

Financial Inclusion Initiatives

Target 8.10 of the SDGs seeks to *"strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all."* This kind of concept is known as financial inclusion—it refers to the support extended to people excluded from utilizing financial services because of poverty, discrimination, or other reasons so that they may gain access to such basic financial services in order to alleviate economic instability in their lives.

The Group is working with external partners and harnessing our various trust bank functions in an effort to accelerate our initiatives on financial inclusion with a particular focus on problems unique to Japan.

Challenges in Achieving the Initiatives

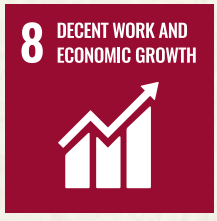
- Spreading awareness (correct perception of the current situation) in society about the growing number of financially vulnerable people in Japan owing mainly to increasing poverty and the rise of dementia patients
- Strengthening collaboration with aid agencies like NPOs and financial institutions
- Developing methods of support at financial institutions that reflect the current situation in Japan

Initiatives for Solving the Challenges

- Grasping an understanding of the situation through collaboration mainly with NPOs
- Identifying the issues unique to Japan (particularly dementia) in a super-aged society
- Enhancing support services in light of the Group's resources
- Supporting the improvement of financial literacy among the financially vulnerable

KPIs for Solving the Challenges

- Reviewing the significance of initiatives carried out within the Group thus far and establishing measures for implementation
- Developing programs for collaboration with NPOs and other entities



Financial Inclusion Initiatives at the SuMi TRUST Group

1. Establishing a financial inclusion promotion framework

Initiatives related to financial inclusion were previously implemented at various Group companies. From November 2019, however, the Corporate Planning Department's Sustainability Management Office assumed control of these activities across the entire Group and took steps to develop an implementation strategy and expand the scope of initiatives. Its specific policies are outlined below.

1. Improving accessibility mainly through expansion of online transactions
2. Using mainly charitable trusts to provide finance schemes to people with little financial leeway
3. Financial inclusion initiatives for various types of loans
4. Initiatives based on the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion*
5. Flexible approach to mainly terms of repayment on loan transactions (initiatives for financial facilitation)

2. Improving accessibility mainly through expansion of online transactions

Given that financial infrastructure is already in place in Japan, expanding online transaction platforms in order to improve accessibility to financing would be one way to address financial inclusion.

For example, SuMi TRUST Bank is endeavoring to enhance the convenience of client transactions by providing services through which a number of procedures can be completed online (internet banking) or over the phone (telephone banking) via its Sumitomo Mitsui Trust Direct platform.

Initiatives at SBI Sumishin Net Bank

SBI Sumishin Net Bank is an online-only bank that was launched in September 2007 as a joint venture between SuMi TRUST Bank and SBI Holdings, Inc. Since its foundation, the bank has endeavored to improve client services by striving to realize its goal of providing 24-hour, 365-day internet banking that offers the most easy-to-use and attractive products and services.

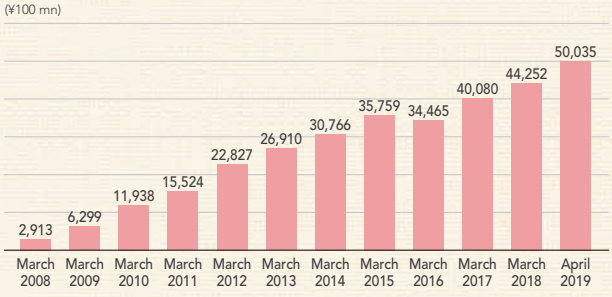
Recently, the bank has been actively rolling out new services that harness cutting-edge information technology. For example, it launched a robo-advisor by integrating the API of a fintech company, introduced an AI screening model for home loans, and started up transaction lending for corporate clients. It will continue to make every effort to further improve its services and user convenience (see page 85 for details).

Examples of convenient services of SBI Sumishin Net Bank:

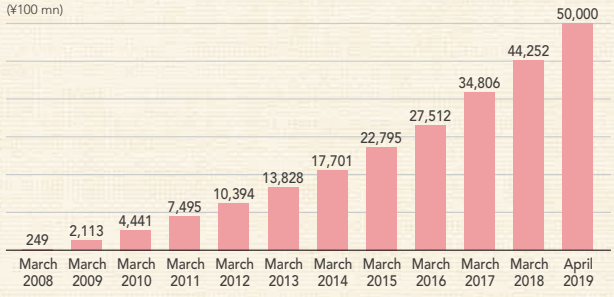
- Online account openings for which personal identification can be completed with one's smartphone
- Debit cards featuring Visa or Mastercard contactless payment function
- Multi-currency (15) pre-paid JAL Global Wallet card for JAL Mileage Bank members (through JAL Payment Port Co., Ltd., a JV established with Japan Airlines Co., Ltd.)

These initiatives have been favorably received by the market; as of April 2019 both total deposits and the cumulative amount of mortgage loans handled had exceeded the ¥5 trillion mark.

Total balance of bank deposits



Amount of mortgage loans handled



3. Using mainly charitable trusts to provide finance schemes

SuMi TRUST Bank is using mainly charitable trusts to provide finance schemes to people with little financial leeway. As part of this initiative, we provide charitable trusts to benefactor clients with the goal of offering low-interest or no-interest scholarships to students who do not have the financial means to further their education (see page 21 for details).

Examples of charitable trusts designed to supply scholarships

Name of charitable trust	Eligible persons
MinebeaMitsumi Scholarship Fund for Orphans of the Great East Japan Earthquake	Children and students orphaned in the Great East Japan Earthquake
Junior Chamber International Matsuyama Scholarship Fund for Orphaned Children of Traffic Accidents	High school students living in Matsuyama City and orphaned from a traffic accident
Yoshihiko & Kazuko Yamashita Memorial Scholarship Fund for Orphaned Children of Traffic Accidents	Students attending high school or university in Saga City and orphaned from a traffic accident

Overview of charitable trust designed to supply scholarships (in the case of MinebeaMitsumi Scholarship Fund for Orphans of the Great East Japan Earthquake)

Qualifying conditions for subsidy on school expenses

(1) Children and students orphaned in the Great East Japan Earthquake

(includes children and students with only one parent (owing to death or separation) who died or was unaccounted for as a result of the disaster)

(2) Children and students currently attending elementary or junior high school (including schools of an equivalent nature)

Subsidy amount: ¥100,000 annually

Subsidy period: Until graduation from junior high school

4. Financial inclusion initiatives for various types of loans

(1) Special home loan guarantees against the eight major diseases

Cancer, acute myocardial infarction, stroke, and the five serious chronic diseases of high blood pressure, diabetes, chronic kidney failure, cirrhosis of the liver, and chronic pancreatitis are what are known as "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 and fall under prescribed conditions, 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.

(2) Card loans

SuMi TRUST Bank has two types of card loans available for home loan clients only. These products can meet the various future capital needs of clients because the funds can be used for any purpose other than running a business. Funds can be borrowed with no transaction fee from SuMi TRUST Bank branch ATMs or from the ATMs of Japan Post Bank, Seven Bank, and E-net. Clients can also easily borrow funds via internet banking (Sumitomo Mitsui Trust Direct).

(3) Housing assistance loan for seniors aged 60 and over

SuMi TRUST Bank offers non-recourse mortgage loans to clients aged 60 or older that can be used to purchase a new home or to finance a home renovation. A non-recourse loan means that even if the amount of money from the sale of real-estate collateral is not enough to repay the loan in full after the contract expires as a result of the contracting party's death, their heir will not be requested to make any payments.

5. Initiatives based on the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion*

The world's population continues to rapidly age and there are fresh concerns that conventional financial services will be unable to meet their needs. Through much discussion about the topics of aging and financial inclusion, the Global Partnership for Financial Inclusion (GPFI*) and the OECD jointly prepared and adopted the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion* at the G20 plenary meeting of finance ministers and central bank governors in June 2019. The document sets out eight key priorities to help the international community address the challenges of aging populations.

SuMi TRUST Bank fully supports the priorities and therefore set out and announced the following initiatives to address each of the eight priorities.

* The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries, and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan.

Summary of specific initiatives to address the eight priorities

G20 Fukuoka Policy Priorities	The Group's leading initiatives
Customize —address the diverse needs of older people	100-Year Life Solution Trust (100-Year Passport): An asset management-type trust product that can also help clients with dementia owing to its features for safeguarding, utilizing, and transferring funds Other: Products related to inheritance, endowment, moving home, and donations; Diners Club cards, etc.
Protect —tackle financial abuse and fraud of older people	Mandatory passing of gerontology exam run by the Society for Applied Gerontology Japan: Retail branch managers must acquire necessary knowledge of healthcare, nursing care, and social insurance, as well as issues concerning the physical and mental wellbeing of the elderly, their lifestyles, and communities Other: Trusts designed to prevent fraud; taking part in writing of the Guide for Dementia Friendly Financial Services and placement of this booklet at all branch offices
Support lifetime financial planning	Housing assistance and reverse mortgage loans for seniors aged 60 and older: These products help elderly clients finance a new or refurbished home Other: Use of Lifecycle–Navi simulation tool; investment products and insurance, etc.
Encourage stakeholder engagement —a multi-sectoral approach	Partnership with Daini Tokyo Bar Association to introduce family lawyers: This service introduces family lawyers (personal lawyers) that can address the various needs of clients, such as monitoring to prevent incidents or matters concerning discretionary guardianship Other: Collaboration with community-based comprehensive support centers, COLTEM, International Longevity Center (ILC), Tokyo Metropolitan Government, etc.
Strengthen digital and financial literacy	Seminars on topics like asset management, "second life," DC plans, inheritance, and business succession: Each seminar is designed to address the needs of each generation and held on a nation-wide basis or on a branch basis at different times and for different occupations Other: Silver College seminars for integrated study; establishment of research institutes related to asset building, etc.
Innovate —harness inclusive technologies	Introduction of new system when visiting clients: We have introduced a new system when visiting elderly clients at home so that procedures can be completed more easily; the use of a host DB-linked tablet device reduces the burden of the client having to fill out forms Other: Use of AI in asset management; online-based consulting; monitor-based consultation system between branch and remote locations, etc.
Target key audiences —address vulnerabilities	Guardianship System Support Trust and Discretionary Guardianship System Support Trust: Products that manage and safeguard a ward's estate under the respective legal guardianship and discretionary guardianship systems Other: Special donation trusts; rules on writing/reading on behalf of clients; response quality checks by examiners for disabled persons, etc.
Use data and evidence (priority item mainly for policymakers)	Issuance of research reports: Analyzing and estimating trends in household assets based on official data from public agencies and other organizations Other: Responding to public agency surveys; collecting and analyzing client voices; in-store surveys by external research agencies, etc.

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Approach to 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. They may also end up signing a contract for a transaction that is not in their best interests or become easy targets for bank-transfer scams or unscrupulous business practices.

In asset management, needless to say, protecting assets must be prioritized before anything else. What is required next is daily living support in order to manage money needed for day-to-day living. And offering support to help them communicate their intensions is also key. Even though someone may have dementia, what they want to do or what they want done remains the same. For this reason, we need to devise a way for them to communicate their intentions and ensure their wishes are fulfilled under a private contract while they are still capable of making decisions.

SuMi TRUST Bank offers various products and services in line with this thinking (see page 46 for details).



6. Flexible approach to mainly terms of repayment on loan transactions (initiatives for financial facilitation)

SuMi TRUST Bank believes that the smooth supply of necessary funds to clients is the most important role of a financial institution. In order to actively give full swing to this financial intermediary function, the Bank established a Basic Policy on Facilitation of Financing (excerpt shown below).

Basic Guidelines concerning Facilitation of Financing

- When a client seeks to discuss or apply for a loan, or discuss or apply for changes to borrowing conditions, we will make every effort to address the client's request seriously and reach a solution appropriately and promptly after taking the client's circumstances into full consideration.
- When a client, for whom borrowing conditions had been changed, seeks to discuss or apply for a loan of necessary funds, we will address the client's request seriously and not reject it solely based on the fact that the client's borrowing conditions had been changed.
- When a client applying for changes to be made to borrowing conditions has transactions with other financial institutions, we will make every effort to protect the client's privacy and exercise due care in handling the client's personal information when collaborating closely with the financial institutions the client transacts with, provided we have been given the client's consent.
- When, for unavoidable reasons, we must turn down a client's request to discuss or apply for changes to borrowing conditions, we will make every effort to provide sufficient explanations to the client with as much time to spare as possible by referencing the client's hitherto transactions in order to gain the client's understanding and agreement.
- We will make every effort to appropriately and promptly respond to client inquiries, consultations, opinions, requests, or complaints about loans.
- When we receive a confirmation from a specified certified dispute resolution business operator (pursuant to paragraph 24 of Article 2 of the *Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities*) to whom an SME client has requested the execution of specified certified dispute resolution procedures (pursuant to paragraph 25 of Article 2 of the *Act*; hereafter the "Turnaround ADR Procedures") whether we will make a request for the execution of the Turnaround ADR Procedures or not, we will make every effort to make the request so that a prompt dispute resolution can be reached.
- When we receive a debt factoring application from the Regional Economy Vitalization Corporation of Japan (REVIC) or the Great East Japan Earthquake Business Revitalization Support Agency, or when we receive a request for approval on claims management or disposal in accordance with a business revitalization plan, we will make every effort to respond appropriately.
  We will also make every effort to appropriately cooperate on changing borrowing conditions for the business revitalization plan for which our approval is sought.
- We will actively provide business consultation services to clients and support initiatives aimed at improving business management of clients.
- We will make every effort to provide training and guidance to employees so that they may improve their capabilities for appropriately assessing the business value of clients.
- We will respect our Guidelines for Management Guarantee and make every effort to sincerely and flexibly respond to cases where we conclude a guarantee agreement with a client.

Guided by the basic guidelines above, SuMi TRUST Bank promptly and politely responds to clients seeking to discuss changes to loan repayment terms if the loan has become difficult to repay because of financial circumstances. Individual and corporate clients can visit their transacting branch to discuss their situation in person, while mortgage loan and business loan clients can also make use of our toll-free number.

The table below shows the number of loan claims received the requests for changes to borrowing conditions as of the end of March 2019.

Number of Loan Claims Received the Requests for Changes to Borrowing Conditions

▶ In the case of SMEs

	End of March 2019
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,744
Of which, number of loan claims regarding implementation ( ) is the loan ratio	4,381
Of which, number of loan claims regarding refusal ( ) is the refusal ratio	100
Of which, number of loan claims under examination ( ) is the ratio of claims under examination	7
Of which, number of loan claims regarding withdrawal ( ) is the ratio of claims withdrawn	256

* As of the end of March 2019, the figures include claims regarding trust accounts as follows.
Request: 1, Implementation: 1, 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

	End of March 2019
Number of loan claims for which restructuring of loan conditions, etc. was requested	6,419
Of which, number of loan claims regarding implementation ( ) is the loan ratio	4,987
Of which, number of loan claims regarding refusal ( ) is the refusal ratio	285
Of which, number of loan claims under examination ( ) is the ratio of claims under examination	40
Of which, number of loan claims regarding withdrawal ( ) is the ratio of claims withdrawn	1,107

* As of the end of March 2019, the figures include claims regarding trust accounts as follows.
Request: 511, Implementation: 429, 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.



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 2019, 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 2019)

Self-Directed Research	Research on trust banking theory and modern issues
	Research on estate management, investment, and succession, as well as trusts
	Research on legal principles of modern trusts
	Research on trust banking theory and application with a comparison of the UK and Japan
	Research on financial transactions and taxation
	Research on legal issues in trust banking practices
	Research on new proprietary value and trusts in an increasingly digitalized society

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 2019

Nurturing relationships of trust and its cultural devolution in an information-oriented society: Theoretical analysis based on an information design game
Research on consumer recognition and acceptance of information trusts and its systematic issues
Role of the government sector in establishing a trust currency
Research on business and estate succession—a focus on the use of trusts—
Reverse mortgages and trusts
Roles and outlook for international cooperation on fund-raising-type charitable trusts —Infrastructure building and recommendations for international cooperation in which anybody can participate—
Symposium: The roles of trusts, adult guardianship, and finance in an aging society —Joint international research with Singapore regarding trusts and financial functions—
Post-Uniform Trust Code prudent investor rule and case analysis
Financial gerontology and trusts

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

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. The Group formulated and published the Voluntary Declaration of Consumer-Orientation in June 2019 and will take concrete initiatives in order to become a group trusted by clients and society, and to grow together continuously through constant efforts for improving customer satisfaction and thoroughly implementing a client-oriented approach, as well as contributing to resolving social issues including super-aging society.

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Voluntary Declaration of Consumer-Orientation

The Voluntary Declaration of Consumer-Orientation is the Group's declaration for the approach toward consumer-oriented management (a business activity respecting general consumers' viewpoints and gaining consumer trust as the providers of a sound market, while being aware of its social responsibilities, and working toward the creation of a sustainable and desirable society) as promoted by the Consumer Affairs Agency and others.

2. Product Development Capabilities Supporting Total Solutions

In order to leverage the flexibility and expertise of its various financial and trust functions as a financial group specialized in trust banking, and put together an 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, rather than simply using their strengths and know-how. In this manner, 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 a product development department in each business, as well as the Business Research and Development Department, and a product development off-site meeting as its product development organization. The product development departments in each business analyze the client needs that have been collected in the course of business, and engage

in improvement and development, mainly of products for immediate application, including reviews 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 that drives 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 regarding 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 its efforts on nurturing human resources who are 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 each year for product development personnel with little experience. At these seminars, groups engage in exhaustive discussions on the topic of new products to satisfy target client needs that are assigned in advance, with the goal of enabling participants to acquire an understanding of breakthrough points and problem-solving methods in product development.

3. Technologies Supporting Total Solutions

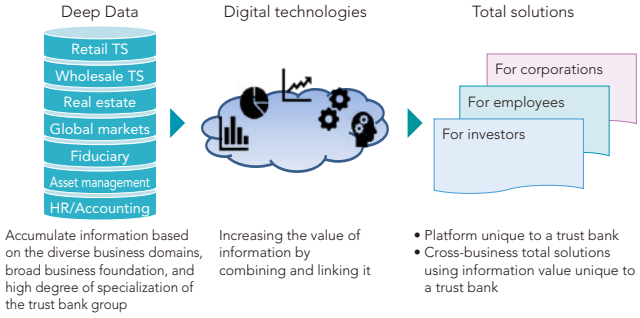
As digitalization progresses at a rapid pace, the SuMi TRUST Group regards digital reform initiatives as one of our most important management strategies. We aim to utilize digital technologies to deliver experiences that exceed client expectations and to offer total solutions unique to a financial group specialized in trust banking that go beyond our business domains.

Progressing with a Total Solution Model

The Group has a wide range of business domains, and develops 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 a financial group specialized in trust banking. Deep Data accumulates data such as client attributes, assets, transactions, and events, as well as external data such as economic conditions, representing information that is both quantitatively and qualitatively unique to a financial group specialized in trust banking.

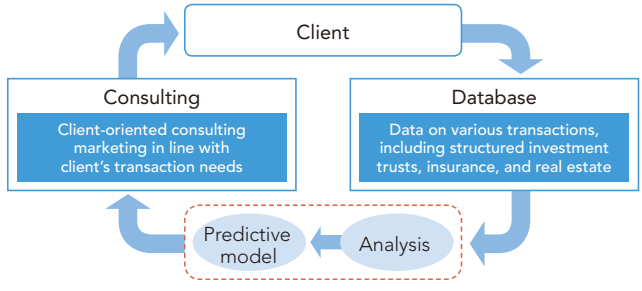
We analyze this information and convert it into a form that provides high added value for clients, and utilize the optimal digital technologies to determine the ideal timing to make proposals.

Evolution of total solutions through use of digital technologies



Pursuing Experiences Exceeding Client Expectations and Innovation Using Technology

In 2015, we launched FinTech project teams, and in November 2017, we created Digital Transformation Departments at SuMi TRUST Holdings and SuMi TRUST Bank. The activities of these teams and departments have included verification experiments aimed at using technologies such as blockchain and AI, as well as joint research with external partners.



(1) Consulting with regard to the 100-year life using AI

We are working to offer a higher level of consulting based on data analysis through automatic predictive analysis using AI. Given the advent of the age of 100-year life, we will make more accurate, client-oriented proposals, such as consulting that reflects changes in transaction needs according to client life stages.

(2) Using digital technologies to offer a higher level of consulting

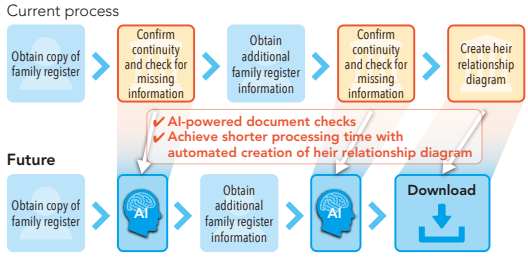
In addition to the above, we will continue to perform verification experiments aimed at improving client experiences, including using AI in the asset management field and AI specialized for text analysis to offer consulting that meets hidden client needs.

Aiming to Build Trust Business Platforms —Initiatives for automating inheritance procedures (business model patent pending)—

The Group is currently examining various options with the aim of building trust business platforms so that we can provide new added value to clients.

As part of the development of a new service, SuMi TRUST Bank kicked off an initiative in August 2019 that seeks to harness digital technology in order to automate the entire process of organizing family register information and creating heir relationship diagrams. The Bank also filed an application for a business model patent. After an inheritance has occurred, procedures for changing names and other matters at financial institutions require that the legal heir(s) is confirmed with the furnishing of a family register or other official records that show personal information from birth through to death. Currently, this process is quite time consuming and if a family register or other document lacks certain information, the client may be requested to supply additional records.

This initiative aims to use AI and other digital technology to check whether any key information is missing on the family register and automate the creation of a heir relationship diagram, among other processes. Accordingly, this should lighten the burden on the many inheritance procedure requests from clients and shorten processing time.



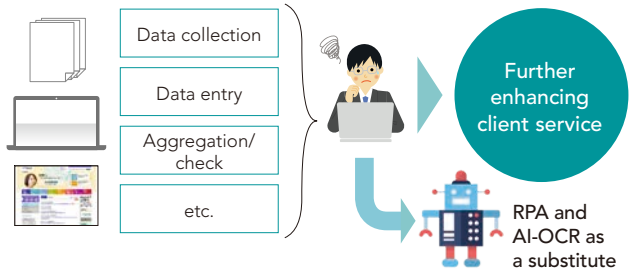
Initiatives to Improve Productivity —Promotion of BPR Activities Using Digital Technologies—

SuMi TRUST Bank has achieved savings of approximately 180,000 person-hours of labor in one year and a half since the full-scale introduction of Robotic Process Automation (RPA) to automate operations that were previously performed by humans.

We are improving both operational efficiency and quality by replacing standard back-office tasks, mainly at the head office, with RPA. At the same time, we are promoting digitalization of back-office tasks and a shift to paperless operations by introducing the AI-Optical Character Reader (AI-OCR) in data entry and other operations that were previously done on paper.

In addition to automating back-office tasks and shifting to paperless operations with the introduction of RPA and AI-OCR, we are also working on Business Process Re-engineering (BPR), which uses digital technologies to redesign operational processes that had previously been optimized on the assumption that they would be performed by humans.

These BPR activities have a wide range of applications, from banking operations such as mortgage loan-related tasks, to real estate and other trust operations. We aim to further enhance client services through BPR by improving group-wide productivity and shifting personnel from the head office to branch offices.



Initiatives at SBI Sumishin Net Bank, Ltd.

Since its founding in September 2007, SBI Sumishin Net Bank, Ltd. ("SBI Sumishin Net Bank"), a Group company, has worked to achieve "the most user-friendly internet banking, offering attractive products and services 24 hours a day, 365 days a year." Going forward, SBI Sumishin Net Bank will actively use AI and other leading-edge technologies to develop products and services that help improve client convenience.

(1) Providing AI Screening Services

Hitachi, Ltd. ("Hitachi") and SBI Sumishin Net Bank have established Dayta Consulting, a joint venture that provides AI screening services by bringing together Hitachi's high-performance AI and SBI Sumishin Net Bank's credit know-how.

As its first initiative, Dayta Consulting plans to begin offering AI screening services for mortgage loans at multiple financial institutions, including regional financial institutions, starting in 2019. The company will steadily expand the scope of applications for AI screening services to include transaction lending that provides loans based on the settlement data, and credit card loans, etc.

(2) Initiatives for the Cashless Market

As of April 1, 2019, SBI Sumishin Net Bank acquired NetMove Corporation ("NetMove"), which provides settlement terminals and systems for credit cards and QR codes and develops security software for financial institutions. This is the first example in Japan of a bank acquiring and making a subsidiary of a FinTech-related company. SBI Sumishin Net Bank will continue to provide new services by combining its banking services with the functions of NetMove, including use in lending based on payment history data in addition to capturing the demands of the cashless market, where continued expansion is expected.

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

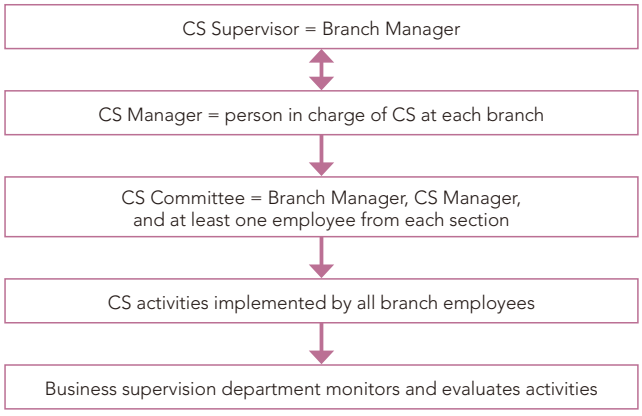
SuMi TRUST Bank has established Customer Satisfaction (CS) Committees at its branch offices and each and every employee is working hard to improve customer satisfaction and deliver client-oriented services by engaging in improvement activities based on the opinions of clients, improvement activities to address issues identified in client questionnaires, and by taking part in various training sessions and discussions.

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

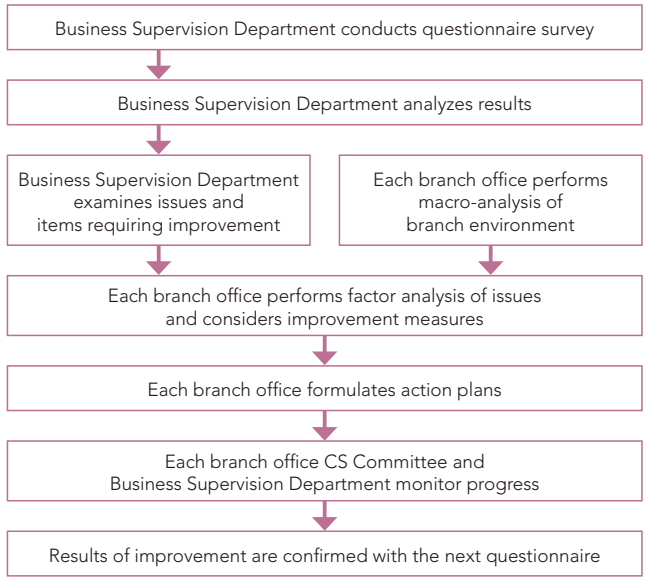
- Improvement activities based on client opinions
- Sharing of successful examples and improvement activities based on issues identified in cases subject to review
- Review of actions based on CS checklist



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



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 from other industries to talk on topics such as the development of organizational and human resources, and communication. In fiscal 2019 we plan to hold lectures about client loyalty and corporate strategy (scheduled for February 2020).

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

No.	Item	Description
1	Study sessions for improving CS awareness	The Customer Satisfaction Promotion Department visits each corporate management department, as well as head office and branches & departments for all businesses, to implement activities aimed at raising awareness about client and employee satisfaction through participation at CS Committee meetings and study sessions.
2	Training sessions	Training sessions for improving CS awareness, sharing complaints and VOC items, and business manners are held for newly appointed branch managers, new recruits, new corporate sales employees, and persons in charge of products or operations. All other employees are required to complete e-learning modules and attend CS lectures in order to enhance their awareness of CS.
3	Improving complaint management	Strengthening monitoring of complaints and improvement activities. Sharing VOC items to generate awareness of complaints and prevent occurrence.
4	Improving client questionnaires	Strengthening the improved PDCA cycle based on client evaluations by endeavoring to standardize the evaluation items in each questionnaire, enhancing our analyses, and sharing measures for improvement.
5	Collecting and making better use of daily client feedback	Promoting collection and analysis of VOC items and improvement and development of products and services. Formulation and announcement of Voluntary Declaration of Consumer-Orientation (June 2019).
6	Discussing job satisfaction	Collaboration between Customer Satisfaction Promotion Department and Fiduciary Duties Planning and Promotion Department to organize job satisfaction discussions at branches and departments in order to hear opinions directly from the source.
7	Meetings for holders of concurrent positions	The Customer Satisfaction Promotion Department holds quarterly meetings with employees who manage concurrent CS roles in each business in order to share and discuss successful cases across businesses.

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.

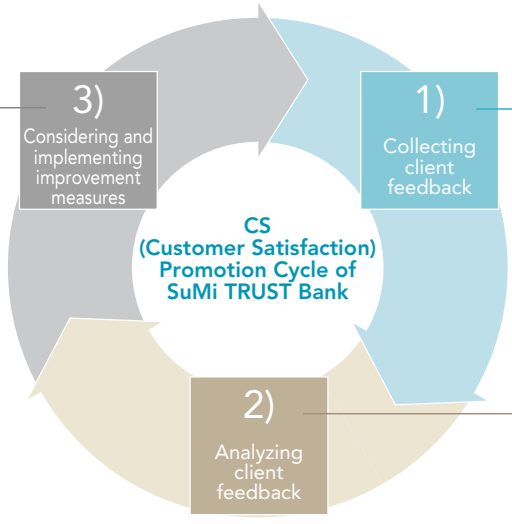
1) Collecting Client Feedback

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 2018, we appreciated upwards of 370,000 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.

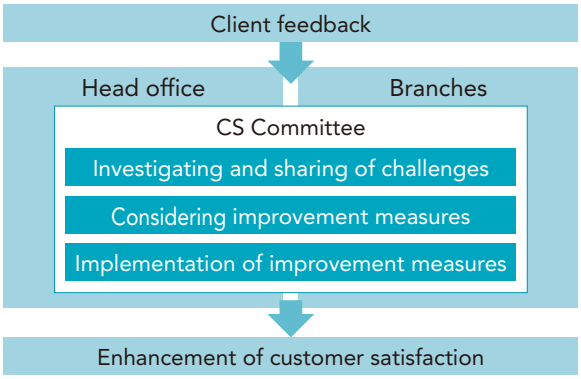
[Main Ways Hear from the Voice of Customers]

- 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



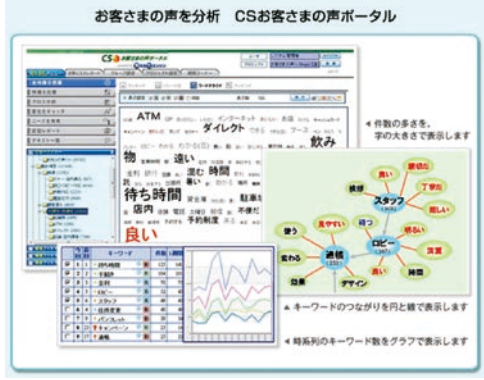
3) Considering and Implementing Improvement Measures

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.



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.

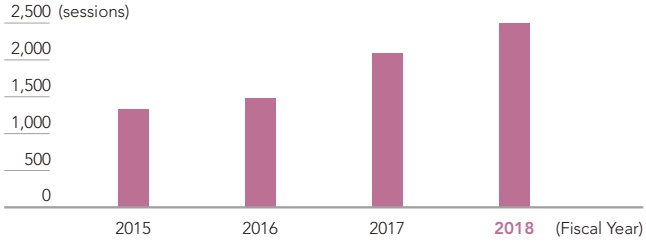


6. KPIs Concerning Initiatives Aimed at Becoming Our Clients' "Best Partner"

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

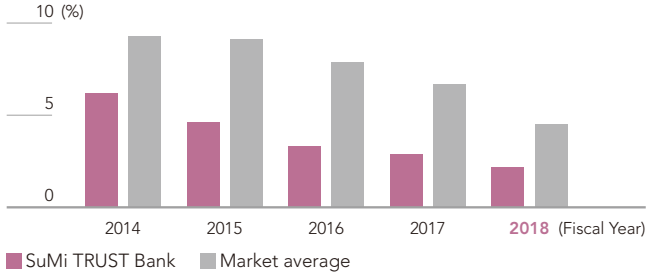
Number of Seminar Sessions Held



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

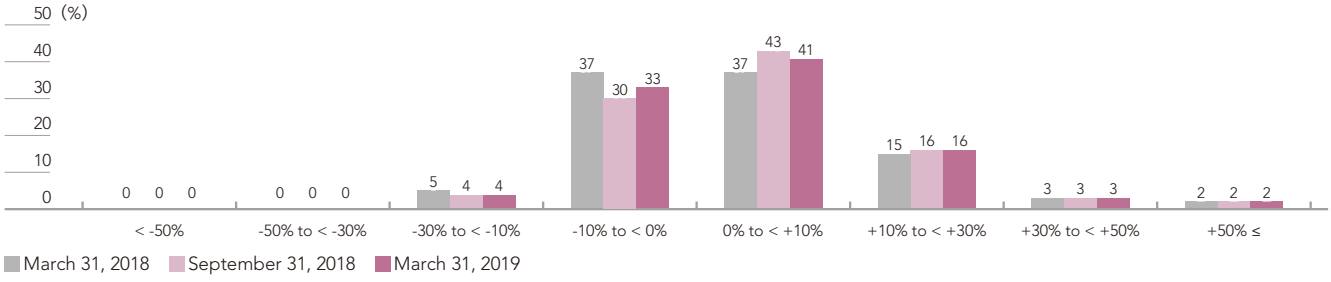


We propose products with low dividend frequency for clients' long-term asset formation needs. As a result, the ratio of dividend distribution to the balance of investment trusts is lower than the market average.

* 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.

Improving Investment Returns for Clients

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

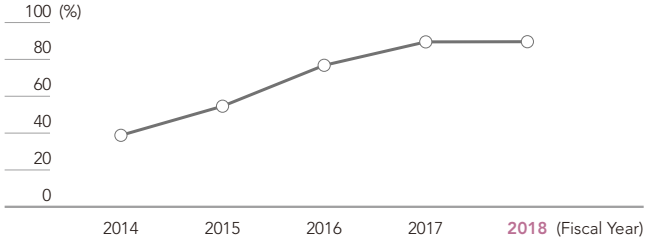


While investment gains/losses fluctuate depending on market trends and other factors, we make every effort to improve returns and realized profits/losses for our clients.

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.

Improvement of Value of Investee Companies

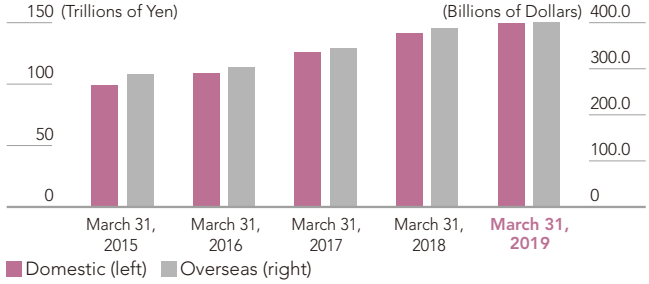
Ratio of Market Capitalization of Companies where Engagement is Implemented Compared to TOPIX Base Market Capitalization



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.

Initiatives Related to Fiduciary Duties

1. Practicing Fiduciary Duties

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. To this end, 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 91 for enhancement of our conflict of interest management framework.)

The SuMi TRUST Group makes public indicators that allow confirmation of the status of initiatives and Key Performance Indicators (KPIs) aimed at becoming our clients' "Best Partner," in order to communicate the results of these initiatives in a simple manner. These indicators are revised each fiscal year, and include the common KPIs, which are common indicators comparable across investment trust distributors.

Promoting/Supervising Structure of the Group

	Organization		Initiatives
SuMi TRUST Holdings	Board of Directors	Conflicts of Interest Committee	• Supervise Conflict of Interest management for the group, monitor FD* progress
SuMi TRUST Bank	Executive Committee	Conflict of Interest Management Enhancement Committee	• Discuss important cases • Guide improvement to relevant departments
SuMi TRUST Bank	Department in charge	Fiduciary Duties Planning and Promotion Dept.	• Promote FD* within organization
SuMi TRUST Bank	Department in charge	Compliance Dept.	• Enhance Conflict of Interest management
Group Companies	Group-wide	Fiduciary Duties Discussion Panel	• 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"
2019	June	Announcement of Voluntary Declaration of Consumer-Orientation

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 makes publicly available an overview of its Management Policy Concerning Conflicts of Interest*1 (following approval of the Board of Directors) 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.

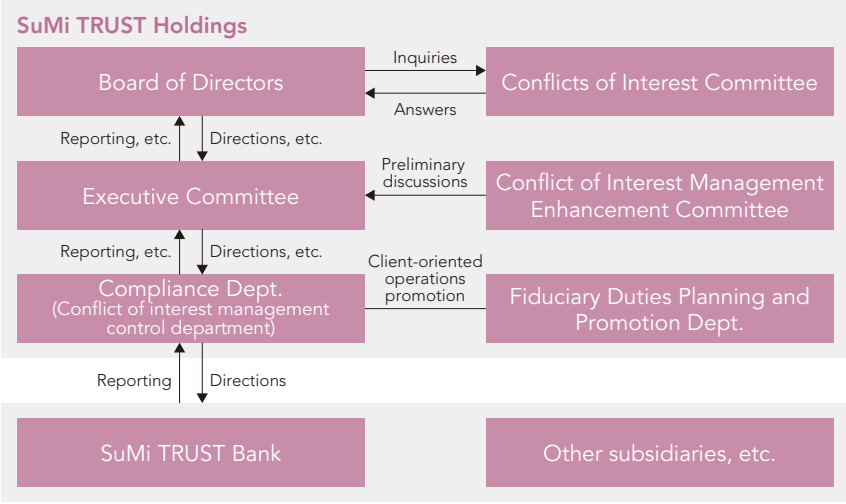
We also have in place a system to ensure that necessary improvements and guidance are implemented on an ongoing basis. Our Compliance Department—which functions as a conflict of interest management control department independent from our sales departments—periodically examines the effectiveness of the Group's overall conflict of interest management and 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 has convened 10 meetings thus far (four annually). Furthermore, the Committee has recently been discussing what needs to be done following the abolishment of the FSA's Inspection Manual for Trust and Banking Companies, as well as the soundness of conduct centering on conflict of interest management. The Committee publishes summaries of the proceedings*2 of its meetings on a regular basis.

Guided by this framework, we have continued to implement measures*3 aimed at mainly preventing Group companies from wielding their influence over asset management firms and other entities within the Group and enhancing the independence of our asset management operations. As for investment trust and insurance products distributed through SuMi TRUST Bank, we are constantly striving to beef up our initiatives by, for example, establishing the Mutual Fund & Insurance Research Institute to externally evaluate the quality and sales structures of products and services so that clients within and outside the Group can access high-quality products and services that suit their needs.

*1 https://www.smth.jp/coi/index.html
*2 https://www.smth.jp/about_us/management/customer/index.html
*3 See our Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations via the link in note 1 above

Conflict of Interest Management System*1



*1 For roles and responsibilities of each management structure and main departments, please refer to page 89.

Conflicts of Interest Committee Members

Chairperson: Hideki Kanda*2
Professor, Law School at Gakushuin University
Emeritus Professor, University of Tokyo
*2 External Director, SuMi TRUST Bank

Member: Takeshi Suzuki
External Director, SuMi TRUST Holdings

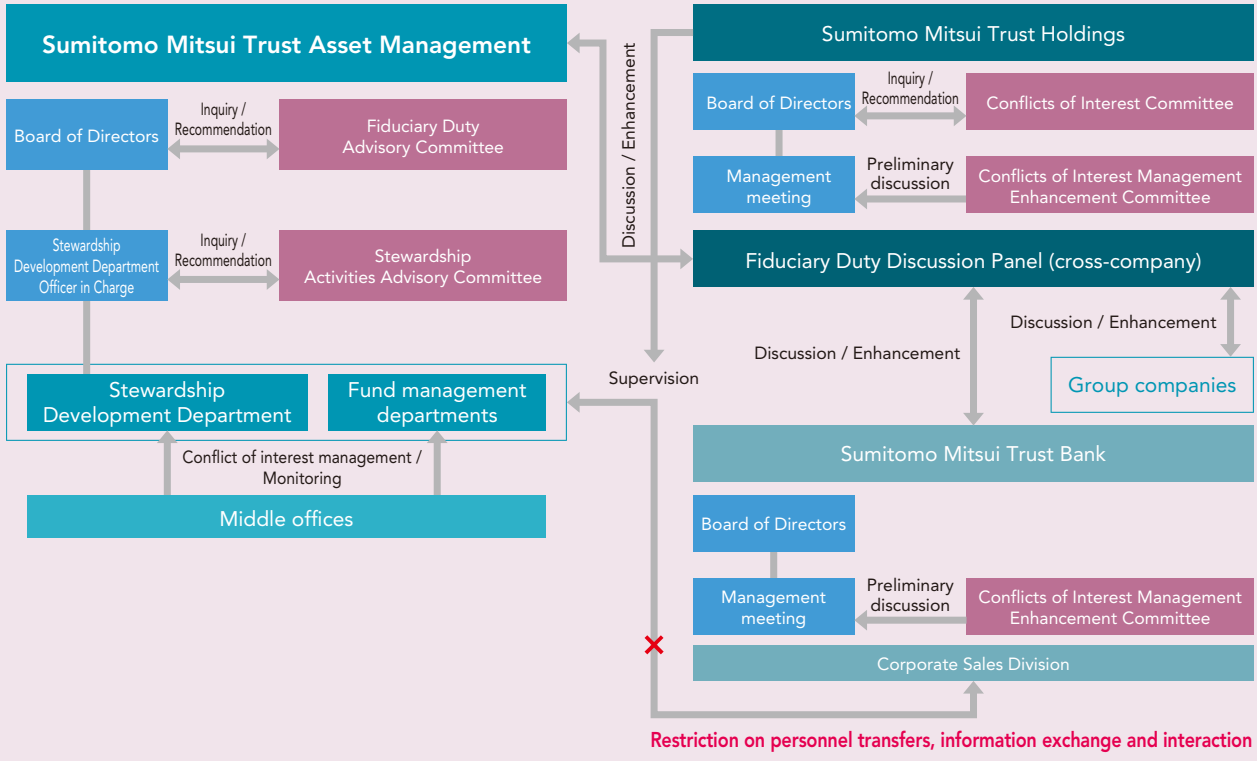
Member: Akiko Hosokawa
Partner, Baker & McKenzie

Member: Yutaka Nishida
Senior Managing Executive Officer, SuMi TRUST Holdings

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

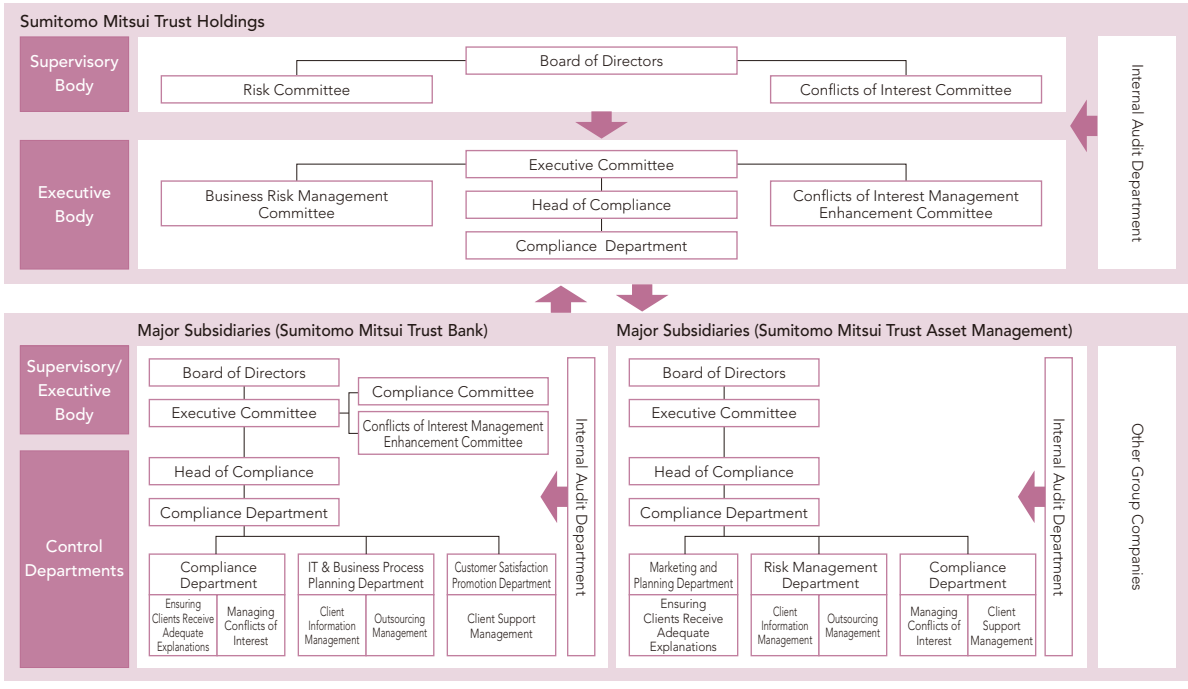


Client Protection Management

Basic Initiative Policy

The Group considers client protection to be a top management priority. We have put in place a basic policy aimed at enhancing client protection and convenience in the Group's client protection management regulations (approved by the Board of Directors) in order to develop an appropriate client protection management framework that reflects the business attributes of each Group company.

At each Group company, a supervising department to oversee client protection management and function-specific control departments have been established in accordance with the Group's basic policy. The supervising department manages overall client protection management by primarily drawing up annual plans concerning client protection, periodically reporting to the Board of Directors, and maintaining internal regulations. The control departments are tasked with establishing a system through the development of internal rules for their respective functions. They also endeavor to ensure appropriateness and sufficiency for each function by providing guidance to relevant departments and improving the content of employee training.



Client Explanation Management

When offering financial products and services to our clients, we make sure to provide appropriate and sufficient explanations and easy-to-understand information based on the client's knowledge, experience, assets, and purpose of transactions so that we gain their understanding and consent.

Specifically, we have made our policy on the solicitation and sale of financial products and services publicly available, we properly enforce the suitability rule*1 and maintain a manual on providing explanations to our clients about matters such as appropriate information disclosure, and we have a system in place for improving employee training. On top of this, in an effort to ensure the fair solicitation and sales of financial products from the standpoint of our clients based on the action principles outlined in our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group*2, we implement client-oriented consulting*3, provide easy-to-understand information*4, and take steps to expand the content of training sessions with the aim of increasing the knowledge and expertise of officers and employees regarding financial markets, products, and services.

In particular, we monitor whether our explanations to clients about risky financial products, such as investment trusts and life insurance, are up to standard. We leverage the results of the aforementioned initiatives to maintain a system that guarantees a high standard of client consulting and explanations and so that we can revise our solicitation rules when necessary.

*1 The suitability rule prohibits financial institutions from soliciting clients in ways that are inappropriate in light of the client's knowledge, experience, assets, and transaction purpose.
*2 https://www.smth.jp/about_us/management/customer/fiduciaryduty/
*3 This involves client proposals in line with their needs by utilizing (1) easy-to-understand materials describing case examples of life planning that reflect life events and asset management methods based on investment objectives and duration, and (2) simulation tools incorporating the client's assets, family structure, and life events.
*4 To provide easy-to-understand information, we are working to improve descriptions about risks and fees, politely following up on clients in consideration of market developments, and improving seminar content and hosting more sessions.

Conflict of Interest* Management

The Group makes publicly available an overview of its Management Policy Concerning Conflicts of Interest (following approval of the Board of Directors) 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.

Notably, each Group company identifies in advance transactions that have the potential to cause conflicts of interest in their business operations and establishes management methods for such transactions. The Group attempts to prevent the harmful effects of conflicts of interest in the event those transactions are carried out by following predetermined methods for conflict of interest management or developing business execution systems. If new transactions with the potential for conflicts of interest are anticipated, they shall be identified as such and managed before they are executed with the established conflict of interest management methods.

In order for the Group to appropriately manage conflicts of interest, the Compliance Department—which functions as a 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, the Executive Committee, and the Board of Directors, before adopting necessary steps for improvement.

Moreover, from the perspective of upholding our fiduciary duties, we constantly strive to enhance our conflict of interest management framework based on the idea of maintaining a "best practice" system for managing conflicts of interest as outlined in our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group. Please refer to page 91 for enhancement of our conflict of interest management framework.

* A conflict of interest refers to a situation where there are conflicting interests between the Group and its clients, or between clients of the Group.

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 87). 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 2018 SuMi TRUST Bank received a total of 7,929 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. Consignment

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 to establish strong credibility with society, 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 enterprise value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses the SuMi TRUST Group's Management Principles ("Mission"), Ideal Model ("Vision"), and Codes of Conduct ("Value") as the anchor for all of our activities, which is shared by all of 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 the effectively 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, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a 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 the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees," and, by separating the 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, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

2. Perspectives Regarding the Corporate Governance System

SuMi TRUST Holdings is a financial holding company with subsidiaries such as SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, JTC Holdings, and Sumitomo Mitsui Trust Research Institute, etc. and aims to be our clients' "Best Partner," by providing "Total Solutions" that combine our banking business, asset management and administration business, and real estate business, based on a fiduciary spirit, and by making full use of our significant expertise and creativity. In addition, in order to fulfill our principles and meet the expectations of stakeholders, SuMi TRUST Holdings endeavors to ensure the soundness and reliability of its business model and the transparency of the management of the SuMi TRUST Group, and further enhances the SuMi TRUST Group's corporate governance.

3. Board of Directors

(1) 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"). 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.

(2) Composition of the Board of Directors

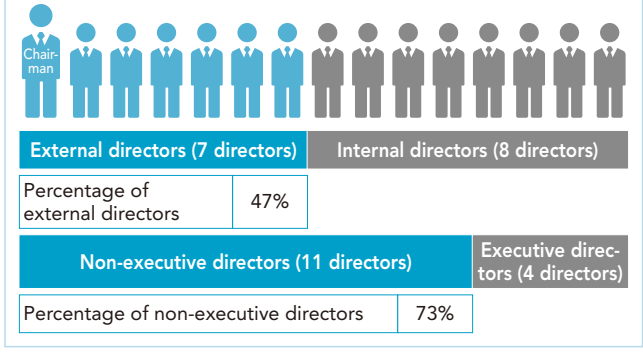
The Board of Directors of SuMi TRUST Holdings is comprised of no more than 20 directors, which is the number of directors prescribed in the Articles of Incorporation, and includes the number of directors that is necessary and appropriate to provide an effective supervisory system required of a financial 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

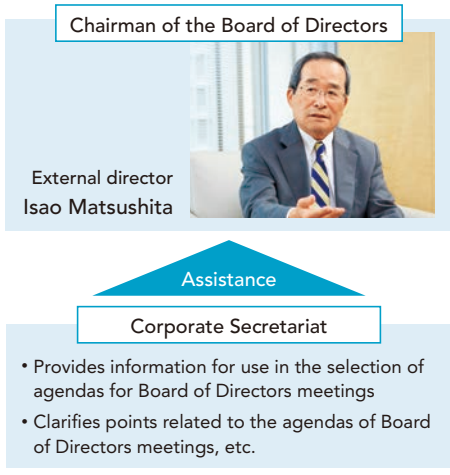


- All seven external directors have been registered as independent officers with the relevant financial instruments exchange.
- Breakdown of 15 directors: 14 men, 1 woman
- The Board of Directors met 16 times from December 1, 2018 to November 30, 2019. Only one director was absent once.

(3) 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.

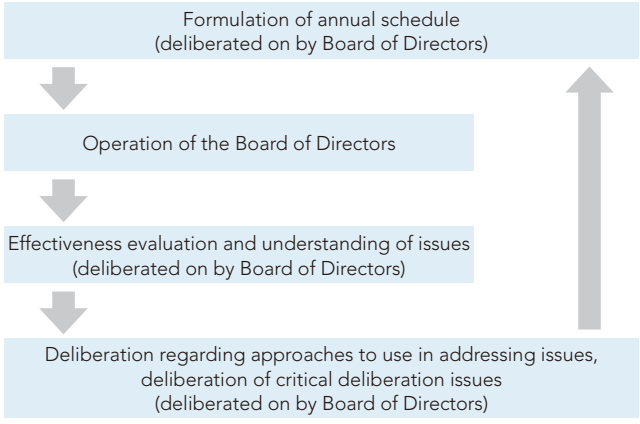
In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, thereby providing information for use in the selection of agendas for Board of Directors meetings, and offering assistance regarding matters such as the clarification of points related to the agendas of Board of Directors meetings.



(4) Results of the FY2018 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 FY2018 Evaluation of the Board of Directors are as indicated below.

PDCA Cycle



FY2018 Key Evaluation Points of the Board of Directors

(1) Implementation of multifaceted evaluations, including a self-evaluation by the Board of Directors and each committee's self-evaluation, as well as the Board of Directors' evaluation of each committee and executive officers' evaluations of the Board of Directors
(2) Implementation of third-party evaluations through questionnaires and interviews with directors by external experts
(3) Confirmation of some degree of effectiveness through self-evaluations based on third-party evaluations; recognition of future issues
(4) Exchanges of opinions at the external directors' meeting regarding the results of the evaluation of the Board of Directors

FY2018 Implementation Schedule for the Evaluation of the Board of Directors

Month and Year	Evaluation Process
January-February 2019	Conducted questionnaires on directors, executive officers, and members of each committee (including external committee members other than directors. Same hereinafter)
February-March	External experts conducted interviews with directors
April	The board of directors deliberated the results of the evaluation of the board of directors Exchanges of opinions by external directors at the External Directors Meeting
May	Areas of greater focus for future deliberations were discussed by the board of directors
June	Additional matters for consultation for each committee were prepared An annual deliberation schedule for the board of directors was prepared

Measures to Address FY2017 Challenges

Based on the efforts for tackling challenges in fiscal year 2017, described below, the FY2018 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 2017.

(1) Refinement of the infrastructure for operation of the Board of Directors to contribute to efficient and enhanced deliberation

- With regard to the topics to be deliberated on in greater depth by the Board of Directors, an annual deliberation schedule was formulated, and the topics were discussed by the Board of Directors. Appropriate deliberation opportunities were provided to the Board of Directors and committees.
- Board of Directors materials were improved with an eye toward monitoring by the Board of Directors.

(2) Further demonstration of supervisory functions over management matters important for promotion of the midterm management plan

- From a supervisory perspective, management priority issues and medium- to long-term themes were selected as "management themes" and deliberated on in-depth by the Board of Directors.
- Progress in the deliberation of risk appetite framework ideals, based on the trust bank group business model, was confirmed.

(3) Enhancement of coordination between the Board of Directors and each committee with a view toward ensuring the further demonstration of their functions

- Through deliberations by the Board of Directors, processes were introduced for clarifying the advisory issues of each committee for fiscal year 2018.

Results of the FY2018 Evaluation of the Board of Directors and Future Measures

Through the FY2018 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 Evaluation of the Board of Directors, 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) Enrichment of discussions of medium- to long-term management challenges and strategies, including formulation of the next midterm management plan
(2) Enhancement of monitoring aimed at improvement of group governance
(3) Enhancement of framework that supports the operation of the Board of Directors

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.

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.

(1) 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 from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management, 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.

(2) 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 Sumitomo Mitsui Trust Asset Management, 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.

(3) Audit Committee

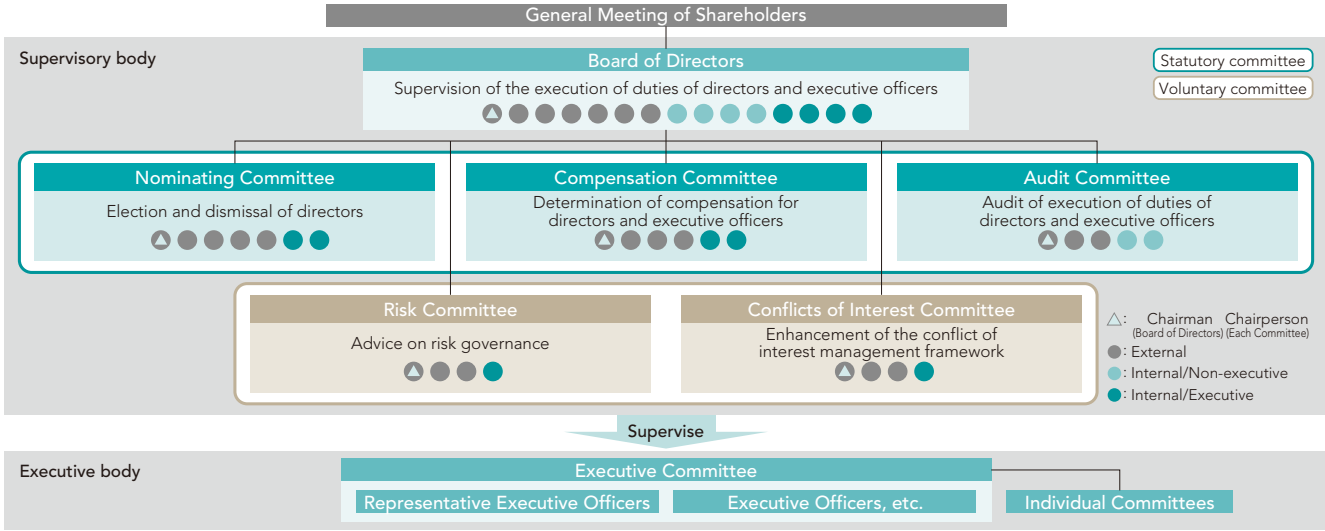
The Audit Committee audits the execution of duties by executive officers and directors, and prepares audit reports.

Committee Activities
June 27 to November 30, 2019

Nominating Committee	Held 5 times 100% attendance
• Partially revised the succession plan (human resource development plan for successors to top management) • Confirmed succession plans for major posts (general managers, etc.) • Checked implementation of training for newly-appointed executive officers • Quarterly report on the Committee's activities to the Board of Directors	

Compensation Committee	Held 5 times 100% attendance
• Revised stock compensation system (from stock compensation-type stock options to share delivery trust • Considered and discussed issues related to the compensation system for directors and officers • Quarterly report on the Committee's activities to the Board of Directors	

Corporate Governance System



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 from the pool of committee members who are independent external directors.

(4) 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 independent external directors.

(5) 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.

Audit Committe	Held 8 times 100% attendance
• Carried out organization auditing (audits utilizing the internal control system). Conducted systematic and efficient audits through appropriate collaboration with executive officers, directors, the Internal Audit Department, and accounting auditor, etc. • Audit activities reported to the Board of Directors quarterly, focusing on important audit matters including audit instructions from the Board	

Risk Committee	Held 3 times 100% attendance
• Discussed topics such as the risk appetite framework (RAF), based on business models • Evaluated external environment assumptions on which the midterm management plan is based, and the Group's recognition of important risk situations • Evaluated and provided guidance on restructuring and liquidation procedure plans formulated as a D-SIB	

Conflicts of Interest Committee	Held 2 times 100% attendance
• With the aim of enhancing fiduciary duties, discussed topics such as ways to enhance our communication both internally and externally • Discussed improvements to the conflict of interest management framework based on domestic and overseas trends	

Members of Committees

(△: Chairperson, ●: Member (external), ●: Member (internal/non-executive), ●: Member (internal/executive))

			Nominating	Compensation	Audit	Risk	Conflicts of Interest
External	Directors	Isao Matsushita	△	●			
		Takeshi Suzuki	●	●		●	●
		Mikio Araki	●	●		△	
		Shinichi Saito	●		△		
		Takashi Yoshida			●		
		Hiroko Kawamoto	●	△			
		Mitsuhiro Aso			●		
	Experts	Hideki Kanda*					△
		Haruyuki Toyama*				●	
		Akiko Hosokawa*					●
Internal		Tetsuo Ohkubo	●	●			
		Masaru Hashimoto	●	●			
		Yutaka Nishida				●	●
		Kuniyuki Shudo			●		
		Kouji Tanaka			●		

* Mr. Hideki Kanda is an external director of SuMi TRUST Bank. Mr. Haruyuki Toyama and Ms. Akiko Hosokawa are external experts.

5. Compensation System for Directors and Executive Officers

(1) Policy Regarding Decisions on the Content of Compensation

- Compensation for directors and executive 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.
- We accurately assess the roles that directors and executive officers of SuMi TRUST Holdings must perform in corporate management, as well as the results of their efforts, in order for them to adequately discharge their supervisory duties over the Group companies, 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.
- Neither internal nor external committee members participate in decisions regarding their own compensation.

(2) Overview of the Compensation System

In principle, in fiscal year 2018, a combination of monthly compensation (fixed compensation and individual performance compensation), executive bonuses, and stock-compensation-type stock options was paid.

In fiscal year 2019, a system was introduced that combines a share delivery trust, the content of which includes assessments of ESG related activities and scores from evaluation agencies, as well as assessments of fiduciary duties and customer satisfaction (CS) related activities.

(Please check our website for further details:
https://www.smth.jp/about_us/management/governance/pdf/191108.pdf)

FY2018 Compensation ratio*1	Approx. 40%	Approx. 30%	Approx. 15%	Approx. 15%
Compensation type	**Fixed compensation portion of monthly compensation**	**Individual performance compensation portion of monthly compensation*2**	**Company performance-linked bonus**	**Stock-compensation-type stock options**
Payment standard	• Paid based on position, etc.	• Evaluation for previous fiscal year • Medium- to long-term performance contributions • Medium- to long-term activity status • Qualitative assessment of capabilities, etc.	• Consolidated net business profit before credit costs • Consolidated net income	• Single fiscal year performance • Stock price • Other management environment, etc.

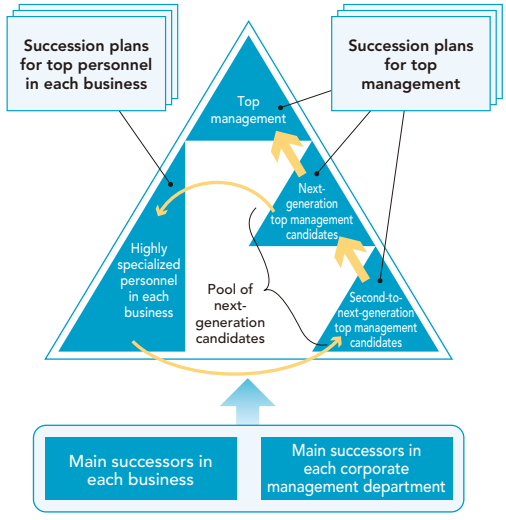
*1 For the President (also applies to table's content)
*2 Ranging between 70% and 160% of the standard amount

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 major subsidiaries, SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management. 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 define the ideals and requirements of directors and executive officers, 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 reports to the Board of Directors.



7. Changes to the Institutional Design of Group Companies

In order to enhance the SuMi TRUST Group's corporate governance system, three primary Group companies of SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management, have changed from a "company with a Board of Corporate Auditors" to a Company with an Audit and Supervisory Committee.

Furthermore, Nikko Asset Management has changed from being a directly owned subsidiary of SuMi TRUST Bank to being a directly owned subsidiary of SuMi TRUST Holdings. In doing so, it aims to further promote the Group's asset management business while enhancing corporate governance, such as efficient and appropriate management of conflicts of interest within the Group.

Changes to the Institutional Design of Group Companies/Transfers within the Group

June 2017	SuMi TRUST Holdings became a "company with Three Committees"
October 2018	Sumitomo Mitsui Trust Asset Management became a Company with an Audit and Supervisory Committee
June 2019	SuMi TRUST Bank and Nikko Asset Management became a Company with an Audit and Supervisory Committee
July 2019	Nikko Asset Management became a directly owned subsidiary of SuMi TRUST Holdings

8. Management Themes 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 thoroughly play this role, the Board of Directors of SuMi TRUST Holdings selects management themes, consisting of legal and regulatory requirements, priority management issues, and medium- to long-term themes, and discusses these themes in the Board of Directors meetings.

In addition to directors of SuMi TRUST Holdings, external directors of SuMi TRUST Bank also participate as observers in discussions regarding these management themes. Discussions are conducted freely, without any obligation to reach conclusions. The perspectives and expertise of external directors are leveraged in order to enrich the agendas at Board of Directors meetings.

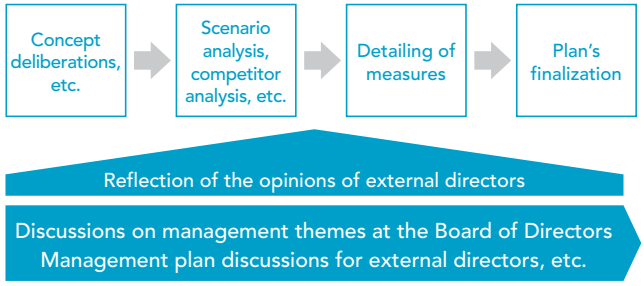
Past Management Themes

December 2018	Utilization of trust functions to address social and economic issues
May 2019	Next midterm management plan
July	(Next midterm management plan)
September	Materiality review
	(Next midterm management plan)
November	Next midterm management plan

* Items in parentheses were not listed as management themes but were discussed by giving more time following the management theme

9. Early Stage Participation in the Midterm Management Plan Formulation Process

Fiscal year 2019 is the final year of the current midterm management plan. Full-fledged discussions were carried out with the aim of formulating the next midterm management plan, to begin in fiscal year 2020. In formulating the plan, management themes were discussed at the Board of Directors from the early stages of deliberation regarding its concepts. In addition, management plan discussions were carried out by external directors outside of Board of Directors meetings. These discussions leveraged the expertise of external directors.



10. External Directors' Meetings

In order to further improve the effectiveness of our corporate governance, we regularly hold external directors' meetings, which are only attended by external directors.

These external directors engage in discussions that are active and unrestrained, sharing information and awareness from independent and objective positions. These meetings contribute to the greater objectivity and independence of the Board of Directors.

11. Dialog between External Directors and Investors

In December 2018, we held "SuMi TRUST IR Day," at which external director Mr. Shinichi Saito, who serves as chairperson of Audit Committee, provided an explanation of our corporate governance initiatives and conducted a Q&A session with the investors in attendance.



12. 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 where special attention is required in exercising voting rights due to such things as a long-term slump in business performance, organizational restructuring, or the occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall, through a variety of methods including engaging in dialogue with the issuer, collect sufficient information and make a decision in favor for or against each agenda item, paying particular attention to the following: appropriation of retained earnings, appointment of directors and corporate auditors, retirement allowance to corporate auditors, etc., organizational restructuring, and management buyout, etc.

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.

13. 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)

14. 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 audit committee's audits.

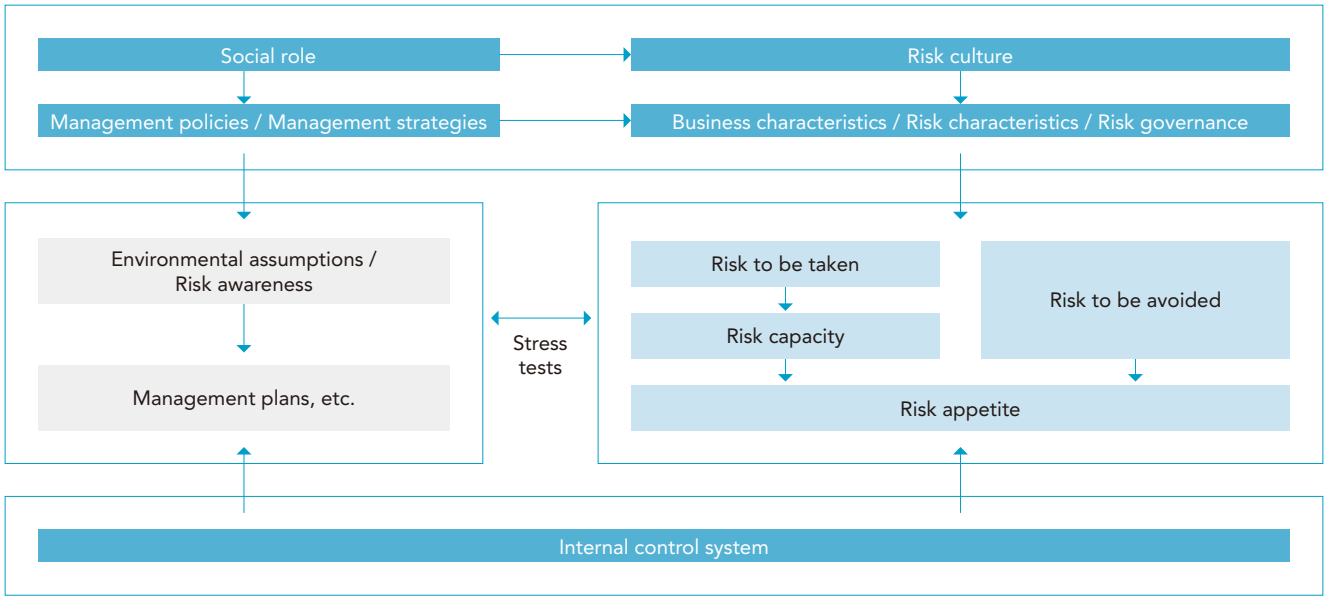
15. Risk Appetite Framework

(1) Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) 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 principles, together with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promote the enhancement of the transparency of deliberation and determination process for the overall risk taking policy in capital allocation and profit maximization, etc. through the setting, communication, and oversight of risk appetite, as well as the optimization and speed-up of allocation of management resources and reinforce the monitoring system through the use of RAF as the universal language of the Group.

Outline of the Risk Appetite Framework



(2) Operation of Risk Appetite

Determining Risk Appetite

The Group classifies risks into two categories: (1) risk to be taken (that occurs in relation to activities that generate returns) and (2) risk to be avoided (such as conduct risk that cannot be tolerated by the Group).

Under RAF, the Group establishes a risk-taking policy, which is an overriding management policy based on its Mission, Vision, and Value, and sets risk appetite indicators to be resolved by the Board of Directors. In addition, the Group sets more in-depth risk-taking policy and risk appetite indicators by business within the scope of policy set by the Board of Directors, which will be resolved by the Management Committee.

The risk-taking policy and risk appetite indicators are determined in accordance with the management plan. These are reviewed at any time at least once a year or when necessary.

Monitoring of Risk Appetite

In order to verify that risk taking is carried out appropriately based on its business model, the Group sets separate risk appetite indicators from the perspective of return, risk, and cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or revises the levels.

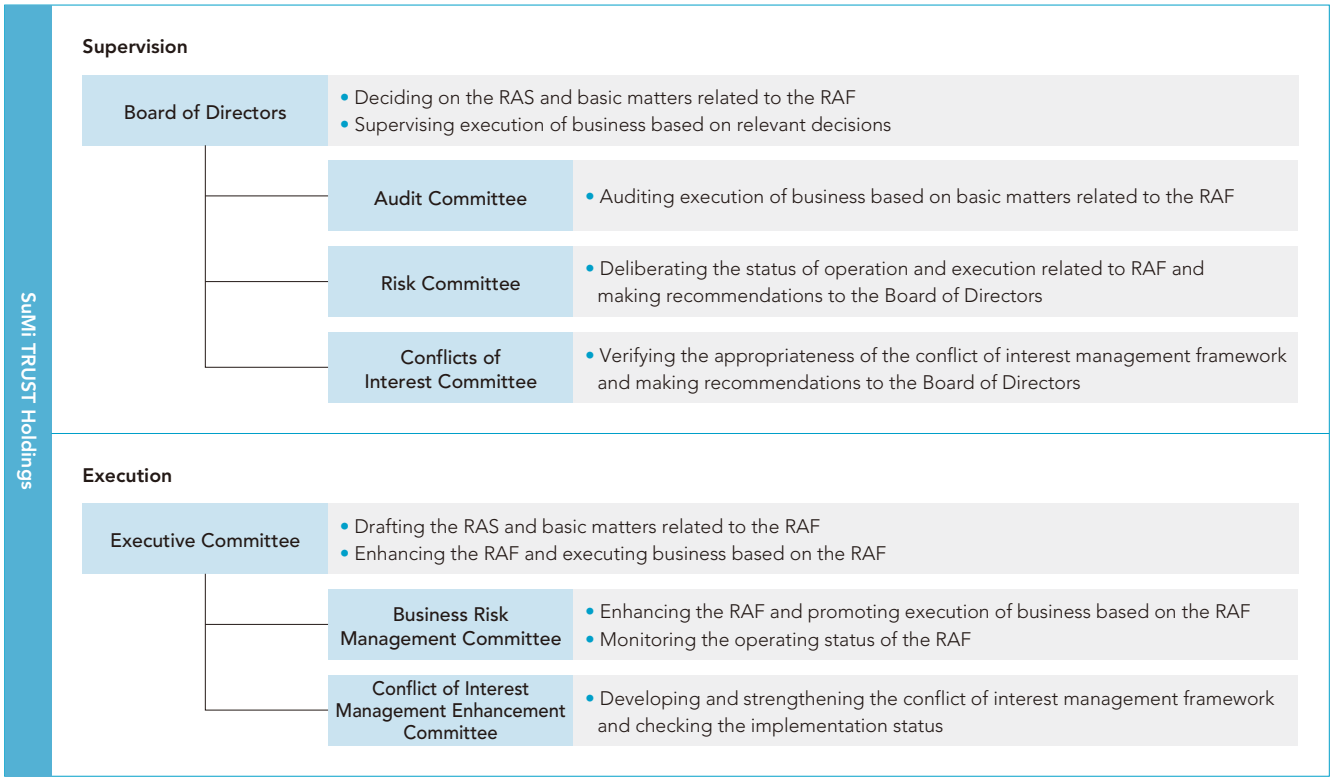
Risk Governance

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.

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.

Risk Appetite Framework Operating System



(3) 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 have formulated risk-taking policies for each business to clarify management strategies, and are endeavoring to have all its employees secure soundness through appropriate risk taking and develop a sustainable business model. In addition, we have formulated a Risk Appetite Statement clearly stating our RAF, which is used as a universal language in lively discussions concerning risk appetite within the Group.

16. Internal Auditing

(1) 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, 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.

(2) 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.

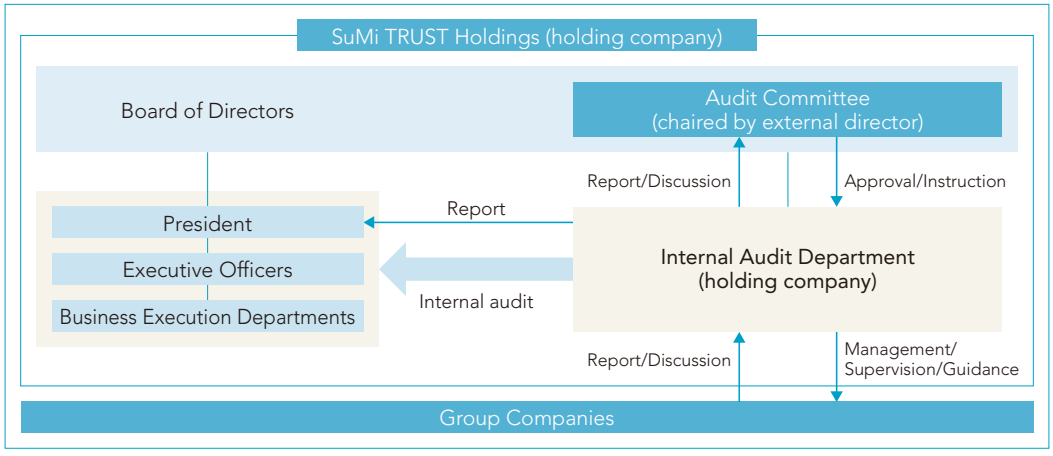
In addition, the Internal Audit Department, as the department supervising the Group's internal auditing, receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration 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



17. Communication with Shareholders and Investors

(1) 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.

(2) Activities Carried Out

(1) Activities for Individual Investors

We strive to provide information that will allow individual shareholders and investors to better understand the Group 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").

At an information meeting held in March 2019, we had a dialogue on management issues surrounding the banking industry, including specific initiatives, with Mr. Takashi Mitachi of the Boston Consulting Group as our guest.



For details, please see our website (Japanese only).
https://www.smth.jp/investors/individual_meeting/index.html

(2) 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. At SuMi TRUST IR Day, held in December 2018, frontline leaders described the features and strengths of the Group's digitalization strategy and real estate business, as well as our strategic direction. In addition, Mr. Shinichi Saito, an external director and chairperson of the Audit Committee, gave a presentation on our governance.

(3) Received Japan Investor Relations Association "IR Special Award"

At the 2018 IR Awards selected by the Japan Investor Relations Association in November 2018, SuMi TRUST Holdings received the "IR Special Award" for the second time, following its first award in fiscal year 2010. The award recognizes our unique IR practices, which include "consistently improving IR practices," "taking on a leadership role in IR activities in the industry," and "being highly regarded for promoting IR to individual investors."





IR Activities Carried Out in FY2018

Investor meetings on financial results for analysts and institutional investors	2 times
Overseas IR events	9 times
One-on-one meetings with institutional investors in Japan and overseas	Number of companies: 391 (including 199 overseas investors)
Information meetings for individual investors	Number of participants: 858

(3) General Meeting of Shareholders

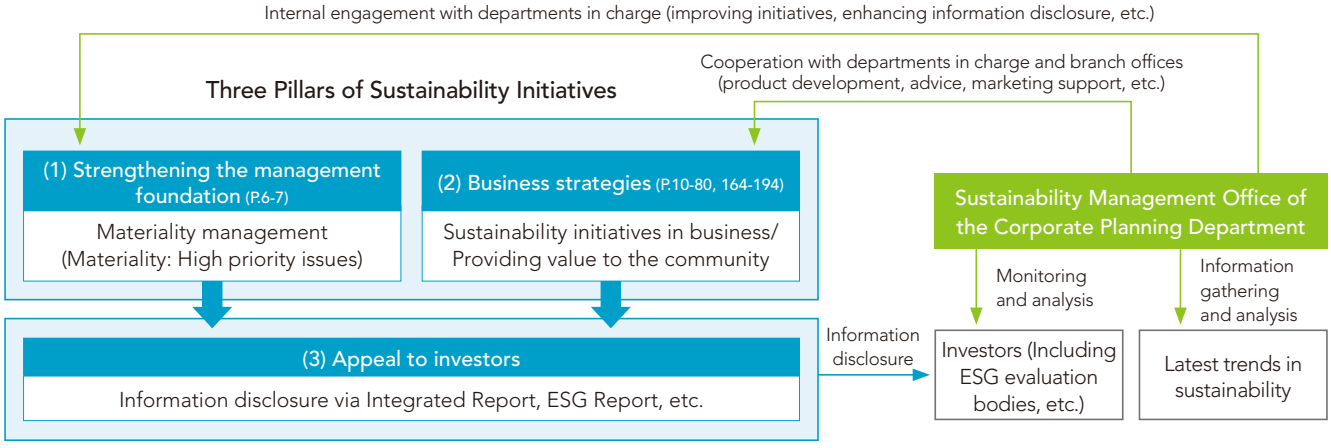
In addition to promptly sending out the convocation notice for the General Meeting of Shareholders held in June of each year, we post the notice on stock exchange websites and our own website one week before it is sent out. We are also striving to improve the voting environment by making it possible 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.

18. Sustainability Initiatives of Sumitomo Mitsui Trust Group

(1) Fundamental Perspectives

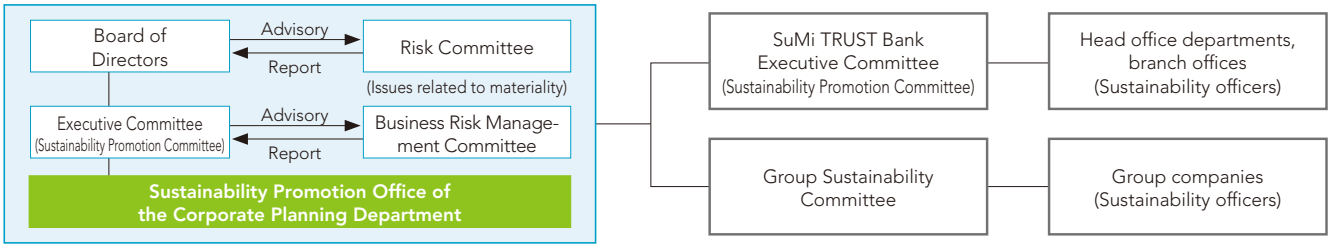
SuMi TRUST Group's Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increase the corporate value of SuMi TRUST Group by promoting active efforts to resolve sustainability-linked environmental and social issues while taking into consideration its stakeholders. The Group views the three pillars of its sustainability initiatives to be "materiality management," as the strengthening of its management foundation, "sustainability initiatives in our business/providing value to the community," as business strategies, and the "appeal to investors" of these two activities.



(2) 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	Kazuya Oyama (Managing Executive Officer)
Chief Sustainability Officer	Tsukasa Kanai (Fellow Officer)



(3) 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.

Developing innovative products and services, rolling out CSV businesses

- Developing innovative financial products and services that contribute to addressing environmental* and social issues

ECO TrustutioN® エコ・トラステューション

* 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

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

SuMi TRUST With You®

- "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 178 regarding "With You" activities)

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.)

(See page 135 for details)

(4) Sustainability Medium-term Policies/FY2019 Policies

(1) Sustainability Medium-term Policies (FY2017-2019)

Themes	Medium-term Policies
Promote ESG management directly linked to increasing corporate value	• 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
Actively develop CSV businesses to substantially contribute to improving earnings	• 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
Pursue social returns	• 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 FY2019 Policies

Themes	FY2019 Policies
Promote ESG management directly linked to increasing corporate value	• Establish position as No.1 financial institution for ESG management • Continuously strengthen materiality management (Comprehensive review of materiality in line with the formulation of new midterm management plan, etc.)
Actively develop CSV businesses to substantially contribute to improving earnings	• Develop a business framework based on international standards (being a signatory to the Principles for Responsible Banking (PRB)) • Further strengthen initiatives for the five major themes and develop total solution services • Establish policies for specific sectors
Pursue social returns	• Pursue social returns through Positive Impact Finance • Improve response to dementia-related issues

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 (Vision)" 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	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. 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).
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

With the approval of the Board of Directors, the SuMi TRUST Group has created a compliance manual which provides an explanation on the background and purpose of the Codes of Conduct and rules concerning laws, regulations, and other conventions to be adhered to, and measures to be taken in the event of any compliance infractions. The contents of this manual have been made widely known to all directors, officers, and employees across the Group.

Furthermore, the Group is improving training on compliance throughout the entire Group to help foster an awareness of compliance matters. Specifically, support

is provided with trainings carried out by supervising departments responsible for compliance at each Group company, such as by providing training materials, dispatching instructors, and planning and implementing discussion-based study sessions on themes that span the whole Group.

In addition to the above, efforts are being made at each Group company to raise awareness and ensure thorough implementation of compliance matters through training and study sessions tailored to the characteristics of business and products at each company and the aspects of their clients, as well as through e-learning programs on specific themes and guidance on a daily basis.

Furthermore, in order to accurately ascertain how matters of compliance are being understood, the Group conducts an annual survey on compliance awareness each fiscal year at major subsidiaries and elsewhere, in an effort to understand the actual situation and improve any issues. The survey is an attempt to understand the situation of the entire Group by, for example, setting common questions in order to grasp Group-wide issues and to implement any effective measures.

2. Outline of Initiatives

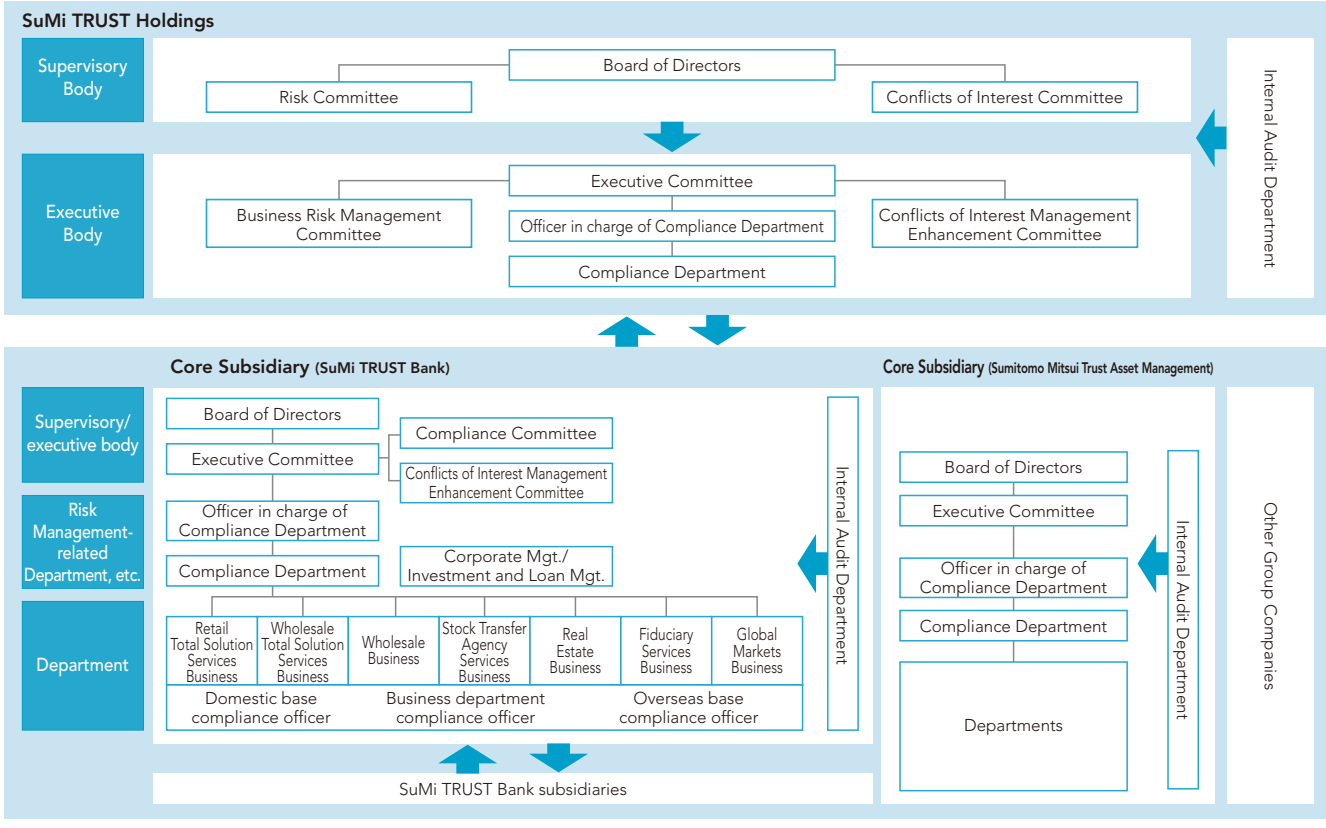
Group Compliance System

With the approval from the Board of Directors, the Group formulates a compliance program consisting of a detailed implementation plan for compliance each fiscal year, and the Board of Directors regularly monitors and evaluates the program's progress.

Furthermore, in order to maintain an appropriate compliance framework in line with the business characteristics of each Group company, we manage the compliance framework for the entire Group, such as by formulating compliance programs for each company and providing guidance and oversight on the state of progress and achievement of these programs.

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	• 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	• 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	• 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	• 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	• 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
- Financing of terrorism

Prevention of Money Laundering*1

With the approval of the Board of Directors, the Group has published its Anti-Money Laundering Compliance Policy, making clear its resoluteness in standing up to money laundering.

In order to prevent abuse of financial services throughout the entire Group including at its overseas offices, the Company has established its global guidelines on AML/CFT*2 as guidance across the Group for establishing a preventive framework. The Company oversees the Group's anti-money laundering framework and provides guidance on improvements towards any issues through regular risk assessments of the anti-money laundering framework at each Group company and by checking the implementation status of risk mitigation measures.

Each Group company implements risk mitigation measures for those identified risks. Specifically, in addition to checks based on laws and regulations at the time of opening an account or accepting remittances (Act on Prevention of Transfer of Criminal Proceeds, Foreign Exchange and Foreign Trade Act, etc.), rigorous screening is carried out including the hearings on aspects of the client and the purpose and details of the transaction. Additional hearings are also implemented depending on the degree of risk associated with money laundering.

Moreover, even after the start of a transaction, the system monitors whether there has been any unlawful account activity, etc., and in the event that any transaction is suspected to be related to money laundering or the financing of terrorism, such activity is immediately reported to the person in charge who duly notifies the authorities of the suspicious transactions. Should the use of financial services for fraudulent purposes become apparent, measures are taken, such as by promptly restricting transactions as necessary, to prevent further abuse of financial services.

Furthermore, in order to enhance the above framework, the Group provides support through in-house training on the prevention of money laundering, etc. in line with the business characteristics of each Group company and provides training materials and advice on obtaining professional qualifications, etc. By doing so, efforts are being made to improve the preventive framework against money laundering and other crime activities throughout the Group.

*1 Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments in order to make it appear as if the money had been obtained through legitimate means. Financing of terrorism refers to providing terrorists with the necessary funds to perform terrorist acts, such as bombings and hijacking. The Group terms the prevention of our financial services from being used for financial crime activities, such as money laundering and the financing of terrorism, as anti-money laundering measures.

*2 AML: Anti-Money Laundering, CFT: Combating the Financing of Terrorism

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*

In order to realize the Group's Management Principles and Ideal Model of "The Trust Bank," the Group has declared its resolute stance against antisocial forces in its Codes of Conduct ("Value"), taking initiatives to prevent transactions with antisocial forces.

Specifically, in addition to incorporating a clause to exclude the involvement of organized crime group in various products and services as a check against antisocial forces and as a contractual justification to cancel any transactions if they are determined to be antisocial forces after the start of any transaction, a framework has been established to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of Japan, mainly for new loans for individual clients. In cases where the counterparty in a transaction is found to be an antisocial force after the commencement of the transaction, we have established a framework that allows us to take measures in close coordination with external specialist organizations, such as the police, for the eventual cancellation of the transaction.

Additionally, training for the prevention of transactions with antisocial forces is provided to directors, executive officers, and employees once every fiscal year to improve awareness of preventing such transactions.

* Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies related to these groups that threaten the order and security of civil life.

Prevention of Insider Trading

In order to prevent insider trading, the Group strictly manages and stipulates the reporting obligations, delivery and management practices for insider information that may be obtained during the execution of working duties in its Rules on Insider Information Management.

In 2018, the asset management function of SuMi TRUST Bank was integrated into Sumitomo Mitsui Trust Asset Management Co., Ltd. (SMTAM) to strengthen the asset management business, which is positioned as the Group's growth business, thereby establishing a strict information blocking system with other Group companies.

As well as having particularly strict controls and information blocking to prevent insider information from being leaked to departments that handle investments (asset management), SMTAM has established its Guidelines on Contact, etc. with Securities Companies, etc. prohibiting improper contact between our employees in charge of investing and sales persons at securities companies.

In addition, the Group has established a training framework for preventing insider trading in a way that is tailored to each company's situation. For example, our core subsidiary SuMi TRUST Bank conducted two rounds of training for all employees in fiscal 2018 (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

With the approval of the Board of Directors, the Group has published its Anti-Bribery and Corruption Compliance Policy and is implementing a program against bribery and corruption under the supervision of the management team. The program is reviewed and improved through regular risk assessments on bribery and corruption, and at overseas offices where bribery and corruption risks are particularly high, the Group is working to improve its system for preventing bribery and corruption, such as by building close coordination with local legal offices to allow for swift and proper responses.

To make sure we abide by anti-bribery initiatives, the Group periodically conducts monitoring to confirm the state of implementation, and every fiscal year conducts training for directors, officers, and employees. Furthermore, departments that are more likely to face bribery risks receive additional specialized training and must submit a pledge of compliance.

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.

Compliance with International Financial Regulations

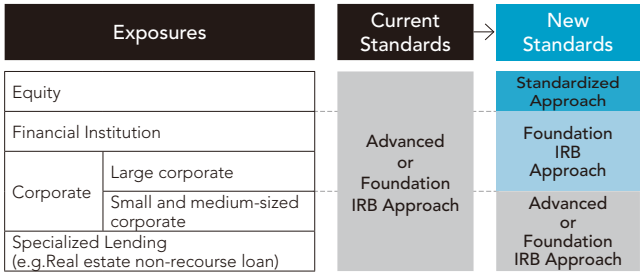
1. Compliance with Finalized Basel III Reforms

Triggered by the financial crises in 2008, the Basel Committee on Banking Supervision (BCBS) made the agreement to implement new regulations, called "Basel III." Basel III includes the implementation of higher capital requirements, leverage ratio and liquidity requirements. In Japan, Basel III has been implemented in phased manner from the end of March 2013.

Subsequently, in December 2017, an international agreement was reached on "Finalized Basel III," which aims to constrain the use of internally modelled approaches by banks and to introduce a new capital floor based on the standardized approaches to the risk-weighted assets measurement approach in the calculation of the capital adequacy ratio.

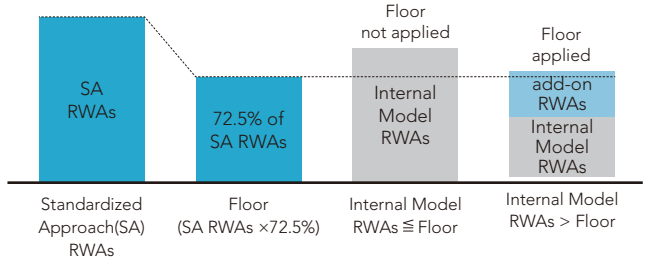
"Finalized Basel III" is required to be implemented from 2022. The Group will work to secure the target level through the future accumulation of capital and other means, and promote appropriate profitability and portfolio management to establish a framework for introducing tighter capital requirements.

Conceptual Diagram of Risk-weighted Assets Measurement Approach for Credit Risk



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. Strengthening of Regulations on Non-financial Risk Areas

Regarding financial risks, BCBS made the agreement on Basel III as described above, and major frameworks for various liquidity risk regulations and Single Counterparty Credit Limit (SCCL) are close to being determined and although minor modifications of details are still needed, the hardest part is over.

With this background, international organizations and the financial authorities of each country are focusing on tightening and enhancing regulations on non-financial risk areas. Examples of non-financial risk areas include:

- Conduct risk management
- AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism)
- Cybersecurity
- Subcontractor (third party) management
- Maintenance of important functions/strengthening business continuity framework of financial institutions

These areas are correlated and we are being required to strengthen regulations across areas, not only tightening management of our own conduct risk and cybersecurity, but also checking the management status of those of subcontractors and requiring them to establish a certain level of management framework.

There is no established method in place for the financial authorities or the financial industry to tighten these non-financial risk areas yet, and we are still in a stage where various proposals are being made. Some of the areas, such as cybersecurity, require continuous enhancement of regulations.

The Group, as a trust bank group entrusted with the investment and management of the assets of our clients, is committed to further strengthening and enhancing the framework of asset investment and management, while paying close attention to these global regulatory trends.

Framework for Compliance with International Financial Regulations

Overall supervision	Corporate Planning Dept. (Global Business Management Office)
Capital adequacy ratio/ Liquidity requirements	Risk Management Dept., Financial Planning Dept.
Extra-territorial application of laws Conduct risks	Compliance Dept. (Global Compliance Office)
Support for regulations for overseas bases	Global Business Planning and Coordination Dept.*, Global Markets Business Planning Dept.*, Fiduciary Business Planning Dept.*, Asset Management Business Planning Dept.
Cybersecurity	Risk Management Dept., IT & Business Process Planning Dept.
Overseas Office Recovery & Resolution Planning	Corporate Planning Dept. (Corporate Information Office), Risk Management Dept.

*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 Stock Transfer Agency Services Business, the Real Estate Business, the Global Markets Business, and the Fiduciary Services Business, etc.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk,

Businesses and Main Risk Characteristics of the Group

Risk Category \ Individual Businesses	Retail TS	Wholesale TS	Wholesale AM	Stock Transfer Agency Services	Real Estate	Global Markets	Fiduciary Services	Asset Management	Corporate Management*
Credit Risk	○	○	○			○			
Market Risk		○				○			○
Funding Liquidity Risk						○			
Operational Risk	○	○	○	○	○	○	○	○	○

* Strategic shareholdings management, 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 bussiness 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.

which vary depending on the business characteristics of each of the Group's businesses. With regard to trust business risks, 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.

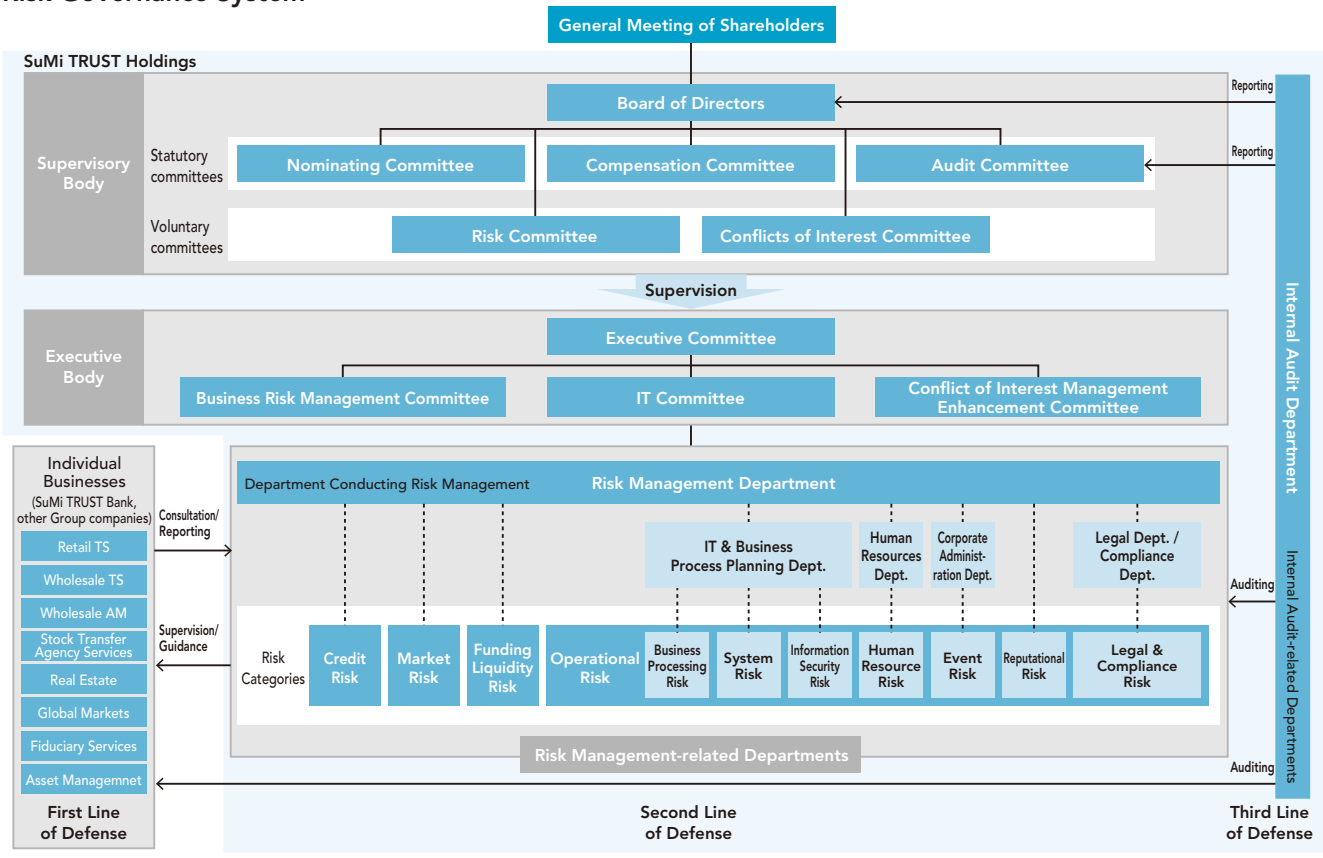
Second Line of Defense

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 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.

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. 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.

(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.

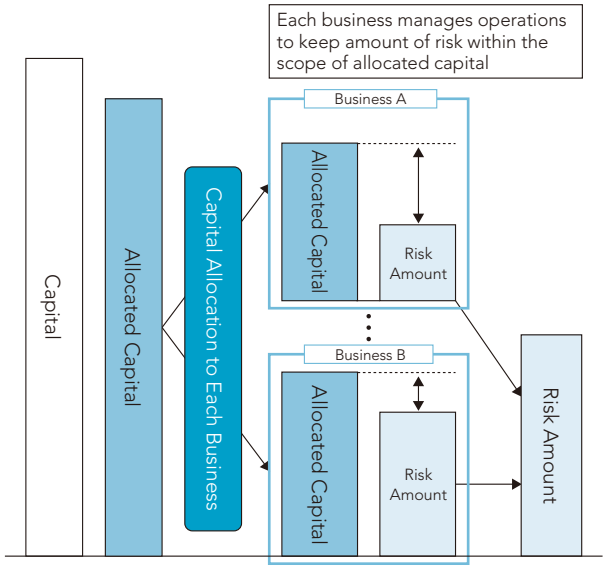
Stress Tests with Historical Scenarios

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.

Capital Allocation Scheme



Stress Test Framework

1. Formulate scenarios	Formulate multiple scenarios, including future "hypothetical scenarios" and "historical scenarios" based on past events
2. Deliberate on and select scenarios	A committee of directors and officers deliberates on and selects scenarios
3. Assess monetary impact	Calculate the monetary amount of the impact when a selected scenario occurs, then assess capital adequacy level
4. Report to the Board of Directors, etc.	Receive a report on the assessment results to use for formulating management plan

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.

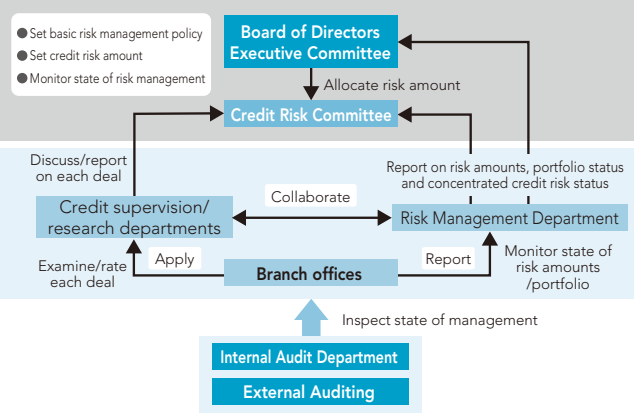
The major credit risk affecting the Group is the risk of sizable bad debt (or the provision of reserves) due to a default or deteriorated credit for a large obligor. To properly control for "concentrated credit risk" arising as the result of concentrated credit at a certain company or company group and "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.

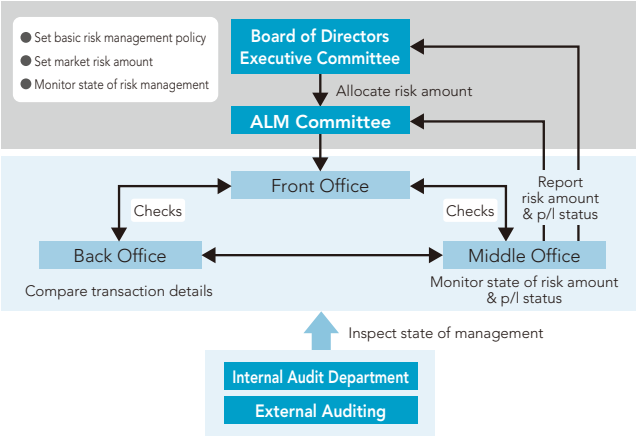
3) Market Risk Management Policy

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.

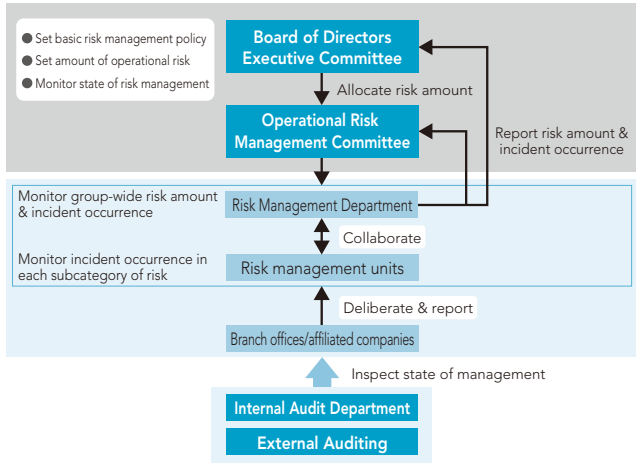
Additionally, due to inadequate measures against money laundering and terrorist financing, there are risks which include administrative penalties such as business suspension orders, payments of very large fines, and a tarnishing of the Group's reputation. The Group promotes improvements to measures for eliminating money laundering, etc. based on a gap analysis with the regulations (including overseas regulations) and a clarification of the issues involved, limits and controls risks using a risk-based approach.

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.

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.

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 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.

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.

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.

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.

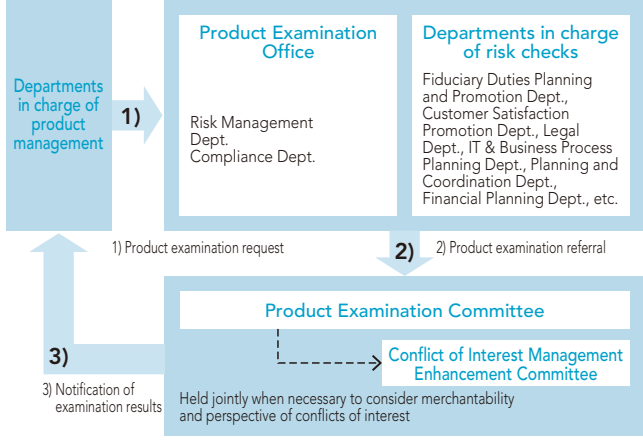
(2) Response to Threat of Cyberattack

SuMi TRUST Holdings has implemented various measures in order to protect its clients' precious assets from the ever-increasing threat of cyberattack in Japan and overseas (see page 128 for details).

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



Information Security Risk Management

Information assets are one of the most important management resources and pose risks that may undermine the foundation of corporate management. The Group, therefore, appropriately maintains and manages all information assets it holds.

Information Security Responsibilities

SuMi TRUST Holdings clearly states, in the Information Security Management Rules under the Risk Management Rules on which directors have the authority to amend and approve, that the head of overall information security risk management is the officer in charge of the IT & Business Process Planning Department, and that the supervising department conducting overall information security risk management is the IT & Business Process Planning Department.

Security Audit

For the Group's overall systems, self-evaluations are carried out every year using the System Risk Evaluation Table of the System Risk Management Guidelines established in line with the Center for Financial Industry Information Systems' (FISC) security measures, and the results are reported to the officer in charge. Furthermore, with regard to cyber security, third-party assessments are regularly made by the Deloitte Tohmatsu Group in Japan and overseas.

Client Information Management

The Group regards client protection as a top management priority, and has established an appropriate client protection management framework that reflects the business attributes of each Group company. In particular, regarding client information management, the Group has published its Declaration for the Protection of Personal Information which is a policy to securely protect the personal information, and specific personal information, of its clients and shareholders (see page 95 for details).

Response to Threat of Cyberattack

The threat of cyberattacks and the damage they can inflict are growing both in Japan and overseas. Under such circumstances, SuMi TRUST Holdings is engaged in the following activities to protect the precious assets of its clients from the attacks.

* See page 119 for the framework towards international financial regulations, including cyber security

Improvement of Internal Response Systems in Preparation for Cyberattacks

The Group has formulated its Cyber Security Management Declaration against cyberattacks, working to strengthen security measures led by management.

* For details of the Cyber Security Management Declaration please see: https://www.smth.jp/en/about_us/management/risk/pdf/CSMD.pdf

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.

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.

Furthermore, the Bank has introduced a telephone authentication service*. It is strongly recommended that all internet banking clients register for telephone authentication in order to prevent any unauthorized payments.

SuMi TRUST Holdings will continue to keep abreast of other companies' moves and new technologies and implement thoroughgoing security measures so that clients' transactions remain safe. The measures include the early detection and prevention of unauthorized remittances.

* An authentication service using a client's mobile phone, smart phone, or home phone number in addition to the Sumitomo Mitsui Trust Direct card's confirmation number when making first transfer to a new account

Employee Training

The Group conducts the following training every year to educate and raise awareness of information security risk management across the whole Group.

e-learning	Information security training (once every six months)
	Countermeasures training on e-mail cyberattacks (targeted attacks) (twice a year)
Training	Response to suspicious e-mails that simulate targeted e-mail attacks on random people (monthly)

* Training is available not only for full-time employees but also for some employees of outsourcing contractors.

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.



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

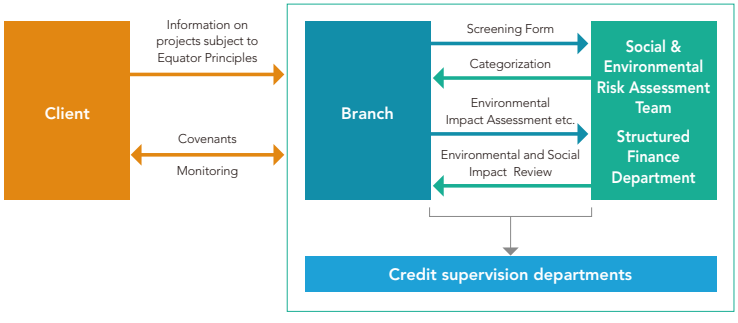
As a "responsible institutional investor," Sumitomo Mitsui Trust Asset Management institutes the ESG Guidelines. The contents of the guidelines are based on the UN Global Compact, an international corporate code of conduct. The guidelines clearly spell out expectations on investee companies to minimize 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 59 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.

The Equator Principles Association Annual Meeting in November 2019 adopted EP4, the fourth version of the Equator Principles. Other than stronger consideration of indigenous peoples in developed countries and partial expansion of applicable transactions to include refinancing and the like, EP4 reinforced action on climate change by adding to the due diligence items. The added items were implementation of physical risk analysis in cases likely to cause substantial or greater impact, and, for projects with annual greenhouse gas emissions in excess of 100,000t-CO_2, the implementation of transition risk analysis in TCFD in addition to consideration of alternative proposals.

As of December 2019, 101 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.

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	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.

Number of Projects Subject to Equator Principles

22 projects were subject to the Equator Principles in fiscal 2018. Projects featuring the mark have received third-party certification from PwC Sustainability LLC.

Project Finance Cases

	FY2018			
	A	B	C	Total
	4 ✓	17 ✓	0 ✓	21 ✓
Sector	**A**	**B**	**C**	**Total**
Mining	0 ✓	0 ✓	0 ✓	0 ✓
Infrastructure	0 ✓	3 ✓	0 ✓	3 ✓
Oil & Gas	0 ✓	0 ✓	0 ✓	0 ✓
Power	4 ✓	14 ✓	0 ✓	18 ✓
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	0 ✓	4 ✓	0 ✓	4 ✓
Asia and Pacific	4 ✓	11 ✓	0 ✓	15 ✓
Country classification	**A**	**B**	**C**	**Total**
Designated Country	3	16	0	19
Non-Designated Country	1	1	0	2
Independent Review	**A**	**B**	**C**	**Total**
Implemented	4	16	0	20
Not implemented	0	1	0	1

Corporate Loans Tied to Projects

	FY2018			
	A	B	C	Total
	0 ✓	0 ✓	1 ✓	1 ✓
Sector	**A**	**B**	**C**	**Total**
Mining	0 ✓	0 ✓	0 ✓	0 ✓
Infrastructure	0 ✓	0 ✓	1 ✓	1 ✓
Oil & Gas	0 ✓	0 ✓	0 ✓	0 ✓
Power	0 ✓	0 ✓	0 ✓	0 ✓
Petrochemical	0 ✓	0 ✓	0 ✓	0 ✓
Others	0 ✓	0 ✓	0 ✓	0 ✓
Region	**A**	**B**	**C**	**Total**
Americas	0 ✓	0 ✓	0 ✓	0 ✓
Europe, Middle East, and Africa	0 ✓	0 ✓	0 ✓	0 ✓
Asia and Pacific	0 ✓	0 ✓	1 ✓	1 ✓
Country classification	**A**	**B**	**C**	**Total**
Designated Country	0	0	1	1
Non-Designated Country	0	0	0	0
Independent Review	**A**	**B**	**C**	**Total**
Implemented	0	0	0	0
Not implemented	0	0	1	1

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 CO_2, 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 2019.

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 Marine Plastic Garbage

Ocean pollution caused by "marine plastic garbage" washed into from rivers and elsewhere is a global problem which has an enormous impact on marine ecosystems, and on industries such as fisheries and tourism. Waste materials have only increased with the pursuit of economic growth and lifestyle convenience.

Our Group has established the "SuMi TRUST Group Zero Plastic Waste Declaration" (see P.173) as concrete action against this global marine pollution problem. SuMi TRUST Bank does not provide items such as shopping bags and straws with purchases at the convenience stores operated for employees in our large office buildings. We also display posters about garbage sorting in our office buildings, in a concerted effort to send a heads-up message for better garbage sorting (see P.192).

Our entire Group has switched to Graphan for the windows of windowed envelopes that we send on business or to our clients. Graphan is a pulp material that can be discarded and recycled without sorting. For other consumable supplies and distributed items, we are working to identify related circumstances and then reduce plastic products by switching to environment-friendly alternatives.



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 2019.



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

CSPU
Consortium for Sustainable Paper Use

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.

Introduction of Electric Vehicles and Fuel Cell Vehicles

SuMi TRUST Bank is introducing electric vehicles as company cars. At the lease contract renewal stage in FY2019, we decided to continue leasing electric vehicles. Also, we introduced our first fuel cell-powered vehicles in November 2019. Fuel cell-powered vehicles provide clean performance as they generate electricity from hydrogen while emitting only water, and emit absolutely no CO_2 or harmful substances as they drive. They can also generate high-quality electricity that can be used, when connected through special equipment, as the power supply for medical devices. That allows these vehicles to be used as power supplies in disaster situations, not just as company cars. By taking the lead in introducing such vehicles, we are enhancing our readiness for low-carbon electrical power.

Introduction of Power from Renewable Energy

A growing number of companies in Japan are addressing RE100 and SBTs (Science Based Targets). SuMi TRUST Bank is installing photovoltaic panels in the rooftops of its standalone branches. In future we will consider switching to renewable energy sources for the electricity that we purchase at all our sites, as we advance CSR procurement of electricity. In the near term, we will study the introduction of such power supplies at our owned buildings and standalone branches, and consider wide-ranging actions, such as green power purchasing and the use of Green Power Certificates.

Rules on Human Rights Policy

The human rights policy formulated by the SuMi TRUST Group prescribes that the 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.

Multi-stakeholder Partnership

Goal 17 of the SDGs promotes a diverse range of partnerships. Given the vital role of finance in the formation of a sustainable society, the Group places a strong emphasis on taking action, in partnership with various stakeholders, including other financial institutions, to tackle solutions to difficult challenges. We participate actively in partnerships within Japan and overseas.



Principles for Financial Action for the 21st Century (The Principles for Financial Action towards the formation of a sustainable society)

We, together with Sumitomo Mitsui Trust Asset Management (SMTAM), Nikko Asset Management (NAM) and Sumitomo Mitsui Trust Panasonic Finance, support the aims of the Principles for Financial Action for the 21st Century (PFA21), an effort in which over 280 financial institutions of all types collaborate towards the formation of a sustainable society. We have had a central role in this work since the Principles were drafted in 2011. Moreover, since 2013 we have been a member of the Financial Principles Steering Committee (the "Steering Committee"), and served as chair of the Sustainable Community Support Working Group (WG), which practices outreach and education in sustainable finance in the community. In fiscal 2019, this WG organized seminars entitled "Learning from Examples of the Right Form of ESG Community Finance" in all parts of Japan. It also added regional circulation symbiotic sphere as a key theme, alongside the existing problems of a super-aged society.

The Principles for Financial Action for the 21st Century issued two recommendations in 2019. After deliberation by the ESG Financial Strategy Task Force (Secretariat: Ministry of the Environment), the recommendation on the "strategy to be taken in order to become an ESG financial superpower" was approved by the ordinary general meeting held in March. In October the Steering Committee compiled the "urgent recommendations on financial behavior towards de-carbon society", in response to the damage inflicted by typhoons 15, 19, and 21. We have been also taking a central role in these actions.

21世紀金融行動原則

UNEP FI (United Nations Environment Programme Finance Initiative)

UNEP FI is an international network to encourage financial institutions to consider sustainability in their behavior. In 2003, we were the first Japanese trust bank to become a signatory. We also participate in the Property Working Group and the Natural Capital Finance Alliance (formerly the Natural Capital Declaration) within UNEP FI. Not only in Japan but we have been contributing to stronger action in the global finance industry. Moreover, we signed the Principles for Responsible Banking (PRB), which came into effect in September 2019, and declared that we do business in conformity with the SDGs and the Paris Agreement (see page 12).

Since January 2019, we have also affirmed the Principles for Positive Impact Finance (PPIF), which provide the theoretical backbone of the Principles for Responsible Banking, and joined the Positive Impact Initiative. We are actively working together with overseas banks towards more advanced measures.

UNEP FINANCE INITIATIVE

IMPACT

PRI (The Principles for Responsible Investment)

In May 2006, we, together with SMTAM and NAM, signed the PRI, which were formulated by the United Nations Global Compact and the United Nations Environment Programme Finance Initiative (UNEP FI) as a joint secretariat. The Principles call on institutional investors such as pension funds and asset managers to consider ESG (Environmental, Social, Governance) when making investment decisions. SMTAM participates in the Water Risks Working Group, Palm Oil Working Group, and Forest Conservation Working Group, and practices engagement with investee companies.

PRI

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 (GCNJN), in which signatory companies of the UN Global Compact participate.

Signing the Principles for Responsible Banking (PRB)

The Principles for Responsible Banking were formulated for the purpose of making bank operations conform with social goals, such as the SDGs and action on human rights problems and global warming countermeasures indicated by the Paris Agreement on climate change. In September 2019, SuMi TRUST Holdings announced that it will do its utmost to practice strategic business operations in conformity with the SDGs and the Paris Agreement, becoming the first signatory institution to the Principles for Responsible Banking (see page 12).

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.

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 (see page 41).

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.

TCFD

The FSB (Financial Stability Board), recognizing climate change as a risk affecting finance, announced its Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017, calling for even higher levels of transparency in disclosures related to climate change. SuMi TRUST Holdings supports the TCFD recommendations, and is working on information disclosures on that basis (see page 27).

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.

Participation in COLTEM

COLTEM (Collaboration Center of Law, Technology and Medicine for Autonomy of Older Adults) is a social technology development center, supported by the Japan Science and Technology Agency under the Ministry of Education, Culture, Sports, Science and Technology. It integrates law, engineering, and medicine to provide seamless support for older adults to live in the community in conditions ranging from health to cognitive impairment. SuMi TRUST Bank participates in COLTEM, and contributes to the creation of systems for supporting those with dementia in making decisions and smoothly managing their financial transactions and assets.

Signing Climate Action 100+

"Climate Action 100+" is a program of collaborative engagement with companies believed to have major impacts on global warming, taking place for five years from December 2017. This program is conducted based on the Task Force on Climate-related Financial Disclosures (TCFD), lists over 100 companies around the world that have high emissions of greenhouse gas, then practices engagement with them, in collaboration with PRI, Ceres, and other signatory institutions to call for information disclosures.
SuMi TRUST Holdings is tasked with engagement in the Asia-Pacific region.

Signing the CDP

The Carbon Disclosure Project, founded in 2000 by international NGOs active on environmental issues such as climate change, is the forerunner of the CDP. This project sends annual questionnaires to companies with high market capitalizations in leading countries. The response rate it obtains from companies is rising year after year. Questionnaire responses are basically published, and scores based on action each company takes are published to the world. These scores are becoming an important indicator of enterprise value.

Signing the AIGCC

The AIGCC (Asia Investor Group on Climate Change) is a group of Asian investors concerned with climate change. It is an initiative to generate awareness among Asian asset owners and financial institutions of the risks and opportunities associated with climate change and low-carbon investment. SMTAM participates vigorously in engagement through the AIGCC.

Signing Ceres

Ceres (Coalition for Environmentally Responsible Economies) is an NGO that encourages companies to take action on environmental issues, such as global warming. It practices positive engagement through an investor network that includes 150 participating institutional investors, mainly in North America.

Signing FAIRR

SMTAM has joined FAIRR (Farm Animal Investment Risk & Return), an engagement group that mainly targets the fisheries and livestock industries, and participates in the "Sustainable protein supply chains", one of the group's current collaborative engagement programs. It aims to raise awareness among target companies of the large ESG risks and opportunities of products made from fisheries and livestock produce, linking that awareness to improvements in corporate activities. SMTAM aims to globalize its engagement activities, and gain knowledge and presence as a result.

Signing Access to Medicine

Access to Medicine is a collaborative body which has major Western asset managers and asset owners as signatories. Its activities address major global pharmaceutical companies to raise their awareness of medical treatment services in developing countries, and to call for improved access to medicines. SMTAM aims to strengthen its engagement with global pharmaceutical companies.

Signing the 30% Coalition (USA), the 30% Club (UK), and the 30% Club Japan

This is an investor network that works to raise diversity in company boards of directors. SMTAM has signed and engaged in the activities of the Thirty Percent Coalition in the USA and the 30% Club Investor Group in the UK. It also became a signatory to the 30% Club Japan Investor Group when it was founded in May 2019, and has begun its activities in Japan.

Signing the Investor Agenda

The Investor Agenda was founded in February 2018 by asset managers (around 480 groups and agencies) that had signed the PRI, CDP, and Ceres. It is an initiative of institutional investors promoting low carbon in climate change-related behavior. Its purpose is collaboration and liaison on investment, corporate engagement, information disclosure by investors, and policy proposals. SMTAM signed in June 2019, prompted by the "Policy Recommendations Calling for Rapid Action on Climate Change by the Governments of Leading Nations" at the G20 Summit held in Osaka. Through this framework, signatories will call on national governments to take action on issues agreed upon in the Paris Agreement.

Sustainability Policy 4

Address Environmental Issues

- We intend to ramp up the pace of our initiatives with the aim of achieving the SDGs and the goals of the Paris Agreement.
- In aiming to build a carbon-free, recycling-oriented, cohesive society in harmony with nature that nurtures biodiversity, we will work together with various stakeholders through our core business to solve the problems that currently prevent this goal from being realized.
- 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, CO_2 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 41) are specific guidelines that were drawn up based on this Environmental Policy.

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 (CO_2 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. All branches and departments are currently promoting operational efficiency and making every effort to raise awareness about reducing environmental impacts. For problems that our stand-alone initiatives are unlikely to deliver a solution, we are stepping up our supply chain management efforts in the area of CSR procurement, for example by requesting suppliers to change their materials.

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

Reducing environmental burdens at our large office buildings (2018 results)

	Paper consumption		Electricity consumption		Waste volume		Green procurement ratio
	Thousand sheets	YoY	Thousand kWh	YoY	t	YoY	
Head office	59,237	Down 6%	6,123	Down 1%	551	Up 4%	Up 86%
Fuchu	13,667	Up 3%	20,135	Down 1%	91	Down 6%	
Senri	7,458	Up 6%	7,248	±0%	158	Up 1%	
Shiba	18,401	Down 5%	5,074	Down 1%	188	Down 2%	

Initiatives to Reduce Energy Use and CO_2 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 like CO_2 emitted as a result of those activities. As SuMi TRUST Bank is subject to the Act on Rationalizing Energy Use, we calculate the volume of energy consumption and CO_2 emissions at all of our offices across Japan using a common system. In fiscal 2018, total electricity consumption at all sites in Japan came to 56 million kWh, down 7.3% from 60 million kWh the previous year. City gas consumption declined 6.4% year on year to 1.8 million m^3. Since fiscal 2014 our total energy consumption for business activities has steadily declined every year, representing a 24.5% reduction over the last five years. These results owe to the promotion of energy saving at our large office buildings and the impact of branch mergers. Energy consumption at the Group's facilities is at its highest during after hours, but we achieved significant results by diligently switching off air conditioners when employees left the building and by raising awareness about such efforts by providing feedback to each department in the form of data on electricity use.

As for CO_2 emissions—the driver of global warming—we succeeded in lowering our annual emissions to 33,504t-CO_2 in fiscal 2018, a 33.8% reduction compared to the peak of 50,605t-CO_2 recorded in fiscal 2013. Both scope 1 and scope 2 emissions have decreased significantly, declining 21.8% and 32.8%, respectively, from fiscal 2014. Even though total floor area has decreased due to the discontinued use of some large buildings and the merger of branches, emissions intensity per floor space in fiscal 2018 came to 0.090t-CO_2/m^2, which represents an 18.9% reduction compared to fiscal 2014.

The large buildings in the Tokyo metropolitan area that house SuMi TRUST Bank offices are subject to the mandatory reductions in CO_2 emissions prescribed under the Tokyo Metropolitan Government's Environmental Preservation Ordinance. We continue to steadily reduce our emissions at these buildings on a single fiscal year basis. In the five years of the first plan period (FY2010–2014), our reductions far exceeded mandatory levels, which meant we received emission credits worth 47,540t-CO_2. We carried forward these emission credits into the second plan period (FY2015–2019), during which we expect to be able to achieve our targets again without the use of credits.

Energy Usage and CO_2 Emissions (Domestic Bases)

Energy usage		FY2014	FY2015	FY2016	FY2017	FY2018
Total volume of energy usage (heating value)	GJ	913,437	846,829	801,370	736,011	688,949
Total volume of energy usage (converted to crude oil)	kl	23,566	21,848	20,675	18,989	17,774
Energy usage intensity	kl/m^2	0.053	0.051	0.049	0.047	0.048
Electrical power	thousand kWh	76,768	71,206	66,742	60,444	56,003
City gas	thousand m^3	2,398	2,153	2,107	1,996	1,869

CO_2 emissions		FY2014	FY2015	FY2016	FY2017	FY2018
Greenhouse gas emissions volume	t-CO_2	48,918	43,816	40,833	37,068	33,504
Greenhouse gas emissions after adjustment	t-CO_2	48,426	43,470	40,393	36,240	32,864
Emissions intensity	t-CO_2/m^2	0.111	0.103	0.098	0.093	0.090
Emissions intensity (after adjustment)	t-CO_2/m^2	0.110	0.102	0.097	0.091	0.088
Scope 1 emissions volume	t-CO_2	5,577	5,002	4,907	4,575	4,362
Scope 2 emissions volume	t-CO_2	43,340	38,813	35,925	32,493	29,142

Scope of calculations: SuMi Trust Bank facilities in Japan subject to the Act on the Rational Use of Energy; Group companies, including Sumitomo Mitsui Trust Asset Management, 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.

CO_2 Emissions at Bases Subject to the Tokyo Metropolitan Ordinance on Environmental Preservation

		No. 2 plan period			
		FY2015	FY2016	FY2017	FY2018
Standard emissions	t-CO_2	51,733	52,511	41,123	41,123
Maximum emissions limit	t-CO_2	44,402	45,048	35,595	35,595
Mandatory reduction	t-CO_2	7,331	7,463	5,528	5,528
CO_2 emissions	t-CO_2	31,735	30,550	24,926	24,806
Emissions reduction	t-CO_2	19,998	21,961	16,197	16,317
Excess reduction	t-CO_2	12,667	14,498	10,669	10,789

The figures in the table show emission reductions at SuMi TRUST Bank's four office buildings (Fuchu Building, Shiba Building, Chofu Building, and Meguro Building), along with the head office building, all of which are subject to mandatory emission reductions under the greenhouse gas emission obligations and emissions trading scheme prescribed in the Tokyo Metropolitan Ordinance on Environmental Preservation. Since fiscal 2017, the Chofu Building and Meguro Building have not been subject to the mandatory reductions due to discontinued use. The mandatory reduction ratio is 6% for the head office and 17% for other buildings. The head office is a multi-tenant building and reduction ratios for each tenant have not been set. The Group carried over emission credits worth 47,540t-CO_2 to the second plan period acquired as a result of excess emission reductions in the first plan period (FY2010–2014). Emissions have been verified by a third-party assessment body.

Other Initiatives to Reduce Our Environmental Impacts

We reduced the amount of paper we used in fiscal 2018 by 32 tons year on year (–4.3%) to 706 tons. We will continue to work on reducing our paper usage by promoting activities that improve operational efficiency. The volume of waste paper output remained flat year on year and we continue to maintain a 100% waste paper recycling rate. Other waste output rose slightly year on year to 289 tons, but the recycling rate increased to 47%, the highest level in the last five years. Up ahead, we will make every effort to reduce our total waste output and make efficient use of recycling. We will also endeavor to carry out proper management and disposal of equipment and chemical substances imposed on business operators under laws such as the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and the Act on Rational Use and Appropriate Management of Fluorocarbons.

Performance in Paper Use, Water Use, Waste Output and Recycling

		FY2014	FY2015	FY2016	FY2017	FY2018
Paper use	t	861	726	712	738	706
Recycled paper	t	508	526	596	566	568
Water use	thousand m^3	178	166	166	139	127
Total waste output	t	1,646	1,347	1,756	1,332	1,304
Paper output	t	1,057	946	1,280	1,050	1,025
Recycled volume	t	1,018	930	1,280	1,050	1,025
Recycled rate	%	96	98	100	100	100
Other waste output	t	589	401	477	282	289
Recycled volume	t	142	124	132	115	137
Recycle rate	%	24	31	28	41	47

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 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 CO_2 emissions, and implement green procurement policies.

In fiscal 2018, Nikko AM achieved carbon neutrality in terms of its CO_2 emissions. By calculating its CO_2 emissions from financial and travel data for its offices in Japan, Singapore, Sydney, Melbourne, Auckland, New York, and London, and participating in a carbon offset program, the company was able to achieve a net zero carbon footprint by removing an equivalent amount of emissions from its corporate activities. The project's offsets will be used to fund the installation of renewable solar PV cells into the Indian National Grid for diversification of energy sources and sustainable growth and help Nikko AM make good on its commitment to goal 13 of the SDGs: "Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy."

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.

Going carbon neutral also contributes to various other targets of the SDGs by contributing to sustained employment and improved healthcare, sanitation, and education in local communities.

In fiscal 2018, Nikko AM's electricity consumption rose 35,000kWh owing to an increase in air conditioner use mainly in summer during overtime hours. In an effort to strengthen its own initiatives on work style reforms, the company set up a cross-organizational working group in September 2018 and one thing it did was install monitors in meeting rooms so that materials could be shown on the screen instead of being printed on paper. This initiative helped significantly reduce the amount of copier paper purchased per person by 9.5% year on year.

Meanwhile, Sumitomo Mitsui Trust Panasonic Finance is taking steps to reduce power usage, copier paper, and gasoline. The company has achieved a more compact office by introducing open-plan workspaces where computers and projects are all networked and is reducing electricity consumption and copier paper volume by drawing on the benefits of paperless meetings, online approval forms for workflow, and less overtime work. Electricity consumption and copier paper used in fiscal 2018 increased year on year, albeit slightly, by 0.2% and 0.3%, respectively. The company will continue to implement initiatives to further reduce its consumption.

Sumitomo Mitsui Trust Panasonic Finance has also been working to reduce its CO_2 emissions from sales activities by encouraging its employees to switch from private company cars to public transport. In April 2018 it drafted internal guidelines on using vehicles for work with the aim of managing the health of its employees, ensuring safety, and streamlining sales activities. Not only does this initiative make effective use of traveling time, it aims to simultaneously achieve the social (health, safety) and environmental objectives of reducing CO_2 emissions from cars used for sales by alleviating driver fatigue and preventing traffic accidents as a result of cutting out long-distance driving. By strictly observing a rail & rent-a-car policy, the company was able to slash its company car gasoline consumption by 27,700kℓ (–23.7%) year on year. This equates to an CO_2 emissions reduction of roughly 64.2t-CO_2.

Carbon Neutral Organisation

Environmental Performance of Nikko Asset Management

		FY2014	FY2015	FY2016	FY2017	FY2018	YoY Change
Electricity consumption	thousand kWh	1,026	1,071	1,029	1,057	1,092	Up 3.3%
Total energy consumption	GJ	13,317	14,022	13,441	13,807	15,191	Up 10.0%
CO_2 emissions	t-CO_2	508	510	537	530	517	Down 2.5%
Copy paper procurement amount per employee	Piece	627	672	614	548	496	Down 9.5%
Stationery goods green procurement ratio	%	59.6	50.6	65.0	58.8	54.5	Down 7.3%

Facilities covered by the above data: Head office building (Midtown)

CO_2 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

		FY2014	FY2015	FY2016	FY2017	FY2018	YoY Change
Electricity consumption	thousand kWh	1,219	1,007	1,008	982	984	Up 0.2%
Gasoline consumption	kℓ	140	127	118	117	89	Down 23.7%
Copier paper consumption	thousand sheets	16,788	16,590	17,464	17,508	17,567	Up 0.3%

3. Medium- to Long-Term Targets

We set medium- to long-term environmental management targets for reducing CO_2 emissions and creating a recycling-oriented society with a view to stepping up initiatives across the entire Group. As for the reduction target for electricity use per total floor area called for by the Japanese Bankers Association, as of fiscal 2018 we had achieved a considerable decrease of 29.1% compared to fiscal 2009. We will continue to work on lowering the amount of power we use. SuMi TRUST Bank plans to take into consideration the Japanese government's Basic Energy Plan and set its own long-term goal for fiscal 2030 and beyond with the aim of achieving the objectives of the Paris Agreement. The Bank will also endeavor to continue purchasing 100% recycled paper for its copier machines in order to promote the establishment of a recycling-oriented society.

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	FY2015	FY2016	FY2017	FY2018
Electricity use intensity	kWh/m²	213.31	168.14	161.06	152.60	151.32
	Compared to FY2009	—	Down 21.2%	Down 24.5%	Down 28.5%	Down 29.1%
CO_2 emissions intensity	t-CO_2/m²	0.087	0.086	0.081	0.076	0.072
	Compared to FY2009	—	Down 1.1%	Down 6.9%	Down 12.7%	Down 17.1%

Fiscal year 2009 figures were calculated from each intensity's pre-merger total.

4. Strengthening Supply Chain Initiatives and Establishing a Financial Ecosystem

The SuMi TRUST Group established its CSR Procurement Policy to set forth guidelines on the preferential procurement of goods and services that are environmentally friendly and socially acceptable. All Group companies are stepping up their CSR procurement activities based on this policy. With the cooperation of suppliers we continue to expand the scope of items covered under CSR procurement—see page 132 for details about our CSR Procurement Policy. When purchasing stationery, equipment, and other office supplies, SuMi TRUST Bank prioritizes designated green procurement items and environmentally-friendly products, including those designed to conserve energy. The Bank also promotes initiatives from the viewpoint of combatting the depletion of resources, halting illegally logged timber in tropical rainforests, and preventing pollution in the world's oceans and waterways.

In addition to simply purchasing products and services, we also need to extend greater financial support to suppliers of environmentally-friendly and socially-acceptable goods and services if we are to achieve marked growth in CSR procurement in society. We intend to accelerate our efforts on providing financing to and forming partnerships with power companies and electricity retailers in order to switch the Group's power consumption to renewable energy sources. We also aim to build a financial ecosystem through which the entire supply chain is jointly supported by financial institutions. To this end, we continue to exchange opinions aimed at collaboration on this issue with regional banks, Shinkin banks, credit unions, labor banks, and other financial institutions.

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

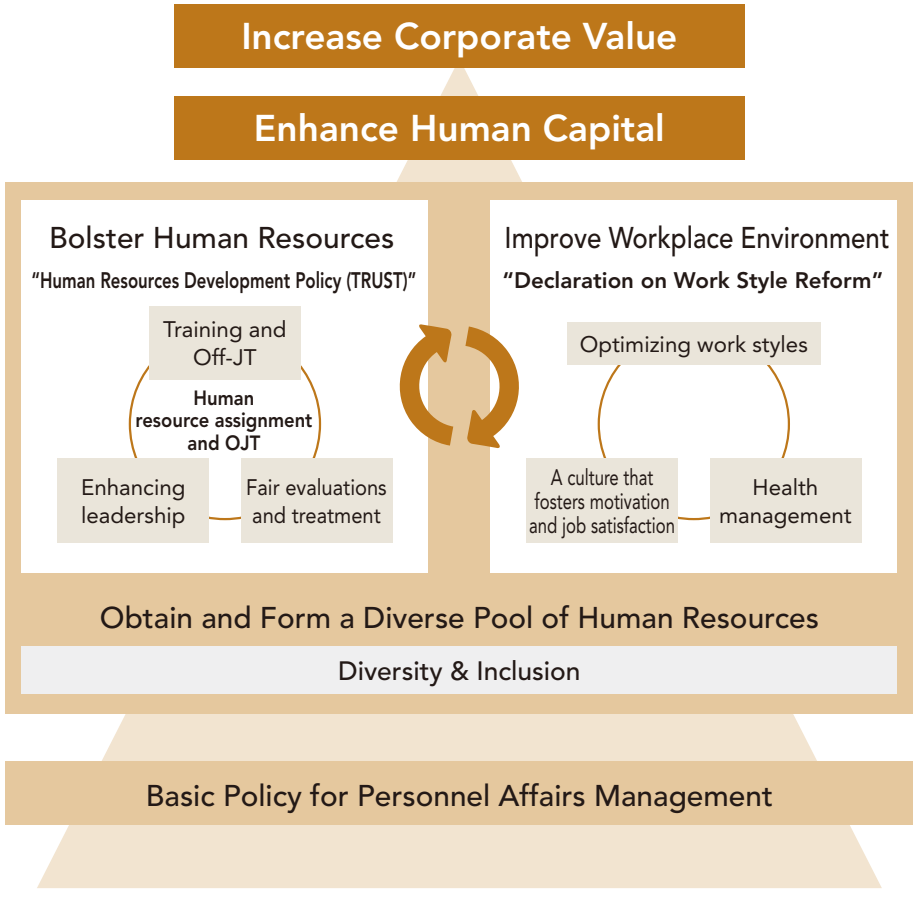
Human Resources Strategy

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.



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

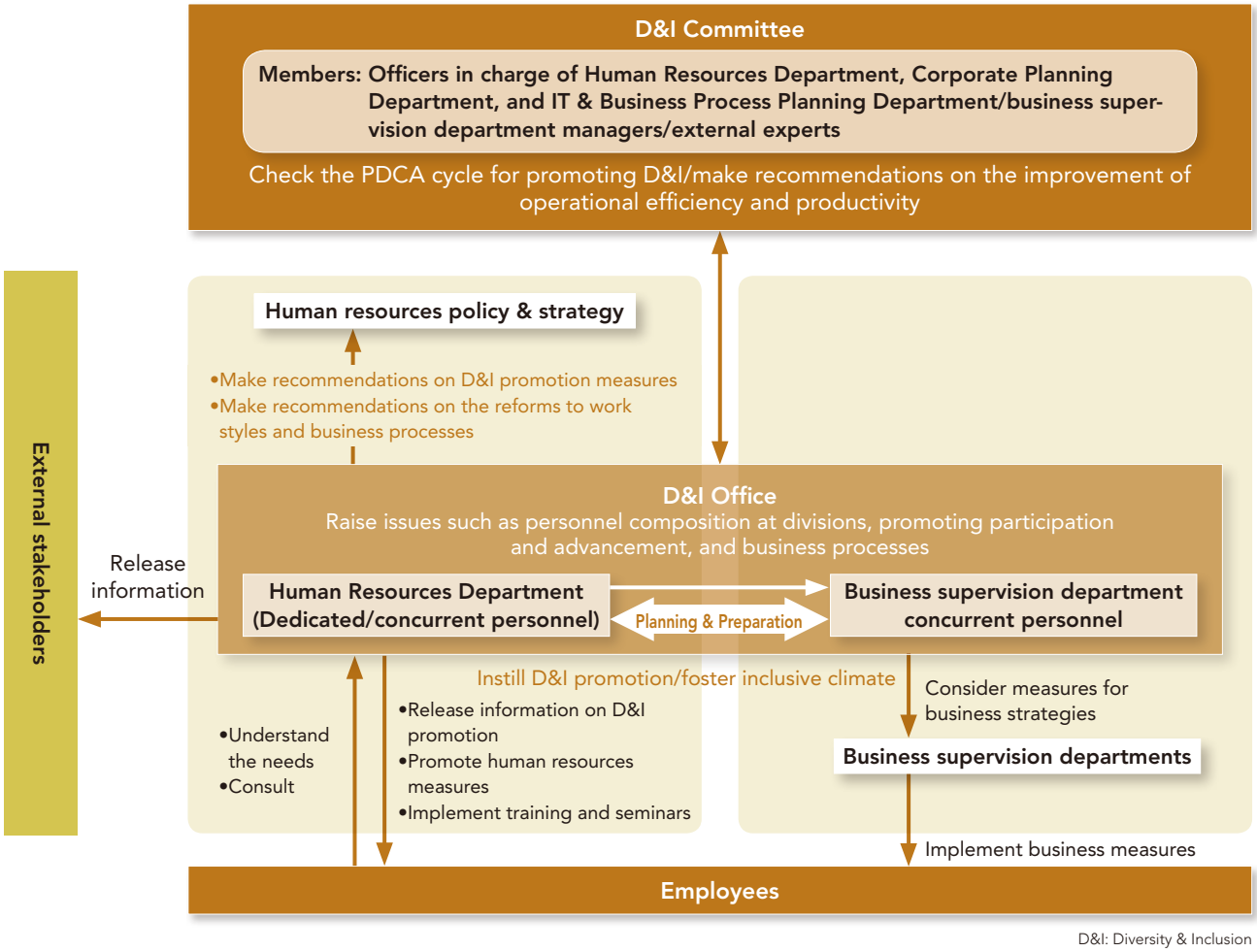
The Group has various functions and a diverse business portfolio, which is one of our strengths. Our human resources basic policy therefore calls for a workplace in which individuals' diversity and creativity are fully utilized to add value to the organization. As diversity promotion becomes a more widely recognized concept in society, SuMi TRUST Bank established the Diversity & Inclusion Office (D&I Office) within its 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 increase 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



D&I: Diversity & Inclusion

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 place people in managerial positions based on their abilities regardless of gender.

SuMi TRUST Bank set a goal to "place 300 female employees in managerial positions at the level of section manager or higher" by March 31, 2020* as part of our general employer action plan commitment under Japan's Act of Promotion of Women's Participation and Advancement in the Workplace. In our aspiration to be "No. 1 in 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.

* Achieved ahead of schedule on October 1, 2019, with 357 female employees in managerial positions at the level of section manager or higher (including directors and officers). As of October 1, 2019, SuMi TRUST Holdings has one female director and SuMi TRUST Bank has two female directors and two female executive officers.

Number of Female Employees in Management Positions at SuMi TRUST Bank

	End of March 2017	End of March 2018	End of March 2019	End of September 2019
Directors	1	0 (0%)	0 (0%)	2 (10.0%)
Executive Officers	0	2 (4.3%)	2 (4.2%)	2 (3.8%)
Level of General Manager	14	16 (2.6%)	21 (3.3%)	21 (3.3%)
Level of Section Manager	232	245 (11.9%)	261 (13.2%)	264 (13.5%)
Level of Assistant Manager	1,069	1,108 (32.7%)	1,141 (34.1%)	1,138 (34.5%)

*The number inside the parenthesis is the female employee ratio.
**As of September 30, 2019, 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

SuMi TRUST Bank conducts meticulously detailed 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. The training is timed to match important turning points in the career development of female employees. In fiscal 2019, the Bank revamped the training for those about to reach the level of an assistant manager in order to expand career support for A-course employees, who are never assigned to a different workplace requiring relocation. The training curriculum, which is based on lectures by outside instructors and senior employees, encourages employees to think about their own medium- and long-term career goals in a self-directed manner. 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. (see page 149 for information on the career course system).

Use of Outside Networks and Dialogue with Directors and Officers

We send female employees to joint events with other companies 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. Directors and officers are also actively involved in the development of female employees. We hold seminars where female employees are able to speak directly with officers to learn management viewpoints and what is expected of female employees. These executive seminars offer a variety of opportunities that help female employees in their career growth. We strive to make the seminars as accessible as possible to female employees who are raising children, for example by holding them at lunchtime and other convenient times.



Training for Directors, Officers, and Management

To help create a workplace environment where women can thrive, SuMi TRUST Bank holds a lecture on the subject of unconscious bias at its nationwide meeting of deputy general managers as part of its efforts to inspire changes in the consciousness of management, which are important in order for female employees to thrive. The Diversity & Inclusion (D&I) Committee, which includes executive officers of the Corporate Planning, Human Resources, and IT & Business Process Planning Departments, is working to deepen the understanding of directors and officers about diversity and inclusion by providing opportunities to hear recommendations related to women's advancement from a variety of perspectives, for example from young employees and female managers of Group companies and from external experts who have experience promoting diversity at other companies.

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 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.

Users

Domestic workplace reassignments as of March 2019	Leave to accompany spouses on overseas transfers as of March 2019
102	12

Work-Life Balance

One theme of the Declaration on Work Style Reform (see page 154) is an initiative for "achieving diverse work style sand 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.

Even after hitting the target, we continue to promote activities to establish a corporate culture of work-life balance.

Together, SuMi TRUST Bank and the employees' union held a nursing care webinar to deepen understanding among employees about the anticipated growing need to balance between job and nursing care obligations. The online webinar format made it easier for employees all over Japan to participate and allowed them to share their nursing care experiences through the chat function. Another seminar was organized for management to learn how to communicate smoothly with employees who are caring for family members.

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 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.

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 tangible and intangible ways. As of September 1, 2019, our employment ratio of disabled persons is 2.24%.

Employment Ratio of Disabled Persons	Branches with Disabled Persons
As of September 30, 2019	As of September 30, 2019
2.24%	103 branches

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.

Talent ..... Talent (individuality) can blossom
Respect ..... Respect each individual
Uniqueness ..... Develop true professionals
Support ..... Make mutual teaching and support our motto
Try ..... 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 (see p. 145). Today, however, as digitization and other advances are transforming business models at an ever-accelerating pace, we need to share more 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 our Human Resources Development Policy, we have initiated various measures in fiscal 2019 aimed at becoming the "No. 1 financial group for human resource success," where all kinds of people, from young to senior, regardless of gender or course, can flourish.

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.

There is also a system, applied to all courses, that places 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. 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	• 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	• 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	• 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. SuMi TRUST Bank has introduced a program that enables new employees to experience multiple work domains within a fixed period after joining the Bank, which helps them ascertain their own job aptitude through their own work experiences. We are also advancing initiatives such as a trust internship program, in which employees spend a fixed period of time learning the trust business in a section that is responsible for planning and development of trust operations, products and services. The program is aimed at developing human resources who possess a "high degree of expert knowledge in trust operations" and a "deep understanding of the fiduciary spirit."

* 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 daily tasks.



Communication tool among new employees, development personnel, and branch managers

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 29,000 recent graduates applied via the website during the recruitment period for new entrants to join the Group in April 2020. We will go through a rigorous selection process to make hiring decisions.



Internship program

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 (Global business, digital transformation, 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
FY2019	396	153	243

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

FY2017 445 → FY2018 494

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.

In addition, we organized the SuMiTRUST Academy, 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. The Academy is provided as a learning opportunity for all Group employees regardless of company or employment type.

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

Cultivating a climate of learning

Seminars and learning circles

[Seminars] Voluntarily and continuously study optional themes

[Learning circles] Form groups across branches and departments to share and pass on knowledge, knowhow and experiences

SuMiTRUST 50 lessons

Executives and outside experts make open-style lecture speeches. Trainees learn about businesses, work philosophy and experiences and use lessons from the speeches for self-development.

Clarification and systematization of necessary skills and intention (will)*

	Courses organized by the Human Resources Department	Courses organized by business units
Expert program	**Fostering next-generation leaders** Foster next-generation leaders through training for strategic thinking from a global perspective and company-wide perspective	**Foster personnel with advanced expertise** Define personnel with industry-leading, advanced expertise for individual businesses and foster such personnel
General education program	**Rank-based college** Understand expected roles for ranks, acquire necessary knowledge and skills and develop capabilities suited for the next-level rank	**Business-based college** Acquire knowledge and skills necessary for individual businesses. An open platform in which trainees learn according to their skill level and in which anybody can participate.

* 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.

Strengthening Leadership

Developing Next-Generation Leaders

In cooperation with Hitotsubashi University's Graduate School, SuMi TRUST Bank offers GL training to nurture the next generation of executive Global Leaders (deputy general managers, associate general managers, and equivalents) and SL training to nurture the next generation of Strategic Leaders (section managers, operational chiefs, and equivalents). 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 and provide them a path to management, we run training for them at the three career stages where the role of female employees changes most dramatically (see page 147).

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 231 as of March 31, 2019, up from 115 as of March 31, 2012. We have also increased the number of employees with foreign citizenship working in Japan to 49 as of March 31, 2019, up from 22 as of March 31, 2012. Employees hired overseas are eligible for transfers to other overseas locations and their training at the Head Office is also considered to be undertaken.



Rank-based Training Enhancement

In addition to training to develop next-generation leaders to aggressively pursue strategic business development, SuMi TRUST Bank conducts rank-based training to maintain its talent pipeline and further strengthen its trust services as a social infrastructure. Young employees are provided with a variety of training aimed at acquiring business skills as well as a mindset that embraces autonomy in their domain of responsibility. Section managers and team leaders undergo team building to help them defend the administration of their branches and departments while responding to demands from management as well as training to gain management awareness. The training is designed and conducted in partnership with an external educational institution based on their integrated leadership training curriculum (the 7 Habits of Highly Effective People). Human resources development requires not only classroom learning but also practical training through hands-on experience. Therefore, in order to build a more balanced talent pipeline, we not only encourage learning through group discussions at the training site but also support post-training assignments and other out-of-class activities. We actively promote the human resource development through our efforts which include recurrent education that looks ahead to an age of 100-year-life and, starting in fiscal 2019, the training provided to newly appointed executive officers inviting external instructors (former managers, university professors, etc.).

The training is based on a flexible management approach suited to a variety of work styles and is intended to promote human resource growth.



Data concerning Training for Human Resources Development (FY2018)

Total number of trainees	Number of selected and nominated trainees	Total training hours	Training cost
10,631	91	5,670	¥540 million

Bolstering Digital Human Resources

Sumi TRUST Bank aims to bolster digital human resources in order to provide value to our clients and employees through technology-based business transformation. We offer a wide variety of ways and opportunities to learn. We sponsor a "Digital Academy" that invites external experts and prominent figures in the digital field for in-house presentations and lectures, and we introduced a system that allows students to take university courses to learn advanced technologies such as AI and blockchain and analytical methods based on probability and statistics. In another example of bolstering digital human resources, SuMi TRUST Bank partnered with an IT-related company to introduce joint training on business model analysis. Through these digital learning activities, we are taking up the challenge of creating innovation.

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. Those capabilities demonstrated and evaluated include the state of their ethics and compliance and their degree of involvement in developing human resources.

Starting in fiscal 2019, Sumi TRUST Bank changed its performance evaluation cycle from six months to one year to make it easier to tackle medium- and long-term issues as well as short-term initiatives. Although the evaluation period is longer, we still intend to meet at least once a quarter for timely sharing and resolution of day-to-day issues and to conduct interim process checks.

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 entire Group and individual's performance and achievement in the bonus amount with a view to realizing "incentives for building up earnings for the entire Group as well as for contributing to business unit, branch, or department the individual belongs to" 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.

To further support our employees' accumulation of financial assets, we sponsor an employee stock ownership plan that regularly purchases shares of SuMi TRUST Holdings.

Employees to be evaluated

9,868 employees in career formation courses
(as of end of March 2019)

Business performance indicators used to determine performance-linked bonuses

Achievement ratio of the consolidated net business profit before credit costs

Achievement ratio of the consolidated net income

Evaluation method used to measure individuals' performance

Decided through relative distribution among employees belonging to the same business unit based on the results of performance evaluation specified under the personnel evaluation system

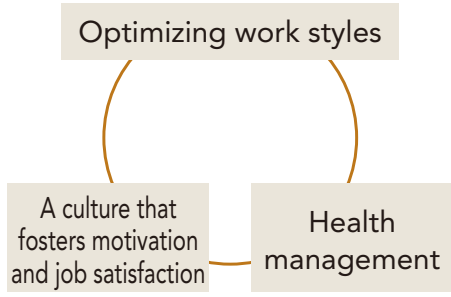
Upholding Positive Workplace Environments

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.

1. **Achieving diverse work styles and work-life balance**
2. **Supporting health improvement through measures such as boosting health awareness and appropriately managing work hours**
3. **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.



To "improve the workplace environment" the other side of our action to raise the level of the Group's workforce (see page 145), 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. We aim to achieve a goal of cutting clerical work at branches by 70% in around five years by implementing business process reforms and promoting branch strategies. We are also steadily improving efficiency in headquarters operations, for example by automating routine tasks. The manpower created from these changes will be shifted to the on-site sales force, IT operations, and other specialized areas in order to enhance client support and 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
- Shift to business casual attire year-round

Status of paid holiday use among SuMi TRUST Bank career-course employees (FY2018 results)

Average number of days of paid holiday use	14.9days
Average paid holiday usage rate	55%

Status of overtime hours among SuMi TRUST Bank career-course employees (FY2018 results)

Average overtime hours per month (outside of mandatory work hours)	20hours
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 149

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.

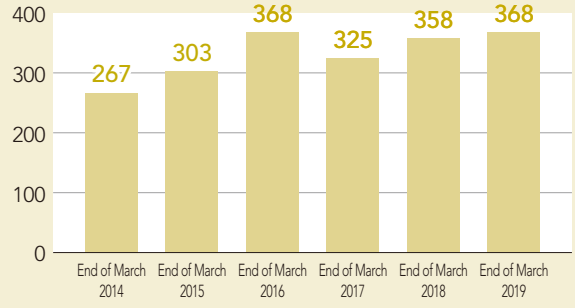
As for childbirth and childcare, SuMi TRUST Bank has created an environment where employees can raise their children with peace of mind by implementing a variety of measures. For example, in addition to offering childcare leave until children reach the age of two, SuMi TRUST Bank promotes childcare leave 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, 2019, 368 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



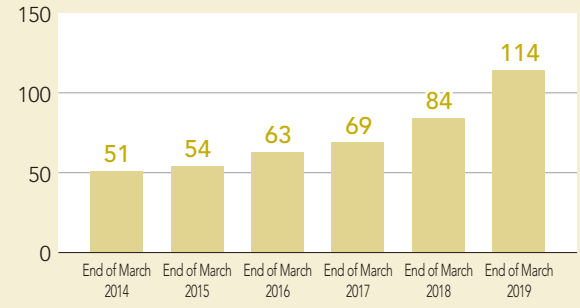
Usage status of flexible employment system (fiscal year 2018 results)

Number of employees using shorter working hours system for childcare or nursing care	573
Number of employees using staggered work starts, overtime work exemptions for childcare or nursing care	202
Number of employees telecommuting	250

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 2019)

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				✓	✓	✓	

system concepts, procedures, and points to be considered. We also provide application forms and company information supporting work-life balance through a website that employees can access while on childcare leave and a regular email newsletter for employees on childcare leave. In an effort to ensure a smooth return to the workplace, we hold seminars for returning employees led by external instructors and support network-building to allow female employees to share their concerns about work-life balance.

With respect to nursing care, SuMi TRUST Bank created a handbook and organized regular seminars to disseminate basic knowledge about nursing care. We also 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 leave-of-absence system that provides leaves for one year at longest for nursing care, 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."

Supporting Work-Life Balance for Employees Undergoing Cancer Treatment

In fiscal 2019 we introduced flexible working arrangements to support the balance between cancer treatment and work, including a leave program that can be taken in hourly units. SuMi TRUST Bank has also joined the "Corporate Action to Combat Cancer" initiative promoted by the Ministry of Health, Labour and Welfare.

Promotion of Flexible Working Styles

In fiscal 2018, SuMi TRUST Bank initiated trials of telework and working from home with the goal of improving productivity and supporting work-life balance. Starting in fiscal 2019, we initiated trials of working in satellite offices with the goal of using branch offices more effectively and reducing the commuting burden. Going forward, we hope to boost participation by making these opportunities easier to take advantage of, for example by increasing the number of eligible branch offices and expanding the facilities.

Starting in fiscal 2019, we transitioned to business casual attire year-round. The goal of this change is to reinforce the autonomy of our employees, who are expected to choose work attire appropriate to their particular job and client interactions, and also to help create a productive work environment that remains comfortable in different seasons and temperatures.

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.

In recognition of its good health management initiatives, the Group was recognized by the Ministry of Economy, Trade and Industry in 2018 and 2019 as a Certified Health and Productivity Management Organization in the "White 500" large enterprise category.

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 that all employees who require medical treatment receive a checkup. We also support health examinations such as complete medical checkups for employees' family members through health insurance associations.

Mental Health

In addition to conducting stress checks for all employees once per year accompanied by individual feedback, 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 employees' union, discuss ways to "improve the workplace environment," and take action to do so.

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.

Managers are expected to meet with their employees at least quarterly. These meetings allow the manager to get to know the employees' day-to-day concerns and challenges, help them grow and contribute in a timely manner, and think through their career plans together.

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 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.

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.

"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." SuMi TRUST Bank recognizes freedom of association, respects the rights of workers to organize and bargain collectively,



Next-generation leaders discuss the Group's mission during training

At the same time, in order to connect the positive motivation of Group employees to new solutions in the form of new products and innovations, we are promoting employees' future-oriented activities for the creation of new businesses and operations, which will in turn boost employees' motivation even more.



Business briefing held prior to open recruitment

and guarantees the right of employees to communicate openly with management. The SuMi TRUST Bank labor union has 11,424 members, equivalent to 77.6% of all employees, as of the end of September 2019. 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. Management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department consultation meetings, which are attended by representatives of labor and management at individual branches and departments, are periodically held to discuss working condition 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 company and the union or representatives of employees.

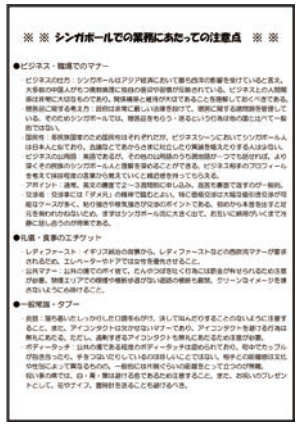
Encouraging Senior Employees to Thrive

SuMi TRUST Bank has a program that continuously reemploys 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 who have reached retirement age use this program. In addition, we introduced a system that certifies employees with significant expertise as Fellows and adjusts their benefit levels accordingly.

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 identify, 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.

In view of the need for appropriate workforce management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk (LGBT Consultation Desk), at which all employees (including course employees, professional employees, associate employees, part-time workers, and temporary employees) can receive consultation without going through the 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.

With respect to associate employees, in addition to personnel 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 maybe difficult to express in the workplace (see page 157).

Number of Consultations Concerning Labor Practices, etc. at SuMi TRUST Bank

FY2013	39
FY2014	46
FY2015	42
FY2016	78
FY2017	65
FY2018	76

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, and the workplace environment and engagement. Note that due to a review of the timing of the survey it was not conducted in fiscal 2018.

	FY2014	FY2015	FY2016	FY2017	FY2019
Vitality level	62.1	61.5	60.9	62.1	59.1
Satisfaction level	61.4	61.1	60.8	59.8	60.4

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 2018	As of end of March 2019
Number of employees	13,659 (6,145 men) (7,514 women)	13,469 (5,956 men) (7,513 women)
Hong Kong	59	62
Japan	12,961	12,744
China	141	131
Korea	3	4
Singapore	140	144
Indonesia	6	8
UK	157	176
USA	192	200
Average age	42.7 (Male: 43.5) (Female: 42.0)	42.4 (Male: 43.5) (Female: 41.4)
Average continuous years of employment	13.2 (Male: 16.0) (Female: 10.8)	13.4 (Male: 16.0) (Female: 11.0)
Average annual salary	6,960 thousand yen	7,198 thousand yen
Number of temporary staff	467	402
Number of part-timers	62	45
Number of disabled persons employed	276 (Disabled person employment ratio: 2.09%)	289 (Disabled person employment ratio: 2.21%)
Number of employees using the Elder Partner Program	395	424
Number of employee turnover (annual)	282 (131 men) (151 women)	301 (134 men) (167 women)
Number of work-related accidents (annual)	110 (accidents during work: 59; accidents during commuting: 51)	93 (accidents during work: 45; accidents during commuting: 48)

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 identify, 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 (LBGT 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 in implementing various training programs and conducting education activities concerning human rights issues.

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

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 Dowa 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 Consultation Desk also offers anonymous consultation in cases where privacy needs to be protected.

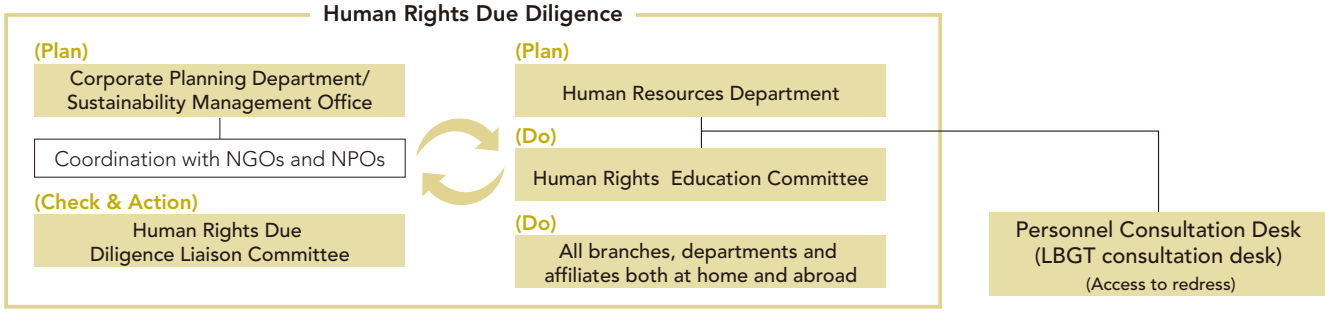
The Personnel Consultation Desk received 76 cases in fiscal 2018, of which 35 were cases potentially infringing upon human rights including harassment.

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 Disk received in fiscal 2018 have been resolved, with the exception of 5 cases.

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 0.5 hour per year for each employee at all branches, departments, and affiliates across the Group. In fiscal 2018, the Committee spent a total of about 401 hours to provide training to 23,000 employees out of the 24,854 at 267 departments covered by this program (training participation ratio: 92.5%).

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 2018, 24 sessions of rank-based training were held for a total of about 12 hours, with 1,099 employees participated in total.

FY2018 Human Rights Training

	Number of trainees	Hours spent for training
Workplace-based human rights training	23,000	401 hours
Rank-based training	1,099	12 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 Dowa and Foreign Residents Issues

The Group regards tackling discrimination against the Dowa 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 Dowa 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 Dowa 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

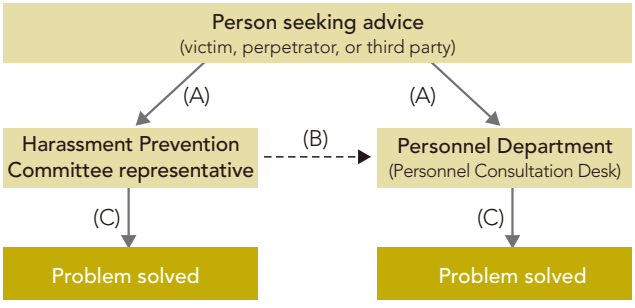
response of the victim, etc. Either stringent corrective measures or punishment—or both—are implemented against the perpetrators.

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.

The Consultation Desk also offers anonymous consultation in cases where privacy needs to be protected.

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.

LGBT Initiatives

As described earlier, the Group added text prohibiting discrimination against LGBT people when it amended its human rights policy in November 2016. As part of its continuing commitment to a workplace environment where LGBT and other sexual minorities can demonstrate their abilities in their own way, SuMi TRUST Bank has established a Consultation Desk, revised its benefits system, and continues to work on the initiatives such as awareness-raising through training. We have expressed our commitment to supporting LGBT rights externally and internally, for example by launching a mortgage loan that treats same-sex partners as spouses and by sponsoring "Tokyo Rainbow Pride 2019" as the SuMi TRUST Group. These initiatives were well-received, and the private organization "work with Pride" (wwP), which supports and promotes LGBT-related diversity management, awarded the highest rating of "Gold" in its PRIDE INDEX to SuMi TRUST Bank in fiscal 2017 and 2018, and to the SuMi TRUST Group as a group in fiscal 2019 for the LGBT and sexual minority initiatives of SuMi TRUST Holdings and two Group companies*.

work with Pride Gold 2019

* The two Group companies are: Sumitomo Mitsui Trust Bank, Ltd. and Sumitomo Mitsui Trust Asset Management Co., Ltd. Nikko Asset Management Co., Ltd. was also awarded "Gold" separately.

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.

Engagement Activities Related to Human Rights Issues

As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management (SMTAM) actively works with investee companies on a global scale and encourages them to address issues through engagement and the exercise of voting rights.

As an example of engagement related to human rights issues, we engaged with an Israeli military and defense company over concerns about the production of cluster bombs. Manufacturers of cluster bombs expose themselves to reputational risk from a humanitarian perspective, since international treaties such as the Oslo Convention have declared these weapons inhumane and banned their production and use. SMTAM advised the company that it should not start manufacturing cluster bombs, and should at least clarify and disclose the risks and future policies related to the production of cluster bombs. As a result, the company responded promptly and disclosed its policy not to engage in business activities that contravene international treaties.

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 rights, give consideration to industrial safety and health, and avoid violations of human rights, such as unjust discrimination, forced labor and child labor (Page 132).