot, is a tiger, so the company contributed this panel for visitors to learn about tigers around the world.



(Above) A professional cameraman took family photos free of charge only for families visiting with grandchildren.
(Right) The photos taken were provided in a standing picture frame.



GROUP COMPANY 03

Nikko Asset Management



Nikko Asset Management works to promote various CSR activities as it places a high value on contributing to global environment and development of a sustainable society.

In addition to proactively managing the Nikko AM Employee Charity Program, a social contribution program by employees, Nikko AM strives to advance CSR activities through its core asset management business

as a signatory to Principles for Responsible Investment (PRI) and Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century). In particular, Nikko AM has been a member of the drafting committee for the Principles for Financial Action towards a Sustainable Society since its inception.

Initiative 01

FIT for Charity Run

Financial Industry in Tokyo (FIT) for Charity Run is a charity event created by financial service companies in Tokyo that draws participants from across the industry with the aim of supporting non-profit organizations in Japan.

Nikko AM has served as a member of the executive committee for this event since 2006 and also contributes as a corporate sponsor. In the December 2018 charity run, a total of 20 people with Nikko AM ties participated, centering on employees and their family members and volunteers.



Nikko AM participants in FIT for Charity Run 2018

Initiative 02

Support for Sports for Persons with Disabilities

Nikko Asset Management has been an official sponsor of the Japan Wheelchair Rugby Federation (JWRF) since April 2015. Some Nikko Asset Management athletes/employees are designated practice squad players that help members of Japan's national wheelchair rugby team prepare for games. Nikko Asset Management supports disabled athletes and wheelchair rugby to raise their public profile, while actively hiring people who come from a wide variety of backgrounds and promoting diversity.



Scene from a wheelchair rugby match

Initiative 03

Regular Gatherings for Child Wheelchair Maintenance

Nikko Asset Management participates in monthly gatherings for child wheelchair maintenance held by a non-profit organization which sends wheelchairs for children abroad. The NPO is a beneficiary of the Nikko Asset Management Employee Charity Program. The NPO collects and repairs second-hand wheelchairs for children and sends them free of charge to children overseas that need a wheelchair.



Each and every used wheelchair is cleaned up

Initiative 04

LGBT Understanding Initiatives

Nikko Asset Management has promoted initiatives vis-à-vis LGBT* as one plank of our diversity promotions since 2017. Nikko AM launched an internal LGBT working group, and uploads LGBT support events and working group activities content to its intranet, and conducts activities to enlighten and foster understanding concerning the LGBT community. Nikko AM aims to improve awareness on issues surrounding the LGBT community, and joined as an official member of LGBT Finance, an organization supporting improvements to workplace environments to make them friendlier to LGBT employees who work in finance-related companies. Moreover, we arranged study sessions to which we invited speakers from outside the company, distributed rainbow mark stickers, and carried out initiatives



Participated in Tokyo Rainbow Pride (TRP) 2018



Implementing a working group meeting

so employees could materialize the expression of their allies (supporters) and parties concerned internally. We aim to create a workplace environment where diversity is respected and employees can work in ways that reflect the importance of diversity that suit them.

*LGBT is an acronym for lesbian (L), gay (G), bisexual (B), and transgender (T).

Initiative 05

Support Refugee Children through International UNHCR Committee

Nikko AM signed a partnership with Japan for UNHCR*, a specified non-profit organization, to provide refugee children around the world school supplies, textbooks, access to schools, and extracurricular and classroom facilities through the Educate A Child (EAC) program. A global program run by Education Above ALL (EAA), a business partner to the UNHCR, the EAC program has provided educational support to tens of thousands of child refugees in Africa, Asia and the Middle East since 2012. Through this partnership, we support initiatives to respond to humanitarian crises and aim to provide opportunities for children to secure a bright future.

*Japan for UNHCR is an NPO that supports the United Nations High Commissioner for Refugees (UNHCR), the UN agency that protects and supports refugees and is the official liaison for Japan. Since its founding in 1950, Japan for UNHCR has protected and supported people around the world who became refugees due to conflicts and persecution, and is working to address refugee problems.

©UNHCR/Asif Shahzad



A refugee zone on the outskirts of Peshawar, Afghanistan in April 2018. Girls are enjoying their lunch break at an elementary school run by the UNHCR's EAC program. The school has 226 girls in the afternoon and 290 boys in the morning in grades one through six.

Initiative 06

Endorsement of the Women's Empowerment Principles

In January 2018, Nikko Asset Management created a women's group that regularly joins outside events and uses in-house workshops to deepen each and every employee's understanding of and foster respect for diversity to make its workplace friendlier for everyone. In June 2018, the company endorsed and signed a statement for the Women's Empowerment Principles (WEPs)*¹, a code of conduct indicated by the UN Global Compact*² and UN Women to proactively encourage women's participation.



The working group holds regularly workshops



Participation in events related to International Women's Day in March 2018

*1 Women's Empowerment Principles (WEPs): Principles drafted in March 2010 by the United Nations Development fund for Women (UNIFEM; now UN Women) and the UN Global Compact as a voluntary compact framework between the UN and companies.

*2 UN Global Compact (UNGC): A voluntary initiative to join in the building of a global framework for each company and organization to serve as upstanding members of society and achieve sustainable growth by demonstrating responsible, creative leadership.

GROUP COMPANY 04

Sumitomo Mitsui Trust Club



Providing Enriching Experiences to Children

Diners Card, a credit card issued by Sumitomo Mitsui Trust Club, goes beyond the framework of a credit card to advance a variety of initiatives. Along with its members, Sumitomo Mitsui Trust Club provides opportunities for social contributions that support students and other children out of a desire to support the youth.

•Music Outreach Activities

Diners Club sponsors the Music Outreach Activities, one of Tokyo University of the Arts' social contribution programs. Donations collected from members are administered in a fund to support this program. In fiscal 2017, Diners Club collected 2,273,240 yen in contributions.

The Music Outreach Activities offer those with little chance to personally experience music the opportunity to listen to live music. Current and former students of University of the Arts provide these valuable experiences by holding concerts and workshops at kindergartens, elementary schools, hospitals and elsewhere. This Diners Club initiative also resulted in offers from some members to sponsor the university's Faculty of Music, so now Diners Club has begun a new effort to support the education of musicians.



Music Outreach Activities



Children's Dining Hall (Hayama)

•Children's Dining Hall

"Children's dining halls" are neighborhood initiatives that have garnered attention as of late in Japan. It's a social movement to address the social isolation and other problems associated with children who have to eat at home alone by giving them a place where they can enjoy dining on delicious food with other people.

Diner Club French Restaurant Week, an annual event sponsored by Diners Club, started up a children's dining hall initiative in 2017. It is important to make as many people as we can understand the importance of eating so that we can pass on and develop our culinary culture. The experiences children have dinner create memories that last a very long time. This year, French chefs were eager to put their skills on display in Nishinari, Osaka, Ikebukuro, Tokyo, and Hayama, Kanagawa Prefecture, with a determination to treat the children there to magnificent dinners.

Youth Support Initiatives in Sports

Diners Club also sponsors activities to support youth in sports. Diners Club supported student rugby in 2017, and we're doing it again this year. It hopes this effort will help to add more rugby fans as the 2019 Rugby World Cup draws near.

Like rugby, golf is considered a gentlemen's sport. Many Diners Club members have always enjoyed playing golf. In December of this year, Sumitomo Mitsui Trust Club will hold its first pro/amateur competition with professional female golfers to build up excitement for up-and-coming young pros.



(Above) Pro/amateur competition
(Left) Support for student rugby players

Ongoing Sustainability Activities

•2018 Sake Competition

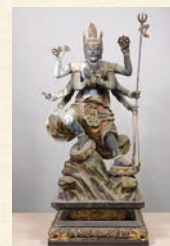
In 2018, the third annual Diners Club Young Brewers Encouragement Award went to the Zaoshuzo brewery in Shiroishi, Miyagi Prefecture. Sumitomo Mitsui Trust Club will support the brewery for one year by featuring it in the member's magazine "Signature" and selling its products for points as a membership reward.

•Daigoji Cultural Properties Restoration Project

In February 2018, the restored statue of Dai'itoku Myo'o, one of the Five Wisdom Kings, was unveiled at the Godai-Rikison Ninno-e Festival. Other efforts currently underway include the restoration of the statue of Gundari Myo'o (to be completed in February 2019) and the long-term restoration of the Ancient Documents and Holy Scriptures of Daigoji Temple (a national treasure of Japan).



2018 Diners Club Young Brewers Encouragement Award



Statue of Dai'itoku Myo'o

GROUP COMPANY 05

SBI Sumishin Net Bank



This quiz event is billed as the “economics Koshien” and aims to make learning about finance and economics enjoyable for high school students across Japan.

Like in 2017, SBI Sumishin Net Bank hosted the Online Economics Competition, a preliminary for the all-Japan contest. In the online preliminary, high school students respond to quiz questions via the Internet with teams competing based on their knowledge about a wide range of finance and economics-related topics such as current events and money-related trivia. The winning team qualifies for the national finals. In 2018, the twelfth time the competition has been held, 20 teams participated in the event, and the winner, Yokota High School,

advanced to the national finals. We will continue to sponsor this contest as a way to encourage more high school students to participate and learn more about finance and economics.

As an online bank for sharing the joy of the future with everyone and cultivating the future of this society, SBI Sumishin Net Bank uses the Internet as a platform to publicize its initiatives.



Winner	Yokota High School “Dan Dan”
Runner-up	Yokosuka High School “Rikubu”
Third place	Shibuya Junior & Senior High School “Tamuchanzu”



GROUP COMPANY 06

BIDV-SuMi TRUST Leasing



BIDV-SuMi TRUST Leasing (BSL) commenced operations in Vietnam in May 2017. In November 2018, as a mixed team of Japanese and Vietnamese personnel, some employees at the Hanoi Branch voluntarily took part in the Kizuna Ekiden, which is one of the festivities commemorating 45 years of diplomatic ties between Japan and Vietnam. The event was held to promote the friendship between Japan and Vietnam and traffic safety. It was a good opportunity to deepen bonds as Japanese personnel sent by the SuMi TRUST Group and locally hired Vietnamese personnel helped each other to complete the race. The sight of the runners overcoming differences in nationality, culture, and customs to aim at the goal together surely reminded all the staff that, even though BSL has only recently gotten off the ground as a joint Japanese-Vietnamese leasing company, they could further strengthen their partnership and take a leap forward. BSL will continue to be an active participant in these kinds of sustainability activities.



Service to Society Aimed at Development and Spread of Trust System

Trust Future Forum

Trust Future Forum, a public interest incorporated foundation, has carried out surveys and research to contribute to the spread and development of Japan's trust system. With the aim of contributing to improve the quality of national living standards and domestic economic development, we offer subsidiaries to support outstanding research and activities. Established in July 1987, the Trust Future Forum will celebrate its 30th year anniversary in 2017.



Social Contributions via Survey and Research

One pillar of the mainstay survey and research business is establishing research themes relating primarily to the Trust Act and self-directed research carried out in study group meetings, and on mainly financial and economic matters, consigning research to a specialist research institute. These research results are released to the general public through book publications and research

paper issuance. Since its founding, the Trust Future Forum has released 83 research books as of December 2018, and researchers and practitioners use them.

In pursuing research, scholars involved in trust research focused mainly on civil law, commercial law, and Anglo-American law made up the core of the research effort, and the research results became the cumulative foundation of intellectual capital for Japan relating to the trust system. The Trust Future Forum contributed in unparalleled ways in Japan as a specialist research institute such as when its research was referenced in amending Japan's Trust Act in 2007.

In the more than 10 years since the Trust Act amendment, a new era is emerging due to new ways of utilizing trusts, new methods, and new concepts as social issues have grown even more serious. The Trust Future Forum will continue as a public interest incorporated foundation to promote social contribution and activities with a high public interest.

Themes of Self-Directed and Consignment Research (December 2018)

Self-Directed Research	Research concerning will execution ethics and practices
	Research concerning comparisons of functions of legal systems similar to trusts
	Research on trusts and estate management and succession
	Research on financial transactions and tax
	Research on foreign trust laws
	Research on commercial trust law
	Research on trust banking theory and modern issues

Grants, Social Contributions via Endowed Courses

The grant-making program supports surveys, research, and activities on trusts and related finance and economics, and is the Forum's second pillar. It accepts applications from researchers in Japan and overseas, practitioners, and various organizations, and offers grants for research expenses, etc.

In conjunction, with the aim of spreading trusts and

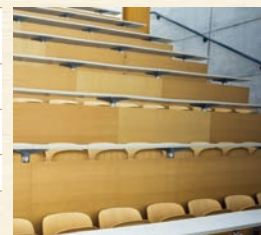
promoting understanding, the Forum has established endowed courses on the Trust Act aimed at college undergraduates. In Japan, where an increasing number of people are bearers of trusts, these courses offer students a precious opportunity to properly obtain knowledge on the trust system while young.

Grants Made in Fiscal Year 2018

Corporate governance lessons from long-lasting Japanese companies
Potential for creating trusts with Japan's abandoned homes
Present state and issues concerning the impact financial institutions have on corporate environmental conservation measures
Research on leveraging the intangible with trust banking, with a focus on intellectual property rights and cryptocurrencies
System design in savings funds to pay for the disposal, etc. of solar panels by using trust banking
Symposium: Introducing the special needs trust to Japan, with suggestions from the U.S. and U.K.

List of Endowed Courses Established

Kwansei Gakuin University Graduate School of Law and Politics	
Chuo University	Faculty of Law
Tohoku University	Faculty of Law
Doshisha University	Faculty of Law



CSR of Sumitomo Mitsui Trust Group:

Accession to International Guidelines for Corporate Conduct and Related Activities

The Group has signed on to various international guidelines and principles involving corporate conduct. It has actively involved itself in the formulation of international standards in cooperation with international organizations, foreign companies and NGOs, while it implements such activities.

Signatory to the United Nations Environment Programme Finance Initiative (UNEP FI)



The UNEP FI is an international network that encourages financial institutions to take action to preserve the environment and to make development sustainable. The Group has proactively supported UNEP FI ever since it became the first Japanese trust bank to sign on to it in October 2003.

Natural Capital Finance Alliance (formerly The Natural Capital Declaration)



The Group became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) in June 2012. The Group is the only financial institution in Japan to have signed the declaration. NCD signatories are working toward implementing NCD commitments through Natural Capital Finance Alliance (NCFA) projects overseen by a steering committee of signatories and supporters and supported by a secretariat.

Participation in the UNEP FI Property Working Group (UNEP FI PWG)

The UNEP FI PWG is one of the working groups formed by signatory institutions of the UNEP FI to promote property finance that facilitates sustainable development, namely Responsible Property Investment (RPI). In addition to joining the working group in June 2007, the Group became a member of the media team that promotes RPI and conducts activities as one of its leading members.

Signatory to the Principles for Responsible Investment (PRI)



SuMi TRUST Bank and Nikko Asset Management became signatories of the Principles for Responsible Investment (PRI), which were jointly established in May 2006 by the UN Global Compact and the UNEP FI. These principles require institutional investors such as pension funds and asset managers to give consideration to ESG factors when making investment decisions.

Signatory to Leadership Declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company"



At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, the Group, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company," which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue.

Signatory to the Equator Principles



The Equator Principles are international guidelines for private-sector financial institutions for confirming that impacts on the environment and regional communities are fully taken into consideration when implementing project finance loans. SuMi TRUST Bank became a signatory to the Equator Principles in February 2016.

Signatory to the United Nations Global Compact (UN Global Compact)



The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, the Group signed the compact, becoming the first Japanese bank to do so, and declared its resolve to act as a good corporate citizen by complying with and promoting the code of conduct. The Group also became a member of the Global Compact Network Japan Network (GCN-JN), in which signatory companies of the UN Global Compact participate.

Formulation and Practice of "Principles for Financial Action toward a Sustainable Society" (Principles for Financial Action in the 21st Century)



The Group has been actively involved in the formulation of the Principles for Financial Action in the 21st Century. These principles aim at concrete action toward creating a sustainable society jointly taken by Japan's major financial institutions. As the current chair of the steering committee, we are pressing ahead with efforts to coordinate the signatories and to ensure the widespread adoption of these principles.

GRI Content Index

Global Reporting Initiative (GRI)

Established in 1997 as a joint project between the Coalition for Environmentally Responsible Economics (CERES), a nonprofit organization in the United States, and the United Nations Environment Programme (UNEP), the GRI aims to improve the contents of sustainability reports to the level of financial reports while attaining the basic conditions of comparability, credibility, accuracy, appropriateness of timing, and verifiability of the information included in the sustainability reports. The initial guidelines were issued in 2000, then revised in fiscal years 2002, 2006 and 2013. In fiscal 2016, new guidelines were issued as the GRI standard.

● = core option disclosure

Item	Indicator	Corresponding Sections
Standard Disclosure		
Organizational profile		
102-1	● Name of the organization	
	a. Name of the organization.	191
102-2	● Activities, brands, products, and services	
	a. A description of the organization's activities.	
	b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	11-73
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Item	Indicator	Corresponding Sections
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	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	4-5
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	a. A description of the organization's values, principles, standards, and norms of behavior.	1,103-109
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102-22	Composition of the highest governance body and its committees	
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	iii. tenure on the governance body;	
	iv. number of each individual's other significant positions and commitments, and the nature of the commitments;	89-102
	v. gender;	
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102-23	Chair of the highest governance body	
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	b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement.	89-102
102-24	Nominating and selecting the highest governance body	
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	b. Criteria used for nominating and selecting highest governance body members, including whether and how:	
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	ii. diversity is considered;	
	iii. independence is considered;	
	iv. expertise and experience relating to economic, environmental, and social topics are considered.	

Item	Indicator	Corresponding Sections
102-25	Conflicts of interest a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed. b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership; ii. Cross-shareholding with suppliers and other stakeholders; iii. Existence of controlling shareholder; iv. Related party disclosures.	89-102
102-26	Role of highest governance body in setting purpose, values, and strategy a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	89-102
102-27	Collective knowledge of highest governance body a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	89-102
102-28	Evaluating the highest governance body's performance a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. b. Whether such evaluation is independent or not, and its frequency. c. Whether such evaluation is a self-assessment. d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	89-102
102-29	Identifying and managing economic, environmental, and social impacts a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics and their impacts, risks, and opportunities.	97-98,112-122
102-30	Effectiveness of risk management processes a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	97-98,112-122
102-31	Review of economic, environmental, and social topics a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	114,120-122
102-32	Highest governance body's role in sustainability reporting a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.	6-7,101-102
102-33	Communicating critical concerns a. Process for communicating critical concerns to the highest governance body.	89-102
102-34	Nature and total number of critical concerns a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns.	N/A
102-35	Remuneration policies a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees.	94
102-36	Process for determining remuneration a. Process for determining remuneration. b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. c. Any other relationships that the remuneration consultants have with the organization.	92,94
102-37	Stakeholders' involvement in remuneration a. How stakeholders' views are sought and taken into account regarding remuneration. b. If applicable, the results of votes on remuneration policies and proposals.	—

Item	Indicator	Corresponding Sections
102-38	Annual total compensation ratio a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—
102-39	Percentage increase in annual total compensation ratio a. Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	—
Stakeholder engagement		
102-40	● List of stakeholder groups a. A list of stakeholder groups engaged by the organization.	6-7,101-102
102-41	● Collective bargaining agreements a. Percentage of total employees covered by collective bargaining agreements.	143
102-42	● Identifying and selecting stakeholders a. The basis for identifying and selecting stakeholders with whom to engage.	6-7,101-102
102-43	● Approach to stakeholder engagement a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	6-7,101-102
102-44	● Key topics and concerns raised a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.	6-7,101-102
Reporting practice		
102-45	● Entities included in the consolidated financial statements a. A list of all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	190-191
102-46	● Defining report content and topic Boundaries a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	Cover 2
102-47	● List of material topics a. A list of the material topics identified in the process for defining report content.	6-7
102-48	● Restatements of information a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	—
102-49	● Changes in reporting a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	N/A
102-50	● Reporting period a. Reporting period for the information provided.	Cover 2
102-51	● Date of most recent report a. If applicable, the date of the most recent previous report.	—
102-52	● Reporting cycle a. Reporting cycle.	N/A
102-53	● Contact point for questions regarding the report a. The contact point for questions regarding the report or its contents.	191
102-54	● Claims of reporting in accordance with the GRI Standards a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.	Cover 2,174
102-55	● GRI content index a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosures covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials; iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	174-188

Item	Indicator	Corresponding Sections
102-56	<p>● External assurance</p> <p>a. A description of the organization's policy and current practice with regard to seeking external assurance for the report.</p> <p>b. If the report has been externally assured:</p> <p>i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process;</p> <p>ii. The relationship between the organization and the assurance provider;</p> <p>iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.</p>	—
Management Approach		
103-1	<p>Explanation of the material topic and its Boundary</p> <p>a. An explanation of why the topic is material.</p> <p>b. The Boundary for the material topic, which includes a description of:</p> <p>i. where the impacts occur;</p> <p>ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.</p> <p>c. Any specific limitation regarding the topic Boundary.</p>	6-7
103-2	<p>The management approach and its components</p> <p>a. An explanation of how the organization manages the topic.</p> <p>b. A statement of the purpose of the management approach.</p> <p>c. A description of the following, if the management approach includes that component:</p> <p>i. Policies</p> <p>ii. Commitments</p> <p>iii. Goals and targets</p> <p>iv. Responsibilities</p> <p>v. Resources</p> <p>vi. Grievance mechanisms</p> <p>vii. Specific actions, such as processes, projects, programs and initiatives</p>	6-7
103-3	<p>Evaluation of the management approach</p> <p>a. An explanation of how the organization evaluates the management approach, including:</p> <p>i. the mechanisms for evaluating the effectiveness of the management approach;</p> <p>ii. the results of the evaluation of the management approach;</p> <p>iii. any related adjustments to the management approach.</p>	6-7
Topic Specific Standards		
Economic		
Economic Performance		
201-1	<p>Direct economic value generated and distributed</p> <p>a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:</p> <p>i. Direct economic value generated: revenues;</p> <p>ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;</p> <p>iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'.</p> <p>b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.</p>	189
201-2	<p>Financial implications and other risks and opportunities due to climate change</p> <p>a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:</p> <p>i. a description of the risk or opportunity and its classification as either physical, regulatory, or other;</p> <p>ii. a description of the impact associated with the risk or opportunity;</p> <p>iii. the financial implications of the risk or opportunity before action is taken;</p> <p>iv. the methods used to manage the risk or opportunity;</p> <p>v. the costs of actions taken to manage the risk or opportunity.</p>	16-19, 120-124, 125-130

Item	Indicator	Corresponding Sections
201-3	<p>Defined benefit plan obligations and other retirement plans</p> <p>a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.</p> <p>b. If a separate fund exists to pay the plan's pension liabilities:</p> <ol style="list-style-type: none"> the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; the basis on which that estimate has been arrived at; when that estimate was made. <p>c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.</p> <p>d. Percentage of salary contributed by employee or employer.</p> <p>e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.</p>	—
201-4	<p>Financial assistance received from government</p> <p>a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including:</p> <ol style="list-style-type: none"> tax relief and tax credits; subsidies; investment grants, research and development grants, and other relevant types of grant; awards; royalty holidays; financial assistance from Export Credit Agencies (ECAs); financial incentives; other financial benefits received or receivable from any government for any operation. <p>b. The information in 201-4-a by country.</p> <p>c. Whether, and the extent to which, any government is present in the shareholding structure.</p>	—
Market Presence		
202-1	<p>Ratios of standard entry level wage by gender compared to local minimum wage</p> <p>a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage.</p> <p>b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage.</p> <p>c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used.</p> <p>d. The definition used for 'significant locations of operation'.</p>	—
202-2	<p>Proportion of senior management hired from the local community</p> <p>a. Percentage of senior management at significant locations of operation that are hired from the local community.</p> <p>b. The definition used for 'senior management'.</p> <p>c. The organization's geographical definition of 'local'.</p> <p>d. The definition used for 'significant locations of operation'.</p>	—
Indirect Economic Impacts		
203-1	<p>Infrastructure investments and services supported</p> <p>a. Extent of development of significant infrastructure investments and services supported.</p> <p>b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.</p> <p>c. Whether these investments and services are commercial, in-kind, or pro bono engagements.</p>	14-27,120-122
203-2	<p>Significant indirect economic impacts</p> <p>a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.</p> <p>b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.</p>	—
Procurement Practices		
204-1	<p>Proportion of spending on local suppliers</p> <p>a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).</p> <p>b. The organization's geographical definition of 'local'.</p> <p>c. The definition used for 'significant locations of operation'.</p>	—

Item	Indicator	Corresponding Sections
Anti-corruption		
205-1	Operations assessed for risks related to corruption a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment.	—
205-2	Communication and training about anti-corruption policies and procedures a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	103-109
205-3	Confirmed incidents of corruption and actions taken a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	107
Anti-competitive Behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. b. Main outcomes of completed legal actions, including any decisions or judgments.	N/A
Environment		
Materials		
301-1	Materials used by weight or volume a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: i. non-renewable materials used; ii. renewable materials used.	—
301-2	Recycled input materials used a. Percentage of recycled input materials used to manufacture the organization's primary products and services.	—
301-3	Reclaimed products and their packaging materials a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected.	—
Energy		
302-1	Energy consumption within the organization a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used.	126-130

Item	Indicator	Corresponding Sections
302-2	Energy consumption outside of the organization a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used.	—
302-3	Energy intensity a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both.	126-130
302-4	Reduction of energy consumption a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. d. Standards, methodologies, assumptions, and/or calculation tools used.	126-130
302-5	Reductions in energy requirements of products and services a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. c. Standards, methodologies, assumptions, and/or calculation tools used.	126-130
Water		
303-1	Water withdrawal by source a. Total volume of water withdrawn, with a breakdown by the following sources: i. Surface water, including water from wetlands, rivers, lakes, and oceans; ii. Ground water; iii. Rainwater collected directly and stored by the organization; iv. Waste water from another organization; v. Municipal water supplies or other public or private water utilities. b. Standards, methodologies, and assumptions used.	—
303-2	Water sources significantly affected by withdrawal of water a. Total number of water sources significantly affected by withdrawal by type: i. Size of the water source; ii. Whether the source is designated as a nationally or internationally protected area; iii. Biodiversity value (such as species diversity and endemism, and total number of protected species); iv. Value or importance of the water source to local communities and indigenous peoples. b. Standards, methodologies, and assumptions used.	—
303-3	Water recycled and reused a. Total volume of water recycled and reused by the organization. b. Total volume of water recycled and reused as a percentage of the total water withdrawal as specified in Disclosure 303-1. c. Standards, methodologies, and assumptions used.	—
Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information: i. Geographic location; ii. Subsurface and underground land that may be owned, leased, or managed by the organization; iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas; iv. Type of operation (office, manufacturing or production, or extractive); v. Size of operational site in km ² (or another unit, if appropriate); vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem); vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation).	N/A

Item	Indicator	Corresponding Sections
304-2	<p>Significant impacts of activities, products, and services on biodiversity</p> <p>a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <ul style="list-style-type: none"> i. Construction or use of manufacturing plants, mines, and transport infrastructure; ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources); iii. Introduction of invasive species, pests, and pathogens; iv. Reduction of species; v. Habitat conversion; vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in ground-water level). <p>b. Significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> i. Species affected; ii. Extent of areas impacted; iii. Duration of impacts; iv. Reversibility or irreversibility of the impacts. 	N/A
304-3	<p>Habitats protected or restored</p> <p>a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals.</p> <p>b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures.</p> <p>c. Status of each area based on its condition at the close of the reporting period.</p> <p>d. Standards, methodologies, and assumptions used.</p>	154-157
304-4	<p>IUCN Red List species and national conservation list species with habitats in areas affected by operations</p> <p>a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:</p> <ul style="list-style-type: none"> i. Critically endangered ii. Endangered iii. Vulnerable iv. Near threatened v. Least concern 	—
Emissions		
305-1	<p>Direct (Scope 1) GHG emissions</p> <p>a. Gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent.</p> <p>b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent.</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used.</p>	126-130
305-2	<p>Energy indirect (Scope 2) GHG emissions</p> <p>a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent.</p> <p>b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent.</p> <p>c. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>d. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. <p>e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>f. Consolidation approach for emissions; whether equity share, financial control, or operational control.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used.</p>	126-130

Item	Indicator	Corresponding Sections
305-3	<p>Other indirect (Scope 3) GHG emissions</p> <p>a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO₂ equivalent.</p> <p>b. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent.</p> <p>d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation.</p> <p>e. Base year for the calculation, if applicable, including:</p> <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. <p>f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.</p> <p>g. Standards, methodologies, assumptions, and/or calculation tools used.</p>	—
305-4	<p>GHG emissions intensity</p> <p>a. GHG emissions intensity ratio for the organization.</p> <p>b. Organization-specific metric (the denominator) chosen to calculate the ratio.</p> <p>c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).</p> <p>d. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p>	126-130
305-5	<p>Reduction of GHG emissions</p> <p>a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO₂ equivalent.</p> <p>b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all.</p> <p>c. Base year or baseline, including the rationale for choosing it.</p> <p>d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).</p> <p>e. Standards, methodologies, assumptions, and/or calculation tools used.</p>	126-130
305-6	<p>Emissions of ozone-depleting substances (ODS)</p> <p>a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent.</p> <p>b. Substances included in the calculation.</p> <p>c. Source of the emission factors used.</p> <p>d. Standards, methodologies, assumptions, and/or calculation tools used.</p>	—
305-7	<p>Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions</p> <p>a. Significant air emissions, in kilograms or multiples, for each of the following:</p> <ul style="list-style-type: none"> i. NOX ii. SOX iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations <p>b. Source of the emission factors used.</p> <p>c. Standards, methodologies, assumptions, and/or calculation tools used.</p>	—
Effluents and Waste		
306-1	<p>Water discharge by quality and destination</p> <p>a. Total volume of planned and unplanned water discharges by:</p> <ul style="list-style-type: none"> i. destination; ii. quality of the water, including treatment method; iii. whether the water was reused by another organization. <p>b. Standards, methodologies, and assumptions used.</p>	—

Item	Indicator	Corresponding Sections
306-2	<p>Waste by type and disposal method</p> <p>a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable:</p> <ul style="list-style-type: none"> i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) <p>b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable:</p> <ul style="list-style-type: none"> i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) <p>c. How the waste disposal method has been determined:</p> <ul style="list-style-type: none"> i. Disposed of directly by the organization, or otherwise directly confirmed ii. Information provided by the waste disposal contractor iii. Organizational defaults of the waste disposal contractor 	126-130
306-3	<p>Significant spills</p> <p>a. Total number and total volume of recorded significant spills.</p> <p>b. The following additional information for each spill that was reported in the organization's financial statements:</p> <ul style="list-style-type: none"> i. Location of spill; ii. Volume of spill; iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization). <p>c. Impacts of significant spills.</p>	—
306-4	<p>Transport of hazardous waste</p> <p>a. Total weight for each of the following:</p> <ul style="list-style-type: none"> i. Hazardous waste transported ii. Hazardous waste imported iii. Hazardous waste exported iv. Hazardous waste treated <p>b. Percentage of hazardous waste shipped internationally.</p> <p>c. Standards, methodologies, and assumptions used.</p>	126-130
306-5	<p>Water bodies affected by water discharges and/or runoff</p> <p>a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on:</p> <ul style="list-style-type: none"> i. the size of the water body and related habitat; ii. whether the water body and related habitat is designated as a nationally or internationally protected area; iii. the biodiversity value, such as total number of protected species. 	—
Environmental Compliance		
307-1	<p>Non-compliance with environmental laws and regulations</p> <p>a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of:</p> <ul style="list-style-type: none"> i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. <p>b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.</p>	—
Supplier Environmental Assessment		
308-1	<p>New suppliers that were screened using environmental criteria</p> <p>a. Percentage of new suppliers that were screened using environmental criteria.</p>	—

Item	Indicator	Corresponding Sections
308-2	Negative environmental impacts in the supply chain and actions taken a. Number of suppliers assessed for environmental impacts. b. Number of suppliers identified as having significant actual and potential negative environmental impacts. c. Significant actual and potential negative environmental impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	—
Social		
Employment		
401-1	New employee hires and employee turnover a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	137,145
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for 'significant locations of operation'.	—
401-3	Parental leave a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	141
Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them. b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	—
Occupational Health and Safety		
403-1	Workers representation in formal joint management-worker health and safety committees a. The level at which each formal joint management-worker health and safety committee typically operates within the organization. b. Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees.	—
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: i. region; ii. gender. b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: i. region; ii. gender. c. The system of rules applied in recording and reporting accident statistics.	145
403-3	Workers with high incidence or high risk of diseases related to their occupation a. Whether there are workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases.	—
403-4	Health and safety topics covered in formal agreements with trade unions a. Whether formal agreements (either local or global) with trade unions cover health and safety. b. If so, the extent, as a percentage, to which various health and safety topics are covered by these agreements.	—

Item	Indicator	Corresponding Sections
Training and Education		
404-1	Average hours of training per year per employee a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender; ii. employee category.	138,148
404-2	Programs for upgrading employee skills and transition assistance programs a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	136-139
404-3	Percentage of employees receiving regular performance and career development reviews a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	136-139
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). b. Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	89-102, 133-144
405-2	Ratio of basic salary and remuneration of women to men a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. The definition used for 'significant locations of operation'.	—
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken a. Total number of incidents of discrimination during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.	147
Freedom of Association and Collective Bargaining		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	N/A
Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor a. Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work. b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	N/A
Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	N/A

Item	Indicator	Corresponding Sections
Security Practices		
410-1	Security personnel trained in human rights policies or procedures	
	a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security	148
	b. Whether training requirements also apply to third-party organizations providing security personnel.	
Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	
	a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period.	
	b. Status of the incidents and actions taken with reference to the following:	N/A
	i. Incident reviewed by the organization;	
	ii. Remediation plans being implemented;	
	iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes;	
	iv. Incident no longer subject to action.	
Human Rights Assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	
	a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.	145,148
412-2	Employee training on human rights policies or procedures	
	a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.	145,148
	b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
	a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	—
	b. The definition used for 'significant investment agreements'.	
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	
	a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:	
	i. social impact assessments, including gender impact assessments, based on participatory processes;	
	ii. environmental impact assessments and ongoing monitoring;	
	iii. public disclosure of results of environmental and social impact assessments;	
	iv. local community development programs based on local communities' needs;	—
	v. stakeholder engagement plans based on stakeholder mapping;	
	vi. broad based local community consultation committees and processes that include vulnerable groups;	
	vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts;	
	viii. formal local community grievance processes.	
413-2	Operations with significant actual and potential negative impacts on local communities	
	a. Operations with significant actual and potential negative impacts on local communities, including:	
	i. the location of the operations;	N/A
	ii. the significant actual and potential negative impacts of operations.	
Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	
	a. Percentage of new suppliers that were screened using social criteria.	—
414-2	Negative social impacts in the supply chain and actions taken	
	a. Number of suppliers assessed for social impacts.	
	b. Number of suppliers identified as having significant actual and potential negative social impacts.	
	c. Significant actual and potential negative social impacts identified in the supply chain.	
	d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.	—
	e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	

Item	Indicator	Corresponding Sections
Public Policy		
415-1	Political contributions	
	a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary.	—
	b. If applicable, how the monetary value of in-kind contributions was estimated.	
Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	
	a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	N/A
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:	
	i. incidents of non-compliance with regulations resulting in a fine or penalty;	
	ii. incidents of non-compliance with regulations resulting in a warning;	N/A
	iii. incidents of non-compliance with voluntary codes.	
	b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	
Marketing and Labeling		
417-1	Requirements for product and service information and labeling	
	a. Whether each of the following types of information is required by the organization's procedure for product and service information and labeling:	
	i. The sourcing of components of the product or service;	
	ii. Content, particularly with regard to substances that might produce an environmental or social impact;	
	iii. Safe use of the product or service;	N/A
	iv. Disposal of the product and environmental or social impacts;	
	v. Other (explain).	
	b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	
417-2	Incidents of non-compliance concerning product and service information and labeling	
	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by:	
	i. incidents of non-compliance with regulations resulting in a fine or penalty;	
	ii. incidents of non-compliance with regulations resulting in a warning;	N/A
	iii. incidents of non-compliance with voluntary codes.	
	b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	
417-3	Incidents of non-compliance concerning marketing communications	
	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:	
	i. incidents of non-compliance with regulations resulting in a fine or penalty;	
	ii. incidents of non-compliance with regulations resulting in a warning;	N/A
	iii. incidents of non-compliance with voluntary codes.	
	b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	
Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
	a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:	
	i. complaints received from outside parties and substantiated by the organization;	
	ii. complaints from regulatory bodies.	N/A
	b. Total number of identified leaks, thefts, or losses of customer data.	
	c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.	
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	
	a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:	
	i. total monetary value of significant fines;	
	ii. total number of non-monetary sanctions;	
	iii. cases brought through dispute resolution mechanisms.	N/A
	b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient.	
	c. The context against which significant fines and non-monetary sanctions were incurred.	

Financial Review

In the consolidated financial results for fiscal year 2017, net business profit before credit costs increased by ¥38.1 billion year on year to ¥270.5 billion, due to an increase in gross business profit, resulting mainly from non-recurrence of the previous fiscal year's fall in market-related profit in SuMi TRUST Bank. Net income attributable to owners of the parent increased by ¥32.5 billion from the previous fiscal year to ¥153.9 billion.

Both net business profit before credit costs and net income attributable to owners of the parent achieved the full-year plan and progressed smoothly (the plan achievement rate: 104% for net business profit before credit costs and 103% for net income attributable to owners of the parent).

■ Overview of the Financial Results in FY2017

<Consolidated> SuMi TRUST Holdings (Consolidated)

Billions of Yen (Unless specified otherwise)

	FY2017 (A)	FY2016 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs	270.5	232.3	38.1	16.4%
Ordinary Profit	232.6	196.3	36.2	18.5%
Net Income Attributable to Owners of the Parent	153.9	121.4	32.5	26.8%
Total Credit Costs	2.9	(28.5)	31.5	—
Return on Equity	7.40%	6.07%	1.33%	—
Net Income per Common Shares (EPS) (Yen)*	403.92	317.24	86.68	27.3%
Net Assets per Common Shares (BPS) (Yen)*	6,897.36	6,437.58	459.78	7.1%

* SuMi TRUST Holdings implemented a share consolidation as of October 1, 2016 where one share was exchanged for each ten shares of common stock owned. The above EPS and BPS figures were calculated on the assumption the aforementioned share consolidation was carried out on April 1, 2016, the start of fiscal year 2016.

<Non-consolidated> SuMi TRUST Bank (Non-consolidated)

Billions of Yen (Unless specified otherwise)

	FY2017 (A)	FY2016 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs	189.7	150.5	39.2	26.0%
Net Interest Income and Related Profit	176.5	216.7	(40.1)	(18.5%)
Net Fees and Commissions and Related Profit	190.2	196.9	(6.6)	(3.4%)
Net Trading Profit	10.4	17.0	(6.6)	(38.8%)
Net Other Operating Profit	49.5	(47.3)	96.9	—
General and Administrative Expenses	(237.0)	(232.7)	(4.3)	1.8%
Net Non-recurring Profit, etc.	(16.7)	(33.2)	16.4	(49.5%)
Ordinary Profit	172.9	117.3	55.6	47.4%
Extraordinary Profit	(8.3)	(5.9)	(2.3)	38.9%
Net Income	117.9	77.6	40.3	51.9%
Total Credit Costs	7.0	(24.9)	31.9	—

(Note) Amounts less than ¥100 million are rounded down.

<Dividends>

	FY2017 (A)	FY2016 (B)	Change (A)–(B)
Dividend per Share on Common Share (Yen)	130.00	130.00	—

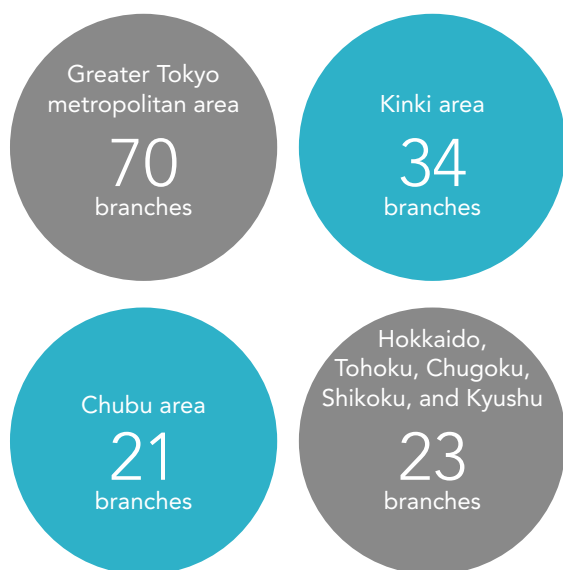
(Note) SuMi TRUST Holdings implemented a share consolidation as of October 1, 2016 where one share was exchanged for each ten shares of common stock owned. The dividend per share (DPS) above was calculated on the assumption the aforementioned share consolidation was carried out on April 1, 2016, the start of fiscal year 2016.

Network of the SuMi Trust Group (as of March 31, 2018)

Domestic Branch Networks and Overseas Network

The Group has built a balanced network of offices focused on the Tokyo metropolitan, Kinki, and Chubu areas. In addition, SBI Sumishin Net Bank uses the Internet to cover all of Japan. The Group also has an overseas network that can provide global financial services in the loan business, asset management and administration business, as well as the consulting business, among others.

Domestic Network



Providing online services across Japan



Overseas Network

[U.S.]

- New York Branch
- Sumitomo Mitsui Trust Bank (U.S.A.) Limited (Banking, Trust Businesses)

[Europe]

- London Branch
- Sumitomo Mitsui Trust International Limited (Securities Business)
- Sumitomo Mitsui Trust Bank (Luxembourg) S.A. (Trust, Banking, Securities Businesses)
- Sumitomo Mitsui Trust (Ireland) Limited (Trust Business)
- Sumitomo Mitsui Trust (UK) Limited (Trust Business)

[Asia]

- Singapore Branch
- Shanghai Branch
- Hong Kong Branch
- Beijing Representative Office
- Beijing Representative Office (Securities Business)
- Zijin Trust Co., Ltd. (Trust Business)
- Sumitomo Mitsui Trust (Hong Kong) Limited (Securities Business)
- Jakarta Representative Office
- Seoul Representative Office
- Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (Banking Business)

An overseas network that can provide global financial services

Basic Information of Sumitomo Mitsui Trust Group
Corporate Information (as of December 31, 2018)

Registered Trade Name: Sumitomo Mitsui Trust Holdings, Inc.
Headquarters Location: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Date of Establishment: February 1, 2002 (Change of trade name: April 1, 2011)
Main Business: With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of Sumitomo Mitsui Trust Group, and sets the following (1) - (6) as its key functions:
 (1) Formulating group management strategy
 (2) Monitoring administration of business activities
 (3) Allocation of management resources
 (4) Supervising risk management
 (5) Supervising compliance management
 (6) Managing internal auditing
Capital: 261,608,725,000 Yen
Stock Exchange Listings: Tokyo, Nagoya Stock Exchanges
 Tokyo (Primary), Nagoya (Primary)
Securities Code: 8309

Basic Information of Sumitomo Mitsui Trust Group
Rating Information (as of December 31, 2018)

		Long-term	Short-term
Sumitomo Mitsui Trust Holdings	JCR	AA-	—
	R&I	A	—
	S&P	A	A-1
Sumitomo Mitsui Trust Bank	Moody's	A1	P-1
	Fitch	A-	F1
	JCR	AA-	—
	R&I	A+	a-1

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SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

