



SUMITOMO MITSUI TRUST HOLDINGS

**SuMi TRUST**

SUMITOMO MITSUI TRUST HOLDINGS

CSR REPORT

**2012**



## Management Principles ("Mission")

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

## Ideal Model ("Vision")

### —Towards "The Trust Bank"—

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

## Codes of Conduct ("Value")

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

### **Completely Client-oriented—Truthfulness and Loyalty**

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

### **Contribution to Society—Dedication and Development**

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

### **Realization of Organizational Capability—Trust and Creativity**

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

### **Establishment of Individuality—Self-help and Self-discipline**

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

### **Strict Compliance with Applicable Laws and Regulations**

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

### **Resolute Stance against Antisocial Forces**

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



### Symbol Mark

The symbol mark features "Future Bloom" representing the vision of Sumitomo Mitsui Trust Group, which is "to generate new value through the combination of significant expertise and comprehensive capabilities, and to help the future of our clients and society bloom."



### Corporate Color

The corporate color is "Future Blue," which represents the integration of the sense of value that the symbol mark implies, and evokes the closeness and the future.

## **Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)**

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

### **1. Contribute to Solving Social and Environmental Problems through Business**

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

### **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.

### **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.

### **4. Address Environmental Issues**

- We aim to build a low-carbon society, a natural symbiosis society which fosters biodiversity, and a circulatory society, and will work to solve problems which obstruct these aims through our core businesses by cooperating with various stakeholders.
- We work on energy and resource conservation to reduce the environmental burden caused by our own activities.

### **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.

### **6. Participate in and Contribute to the Community**

- We aim to revitalize the community and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contribution such as educational and cultural activities.

# Editorial Policy

## Editorial Policy of the Corporate Social Responsibility (CSR) Report

This CSR report takes as a reference point of the concept of “Creating Shared Value” (CSV), as advocated by Professor Michael E. Porter of Harvard Business School. In this report, we classify our CSR activities into three categories of materiality, based on his concept.

First of all, we provide an overview of the violation of insider trading regulations that caused a loss of credibility in capital markets and damaged our clients’ trust in us. We also present our responses, a causal analysis, measures to prevent recurrence and a thorough discussion of the incident by employees.

In addition, Materiality 2 (“Efforts targeting improved social compliance in everyday business activities, which the Group must strive to improve in order to reinforce its corporate foundation”), and Materiality 3 (“Efforts addressing social themes to enhance the trust placed in the Group and thereby strengthen the business base”) are described based on the core subjects of ISO 26000 on social responsibility.

\* We have attached a questionnaire at the end of this report so that we can receive the forthright opinions of our stakeholders concerning this report and the Group’s CSR activities. Please feel free to use this questionnaire to inform us of your opinions and impressions.

## Scope of This Report:

Sumitomo Mitsui Trust Group (comprised of Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited [the former Chuo Mitsui Trust and Banking Company, Limited, the former Chuo Mitsui Asset Trust and Banking Company, Limited, and the former Sumitomo Trust and Banking Co., Ltd.], and other group companies)

## Target Readers:

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

## Period Covered by Report:

October 1, 2011 to September 30, 2012

\* This report also includes the latest information on activities before fiscal year 2011 and after October 2012.

## Reference Guidelines:

GRI (Global Reporting Initiative)

“Sustainability Reporting Guidelines 2006”

\* A table comparing our CSR report and the guidelines is available on the following website:  
<http://smth.jp/en/csr/report/index.html>

### Our website carries extensive information on the CSR activities of Sumitomo Mitsui Trust Group not covered in this report.

Specifically, this website provides more detailed information on our initiatives related to the issues of environmentally friendly property, biodiversity and socially responsible investment (SRI).



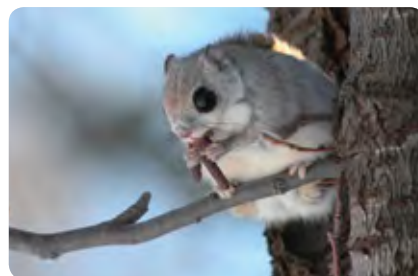
**CSR in Sumitomo Mitsui Trust Group**  
<http://smth.jp/en/csr/>

### We issue a regular report on social contribution activities (“With You” activities).

Under the slogan “With You,” the Group conducts various local contribution activities with the hope of continuing to be a good corporate citizen in the eyes of clients and members of local communities. The quarterly journal “With You” is a regular report on these activities, which are conducted by branches of Sumitomo Mitsui Trust Bank, Limited across Japan.



### Sumitomo Mitsui Trust Group is working for biodiversity conservation, such as the protection of rare species.



**Cover Photo: A small Japanese flying squirrel**  
 [Pteromys momonga]

The small Japanese flying squirrel is listed as an endangered species.

The Group designates a public interest organization that promotes the National Trust movement that aims to purchase land that forms the natural habitats of endangered species as one of the recipients of donations from its social contribution donation trust (see page 23).

Photo courtesy of the Association of National Trusts in Japan

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## Materiality1

### CSR Activities that Create New Financial Businesses



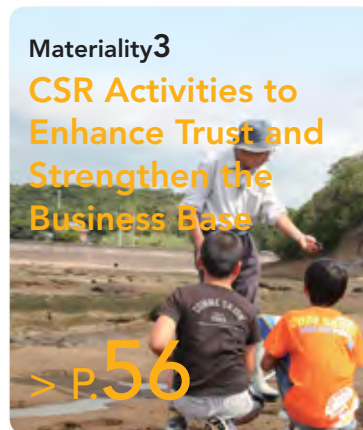
## Materiality2

### CSR Activities for Improving the Alignment of Our Business Activities with Society



## Materiality3

### CSR Activities to Enhance Trust and Strengthen the Business Base





# Management Commitment

We will contribute to building a sustainable society, with the aim of becoming the foremost sustainability bank.



Kunitaro Kitamura,  
President

Hitoshi Tsunekage,  
Chairman

In recent years, the international community has been concerned about diminished social sustainability caused by the worsening of a variety of problems, including climate change, the loss of biodiversity, poverty, and health hazards. Through our active CSR activities, we at Sumitomo Mitsui Trust Group are working to contribute to building a sustainable society, and to living in harmony with it.

## Contributing to Sustainable Use of "Natural Capital"

The Group signed the Natural Capital Declaration at the United Nations Conference on Sustainable Development "Rio+20" held in June 2012 in Rio de Janeiro, Brazil. The declaration defines the soil, air, water, plants, animals, and other resources that are needed to preserve the Earth's ecosystem as "Natural Capital," and states that signatories will play an active role in helping to preserve sustainable use of natural capital.

The Group recognizes that promoting the sustainable use of living resources through the appropriate economic and social evaluations of ecosystem services is an important issue. To this end, it has been working on the development of various financial products and services, such as eco-friendly development and con-

struction consulting services as well as the Biodiversity SRI Fund, an investment trust that invests in Japanese companies actively working to protect biodiversity.

By becoming a signatory to the Natural Capital Declaration, we will further promote these initiatives from a broader global standpoint and make contributions toward the sustainable use of natural capital.

## Improving Social Compliance

Above and beyond compliance with laws and regulations, a wide range of initiatives is being required in the everyday business activities of companies, including risk management, information disclosure, consumer protection, and reduction of environmental impact, so that these companies can exist in harmony with society and improve their social compliance.

The Group views addressing human rights issues as one such initiative and has newly established a "Human Rights Due Diligence Project Team," in addition to various training and educational activities about human rights issues provided for employees. Through this team, we have begun to verify what impact our everyday business activities have on the human rights of internal and external stakeholders.

We are going to actively promote these initiatives,

which will increase our ability to respond to various operational risks and will lead to reinforcement of the Group's corporate capabilities.

### Regaining Trust

We would like to sincerely apologize for the great concern and inconvenience caused to all clients and other stakeholders by the recent violation of insider trading regulations.

In response to this incident, we established the Special Investigation Committee that included outside experts, and it conducted extensive investigations and analyses and examined measures to prevent recurrence. Furthermore, the Third Party Committee evaluated and verified the results of the investigations and analyses. Going forward, based on the investigation results and opinions of the Special Investigation Committee and the evaluation of the Third Party Committee, we will work to prevent a similar misconduct and will put in place, and duly enforce, rigorous measures to restore the public's trust. Such measures will include the implementation of measures aimed at preventing the recurrence of any violation of insider trading rules.

With the birth of Sumitomo Mitsui Trust Bank,

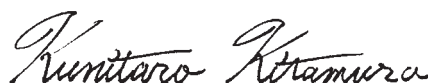
Limited in April 2012, we believe that the social responsibility borne by the Sumitomo Mitsui Trust Group has become even greater than in the past.

Through the integration of the diverse functions that are "unique to a trust bank group" and are "distinctive strengths of Sumitomo Mitsui Trust," we will establish new business models, and develop and offer innovative products and services as we aim to be the "foremost sustainability bank" that contributes to the creation of a sustainable society. We look forward to your warm continued support and cooperation in these endeavors.

December 2012



Hitoshi Tsunekage, Chairman

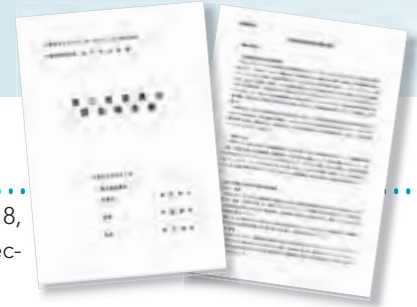


Kunitaro Kitamura, President

# Concerning the Violation of Insider Trading Regulations

We would like to sincerely apologize for the great concern and inconvenience to all our clients and other stakeholders.

Sumitomo Mitsui Trust Bank, Limited will continue to expend its utmost efforts to strengthen its management system by strictly enforcing measures to prevent recurrence and strive to rebuild your trust.



## The Third Party Committee Investigation Report and the Special Investigation Committee Report

Details concerning the violation of insider trading regulations were disclosed on June 8, 2012, in our news release entitled "Report of the Third Party Committee Regarding Recommendation by the Securities and Exchange Surveillance Commission."

### 1 Overview of the Situation

On June 28, 2012, Sumitomo Mitsui Trust Bank, Limited (SMTB) received an order from the Financial Services Agency to pay an administrative monetary penalty concerning the transactions (Facts No. 1 and No. 2 described to the right) in the fund management operation of the former Chuo Mitsui Asset Trust and Banking Company, Limited (CMAB). The Securities and Exchange Surveillance Commission had recommended the Financial Services Agency to issue the order.

**[Fact No.1]** In July 2010, Employee A, who managed the asset(s) of the fund(s) pursuant to a discretionary investment agreement, received insider information from a securities company employee about a capital increase by INPEX CORPORATION by a public offering, and sold shares of INPEX CORPORATION in the account of the above fund(s) before a public announcement of the offering news.

**[Fact No.2]** In June 2010, Employee B, who managed customers' assets under three discretionary investment agreements, received insider information from a securities company employee about a capital increase by Mizuho Financial Group, Inc. by a public offering, and sold shares of Mizuho Financial Group, Inc. in the account of each customer who was counterpart to the aforementioned discretionary investment agreements before a public announcement of the offering news.

### 2 Establishment of a Multi-Level Investigation and Verification System

On March 14, 2012, Sumitomo Mitsui Trust Holdings, Inc. (SMTH) established a Special Investigation Committee to grasp and confirm the facts, to analyze causes, and to consider and verify measures to prevent recurrence of Fact No. 1. The Special Investigation Committee consists of the following members: SMTH Chairman Hitoshi Tsunekage, as the chair; SMTH Director, Managing Executive Officer Tetsuo Ohkubo as the chief of the secretariat; SMTH outside corporate auditors; an outside expert (attorney at law); and concerned officers and general managers of SMTH and SMTB. The Committee has a secretariat consisting of five full-time employees, in addition to 13 outside attorneys at law.

On March 21, 2012, a recommendation for the issuance of an order to pay an administrative monetary penalty was made by the Securities and Exchange Surveillance Commission with respect to Fact No. 1. On April 9, 2012, in response to this, SMTH established the independent Third Party Committee consisting of outside experts to further evaluate

#### [Members of the Third Party Committee]

Chair: Kunio Hamada  
(Attorney-at-law; former Justice of the Supreme Court)

Committee member: Tetsuo Ito  
(Attorney-at-law; former Deputy Prosecutor-General, Supreme Public Prosecutors Office)

Committee member: Masao Kishida  
(Dean, Waseda Graduate School of Finance, Accounting and Law Director, Waseda Center for Finance Research)

and confirm the scope, methods, and processes of the Special Investigation Committee's investigation.

The Special Investigation Committee conducted a thorough investigation of Fact No. 1 and Fact No. 2 mainly through outside legal counsel, and it also obtained and closely examined relevant materials to the extent practicable.

Furthermore, in an effort to thoroughly investigate whether there were similar cases, the Special Investigation Committee collated sales and purchase data (total of 973,034 cases) and data regarding capital increases by a public offering (total of 300 cases) for the past five years (from April 1, 2007, to March 31, 2012), and concluded that there were no similar cases. Also, the Third Party Committee stated that "the Special Investigation Committee's conclusion cannot be deemed to be unreasonable."

#### About Insider Trading

Insider trading refers to the trading of specified securities, etc. by individuals who are privy to material internal information or material client information regarding those securities.

Allowing individuals in special positions, who can easily access material information that could significantly influence the judgment of investors, to trade specified securities, etc. before such material information is released can cause great injustice to general investors and damage fairness and trust in securities markets. For these reasons, insider trading is prohibited by the Financial Instruments and Exchange Act.



### 3 Analyses of Causes

The Special Investigation Committee conducted the following analyses on the causes of the facts and received an evaluation from the Third Party Committee on the rationality of each analysis.

#### (1) Individual Factors

The Special Investigation Committee listed the following as individual factors (personal factors) related to the alleged insider-information transfer regarding both Employee A and Employee B: a) forming excessively close relationship(s) with sales person(s) at securities company(ies), who became sources of insider information, was a factor which led to Employee A and Employee B respectively receiving information without concern about the risk of receiving information that could constitute insider information; and b) Employee A's and Employee B's lack of awareness about insider information control.

The Third Party Committee deemed as reasonable the Special Investigation Committee's indication that individual factors for Employee A and Employee B were one of the causes of the incidents.

#### (2) Systematic Factors

##### (a) The System of Evaluating Securities Companies at CMAB

The Special Investigation Committee found that the system of evaluating securities companies at CMAB might have invited securities companies to conduct excessive sales activities, such as the transfer of information that could constitute insider information.

Specifically, CMAB at that time adopted a system where fund managers (FMs) awarded points to individual analysts, economists, strategists, and sales persons at securities companies depending on their level of contribution to the FMs' own businesses. Although this did not constitute a system where specific evaluations by FMs were strongly reflected in order placement share, the Special Investigation Committee pointed out that this system was likely to have motivated securities companies to deepen their relation-

ships with FMs beyond ordinary business requirements.

The Third Party Committee deemed as reasonable the Special Investigation Committee's indication that the system of evaluating securities companies at CMAB was one of the causes of the incidents.

##### (b) An Organization that is Too "Flat" and Insufficient Management of Individual Conduct

The Special Investigation Committee indicated that in the Equity Department of CMAB, to which Employee A and Employee B belonged, the organization structure was so "flat" that it was difficult for senior persons to supervise a large number of subordinates. Furthermore, the job of fund managers is highly technical, their interest in co-workers has a tendency to wane because of the self-contained nature of their job, and many of them largely kept the same positions and responsibilities for long periods. Accordingly, a culture emerged where mutual checks among staff members did not readily function.

The Third Party Committee deemed as reasonable the Special Investigation Committee's indication that an excessively "flat" organization and insufficient systems to manage individual conduct were one of the causes of the incidents.

##### (c) Non-Utilization of the Internal Reporting System

At CMAB the internal reporting system had never been used since its establishment in April 2004.

The Special Investigation Committee indicated that if the system had functioned properly, some suspicious signs might have been detected and the trouble in question might have been prevented. However, the system did not necessarily function as intended.

On this point, the Third Party Committee acknowledged that activating the internal reporting system in conjunction with other preventive measures would be an effective way to cultivate and instill compliance awareness among individual officers and employees in order to prevent a recurrence of similar misconduct in the future.

Materiality 1

Materiality 2

Materiality 3

- **Third Party Committee Investigation Report (News Release; Japanese only)**

<http://smth.jp/news/2012/120608-2.pdf>

- **Report of the Third Party Committee Regarding Recommendation by the Securities and Exchange Surveillance Commission (News Release)**

<http://www.smth.jp/en/news/2012/E120608.pdf>

## 4 Formulation and Implementation of Measures to Prevent Recurrence

Based on the recommendations given by the Special Investigation Committee and the Third Party Committee, SMTB has formulated measures to prevent recurrence and has been gradually implementing them in an effort to rebuild trust. The measures are as follows.\*

\* Some measures, such as activation of the internal reporting system and development of the internal audit system, are being implemented together with SMTH.



### Overview of the Main Measures to Prevent Recurrence

(For details, please refer to the Third Party Committee Investigation Report and the Special Investigation Committee Report.)

Conducting of internal audits specialized in prevention of insider trading	A specific audit process has been established, and audits specializing in the prevention of insider trading have been continuously conducted on the fund management division (including not only the market front departments but also the Fiduciary Risk Management Department and the Compliance Department) by the Internal Audit Department, which is under the direct control of the President.
Establishment of Guidelines on Contacts with Securities Companies, etc.	As a general rule, any contact between fund managers and sales persons of securities companies is wholly prohibited. The exception occurs only when the general manager determines that it is inevitable in the course of business under the condition that the meeting is held in our offices accompanied by at least one other person of the company. In such cases, a record of such meetings shall be reported to and inspected by the Fiduciary Risk Management Department.
Enhancement of compliance training, etc.	Compliance training for the prevention of insider trading, etc. is held independently each quarter for the Fiduciary Services Business on top of company-wide development of the training system. The rules, etc. on contacts with securities companies should be thoroughly understood. Furthermore, employees are required to submit a pledge that they will comply with the rules.
Review of the evaluation of securities companies regarding orders for sales and purchases	The system of evaluation on individual sales persons by fund managers at the former CMAB was abolished. The incentives for excessively close relationships between sales persons at securities companies and fund managers are no longer in place.
Implementation of overall corporate activities to instill self-discipline based on the Trustee Spirit	"Discussion The Trust Bank" was conducted in every branch and department on the theme of "What is the 'Trustee Spirit'?" (See page 13 for details.) The Equity Investment Department launched the department-wide "Compliance Joint Reform Project" to facilitate thorough discussions among all members of the department. (See page 10 for details.)
Activation of the internal reporting system	An internal reporting system that is widely and easily used will be established by lowering psychological barriers against whistle-blowing. Measures to lower psychological barriers include the following: to make it known again, through education, that whistle-blowers will not suffer any disadvantage, that they can report incidents anonymously and can reach to an attorney at law, and that the system also enables employees at SMTB to pass on such information to SMTH.

# Regaining the Trust Lost from the Violation of Insider Trading Regulations



**Moderator:** Head Office Executive Kanai,  
Corporate Social Responsibility  
Office, Corporate Planning  
Department



Managing Executive  
Officer Kitano,  
In charge of Compliance  
Department



General Manager Ishizaki,  
Fiduciary Risk Management  
Department



Executive Officer and  
General Manager  
Kamisawa,  
Pension Business Department II



General Manager Awano,  
Shibuya Branch



Section Manager Takano,  
Tokyo Business Department XIII



Senior Manager  
Mukaihata,  
Equity Investment Department



Assistant Manager Orita,  
Nihonbashi Business  
Department

The violation of insider trading regulations caused a significant loss of trust in the capital markets and damaged the trust our clients hold in the company. One of the Group's Management Principles is to "adhere to the principles of sound management based on a high degree of self-discipline with the background of 'Trustee Spirit' and earn strong credibility from society." Based on this principle, the Group has resolved never to repeat the same mistake and is implementing initiatives to rebuild the trust. In September 2012, employees gathered from various positions and departments within the company and held a meeting to exchange opinions on what needs to be done in order to rebuild trust.

## Feedback from Clients and the Public

**Moderator:** The recent violation of insider trading regulations has caused a loss of trust in the capital markets itself. What kind of reactions have you received from pension-fund investor clients, who were caused great inconvenience by the incident?

**Kamisawa:** In my opinion, forgiving or not forgiving the action is not generally a matter for clients to deal with, given the nature of insider trading. I think their concern is instead that we ensure thorough compliance with market rules and secure sound and appropriate operations. We felt insecure for a period ahead of the release of the Third Party Committee report on June 8, and some clients were worrying whether these two cases might be just the tip of the iceberg. But after June 8, we were fortunately able to receive understanding from a greater number of clients by carefully explaining the report because it was prepared based on a very extensive and detailed investigation.

The measures to prevent recurrence include a lot about corporate culture and climate. I felt they could bring a certain degree of assurance to clients who had concerns about recurrence. Another good point was that the investigation was conducted by the Special Investigation Committee and the conclusion was verified by the Third Party Committee.

Yet when we consider the core purpose of trust, we must take very seriously the fact that we have damaged our "credibility as a trustee" with clients who have trusted us and entrusted their funds to us. Now a yellow card has been issued, the next time would be a red card. While feeling very grateful to the clients who continue to do business with us, we should never forget this incident as we strive to restore the damaged trust as much as possible.

**Moderator:** What is management's stance on tackling this incident?

**Kitano:** I think this incident brought us face to face with a reputational crisis greater than we have ever experienced before. When the initial recommendation for the issuance of an order to pay an administrative monetary penalty was made in March, a statement by the Securities and Exchange Surveillance Commission was reported by the media; "The act is unprecedented in the sense that it was conducted by a trust bank, of which a high degree of morality and self-discipline are required." The name "Sumitomo Mitsui Trust Bank" was repeatedly mentioned on television, and it was a difficult period marked by insecurity for both employees and their families.

Our publicly announced Ideal Model ("Vision") begins with the phrase "a high degree of self-discipline with the

background of “Trustee Spirit” and makes a pledge to “create distinct values” in the same context. That is our vision of “The Trust Bank.” However, this incident marked quite a sudden departure from this vision for the new company, and it had to embark in the midst of a storm.

The Third Party Committee report released on June 8 contained an instruction for us: “As a financial institution with a company name containing the word ‘Trust,’ reconfirm that your corporate philosophy is to use your utmost efforts for your customers’ interests.” This really rings true, and personally I am determined not to forget June 8, the day the report was released.

I believe the first step toward regaining trust is for each of us to build up our “trust balance.” To put it in terms of a bank account, this incident is like a big “withdrawal.” We now must work to gradually make “deposits” to redress the balance and saving is our business as a bank. We aim to become a bank that is thoroughly reliable.

## Measures to Prevent Recurrence on the Front Lines

**Moderator:** What kinds of countermeasures to prevent recurrence are being implemented in the Fiduciary Services Business, where the incident occurred?

**Ishizaki:** The first recommendation was made in March, before the bank’s integration, but we regarded it as a group-wide problem and took action. The Special Investigation Committee was established at the holding company, and we immediately took action on the framework of measures to prevent recurrence. The measures were completed based on an evaluation by the Third Party Committee on the appropriateness of the verification results of the Special Investigation Committee. Although the measures are quite wide-ranging, they can roughly be divided into: (i) enforcing organizational systems; (ii) stricter business operations; and (iii) enhancing compliance awareness and building a corporate culture of compliance. As for the measure for

stricter business operations, rules were reestablished in line with the reality of fund management operations and from a global-standard perspective. The Third Party Committee deemed these measures to be sufficient and effective, and to have no risk of hindering operations.

Simply formulating the measures to prevent recurrence is not sufficient. In addition to that, ensuring that these measures are firmly implemented in operations is essential. Therefore, a system for monitoring the implementation of the measures has been established. The appropriateness of the measures is judged on a quarterly basis by outside experts such as law firms, and improvement proposals and advice are incorporated for continual refinement. As we believe that the public may feel that we still need observation, it is important for us to display that we are fully capable of compliance.

**Moderator:** How has the fund management front changed?

**Mukaihata:** The Equity Investment Department was the party directly involved with the violation of insider trading regulations, and we sincerely regret the great inconvenience this incident has caused to our clients and other stakeholders. Members of each team have carefully read through the rules, so that they can thoroughly confirm and implement them.

Specifically, face-to-face contact with sales persons from securities companies is generally prohibited under the new system. Also, all phone calls and emails with sales persons from securities companies are recorded without exception. As for evaluating securities companies, we have revised the traditional system of evaluating individual sales persons, thereby eliminating any incentive related to insider information. Moreover, we have reconfirmed that staff members are prohibited from accepting any entertainment or gifts.

In addition, we encourage staff members at the Equity Investment Department to use daily business logs for monitoring and have facilitated the department-wide “Compliance Joint Reform Project” aimed at getting back to the “Trustee Spirit.” These moves are in response to the point



raised by the Third Party Committee that mutual checks among department members did not readily function due to the self-contained nature of much of their business. In this project discussions were held five times in all, where all department members confirmed among themselves the need to: (1) fulfill their accountability to customers; (2) improve their skills and knowledge as professionals; and (3) adhere to compliance. I believe that thorough discussions like these will allow the new system to function properly, and that it will be necessary to continuously improve the effectiveness of measures to prevent recurrence to ensure that no misconduct will ever occur again.

**Kitano:** I think it is very meaningful that discussions were held five times. Despite the tendency to rely more on email as companies grow larger, I hope that staff members talk face-to-face with each other so they can see each other's facial expressions and attitudes.

### Initiatives in Each Department

**Moderator:** What kind of management has been conducted at branch offices to enhance compliance awareness?

**Awano:** At our retail business branches, some clients expressed concerns, saying such things as, "I trust the bank, but is it really trustworthy?" This has given me a strong sense of responsibility toward what needs to be done. At branch offices, we provided detailed explanations of the incident to individual Section Managers and also held training and study sessions numerous times for all employees, including part-time workers. In addition, we held discussions on the theme of "What is the 'Trustee Spirit'?" Because the incident did not occur on the sales front, we were concerned that branch employees might think of it as just "something that other people in other departments were involved in." But through the discussions, everyone was able to gain the understanding that any of us could come into contact with insider information. Furthermore, we were able to confirm with every branch employee our determined targeted direction, which is: to keep in mind that we represent the company on the business front lines, conduct sales from the clients' point of view, and conduct office work in a sincere and accurate manner. In an effort to retain this awareness, we strive to voice what we feel in our everyday business activities and have our voices be heard.

**Moderator:** How was the Wholesale Financial Services Business affected?

**Takano:** Fortunately, many of our clients were so kind that



they told us they would continue to do business with us as before. However, there were also those who told us they would refrain from doing new business with us for now. I believe that all sales persons in the Wholesale Financial Services Business felt the fear that we could lose all the trust and confidence our clients place in us in an instant. While the trust that we had built up allowed us to maintain business dealings with many clients, I think we have squandered that trust with this incident.

As obtaining various information from clients is our job as sales persons, we may come into contact with insider information without realizing it, so the risk we may find ourselves caught up in a similar incident is not zero. Accordingly, we are reaffirming our recognition that everyone has to understand and remain aware of this risk. We intend to keep an eye on the behavior of our subordinates and colleagues, and remind each other of this misconduct so that this kind of incident will never be repeated.

In addition, we must be careful not to have the wrong idea about "client-oriented" values, as was put forward in a discussion held within the department. Even when we do something with the assumption that it is for the sake of clients, if that act is in violation of laws, then it is by no means for the client's sake. We have to judge carefully whether our actions are truly based on "client-oriented" values and take a resolute attitude toward acts that conflict with these values in doing business.

**Moderator:** What kind of impact was there at the front lines of the retail business branches?

**Orita:** When news of the incident was reported in March, I was in charge of outside sales at the Nihonbashi Business Department. Because it is a traditional business district, our clients include active corporate executives. Among the reactions they shared with me were: "I'm seeing the scan-



dal a lot in newspapers," "It must be tough," and, "I have expectations for the new bank. I hope you will never let something like this happen again." Many clients at the Nihonbashi Business Department have been doing business with us for forty or fifty years. We truly regret that we caused these clients so much worry. We know we cannot afford to be complacent despite the fact that we received no harsh comments. We are aware that our clients have great trust in us. Accordingly, it could spell the end for us if we betray the trust by repeating a similar incident. Furthermore, even though no harsh words were handed down, we feel that there may have been some clients who lost faith in the new bank.

At the retail business branches, it seems that we have created an environment in which each employee recognizes the necessity of being aware of the issue by having reminders at morning and evening assemblies and conducting training and discussions.

Every one of us at branch offices represents the company in front of clients, so we must steadily make efforts, even if they look somber, to rebuild trust.

### The Mindset Employees of Trust Banks Should Possess

**Kitano:** When conducting our business, we need to have both reasonable business judgment and a legal mind. I think what we should aim to be is a business person with a legal mind.

**Moderator:** What is the relationship between the "Trustee Spirit" and the legal mind?

**Kitano:** As was mentioned earlier, we should not have the wrong idea about client-oriented values, and this is definitely something that cannot be permitted as a trustee. Doing our best for our clients under the precondition of legal compliance is the "Trustee Spirit."

**Awano:** Because the ideal "Trustee Spirit" changes in response to the changing views of society, it must be constantly sought without fixed goals.

**Kitano:** Our ideal model of "The Trust Bank" is the sum total of efforts made by individual employees, as they continue this goal-less quest in pursuit of a higher level of the "Trustee Spirit."

### Preventing the Incident from Being Forgotten

**Moderator:** What needs to be done to prevent the incident from being forgotten?



**Ishizaki:** I think we need to keep reminding ourselves in our everyday business activities that we are far from perfect. It was mentioned earlier that there were no goals, and this is really true. I believe that we have to continue striving to enhance the level towards perfection.

**Kamisawa:** I think if we create a corporate culture and environment where the violation of laws is unthinkable and if, within this environment, everyone strives to improve their expertise and business skills, does their best for their clients, and works willingly and openly with each other, then it would be unlikely for the incident to be forgotten, and also everyone's compliance awareness would steadily be enhanced.

**Ishizaki:** We have to regard compliance as something essential for the quality of our products, services, and performance. Although some people may see compliance as defensive, we have to consider compliance as an aspect of quality, and see that improvement of compliance would influence sales as well.

**Takano:** I think we need to keep recognizing that trust and confidence are our priceless values, just as smiles are for hamburger chain restaurants.

**Kitano:** I believe what is most important is for people to get together from various departments to discuss their thoughts, as we are doing today. I hope that this circle of discussions will be expanded so that individual employees can put into practice their own ideal models at their respective positions.

At the beginning, I mentioned that June 8 is a date I am determined never to forget. I would also like us to remember from time to time the day we became reborn as a trust bank.

**Moderator:** I hope you will keep expanding the circle of discussions after you return to your respective departments. Thank you for your participation.

# Returning to Basics to Change Minds and Behavior



## Conducting “Discussion The Trust Bank” at Every Branch and Department

At Sumitomo Mitsui Trust Bank, Limited (SMTB), we are conducting the “Discussion The Trust Bank” at every branch and department. This initiative aims at fostering a corporate culture, improving operations at branches and departments, and expanding insights through discussions about daily problems among employees at respective branches and departments, regardless of their positions.



Under this framework, SMTB held the “Discussion The Trust Bank” on the theme of “What is the ‘Trustee Spirit’?” as a part of measures to prevent recurrence, based on the recommendations given by the Special Investigation Committee and the Third Party Committee concerning the violation of insider trading regulations.

At each branch and department, discussions were held on the specific topics of: (1) what was felt in response to the violation of insider trading regulations; (2) the “Trustee Spirit” required of each branch, department, and business; and (3) what should be done in everyday business activities in order to regain trust. Based on these discussions, each employee is working toward changing minds and behavior by returning to the basics of the “Trustee Spirit.”

### Branches and Departments Conducting “Discussion The Trust Bank”

Category	Number of Branches and Departments
Corporate Management Sections	16
Retail Financial Services Business	11
Wholesale Financial Services Business	8
Stock Transfer Agency Services Business	6
Real Estate Business	11
Fiduciary Services Business	26
Global Markets Business	9
Credit Risk Management Sections	3
Wholesale Business Branches	24
Retail Business Branches	128
Overseas Branch Offices	4
Total	246



**Toru Takakura**  
Director, Managing Executive Officer  
Sumitomo Mitsui Trust Bank, Limited

The Sumitomo Mitsui Trust Group’s Management Principles (“Mission”) and Ideal Model (“Vision”) espouse a high degree of self-discipline and the creation of distinct values with the foundation of the “Trustee Spirit”.

The recent discussions held by all branches and departments at SMTB on the theme of “What is the ‘Trustee Spirit’?” have allowed us to not only foster an awareness aimed at preventing the recurrence of insider trading, but have also provided us an opportunity to reconsider the meaning of our existence as “The Trust Bank.”

In these discussions, many voiced the opinion that the trust business is reliant

on trust from clients and that the basis of the “Trustee Spirit” is to live up to this trust at high levels through our everyday business activities. Furthermore, we were able to acknowledge that this incident has shaken the trust that serves as our foundation, and what is most important is to do our utmost to regain trust, let alone preventing recurrence, and for each employee to live up to his/her responsibilities regarding clients’ entrustments.

We will continue to hold these discussions in the future and instill the true “Trustee Spirit” throughout all executives and employees.

# Creating Shared Value through Strategic CSR

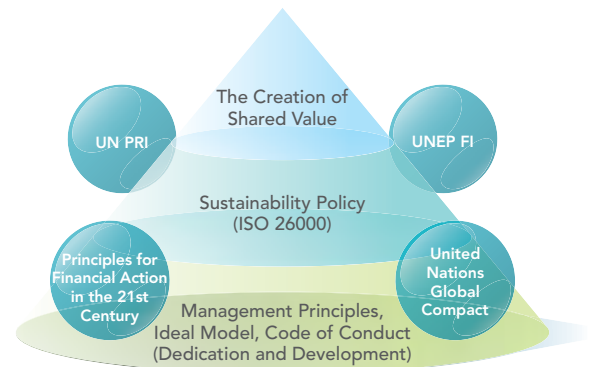
## The Cornerstone of "Creating Shared Value (CSV)"

"Creating Shared Value" is the concept of companies creating social value by addressing society's needs and challenges while simultaneously creating their own economic value.

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

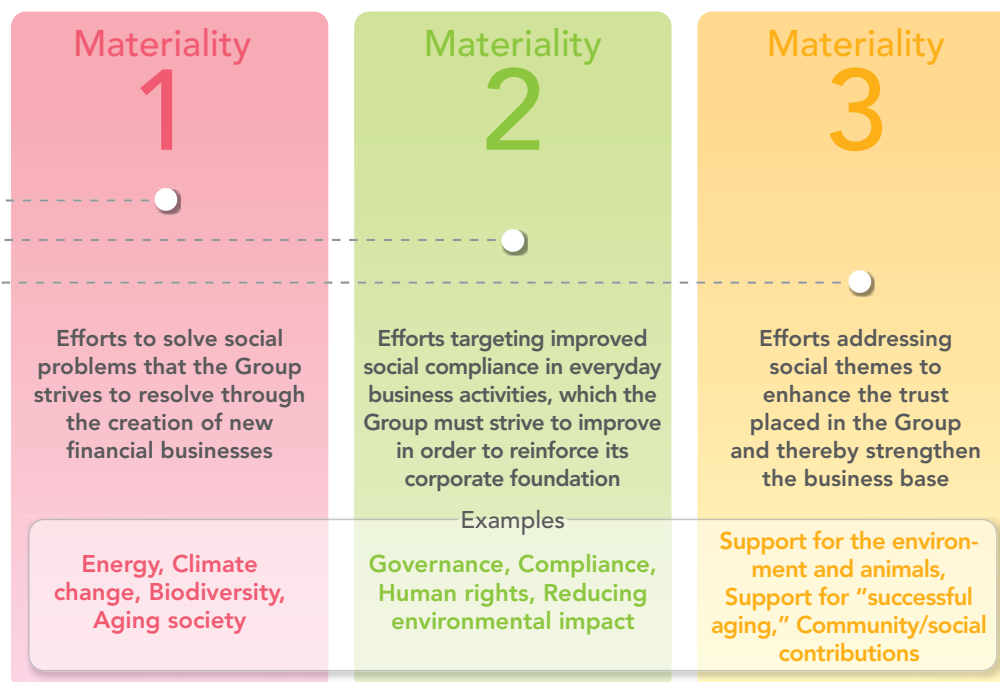
Furthermore, the Group is a signatory to the United Nations Global Compact, a global policy framework for corporate sustainability, and the "Principles for Financial Action towards a Sustainable Society (Principles for Financial Action in the 21st Century)," a set of voluntary guidelines established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

## Process of Creating Shared Value



## Creating Shared Value through Three Kinds of Materiality

To realize CSV, we classify social problems and themes with strong connections to materiality\* into three categories. These are: (1) social problems that the Group strives to resolve through the creation of new financial businesses, (2) social compliance in everyday business activities, which the Group must strive to improve in order to reinforce its corporate foundation, and (3) social themes that need to be addressed in order to enhance the trust placed in the Group and thereby strengthen the business base. The Group is working to advance these issues strategically.



\* Materiality refers to important factors that are material to the Group's financial performance.

# Related Pages on ISO 26000, United Nations Global Compact, and Sustainability Policy

## Seven Core Subjects addressed in ISO 26000

Core subjects	Issues	Relevant pages
 <b>Organizational governance</b>	Organizational governance	34–41
 <b>Human rights</b>	Due diligence / Human rights risk situations / Avoidance of complicity / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Economic, social and cultural rights / Fundamental principles and rights at work	42–45
 <b>Labor practices</b>	Employment and employment relationships / Conditions of work and social protection / Social dialogue / Health and safety at work / Human development and training in the workplace	46, 47
 <b>The environment</b>	Prevention of pollution / Sustainable resource use / Climate change mitigation and adaptation / Protection of the environment, biodiversity and restoration of natural habitats	18–27, 48–51
 <b>Fair operating practices</b>	Anti-corruption / Responsible political involvement / Fair competition / Promoting social responsibility in the value chain / Respect for property rights	52
 <b>Consumer issues</b>	Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health and safety / Sustainable consumption / Consumer service, support, and complaint and dispute resolution / Consumer data protection and privacy / Access to essential services / Education and awareness	53–55
 <b>Community involvement and development</b>	Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Health / Social investment	56–63

## The UN Global Compact's Ten Principles

	Principles	Relevant pages
 <b>Human rights</b>	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and	42–45
	Principle 2 Make sure that they are not complicit in human rights abuses.	
 <b>Labor</b>	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	46, 47
	Principle 4 The elimination of all forms of forced and compulsory labor;	
	Principle 5 The effective abolition of child labor; and	
	Principle 6 The elimination of discrimination in respect of employment and occupation.	
 <b>Environment</b>	Principle 7 Businesses should support a precautionary approach to environmental challenges;	18–27, 48–51
	Principle 8 Undertake initiatives to promote greater environmental responsibility; and	
	Principle 9 Encourage the development and diffusion of environmentally friendly technologies.	
 <b>Anti-corruption</b>	Principle 10 Business should work against corruption in all its forms, including extortion and bribery.	52


## Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)

Policy	Relevant pages
1. Contribute to Solving Social and Environmental Problems through Business	16–31
2. Serve Clients with Sincerity	53–55
3. Earn the Trust of Society	34–39, 52
4. Address Environmental Issues	18–27, 48–51
5. Respect the Individual	46, 47
6. Participate in and Contribute to the Community	56–63



## Materiality 1

# CSR Activities that Create New Financial Businesses

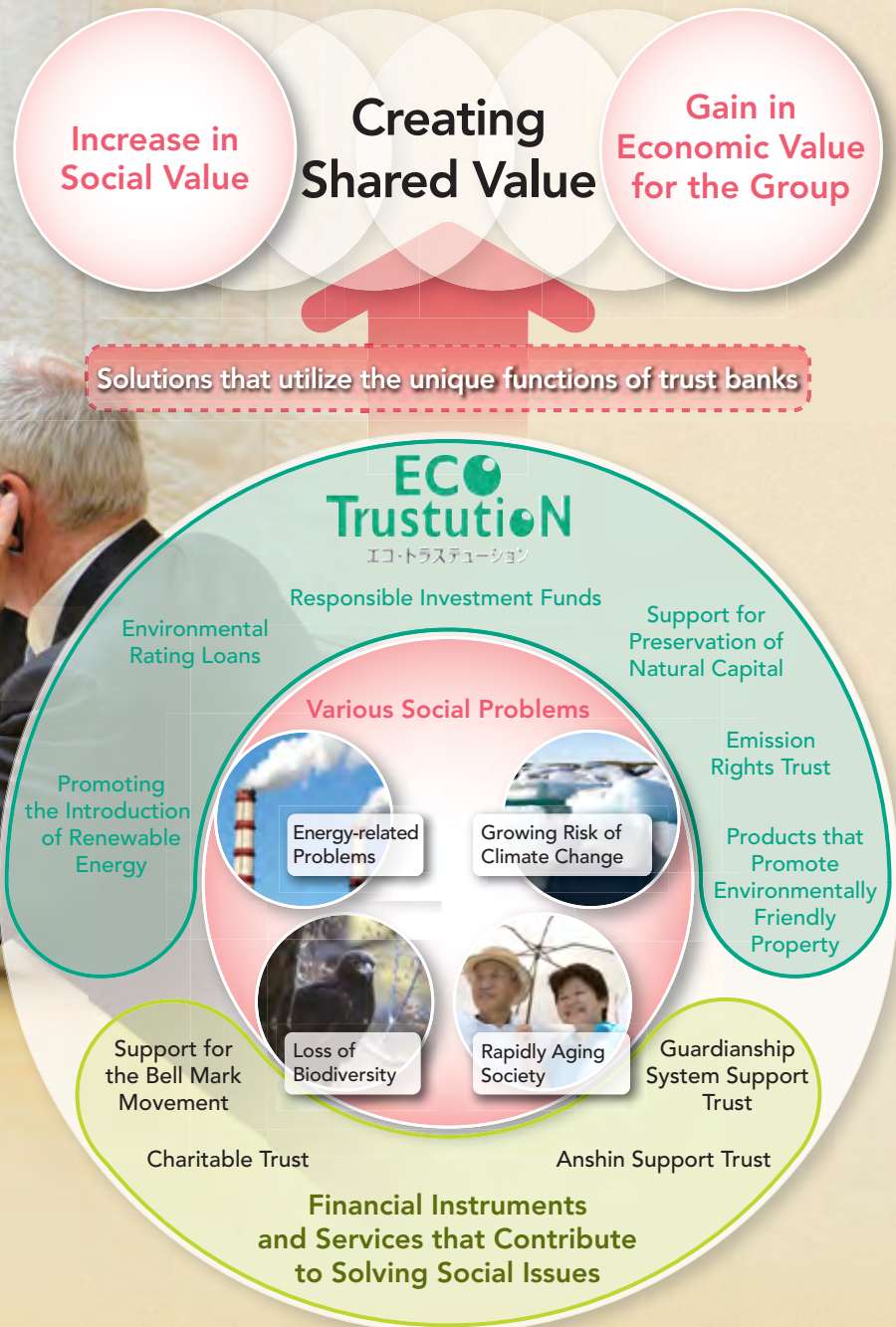
A group of business professionals, including men and women in suits, are seated around a long wooden conference table in a modern office setting. They appear to be engaged in a meeting or discussion. The room has large windows in the background, providing a view of a city skyline. On the table, there are water bottles, glasses, and some documents.

Former U.S. Vice President and Nobel Peace Prize laureate Al Gore was among the first to sound the alarm over climate change. On October 15, 2012, he paid a visit to Sumitomo Mitsui Trust Holdings. Mr. Gore and Chairman Tsunekage discussed various perspectives on Responsible Investment, an asset management method that invests in a sustainable future.



## Creating Shared Value

Naturally, a company should respond to customer needs. However, a company that responds only after such needs become evident will not be able to innovate. By considering the solution of various social problems as “social needs,” and by contributing to resolve such problems, we can be innovative and stay one step ahead of our customers’ potential needs. With the aim of gaining economic value, the Group views the leveraging of company strengths to resolve social problems as an opportunity to create new businesses, and actively works to address those problems.



### ECO TrustutionN:

The Group has coined the word “Eco-Trustution” to represent environmental initiatives. Under this concept, we will provide solutions to ecological issues through the use of our trust function. We will continue to develop and provide solution-based financial instruments and services.

# Addressing Climate Change



## Basic Stance of the Sumitomo Mitsui Trust Group

In the film “An Inconvenient Truth,” former U.S. Vice President Al Gore argues that global warming will bring the Earth to a crisis. He illustrated this point using factual examples including changing temperatures, melting glaciers, rising sea levels, rapidly increasing damage from hurricanes and typhoons, and the destruction of the Amazonian forest.

Believing that we should take firm measures in response to these problems as swiftly as possible, the Group formulated its “action guidelines for mitigating climate change,” and has clarified our stance in the efforts against climate change.

Meanwhile, looking at the climate change issue in the case of Japan, support from the financial sector is necessary to ensure that a new energy plan is put in place smoothly, given the urgent need to revise the country’s energy plan fundamentally in the wake of the nuclear power plant accident.

We are addressing the environmental and energy problems that have been the focus of attention in the aftermath of the Great East Japan Earthquake. Based on the action guidelines for mitigating climate change, the Group provides high value-added financial solutions that leverage its uniqueness as a trust bank group.

### • Action Guidelines for Mitigating Climate Change

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

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

#### 2. Provision of Products and Services

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

#### 3. Collaboration with Stakeholders

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

#### 4. Education and Training

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

#### 5. Information Disclosure

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

## 1 Measures to Expand the Use of Renewable Energy

### Promoting the Adoption of Renewable Energy through Project Finance

Contributing to the widespread use of renewable energy such as solar and wind power is an urgent task for financial institutions. In this context, Sumitomo Mitsui Trust Bank, Limited has been committed from early on to providing project finance for renewable energy-generation projects. As of the end of June 2012, it had provided financing to 16 projects in Japan, with a total balance of 20.3 billion yen. Since the implementation in July 2012 of the system for purchasing the full amount of power generated by renewable energy, all the Group's businesses and companies have united their collective forces to provide financial support for the introduction of renewable energy, in addition to project finance.

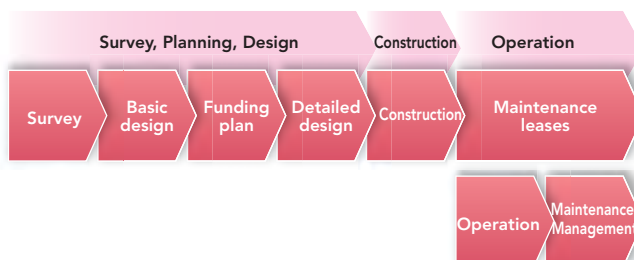
### Promoting the Introduction of Solar Energy via Leases

The Group is promoting the introduction of renewable energy at companies through leases. In fiscal year 2012, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. ("SMT-PFC") provided lease finance for a mega-solar project in Aomori Prefecture with an installed capacity of 1.5MW at a total project cost of approximately 500 million yen.

SMT-PFC launched a "One Stop Service for Solar Power Generation Projects" that offers uniform consulting and services that encompass planning, design, construction, operation, and funding, with the aim of making effective use of companies' idle land or rooftop spaces at factories and warehouses. In collaboration with engineering compa-

nies, SMT-PFC's lease service supports solar power projects from solar panel selection, design, construction, operation and management of facilities through funding

#### Flow of One Stop Service for Solar Power Generation Projects



### Supporting the Introduction of Residential Solar Power Generation Systems

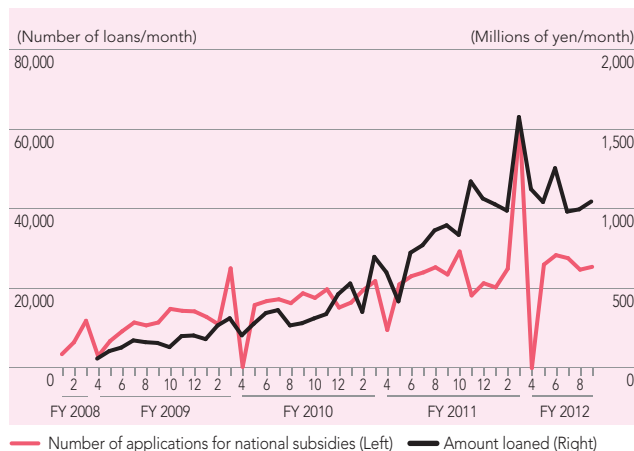
In order to promote solar power generation systems, it is also essential to introduce them in ordinary homes. In collaboration with housing manufacturers, Sumitomo Mitsui Trust Bank has developed housing loans with preferential interest rates that correspond to the degree of environmental friendliness of new homes, such as the installation of a solar power generation system.

SMT-PFC provides "Loans Exclusively for the Installation of Solar Panels" for installing solar panels at existing homes. These loans are offered in cooperation with sales agents and builders that handle solar power generation systems. The utilization of these exclusive loans has continued to grow since their launch in 2009. In fiscal year 2011, we provided ¥10.9 billion worth of these loans, more than double the amount (¥4.3 billion) in fiscal year 2010.



A solar farm under construction (Aomori Prefecture)

#### Loans Provided Exclusively for the Installation of Solar Panels



## 2 Measures to Promote Energy Saving

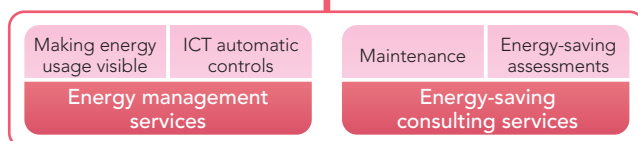
### Providing Energy-Saving Consulting-Based Energy Management Services

Energy-saving measures are most effective when they implement both systemic changes such as operational improvements and physical changes such as the replacement of equipment in an integrated manner. SMTPFC has launched its “Energy-Saving Consulting-Based Energy Management Services” in response to these demands.

This service involves carrying out a simple energy-saving assessment prior to the start of service. Energy saving is provided by advanced automatic controls that employs remote monitoring and remote operation. We propose the most appropriate replacement of equipment based on analyses of the data collected during the process of this service, and we provide a comprehensive series of services from installation of equipment to lease financing for equipment investment. Furthermore, SMTPFC has been authorized as a consortium member of the BEMS (Building Energy Management System) aggregator business run by the Sustainable open Innovation Initiative (SII).

#### Energy-Saving Consulting-Based Energy Management Services

**Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.**  
(Total management that includes support for financing)



### Collaboration with Energy Conservation Businesses

In addition to the energy conservation issue, businesses are also faced with diverse management challenges surrounding energy, including measures to cut peak consumption, business continuity plans (BCPs) for emergency situations, and global warming countermeasures. SMTPFC collaborates with energy conservation businesses and others to provide energy management services, through comprehensive contracts that cover installation, maintenance, and management of energy-saving equipment. Furthermore, in collaboration with a Sumitomo Mitsui Trust Bank's section dedicated to the environmentally friendly property business, we have put in place a system to provide energy management services from the planning and design stage for new construction and renovation of buildings.

## 3 Activities Related to Emission Rights

### Small-lot Emission Rights Products that Use Trusts

The Group is developing various financial instruments related to emission rights, which it regards as a supplementary element in the fight against climate change. One example of these is trust beneficiary rights of emission rights, which take advantage of trust functions to sell overseas emission rights in small lots. Trust beneficiary rights realize small-lot sales (of trading units of 1,000 tons) of overseas emission rights by converting the rights into trust beneficiary rights based on the Kyoto Protocol (Kyoto credits). Since their launch in November 2007, trust beneficiary rights have been sold by using routes through regional banks that have concluded trust agency agreements with us.

### Carbon Offset Leases

SMTPFC offers carbon offset leases for leased equipment, whereby trust beneficiary rights of emission rights are provided according to the amount of primary emission of CO<sub>2</sub> during use of the leased equipment, in order to offset the amount of emissions. SMTPFC has provided carbon offset leases so far for the introduction of transport vehicles such as hybrid-type buses and trucks. In addition, it has offered the same service to companies that implement Panasonic-made energy-saving electronic parts packaging systems. Since its launch, this service has been utilized by four companies.

Since this service uses Kyoto credits, the emission rights that have been converted to trust beneficiary rights can be transferred in the client's name to Japan, so that they can be applied to fulfilling Japan's reduction obligations under the Kyoto Protocol.

### Mechanism for Sumitomo Mitsui Trust Bank's Emission Rights Trust Scheme

In emission rights trading, a settlement risk may arise due to the time gap between the transfer of emission rights from the seller to the buyer and the payment of the funds. In response, Sumitomo Mitsui Trust Bank has prepared a product that ensures the safety of the transaction by using its trust function as follows: settlement funds from the buyer are deposited in a trust account in advance, and when the transfer of emission rights is confirmed between the seller and the buyer, we instantly transfer the funds that have been kept in the trust account on the instruction of the buyer.



# Financial Instruments and Services that Reflect an Evaluation of Environmental Friendliness



By providing financial instruments and services that reflect an evaluation of environmental friendliness, the Group aims to create a mechanism to support environmentally friendly initiatives by companies and other bodies.

## Environmental Rating Loans

Since 2010, Sumitomo Mitsui Trust Bank has been providing “Environmental Rating Loans,” which offer preferential interest rates to companies that promote environmentally friendly initiatives such as countermeasures against climate change and waste materials.

Specifically, we perform a questionnaire-based survey of client companies, with about 60 questions for manufacturing companies and about 50 questions for non-manufacturers. Based on their answers, the companies’ environmental initiatives are evaluated and then rated (on a six-grade scale ranging from AAA to D). The questions emphasize two categories of environmentally friendly property and biodiversity, in addition to environmental management, energy-saving and climate-change countermeasures, waste and pollution countermeasures, and environmentally friendly products and services.

Companies that obtain an environmental rating loan can raise capital at a low rate of interest. They can also expect an enhanced reputation as a company engaged in outstanding

initiatives on environmental issues. We also provide reports on evaluation and challenges in each category, which can suggest new insights that are useful for environmental management.

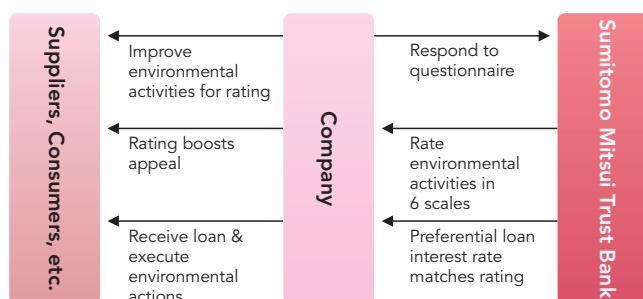
In recent years, companies have been called upon to take measures against environmental issues in the supply chain. In addition, sustainable use of natural capital such as the air, water, soil, plants, and animals has become a major theme in corporate sustainability. Accordingly, we have begun to consider a rating method that takes these perspectives into account.

## Promotion of CSR (Environment) Consciousness in Supply Chain Management

In recent years, companies are being called upon not only to reduce the burden imposed on the environment directly by their activities, but also to mitigate the environmental burden throughout their entire supply chain, including procurement of materials and raw materials. Sumitomo Mitsui Trust Bank is looking into providing a service that would measure not only reductions of greenhouse gas emissions, but also the impact on natural capital such as the use of water and land throughout the entire supply chain.

In order to expand the business practice of “CSR procurement,” which refers to selecting suppliers based on their CSR-related performance, Sumitomo Mitsui Trust Bank has offered the CSR-Conscious Receivables Collective Trusts scheme since December 2006. This product provides a financial incentive to companies that procure from suppliers with high compliance with the CSR procurement criteria in purchasing accounts receivable (trust beneficiary rights).

Sumitomo Mitsui Trust Bank’s “Environmental Rating Loan” Flow Chart





# Addressing the Issue of Biodiversity

## Preservation and Effective Use of Natural Capital



### Basic Stance of the Sumitomo Mitsui Trust Group

Our lives depend on ecosystem services that are rooted in natural capital such as the soil, air, water, and living creatures. The economic benefits we receive from those services are immeasurable.

However, we have taken natural capital for granted and have used it wastefully, assuming it to be an inexhaustible resource. Now, we are facing a range of problems that have emerged as a result.

In 2008, the Group formulated its Basic Policy on Biodiversity-Related Issues (currently Action Guidelines for Preserving Biodiversity), marking the start of full-fledged efforts to preserve biodiversity (biologically rich ecosystems

and the natural environment that fosters them). In the same year, we also participated in the German government's Business and Biodiversity Initiative, taking a leadership role from a global perspective. In addition, we have developed a wide range of products and services through our business.

In light of these efforts, the Group announced that it had become a signatory to the Natural Capital Declaration advocated by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development "Rio+20" held in Rio de Janeiro, Brazil, in June 2012, thus entering a new stage in our endeavors.

#### • Action Guidelines for Preserving Biodiversity

##### 1. Implementing Measures and Providing Support for Biodiversity Preservation

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

##### 2. Providing Products and Services

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

##### 3. Collaboration with Stakeholders

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

##### 4. Education and Training

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

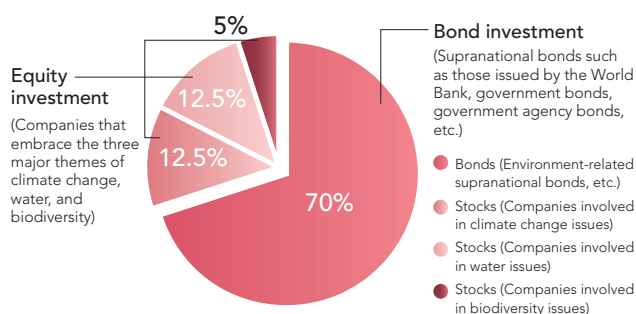
##### 5. Information Disclosure

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

## Addressing the Issue of Biodiversity through our Businesses

### Investment Trusts

In 2010, the Group developed the world's first investment trust with exclusive emphasis on the biodiversity initiatives of companies. Additionally, a balanced environmental fund was developed in collaboration with our subsidiary Nikko Asset Management Co., Ltd. in 2010. This fund is composed of a bond fund, which includes mainly green bonds issued by international institutions such as the World Bank, and an equity fund, which invests in companies involved in the preservation of representative components of natural capital such as air (greenhouse gases), water, and biodiversity.



### Environmental Rating Loans

Since 2010 Sumitomo Mitsui Trust Bank has provided "Environmental Rating Loans," which evaluate environmental friendliness of companies and give preferential interest rates to companies with outstanding environmental ratings. The rating is based on independently developed standards where the evaluation items include environmentally friendly properties and initiatives related to natural capital such as water resources and biodiversity, in addition to general items such as environmental management and climate-change countermeasures. (Please see page 21 for information on environmental rating loans.)

### Charitable Trusts

Sumitomo Mitsui Trust Bank actively undertakes entrusted management of charitable trusts whose purpose is nature conservation. One of these is the Keidanren Nature Conservation Fund, which receives donations from corporations and individuals. This fund supports nature conservation activities carried out in developing countries, mainly in the Asia-Pacific region by NGOs and other organizations, as well as activities in Japan's nature conservation areas. (Please see page 30 for information on charitable trusts.)

### Social Contribution Donation Trusts

Sumitomo Mitsui Trust Bank supports the National Trust movement through its social contribution donation trust and testamentary trust businesses. As part of this initiative, we have designated the Ecosystem Conservation Society-Japan as one of the recipients of donations from our social contribution donation trust, and we provide funding for three programs that purchase as trust land the habitats of rare species in Tsushima, Nagasaki Prefecture, Amami Oshima, Kagoshima Prefecture, and Kuromatsunai-cho, Hokkaido. (Please see page 30 for information on social contribution donation trusts.)

### Ecosystem Friendliness of Properties

Sumitomo Mitsui Trust Bank offers an environmentally friendly development and construction consulting service in its ecosystem-friendly environmental property business. Through this service, we encourage clients to give consideration to local ecosystems in the green areas on their properties, and we also advise them to obtain third-party certification (JHEP\*).

\* Japan Habitat Evaluation and Certification Program: A system to evaluate and certify initiatives that contribute to preservation and recovery of biodiversity.

### Business and Biodiversity Initiative Activities

The Group participated in the Business and Biodiversity Initiative (see page 64) led by the German government in 2008 and signed the Leadership Declaration. Signatory companies are required to implement the seven points of the declaration and to provide the secretariat with a progress report every two years.

Declaration	Status of initiatives for 2011 and 2012
1. Analyzing corporate activities with regard to their impacts on biological diversity	We develop and provide clients with investment and loan products that assess the impacts of corporate activities on biological diversity.
2. Including the protection of biological diversity within their environmental management system	We have built PDCA cycles on biological diversity in our CSR promotion systems, we formulate a plan for each fiscal year based on our Midterm Plan, and we review the performance of these semiannually.
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board	The Head Office Executive of the CSR Promotion Office, Corporate Planning Department supervises all activities and reports to the Executive Committee.
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years	We have set objectives in the CSR Midterm Plan and review performance in the Executive Committee.
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report	We have disclosed our activities in our CSR Reports since fiscal year 2009 as well as on our website.
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step	As use of paper has a large impact directly on biological diversity, we are proceeding further with paperless operations, and increasing the weighting of recycled paper with a high ratio of wastepaper pulp relative to our total paper use.
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain	We are pursuing international cooperation by becoming a signatory to the Natural Capital Declaration led by UNEP FI. We work closely with NPOs, including the Ecosystem Conservation Society-Japan, receiving expert advice and cooperating in various ways on business.

# Contributing to Expansion of the Environmentally Friendly Property Market



Real estate has a significant role to play in addressing concerns about the grave impact of global environmental problems such as global warming, the energy crisis, loss of biodiversity, and depletion of water and other resources.

Real estate-related environmental initiatives not only bring energy-saving effects and cost-cutting effects resulting from conservation of water and other resources; they are also believed to create added value for the property by increasing comfort and productivity (higher net income) through improvement of the internal environment of the building, in addition to reducing environmental risks such as future energy price hikes and

tougher environmental regulations.

Nevertheless, there is a tendency in the actual real estate market to regard any initiatives that go beyond current legal regulations as excessive investment. This could have been an obstacle to the spread of environmentally friendly property.

The Group has therefore been actively making recommendations regarding added value for environmentally friendly properties since 2005, and we have been making various efforts to expand the environmentally friendly property market. Furthermore, as part of our Eco-Trustution, we are developing businesses to promote and enhance added value of environmentally friendly properties.

## • The Group's Contributions to Expansion of the Environmentally Friendly Property Market

### Multi-Stakeholder Sustainable Real Estate Study Group

Since 2007, the Group has been running the Sustainable Real Estate Study Group (chaired by Professor Tomonari Yashiro, Institute of Industrial Science, the University of Tokyo), bringing together stakeholders from multiple fields across industry, government, and academia to elucidate mechanisms to reflect environmental efforts in market value and to examine how to promote them.

### Supporting the Preparation of a Market Base for Accurate Appraisal of Environmentally Friendly Properties

The Group has been making proposals for the development of the environmentally friendly property market. For instance, we participate in panels on environmentally friendly property organized by the Ministry of Land, Infrastructure, Transport and Tourism as a member. In addition, representatives of the Group have lectured at Global Energy Basel and CASBEE for Market Promotion Public Symposium, etc.

### Efforts to Promote the CASBEE Environmental Performance Evaluation System for Property

The Group has been actively making proposals as an organizer of a subcommittee of CASBEE (Comprehensive Assessment System for Built Environment Efficiency), which is led by the Ministry of Land, Infrastructure, Transport and Tourism. These efforts are done in the belief that CASBEE should be used effectively in the real estate market. In May 2012, "the CASBEE Market Promotion Package (2012 edition)" was released.

### International Cooperation and Future Development

Through the United Nations Environment Programme Finance Initiative Property Working Group (UNEP FI PWG) et al, the Group works to share information with real estate investors worldwide and vigorously promotes Japan's environmentally friendly properties to overseas investors, while actively proposing the introduction of business models that support the spread of these properties overseas.

## Developing the Environmentally Friendly Property Business

### Establishment of a Section Dedicated to Environmentally Friendly Property

Sumitomo Mitsui Trust Bank set up a section dedicated to the promotion of the environmentally friendly property business in 2010, putting it a step ahead of others in this area. As secretariat of the Sustainable Real Estate Study Group, this section has been engaged in various efforts to expand the environmentally friendly property market, working in collaboration with numerous stakeholders. Additionally, we have been closely involved with the development and promotion of the CASBEE Market Promotion Package, in which consistency with global standards is emphasized, while we contribute to international market expansion as a key member of the UNEP FI PWG.

### Consulting on Environmentally Friendly Property

Sumitomo Mitsui Trust Bank offers a range of advisory services related to environmentally friendly property. Specifically, we provide quantitative analysis of added value for environmentally friendly office buildings and evaluation services of REITs (Real Estate Investment Trusts) and real estate funds using the CASBEE Market Promotion Package, which have, in some cases, led to an intermediary service for a sales transaction prioritizing environmentally friendly property.

We also provide environmentally friendly development and construction consulting services. Through these services, we offer advice on the introduction of energy-saving systems in buildings, taking account of landscapes and ecosystems, ways for extending the lifespan of buildings, and the incorporation of recycling systems. We consulted on the Osaki Forest Building (completed in December 2011), which was selected as a Leading Project for Promoting CO2 Reduction in Housing and Buildings by the Ministry of Land, Infrastructure, Transport, and Tourism, received JHEP certification, a quantitative indicator related to biodiversity, and achieved the highest CASBEE ranking (S rank) for new construction.

### Energy Proposals for Real Estate

Demands for energy saving and CO<sub>2</sub> reduction have been growing in the real estate field. In particular, since the Great East Japan Earthquake, there have been calls to cut peak consumption of electrical power and to create business con-

tinuity plans (BCPs) for disasters. Working together with other energy conservation businesses, Sumitomo Mitsui Trust Bank offers proposals incorporating advice on finance (including leases) for efficient energy management of buildings and factories. (See page 20.) We are also proposing a financial scheme where owners and tenants can receive dividends that result from cost reductions stemming from energy savings.

### Support for the Contaminated Land Purchase and Revival Fund

Up to roughly 10 trillion yen worth of residential land and former factory sites nationwide reportedly cannot be bought or sold due to soil contamination. Liquidation and development of such contaminated land is an important issue from the point of view of revitalizing urban areas. Sumitomo Mitsui Trust Bank supports the smooth operation of the Contaminated Land Purchase and Revival Fund, which purchases contaminated land temporarily and resells it after clean-up. We also offer support by undertaking real estate trusts and through land mediation.

### Participation in Smart City Projects

A smart city is a local community that manages energy in an efficient and integrated manner and that combines transportation systems, lifestyle, and other factors comprehensively, in order to achieve a sustainable society. Sumitomo Mitsui Trust Bank is participating in the Fujisawa Sustainable Smart Town, a joint project under the leadership of Panasonic Corporation, and is going to design an evaluation index (tracking environmentally friendly property values) for the Smart Town, as well as studying other initiatives including environmentally friendly housing loans and product planning for a town card.

We will continue providing advice for raising property values in the entire smart city area and engage actively in various forms of support in order to make this project a success.

### Financing for Environmentally Friendly Property

The Group also plans to actively develop various financial means in order to expand environmentally friendly property. Specifically, we will offer solution-based proposals by preparing an optimal lineup of products and services, including environmentally friendly housing loans, environmental rating loans (see page 21), and leases to support energy saving.



# Responsible Investment Activities



## Basic Stance of the Sumitomo Mitsui Trust Group

The Principles for Responsible Investment (PRI) were established by a United Nations agency in 2006 in order to promote responsible investments in stocks and bonds, which takes into account the environmental, social, and corporate governance (ESG) initiatives by companies. Since then, the number of signatory institutions has expanded steadily, reaching 1,000 in 2012, with a total of 32 trillion dollars in assets under management.

In 1999, the Group launched Japan's first responsible investment fund (the Nikko Eco Fund), after which the Group companies developed various types of investment tools,

including products that were the first of their kind globally. In addition, we have been actively conducting marketing not only in the individual investor market but also in the market for institutional investors, including pension funds.

However, the responsible investment market in Japan, in conjunction with the slump in Japan's stock market itself, cannot be described as lively and has not kept pace sufficiently with global trends. As a leader that drives this market, the Group takes advantage of various opportunities to promote activities to raise awareness and expand the market.

### • Contributing to Global Expansion of Responsible Investment

Group companies are signatory institutions of the Principles for Responsible Investment (PRI), and the Group has served as co-chair of the PRI Japan Network since 2010. We attended the PRI annual meeting held in Rio de Janeiro, Brazil, in June 2012 and explained the current situation in Japan. Furthermore, an in-house ESG global meeting is held monthly, where we exchange updates, as necessary, on how ESG is being discussed in various fields.



Presentation at the PRI annual meeting

### • Driver of Responsible Investment Market in Japan

As a key member of the NPO Social Investment Forum Japan (SIF-Japan), the Group has contributed to development of the responsible investment market in Japan by actively disseminating information through guest speakers at study groups and giving lectures at symposiums. Also, we take advantage of various opportunities to raise awareness of worldwide trends in responsible investment as discussed at the United Nations Conference on Sustainable Development "Rio+20" held in Rio de Janeiro, Brazil, in June 2012.

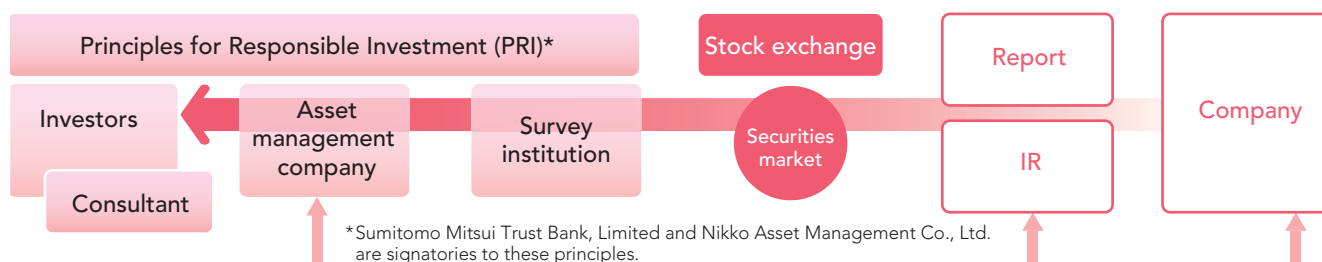


Presentation at United Nations Day Photograph courtesy of UNIC Tokyo/Hiroaki Yamaguchi



## Responsible Investment Value Chain and Group Initiatives

The responsible investment value chain is a series of processes in which companies are valued in the market for their CSR activities and investors purchase stocks and bonds issued by these companies to raise capital as responsible investments.



### The Group's responsible investment lineup

#### Sumitomo Mitsui Trust Bank, Limited

##### Sustainable Growth

Japan's first responsible investment to be managed on behalf of corporate pensions and public pensions (same portfolio as "Good Company")

#### Sumitomo Mitsui Trust Asset Management Co., Ltd.

##### Good Company

##### China Good Company

World's first responsible investment fund for China established by a non-Chinese financial institution

##### Biodiversity Companies Support Fund

First biodiversity-dedicated fund to be developed in the world

##### SRI Plan

#### Nikko Asset Management Co., Ltd.

##### Nikko Eco Fund

Japan's first responsible investment fund, launched in 1999

##### Nikko Global Water Fund

##### Nikko World Bank Bond Fund (World Supporter)

##### SMBC Nikko World Bank Bond Fund

##### World Bank Green Bond Fund

World's first fund to invest in green bonds (joint development with the World Bank)

##### Green Balanced Fund

Japan's first full-scale balanced-type responsible investment (see page 23)

##### Listed Index Fund FTSE Japan Green Chip 35

Japan's first listed index ETF responsible investment

The Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank organizes the "Focus Club" that provides information to corporate IR, administration, and legal sections about trends among Japanese equity institutional investors and their views on corporate governance. The Focus Club aims to provide useful data for companies that issue CSR reports by conducting interviews on what foreign institutional investors expect in CSR reports, given the increasing emphasis on environmental, social and governance (ESG) initiatives among these investors. In other words, the Focus Club obtains information about what kind of CSR activities and philosophies are needed for companies to become medium- to long-term investment targets. Currently, we are following developments of the integrated reporting style, which is expected to become the standard form for reports.

The Group is a member of the Global Compact Japan Network (GC-JN), consisting of Japanese signatory companies to the United Nations Global Compact. (See page 64.) Since fiscal year 2011, we have served with Daiwa Securities Group Inc. as joint organizers of the SRI Caucus, where we conduct practical discussions with participating companies on how ESG information is being utilized through the responsible investment value chain and what sort of stance companies should take on disclosure of information in order to respond to expansion of the responsible investment market.

Since the establishment of its World Supporter in June 2007, Nikko Asset Management has donated a portion of trust fees paid by the fund's investors to the International Development Association (IDA), an organization working for the reduction of world poverty. The semi-annual donations have surpassed 300 million yen on a cumulative basis. The donated funds support IDA's efforts to reduce poverty in developing countries, focusing particularly on support for children's healthcare, education and so on.



Bill Wilder, Nikko AM President and CIO (left) presenting the donation list to Kenneth G. Lay, the World Bank Vice President and Treasurer (right)

# Financial Instruments and Services for Solving Social Issues



Japan is currently facing numerous social problems such as a declining birthrate and aging population, deterioration of education quality, and new kinds of crime. Many observers point to the declining birthrate and aging population as Japan's biggest challenges, as they bring various secondary problems that extend to government finances, social welfare, and healthcare. The Group is making efforts, in particular, to enhance its clients' capacity to counter these problems by developing and providing new financial products and services that utilize the trust function.

## 1 Initiatives to Enhance the Security of Retirement Years in an Aging Society

### Anshin Support Trust

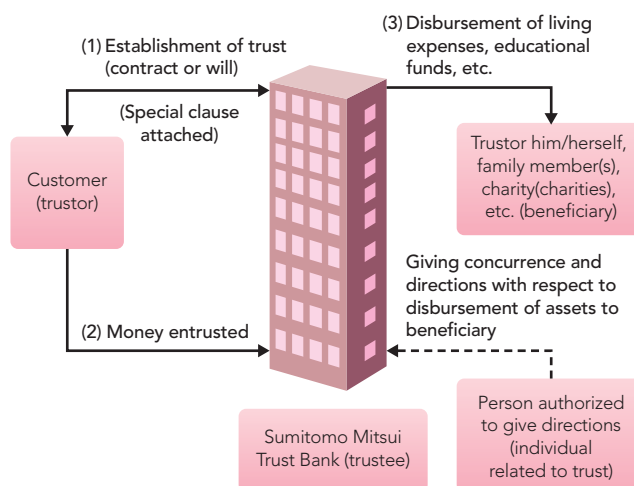
Sumitomo Mitsui Trust Bank offers Anshin Support Trust, a product that leverages the unique functions of a trust bank to provide medium- to long-term, made-to-order support for the preservation and management of clients' precious assets for their sake as well as their families'.

Two types of Anshin Support Trust are available: a "money trust," and a "life insurance trust."

#### (1) Money Trust

As for the money trusts, the trustor him/herself (self-benefit trust) or another person (individual or corporation) (third-party benefit trust) can be named as the trust beneficiary. In this way, trust assets are disbursed according to the client's wishes, to him/herself, family members, charities, or any other bodies.

#### Mechanism of Money Trust



#### (2) Life Insurance Trust

The life insurance trust was the first product in Japan that allows a client to flexibly designate in advance their beneficiary and how the proceeds are to be disbursed and used. Developed in collaboration with the Prudential Life Insurance Co., Ltd., the trust has been offered since July 2007.

## Testamentary Trusts

Sumitomo Mitsui Trust Bank offers testamentary trusts as a service to support the passing on of various assets such as deposits, securities, and real estate to the next generation in accordance with the wishes of the client. Through testamentary trusts, we can meet the needs of clients who want to prevent disputes over inheritance in advance, to divide their estate in a reasonable way reflecting the actual situation, or to make bequests to persons other than their heirs.

## Business Succession Trusts (In the Form of a Substitute Will)

Sumitomo Mitsui Trust Bank offers business succession trusts (in the form of a substitute will) as a product to cater to the preferences of business proprietors who wish to designate inheritors of their stockholdings in advance or to avoid dividing up their stockholdings. This is a securities administration trust in which the founder or proprietor of a company becomes at first the trustor and the primary beneficiary, and the beneficiary changes at the time of the trustor's death. With the use of the trust, assets can be passed on promptly without conventional inheritance procedures, thus avoiding inheritance disputes or other troubles over stocks (voting rights, etc.) in case something happens to the business proprietor, and business succession can proceed in a stable manner.

## Guardianship System Support Trusts

In Japan, the adult guardianship system has been established to designate guardians in order to protect adults ("wards") who are in situations where their judgment has been impaired due to dementia, intellectual disabilities, or other reasons. The Guardianship System Support Trust is a trust to protect the assets of a ward and to contribute to the stability of his or her living into the future. Establishment or

dissolution of the trust is carried out based on documents issued by family court.

## Special Donation Trusts

The special donation trust is a product for the purpose of contributing to stable living into the future for special disabled persons. With this trust, funds (of 10 million yen or over) donated by family members or others are managed securely by Sumitomo Mitsui Trust Bank through jointly operated designated money trusts and other instruments, and disbursed to the special disabled person by the bank on behalf of the client. Up to 60 million yen of donations is tax exempt in a special donation trust for the purpose of ensuring the stable living of a special disabled person. There is no term limit on this trust.

## Reverse Mortgages

In March 2005, Sumitomo Mitsui Trust Bank began offering reverse mortgages, which lend funds to allow clients to live comfortably in their retirement years by using their residence as collateral. The funds can be received in an annual specified amount like a pension, or at any time in an amount within the preset limit.

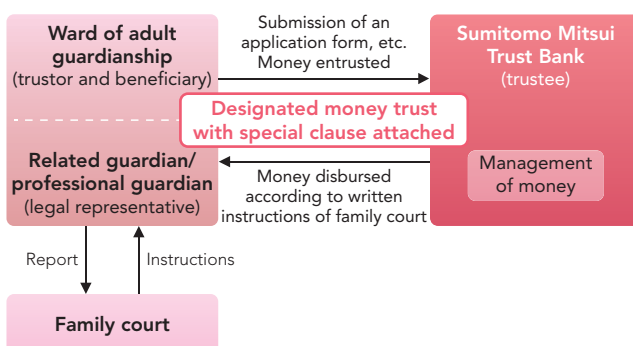
### Bringing Together Insights for a Comfortable, Long-Lived Society

What functions are demanded of private businesses, in light of the long-lived society emerging with the declining birthrate and aging population? Sumitomo Mitsui Trust Bank participates in a study group of private businesses organized mainly by the International Longevity Center Japan, and it takes part in discussions about new lifestyle proposals that will contribute to the realization of a comfortable, long-lived society.



A long-lived society study group

### Guardianship System Support Trust



## 2 Mechanism for Use of Donations and Other Funds to Solve Social Issues

### Charitable Trusts

The charitable trust is a system in which funds are entrusted to a trust bank that administers and manages the funds to carry out charitable activities in accordance with a previously determined way. For example, these trusts may be used by individuals wishing to provide funds for charitable activities or by companies that wish to return a portion of their profits to society. Since the first charitable trust was set up in 1977, they have been used in a wide range of fields including the provision and support of academic scholarships, research in the natural and human sciences, environmental protection activities, international cooperation and international exchanges.

Since Sumitomo Mitsui Trust Bank undertook the entrusted management of its first charitable trust, the number of trusts under its management has steadily risen. As of March 2012, the number of charitable trusts under its management is 218 with assets of 27.8 billion yen. In fiscal year 2011, charitable trust funds totaling 1.3 billion yen were provided to 3,515 bodies in total (including individuals) for activities that serve the public good.

### Social Contribution Donation Trust

Sumitomo Mitsui Trust Bank launched a social contribution donation trust (also referred to as "Bridge to Tomorrow") in April 2011 that would connect clients' wishes with organizations engaged in activities that contribute to society using donations. When clients deposit their funds in a trust fund, one-fifth of the original trust principal is do-

nated once a year. Donors chose donation recipients from a list of ten organizations (as of October 5, 2012), and receive reports from the recipient on how the donations were used and what activities were conducted.

### Designated Donation Trusts

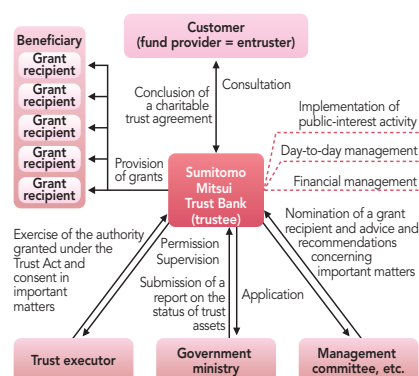
In June 2012, Sumitomo Mitsui Trust Bank started offering designated donation trusts, which are based on a new system established by revisions to the tax system in fiscal year 2011. Regular donations are made over a period of either five or ten years to the designated recipient. Donation recipients can be chosen from outside the list of organizations Sumitomo Mitsui Trust Bank provides. (The designation of a recipient is subject to review and other procedures by Sumitomo Mitsui Trust Bank, and trust fees are incurred.)

In July 2012, the designated donation trust was used by an individual client who wished to support healthcare professionals in the areas affected by the Great East Japan Earthquake. A total of approximately 12 million yen will be donated to People's HOPE Japan (PHJ), a certified NPO, over the next five years. PHJ used a separate donation from the same client to give Ishinomaki City Hospital a "doctor car," which is used for house calls, and the donations to PHJ through the designated donation trust are going to be used to cover maintenance and operating expenses for the vehicle.

### Donations through Bequests

In order to meet the needs of clients who hope to see their assets used to serve the good of society, Sumitomo Mitsui Trust Bank provides support services through its testamentary trusts for estate donations. The bank collaborates with universities and other public interest bodies regarding bequest donations.

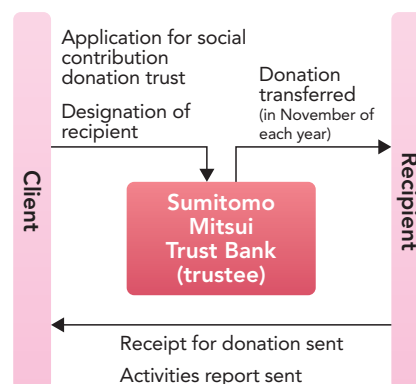
Mechanism of Charitable Trust



List of Charitable Trusts by Donation Type

Type	Number of trusts under management
Scholarship	74
Promotion of natural science research	42
Promotion of human science research	6
Promotion of education	25
Social welfare	10
Promotion of arts and culture	9
Protection and propagation of animals and plants	1
Conservation of the natural environment	8
Development and maintenance of the urban environment	20
Promotion of international cooperation and exchanges	16
Other	7
Total	218

Mechanism of Social Contribution Donation Trust



### 3 Financial Products to Encourage Diverse Lifestyles

#### Housing Loans Exclusively for Working Women "Exerina"

As part of its encouragement of diverse lifestyles, Sumitomo Mitsui Trust Bank offers "Exerina," an exclusive housing loan that lends support exclusively to working women for the purchase of their own homes.

This loan is offered exclusively to women aged 20 years old and over to finance their purchase of newly built or existing condominiums that will serve as their residence. In addition to a preferential interest rate reduction of 0.1% for the first year after the birth of a child, borrowers who take out an initial loan of 10 million yen or over for a term of 10 years or more can enroll in medical life insurance with premiums paid by Sumitomo Mitsui Trust Bank. Special features of this loan also include an exemption from fees for early repayment.

#### Property Formation Savings

Property formation savings, officially known as "workers' property formation savings," is a salary deduction savings plan conducted through a worker's employer based on a "workers' property formation savings contract" between the worker and the financial institution. Sumitomo Mitsui Trust Bank offers three types of savings plans: "General property formation savings," which can be used for any purpose such as recreation, children's education, or weddings and includes a partial opt-out option; "residential property formation savings" to be used for purchase, renovation, or expansion of a residence; and "pension property formation savings" to secure capital for individual pension planning.

### 4 Social Contribution as a Business Activity

#### Support for the Bell Mark Movement

By collecting the Bell Mark labels found on everyday products, schools can purchase needed equipment based on the number of points they have assembled; this is known as the Bell Mark movement, which began in 1960. Although numerous banks were involved at the start, since 1982 Sumitomo Mitsui Trust Bank has overseen all administration related to transactions for the movement.

We now administer a total of 28,349 parent teacher association(PTA) accounts nationwide (as of the end of

September 2012) and take care of tasks such as handling payments from sponsoring companies to PTAs, and transferring assistance funds from partner companies to the Bell Mark Educational Support Foundation. In addition, we look after financial aid transfers to regions affected by disasters and adversities (friendship assistance).

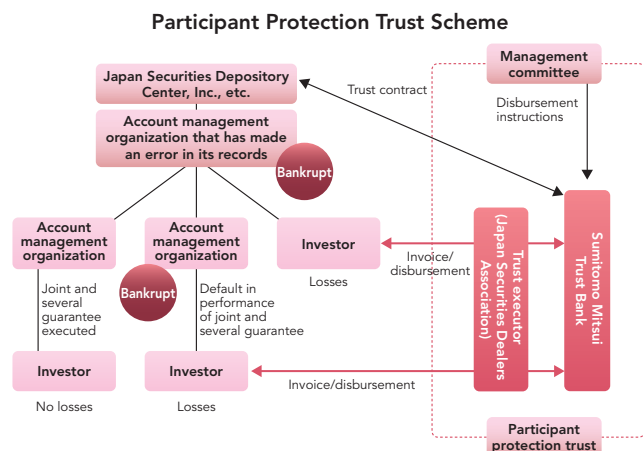
When schools purchase equipment through the Bell Mark movement, 10% of the purchase price is donated to the Bell Mark Foundation, to be used as financial aid for schools including those in remote areas and those damaged in disasters, as well as schools in developing countries. Sumitomo Mitsui Trust Bank continues to support the Bell Mark project as a social contribution that is part of our business.

#### Participant Protection Trust

Paperless transactions of securities improve the convenience of securities trading by reducing the risks of loss, theft and forgery and cutting the transportation and storage costs. However, financial damage for investors ("participants") may arise, in case of erroneous records attributable to mistakes made by a transfer organization or an account management organization\*. The participant protection trust is a safety net scheme that compensates participants for losses of up to 10 million yen, should such financial damage arise and the account management organization go bankrupt without fulfilling the compensation payment obligation.

Sumitomo Mitsui Trust Bank has been entrusted with the management of the participant protection fund since the establishment of this scheme in 2003 because of its excellent records on the entrusted management of charitable trusts and its superior asset management capability.

\* Account management organizations include securities companies and other financial institutions.





## Materiality 2

# CSR Activities for Improving the Alignment of Our Business Activities with Society



ISO 26000, the international standard for CSR, regards human rights as one of the core subjects of social responsibility. Companies affect human rights in various ways. The Group has formed a Human Rights Due Diligence Project Team (PT) with the involvement of relevant internal departments in order to thoroughly study what kind of impact this issue has on its stakeholders.



## Creating Shared Value

Among our Group business activities, the need for alignment with society is the strongest for our financial functions. In order to ensure the safety and reliability of these financial functions, we are working to further advance our governance, compliance, and risk management. We are dedicated to creating a corporate culture of respect for human rights, and wish to contribute to the realization of a fair and just society in which human rights are respected. We also dedicate our efforts to reducing the environmental burden of our business activities, and are working to help resolve the problem of climate change and contribute to recycling, through energy conservation and waste reduction. These improvements of alignment with society will help the Group to strengthen its corporate foundation and contribute to increased long-term economic value.

Preventing  
the Loss of  
Societal Value

Creating  
Shared Value

Strengthening  
the Group's  
Corporate  
Foundation

Improving Alignment with Society

Organizational  
governance

Human rights

Community  
involvement and  
development

Labor practices

ISO 26000's  
core subjects of  
social  
responsibility

Consumer issues

The environment

Fair operating  
practices

# Corporate Governance, Internal Control

The Group has created a management structure befitting a trust bank group that boasts the largest scale and highest status in Japan, combining the banking, asset management, administration, and real estate businesses. We are striving to ensure management transparency and soundness, while speeding up our decision-making in order to respond with flexibility to changes in the environment.



## Outline of Corporate Governance System

### Role of Sumitomo Mitsui Trust Holdings in the Group

In the Group, there is a management structure which allows Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Trust Asset Management, Sumitomo Mitsui Trust Research Institute and Sumitomo Mitsui Trust Capital to pursue their respective business activities in an independent manner. As a holding company, Sumitomo Mitsui Trust Holdings (hereafter SMTH) focuses on the management of business operations, taking responsibilities for the following functions:

- Formulating group management strategy,
- Monitoring administration of business activities,
- Allocating management resources,
- Supervising risk management,
- Supervising compliance management, and
- Managing internal auditing.

In addition, regarding Japan Trustee Services Bank (SMTH holds 66.6% of its capital), a council was established with Resona Bank, Ltd., a joint capital investor, to discuss important matters concerning Japan Trustee Services Bank and to monitor the status of its business activities, etc.

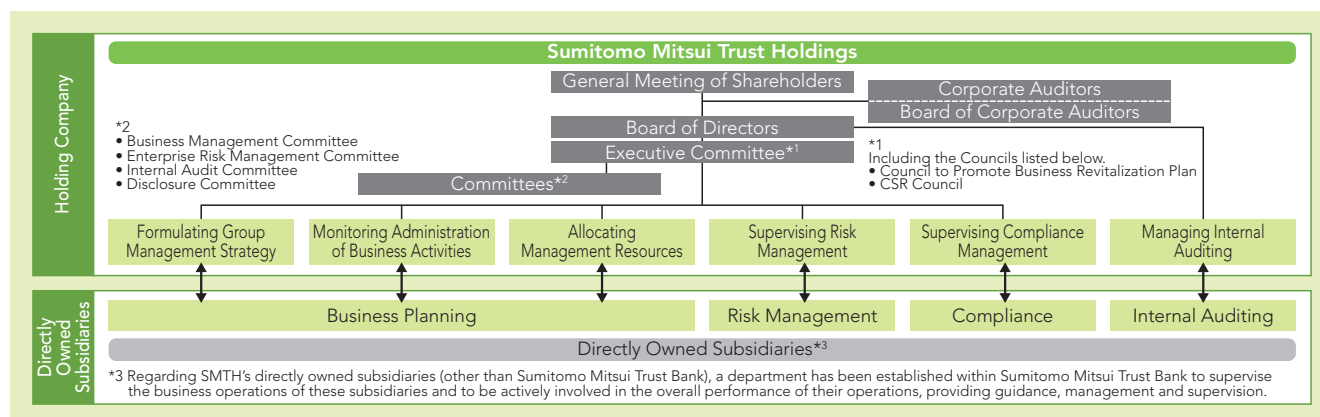
## Business Execution and Supervision System

In the Group, some of the directors of the holding company are concurrently directors at subsidiary trust banks and are responsible for ensuring effective implementation of business strategies within the Group. The director of SMTH, who does not hold concurrent positions at subsidiaries, supervises internal auditing and cements the checking function against subsidiaries.

Under the Board of Directors is established the Executive Committee, chaired by the President with participation of relevant officers. The Executive Committee addresses material issues relating to the execution of business activities, in line with basic policy established by the Board of Directors, and undertakes preliminary discussions pertaining to the Board of Directors' resolutions.

Within the Executive Committee, the Council to Promote Business Revitalization Plan, the CSR Council, and other committees such as the Business Management Committee have been established. This system works for the transparency and soundness of management, and for faster decision making.

## Corporate Governance System



## 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 the 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. A company achieves these objectives by developing and operating its internal control system.

At SMTH, in order to accomplish the four above-mentioned objectives, the Board of Directors decides on the Basic Policy on Internal Control, for development of the following systems: (1) Compliance system, (2) Risk management system, (3) Business execution system, (4) System to obtain transparency of management, (5) Management system to ensure the appropriateness of operations at the Group, (6) Information storage and management system, (7) Internal auditing system, and (8) System regarding audits by corporate auditors.

## Audit

SMTH has adopted a corporate auditor system, with a Board of Corporate Auditors comprised of two full-time auditors and four part-time auditors (external auditors), a total of six corporate auditors.

In accordance with the policy on audit and the allocation of duties determined by the Board of Corporate Auditors, the corporate auditors attend the Board of Directors and other important meetings, and receive reports from directors regarding the status of execution of duties. They also

browse important documents, investigate the headquarters, receive business reports from subsidiaries as necessary, etc. They thereby audit the directors' execution of duties.

The full-time corporate auditors work to share information with part-time corporate auditors at the Board of Corporate Auditors and liaison meetings by giving them reports on audit information collected in daily audit activities. These include information on proposals at important meetings such as the Executive Committee, and the content of investigations of SMTH and subsidiaries. Part-time corporate auditors perform auditing from multi-faceted perspectives, such as legal and corporate management ones, in addition to stating their opinions at the meetings of the Board of Directors and Board of Corporate Auditors, etc.

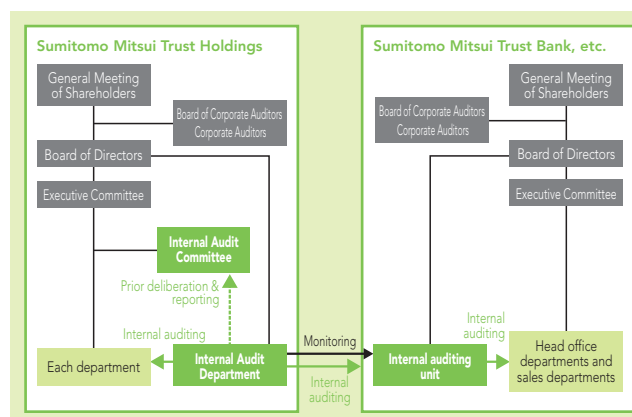
Corporate auditors hold periodic meetings with the Independent Auditors, receiving auditing information, as well as reports on auditing plans, status of auditing performed, auditing results, etc., in addition to exchanging opinions and sharing information as needed. They also monitor and verify whether the Independent Auditors maintain an independent standpoint and perform auditing appropriately.

At periodic meetings with the internal audit unit, corporate auditors receive reports and exchange opinions on internal auditing results, give recommendations and indications to the internal audit unit, and exchange information as needed. Regarding internal auditing, an internal audit unit, which is independent of units pertaining to business execution, creates the policy on development of internal auditing system and internal auditing plans of the Group. It also performs internal auditing for each business execution unit, and indicates and recommends points to be improved.

Basic Policy on Internal Control System Structure



Internal Auditing Implementation System





## Information Disclosure System

In order to ensure timely, accurate, and fair disclosure of management-related information, the Group has established the Information Disclosure Committee, which deliberates the necessity and appropriateness of disclosure of management-related information and information that could be management related. It also considers the appropriateness of the information disclosure system, particularly its establishment and management.

Furthermore, in order to adapt to the Internal Control Report System, each fiscal year, SMTH evaluates the effectiveness of internal control concerning financial reporting. The results of the evaluation and status of corrective measures for deficiencies found are reported to the President of SMTH and the Board of Directors. Based on this report, the President makes an "Internal Control Report," which evaluates the effectiveness of internal control concerning financial reporting, and submits it to the relevant financial authority along with the Securities Report.

## Disclosure of Matters Regarding Compensation

As of March 2012, the Financial Services Agency requires disclosure of specific items about executive compensation as a matter having substantial impact on the business operation and asset status of a bank, a bank holding company, or their subsidiaries.

## Scope of "Applicable Officers and Employees"

The scope of “applicable officers” and “applicable employees, etc.” (collectively the “applicable officers and employees”) as defined in the compensation notification to be disclosed is as follows:

### Scope of the "Applicable Officers"

Applicable officers include directors and corporate audi-

tors of SMTH, but exclude external auditors. SMTH has no external directors at present.

### Scope of "Applicable Employees, etc."

Of SMTH's officers and employees outside the scope of applicable officers as well as officers and employees of its significant consolidated subsidiaries, a "person receiving a substantial amount of compensation" with significant consequence on the business operation or asset status of SMTH and its significant consolidated subsidiaries, is subject to disclosure as applicable employees, etc.

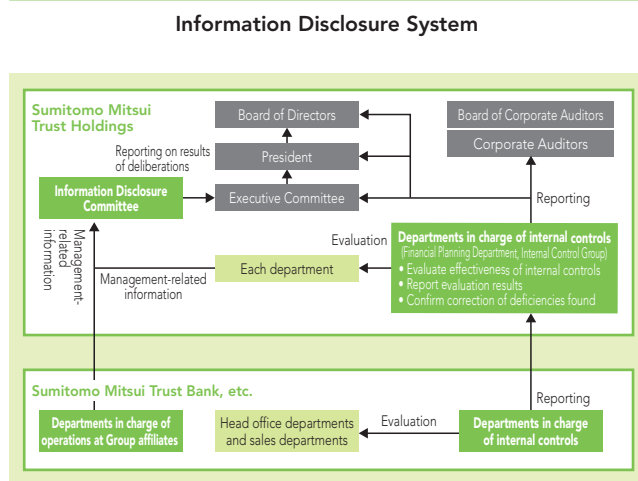
## Determination of Compensation for Applicable Officers and Employees

### Determination of Compensation for Applicable Officers

SMTH determines the total amount of compensation for officers based on decisions made at the General Meeting of Shareholders. Of the total compensation, individual allocation of compensation for directors is at the discretion of the Board of Directors, while that for corporate auditors depends on deliberations of corporate auditors.

### Determination of Compensation for Applicable Employees, etc.

Compensation for applicable employees, etc. within the SMTH Group is payable, subject to the policies established primarily by the Boards of Directors and others of SMTH and its significant consolidated subsidiaries. According to such policies, compensation systems are designed by human resources departments of SMTH and its significant consolidated subsidiaries, independent of the business promotion departments and documented as payroll rules, etc. Information on the compensation systems of the significant consolidated subsidiaries is reported to, and verified by, the Human Resources Department of SMTH on a regular basis.



**Total Amount of Compensation for the Applicable Officers and Employees within the Group**

(From April 1, 2011 to March 31, 2012)

Millions of Yen								
Category	Head-count	Total amount of compensation	Total amount of fixed compensation	Basic Compensation	Compensation as stock option	Total amount of variable compensation	Bonus	Retirement benefits
Directors (excluding External Directors)	10	493	457	456	1	36	36	—
Corporate Auditors (excluding External Auditors)	2	54	54	54	—	—	—	—
Applicable Officers	2	87	48	48	—	34	34	5

\* Amount of compensation stated above includes compensation for (concurrent) directorship at the significant consolidated subsidiaries.

## Sumitomo Mitsui Trust Group's Structure for Promoting CSR Activities

### Structure for Promoting CSR Activities

The Group has established a structure for promoting CSR activities based on the PDCA cycle. Specifically, the CSR Promotion Office, under the SMTH Corporate Planning Department, is in charge of implementing activities. The CSR Council, which is held as a key initiative of the Executive Committee, formulates annual plans for the activities and conducts semiannual reviews. In addition, the same structure has been established at the Group's core company, Sumitomo Mitsui Trust Bank.

### CSR Activities Promotion Staff

The Group has assigned CSR officers and coordinators to all branches and departments of the Group companies and Sumitomo Mitsui Trust Bank for the purpose of promoting CSR activities. These CSR officers and coordinators are responsible for the promotion of activities to reduce the environmental burden, including measures to conserve electricity and other energy as well as to reduce and recycle paper and waste in offices. They also report these activities to the CSR Promotion Office. In addition, they carry out "With You" activities, which are social contribution efforts aimed at enhancing stakeholders' trust and at strengthening our business base, at all the domestic and overseas branches of Sumitomo Mitsui Trust Bank. Efforts to contribute to the resolution of social and environmental problems through our business, including development and provision of CSR-related products, are led by the CSR Promotion Office in collaboration with the relevant head office departments.

### Integration with the Environmental Management System

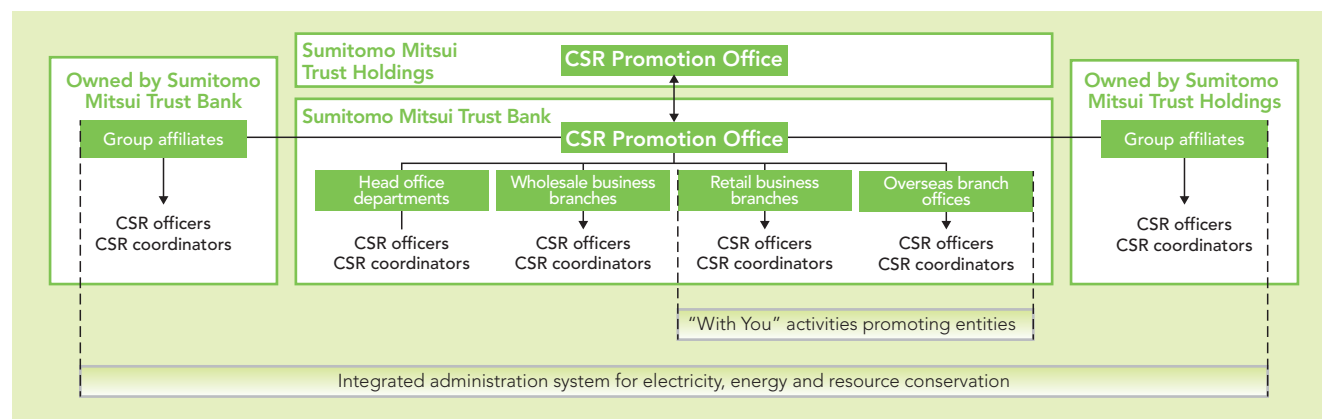
The Group has established an environmental management structure at the three business offices subject to ISO 14001 certification: the head office building, the Fuchu Building, and the Senri Building. (For details, see page 51.) With regard to the ISO working group that promotes the environmental management system, CSR officers and coordinators concurrently serve as its members to an extent where it becomes possible for them to increase the efficiency of the activities. Moreover, electricity conservation coordinators, who are stationed at all branches to respond to electricity conservation requests from power companies, also concurrently serve as its members. These assignments have enabled us to develop an integrated administration system for overall environmental management.

### FY2012 Policy

As fiscal year 2012 immediately followed the management integration of the Group companies, the annual policy was established to build up a solid foundation as described below. Sumitomo Mitsui Trust Bank and major Group companies are promoting CSR activities based on this policy.

<b>Creation of a promotion system</b>	We thoroughly inform all Group company executives and employees about the "Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)" in an effort to instill CSR awareness, and we promote concrete CSR activities at the Group companies.
<b>Promotion of related business</b>	We work to provide products and services that allow the Group to contribute to the resolution of social and environmental problems through its business, while we develop new products and services that address the needs and changes in society.
<b>Improving our CSR presence</b>	We maintain and develop communications with stakeholders. At the same time, we accurately grasp the CSR trends in international communities and actively disseminate information both in and out of the Group.

The Group's CSR Structure



# Compliance System

## 1 Basic Initiative Policy

With recent progress in deregulation of the financial industry, financial transactions and services are diversifying, and there is a need to work on various issues by thorough implementation of the self-responsibility principle and self-help efforts in financial institutions. Under these conditions, to maintain and enhance the trust of clients, sound and appropriate management based on strict self-discipline is essential. From this viewpoint, Sumitomo Mitsui Trust Group (the "Group") positions compliance as one of the most important management issues.

Compliance means adherence to various rules such as laws, regulations, market rules, and internal company rules, in addition to conformity to social norms. Trust is the Group's greatest asset, and achieving compliance is naturally a basic principle. Executives and each individual employee must solidly practice compliance in our daily operations.

To achieve thorough compliance and an appropriate system which suits "The Trust Bank," the Group has established Codes of Conduct ("Value") and specific compliance standards in the Compliance Rules. A checking system and promotion system are also developed, so the Group complies with these and carries out sincere and fair company activities. By developing these systems, the Group is promoting various initiatives to address issues and problem points and to enable appropriate action based on self-discipline.

## 2 Outline of Initiatives

### Group Compliance System

The Group positions supervision of the entire group's compliance structure as one of the most important functions of the Sumitomo Mitsui Trust Holdings (hereafter SMTH). The SMTH's Compliance Rules establish standards which executives and employees must follow.

The Compliance Department is established in SMTH as the department to manage compliance for the whole group. This department creates a compliance policy, and monitors the situation of compliance management and execution. The Compliance Department reports to the Executive Committee on its findings regarding the status of compliance management and execution.

For specific practice plans in various measures on compliance, a Compliance Program is made each fiscal year, and progress status is periodically assessed.

Sumitomo Mitsui Trust Bank also established the Compliance Department as a department to manage compliance. Based on the compliance policy established by SMTH, this department creates its compliance policy and Compliance Program, and monitors the situation of compliance management and execution. Also, the Compliance Department reports to the Executive Committee on its findings regarding the status of compliance management and execution after examined by the Compliance Committee, which is chaired by

### Compliance Standards for Executives and Employees

1. Gain the trust of society
2. Respond resolutely to antisocial forces
3. Prevent improper use of financial functions by organized crime
4. Ensure transparency of management
5. Build sound and normal relations with interested parties
6. Thorough implementation of fair activities
7. Thorough control of information
8. Enhance workplace order

### Compliance Manual

The Compliance Manual has been created to realize compliance for executives and employees to do their duties by providing basic guidance.

Principal matters regarding compliance are compiled in the Code of Conduct on Important Matters in the Execution of Work Required for Executives and Employees, in conjunction with explanations of the underlying laws, regulations, and rules.

a director who is in charge of the Compliance Department.

Other subsidiaries develop appropriate compliance systems which suit their own operations' characteristics, based on the compliance policy established by SMTH.

In addition, in order to promptly and appropriately cope with any violation, SMTH has established a compliance hotline through which all executives and employees can directly report violations to the Compliance Department and an external attorney's office, without having to go through regular reporting channels.

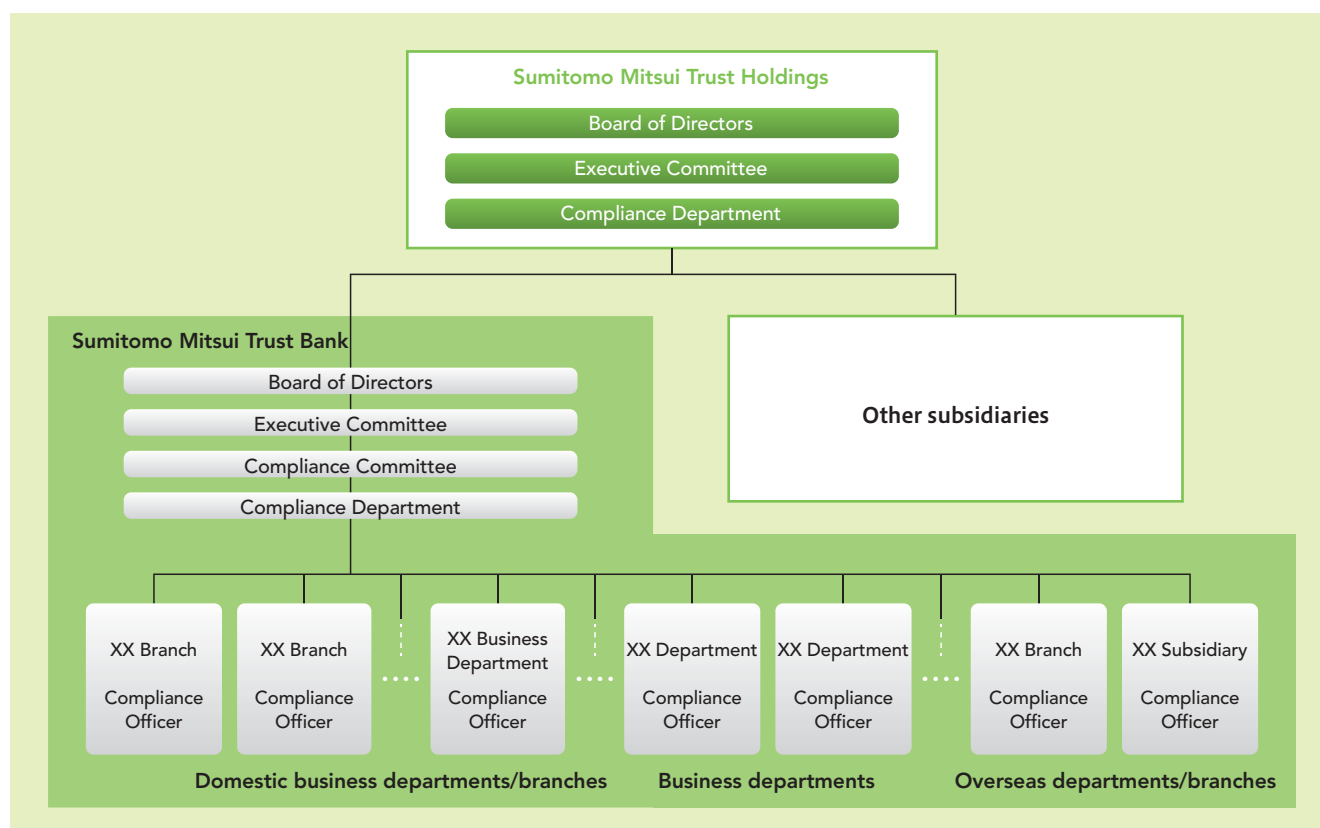
### Initiatives to Foster Compliance Awareness

In order to foster compliance awareness throughout the Group, a Compliance Manual is created for SMTH and each

group company, and employees are thoroughly informed about the laws, regulations, various rules and items which must be followed.

The Group is also enhancing training courses including a course for the rules to strictly comply with the insider trading regulations, and each company's compliance department has the primary responsibility for providing training as to company-wide compliance themes. Meanwhile, the person in charge of compliance at each company is responsible for enhancing compliance awareness and ensuring thorough compliance with regard to characteristics of business and product and client attributes of the company by implementing training and study in his/her workplace and providing guidance and instructions in daily work processes.

### Group Compliance Structure





# Risk Management

## 1 Basic Initiative Policy

New risks are appearing that also affect financial markets: Europe's debt problems, economic stagnation in China and other emerging countries. There is also a need to further develop risk management systems in response to new bank BIS capital adequacy regulations (Basel III). In this environment, Sumitomo Mitsui Trust Holdings ("SMTH") thinks that there is an increasing need for more advanced risk management and preventive action.

As the trust bank group which boasts the largest scale and the highest status in Japan, SMTH positions the establishment of a risk management system suited to the characteristics of its operations and environmental changes as one of the most important management issues. Accordingly, SMTH is making constant efforts to enhance and advance its risk management, which forms the basis of business operations for the expansion of the business scope and sustainable growth of Sumitomo Mitsui Trust Group (the "Group").

In the fiscal year 2012, SMTH will flexibly and accurately respond to change in the risk structure resulting from external environmental changes and the management integration, and develop practical and efficient risk management system, leveraging the strengths of the Group.

## 2 Outline of Initiatives

### Types of Risk

SMTH classifies risk categories by the cause of risks faced by the whole Group in business operations into "Credit risk," "Market risk," "Funding risk," and "Operational risk." It manages these risks according to the characteristics of respective risks.

### Risk Management Methods

SMTH has established a department to supervise the overall group risk management and monitor the risk status of the whole Group, and has designated other risk management-related departments to supervise risk management for each risk category. These departments provide appropriate supervision and guidance to the Group companies as needed.

SMTH has also established the Risk Management Rules covering the basic points of risk management for the whole Group. It has clarified the authority and organizational structure so that it can appropriately perform a series of activities, which include risk identification, assessment, monitoring, control and reduction. SMTH has also created risk management policies and plans (the Risk Management Plan and the Risk Capital Allocation Plan).

### Risk Categories

Risk Category	Risk Category
Credit Risk	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.
Market Risk	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 significantly disadvantageous than usual due to market turmoil.
Funding Risk	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.
Operational Risk (Below are "risk sub-categories")	Risk that the Group incurs losses resulting from inadequate or failed internal processes, people and systems or from external events.
Business Processing Risk	Risk that the Group incurs losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.
Information Security Risk	Risk that the Group incurs losses because information assets are not properly maintained or managed. This includes information leaks, incorrect information, an inability to use the information system or misuse of information.
System Risk	Risk that the Group incurs losses due to such reasons as computer system failure, malfunction and defects, as well as the risk that the Group incurs losses due to unauthorized use of a computer.
Legal & Compliance Risk	Risk that the Group incurs losses due to uncertain legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
Human Resource Risk	Risk that the Group incurs losses due to personnel and labor management issues, such as unequal or unfair management of personnel and harassment.
Event Risk	Risk that the Group incurs losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, the spread of infectious diseases, and the inappropriate use or management of tangible assets.
Reputational Risk	Risk that the Group incurs losses as a result of deterioration in reputation for SMTH or its subsidiaries, owing to such reasons as mass media reports, rumors or speculation.

The Group companies develop appropriate risk management systems suited to the characteristics of their own operations and risks, based on SMTH's policy concerning risk management.

## Risk Management Structure

The roles and responsibilities of the management structure and principal departments related to risk management are as follows.

### Board of Directors

Clarifies the Group's management policy and strategic goals, formulates the risk management policy based on the strategic goals, supervises development of appropriate risk management system, and implements appropriate measures to raise awareness of the risk management policy throughout the Group.

### Directors, Officers in Charge

Directors are fully aware of the importance of risk management, and officers in charge of risk management-related departments consider policies and specific measures for developing and establishing proper risk management systems.

### Risk Management-related Departments

Accurately recognize risk status, and conduct appropriate management and operations regarding risks, through a series of activities, which include risk identification, assessment, monitoring, control and reduction.

## Internal Audit Department

Verifies the appropriateness and effectiveness of the risk management system as a department independent of business execution.

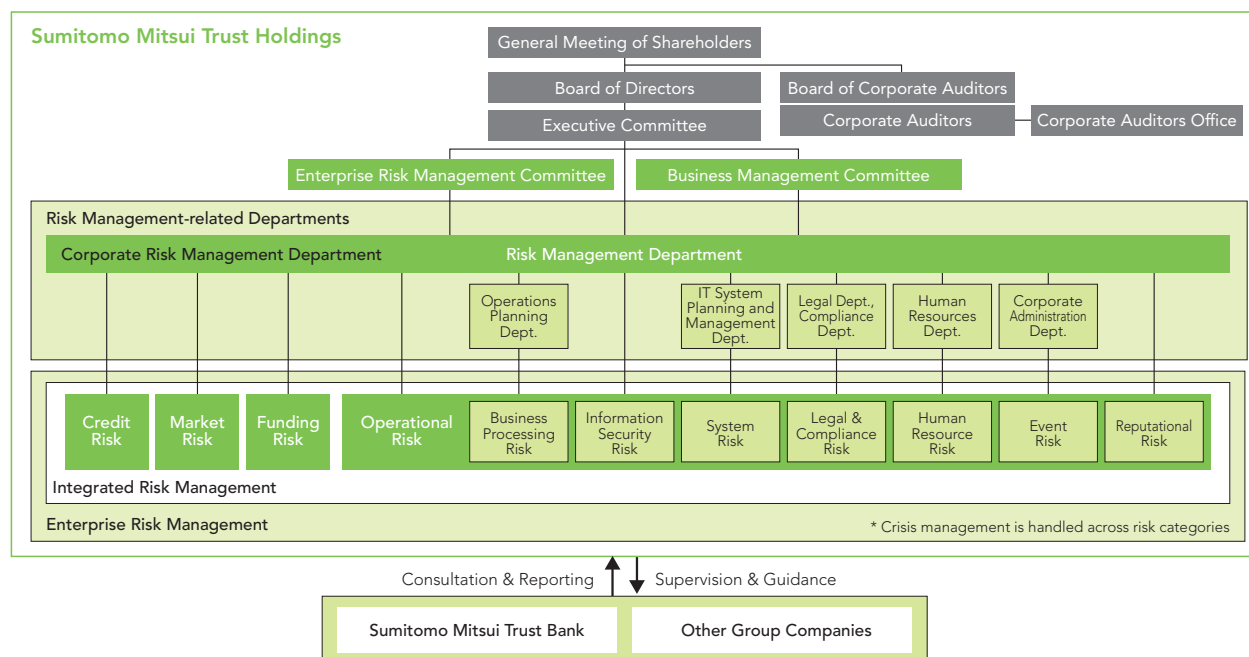
## Enterprise Risk Management and Integrated Risk Management (Economic Capital Management)

SMTH manages various risks in its Group and comprehensively measures risks unique to the Group organization which each group company cannot recognize alone, such as spread of risks within the Group. It manages these risks by comparing them with the Group's overall financial strength (Enterprise Risk Management).

In addition, among the risks subject to the Enterprise Risk Management, SMTH combines risks which are quantifiable with a unified criteria such as the integrated VaR\*, and manages these risks by comparing them with the Group's overall financial strength, which is indicated by its capital efficiency (Integrated Risk Management). Aiming to simultaneously secure both capital adequacy and efficiency of capital use, the Integrated Risk Management seeks to comply with risk limits set based on risk capital allocated within the financial strength and pursues maximum risk-return.

\*Value at Risk (VaR): Risk amount measurement indicator. The maximum amount of loss anticipated within a certain period (the holding period) within the range of certain probability (the confidence interval). SMTH is applying a measurement with a one-tailed confidence interval of 99%.

## Risk Management Structure



# Human Rights and Sumitomo Mitsui Trust Group

Human resources are the most valuable resource of financial institutions. The Group endeavors to educate employees in human rights so that individuality is respected and they will not be subjected to discrimination based on their age, gender, nationality, etc. We also promote the creation of a working environment that enables a healthy work-life balance. We thereby nurture human resources in such a way that they contribute to the sustainable development of society as a whole.



## 1 Measures to Educate Employees in Human Rights

### Initiatives to Promote Human Rights Education

The Group is carrying out wide-ranging activities to train and educate employees about various human rights issues, mainly through the Human Rights Education Committee, which is chaired by a director in charge of the Personnel Department. This committee distributes a "Human Rights Awareness Tool" that once a month introduces employees to typical cases showing respect for human rights. It also conducted workplace-based human rights education training at every branch and department of Sumitomo Mitsui Trust Bank during fiscal year 2012.

During fiscal year 2012, we continued to give training to new employees in the relationships between companies and human rights in an effort to cultivate a common understanding and awareness of individual issues concerning the Dowa minority, foreign residents, and the human rights of disabled persons.

Furthermore, as part of our Human Rights Week activities, we invited submissions of "Human Rights Catch Phrases" with awards for the best suggestions.

We also participated in various projects implemented by the government and other organizations in order to main-

tain and improve awareness of human rights issues among our employees.

Through these activities, the Group is working to help employees respect each other's individuality and foster a corporate culture that emphasizes human rights as the foundation of business activities.

### Establishment of the Human Rights Due Diligence Project Team (PT)

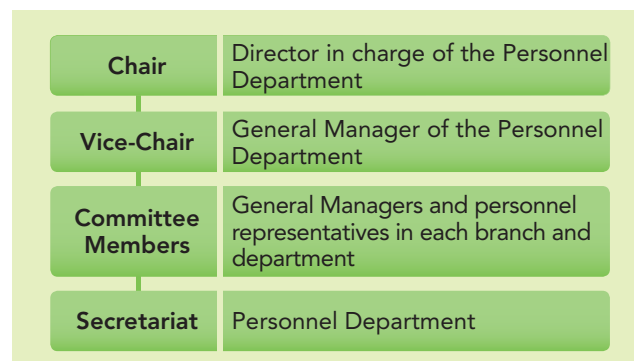
#### Background

In June 2011, the United Nations Human Rights Council endorsed a new set of Guiding Principles for Business and Human Rights advocated by Professor John Ruggie of Harvard University, the Secretary-General's Special Representative for Business and Human Rights. These guiding principles were incorporated into ISO 26000, the international standard for corporate social responsibility, reflecting the recent increase in attention on the relationships between companies and human rights in the international community. In response to this situation, in March 2012 the Group set as its midterm CSR goal the implementation of activities involving respect for human rights at a high level comparable to that of overseas CSR leaders. In order to achieve this goal, the Human Rights Due Diligence PT was launched by the relevant departments.

#### Themes of "Human Rights Awareness Tool" Conveyed in Fiscal Year 2012

- Human rights for the elderly
- What is work-life balance?
- Introduction of rehabilitation support facilities for intellectually disabled people
- Cases that last in the memory (related to harassment and bullying)
- Cases that last in the memory (concerning disabled persons)
- Cases that last in the memory (concerning social life)

#### Organizational Structure of Human Rights Education Committee



### Purpose

The Human Rights Due Diligence PT aims to (1) advance risk management related to human rights, (2) foster an understanding of international standards for compliance awareness regarding human rights, and (3) improve the Group's CSR evaluation results. Specifically, we identify the negative impact (including potential impact) that the corporate activities of the Group, its suppliers and contractors cause on human rights, and we work to implement measures to prevent and reduce this impact.

### Matters to be Examined

The Human Rights Due Diligence PT categorizes the scope affected by the Group into six categories such as employees and suppliers/contractors, and identifies the negative impact on each category from all aspects of human rights, including biological aspects such as human rights and gender, cultural aspects such as ethnicity and language, inner aspects such as beliefs and religion, social hierarchical aspects such as family lineage and occupation, and physical aspects such as disabilities and age.

### Operational Structure

The Human Rights Due Diligence PT has been established as a joint organization by Sumitomo Mitsui Trust Holdings and Sumitomo Mitsui Trust Bank. It is led by the Personnel Department, and the Corporate Planning Department acts as its secretariat. The members of project have been selected from the relevant departments of the

two companies, based not on their positions but on their abilities to carry out practical discussions.

During fiscal year 2012, the PT will formulate new standards regarding human rights and create a PDCA (Plan, Do, Check, Action) cycle for the reduction of risks.

### Comments



**Masaru Seki**

*Head, Human Rights Due Diligence PT  
Associate General Manager, Personnel Department,  
Sumitomo Mitsui Trust Bank, Limited*

In June 2011, the United Nations Human Rights Council endorsed a new set of Guiding Principles for Business and Human Rights (hereinafter the "Ruggie Report") advocated by the Secretary-General's Special Representative for Business and Human Rights, Professor John Ruggie of Harvard University, ushering in a new era for the relationships between companies and human rights.

Until now, the Group has focused on human rights education of Japan-specific issues, mainly discrimination against the Dowa minority. While our focus on this problem will remain unchanged and as we will continue to educate employees about this issue, we will also expand our focus to include trends in the international community regarding human rights. By utilizing the human rights due diligence process set out in the Ruggie Report, we will make efforts to ensure respect for human rights in conformity with international standards, such as responses to child labor issues in developing countries.

#### Departments Forming the PT

##### Sumitomo Mitsui Trust Holdings

Corporate Planning Department, Corporate Administration Department, Personnel Department, Compliance Department, Risk Management Department

##### Sumitomo Mitsui Trust Bank

Corporate Planning Department, Corporate Administration Department, Personnel Department, Compliance Department, Risk Management Department, Customer Satisfaction Promotion Department, Global Business Planning and Coordination Department



## 2 Protecting Various Human Rights

### Initiatives to Address the Dowa and Foreign Residents Issues

The Group regards tackling discrimination against the Dowa minority as a particularly important theme in the promotion of human rights education. During fiscal year 2012, the Group continued its efforts to increase employees' level of understanding about the Dowa issue based on insights from external bodies, such as the Industrial Federation for Human Rights, Tokyo. At the same time, we have worked toward thorough elimination of prejudiced or discriminatory views through various training programs and education activities, including new employee training.

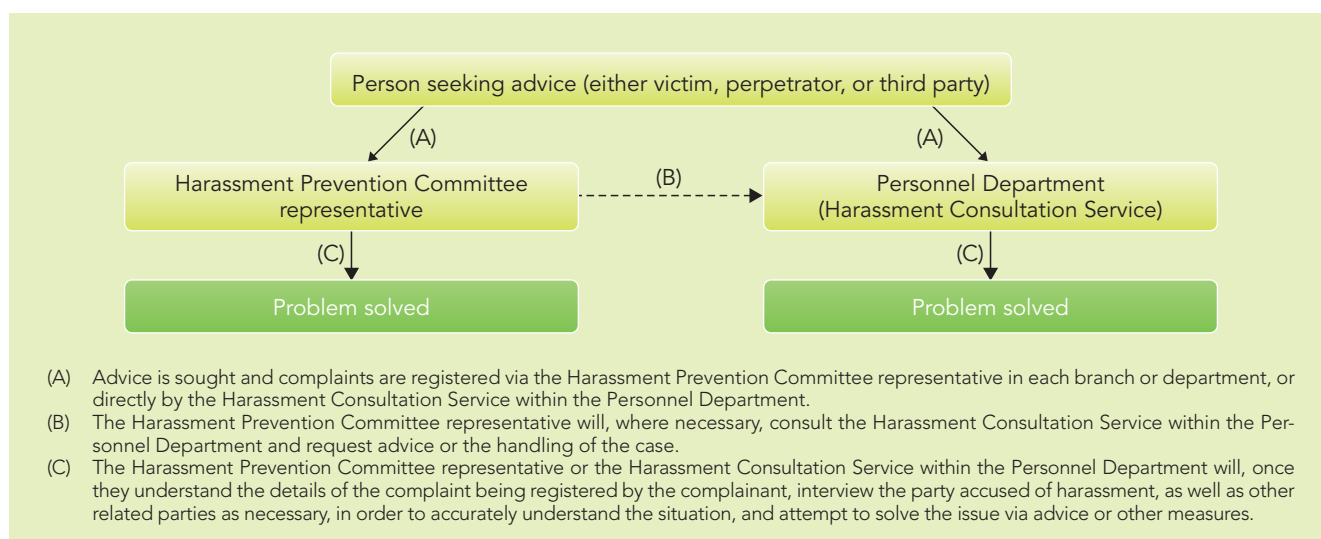
With regard to foreign residents issues, a new residency management system, launched on July 9, 2012, was discussed at the workplace-based human rights education training conducted at all branches and departments of Sumitomo Mitsui Trust Bank. Education was provided on giving consideration to the human 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 prohibited. 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 prohibiting sexual harassment within the workplace. In terms of power harassment, we are working toward the elimination of all forms of this problem, based on the Report by the Working Group for the Roundtable Conference Regarding Workplace Bullying and Harassment released by the Ministry of Health, Labor and Welfare on January 30, 2012. This problem is based on advantageous positions at 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 Harassment Consultation Service within the Personnel 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 harassment in workplace-based

#### Structure for Advice/Complaints and Response relating to Harassment



human rights education training, new employee training, and training implemented for different management levels. We are committed to ongoing educational activities to ensure that all employees are well acquainted with the principles and issues.

### Initiatives in our Overseas Network

In our overseas network, we maintain and improve awareness of human rights issues among dispatched employees on a regular basis through the same workplace-based human rights education training that is provided in Japan, as well as distributing the same "Human Rights Awareness Tool". In addition, based on each country's situation, training is provided for local staff aimed at the prevention of sexual harassment and power harassment.

### Promotion of Diversity

#### Promoting and Supporting Women

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 make sure that decisions about managerial promotions are based on merit. As of April 2012, Sumitomo Mitsui Trust Bank had three female employees at the level of General Manager up to sub-executive positions, 77 female employees at the level of Section Manager up to sub-General Manager positions, and 214 female employees at the level of Assistant Manager up to sub-Section Manager positions.

We proactively promote female employees to the position of Section Manager or above, and carry out training for female employees who have not yet reached the Section Manager level in order to foster proactive career

planning and network creation. We plan continuously to hold information exchange meetings, between female Section Managers and leaders, as a means of promoting personnel exchange inside and outside the company, and the sharing and resolution of challenges faced in the carrying out of duties.

Moreover, from the standpoint of supporting the balance between work and private life, we endeavor to develop a variety of systems and a workplace environment in order to make it easier for employees to choose flexible ways of working so they can readily adapt to major life events such as childbirth, childcare, and nursing care.

### Employment of Disabled Persons

We hire disabled persons who want to work. As of September 30, 2012, our disabled person employment ratio was 1.95%, exceeding the current statutory ratio (1.8%). Furthermore, in response to the increase in the statutory employment ratio of disabled person to 2.0%, effective from April 1, 2013, the entire Group is proactively employing disabled persons with the aim of reaching this new ratio. In addition, we are striving to create a more comfortable workplace for disabled people.

### Postretirement Employment of the Elderly

The Group has a program that continuously employs retirees who meet certain criteria until they reach the age of sixty-five if they request employment (the Elder Partner Program). As of November 1, 2012, the number of employees who used this program to work after their mandatory retirement age was 575. In recent years, approximately 90% of employees that reached retirement age use this program.

Employee Breakdown

		Total (male and female)	Male	Female
Total employees	FY2010	12,461	6,029	6,432
	FY2011	13,172	6,645	6,527
Average age	FY2010	40 yrs., 9 mos.	42 yrs., 9 mos.	39 yrs., 0 mos.
	FY2011	41 yrs., 4 mos.	43 yrs., 2 mos.	39 yrs., 7 mos.
Continuous years of employment	FY2010	11 yrs., 3 mos.	12 yrs., 7 mos.	9 yrs., 6 mos.
	FY2011	12 yrs., 0 mos.	13 yrs., 7 mos.	10 yrs., 3 mos.

\* Total for the former Chuo Mitsui Trust and Banking Company, Limited and the former Sumitomo Trust and Banking Co., Ltd.

Employed Disabled Persons Ratios

	FY2010	FY2011
Number of disabled employees	93	177
Employed disabled persons ratio	2.08%	2.01%

\* Total for the former Chuo Mitsui Trust and Banking Company, Limited and the former Sumitomo Trust and Banking Co., Ltd.

# Employees and Sumitomo Mitsui Trust Group

Human resources are the most valuable resource of financial institutions. The Group promotes a personnel training program, and the creation of a working environment that enables a healthy work-life balance. We thereby nurture human resources in such a way that they contribute not only to the development of the Group, but also to the sustainable development of society as a whole.



## 1 Promoting a More Employee-Friendly Workplace Environment

### Measures to Promote the Realization of a Healthy Work-Life Balance

The Group actively works to establish a workplace environment where employees can work with peace of mind, while maintaining a good balance between work and personal life. As for specific measures, we offer childcare leave for fathers and up to 10 days per year (in the case of employees with two or more children requiring care) of additional leave to look after sick children, in addition to offering childbirth and childcare leave until children reach the age of 2. Furthermore, we offer employees who are pregnant or who live with and raise children of or below the third grade of elementary school a system of shorter working hours and the freedom to choose to refrain from working overtime or at night. These measures have allowed us to create an environment where parents can raise their children with peace of mind. Moreover, for employees with family members who require nursing care, we offer up to 10 days (with two or more family members requiring care) of nursing care days-off, a nursing care leave system that provides leave for as long as a one-year period, and a shortened workday system that applies for up to two years (for each applicable family member).

In addition, we hold "Family Visit Days," when the fam-

ily members of employees are invited to the workplace in order to deepen the bonds and communication between family members, and to provide an opportunity for families to consider what it means to work as part of society.

Based on Article 13 of the Act on Advancement of Measures to Support Raising Next-Generation Children, the Group has been accredited, through the attainment of certain performance targets, as a regulation-conformant general business, required to receive the "Childrearing Support Approved Business Mark" (also known as the "Kurumin Mark").



### 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. In addition, we have attempted to minimize total working hours by encouraging employees to take long holidays and by conducting promotions such as "Go-Home-Early" month and "Leave-the-Office-on-Time" week.

### Employee-Health Management System

In an effort to help our employees manage and improve their health, we have appointed medical and hygiene supervisors (hygiene promoters) at each of our business locations to provide detailed health management guidance. Moreover, we provide health examinations every year and assistance to employees and their families to enable them to receive comprehensive physical examinations at facilities through our health insurance association.

We offer mental health counseling sessions at clinics within our company, and our health insurance association also provides free health advice to employees by telephone. In addition, we have activities such as training for managers to raise their awareness at recognizing the importance of employee health management.



FY2012 Family Visit Day



## 2 Measures to Support Employee Career Formation

### Recruiting and Hiring

The recruitment section of our website provides clear explanations of the characteristics of our personnel system, the function of trusts, and their importance, and the business content of each of our divisions. The website is also designed to give visitors an idea of what working at the company is really like with features such as employee interviews, etc.

More than 46,386 recent graduates applied via the website during the recruitment period for fiscal year 2013, and the number of entries continues to increase every year.

	FY2010*	FY2011*	FY2012
Number of new recruits	434	314	312
Male	176	122	130
Female	258	192	182

\* Total for the former Chuo Mitsui Trust and Banking Company, Limited, former Chuo Mitsui Asset Trust and Banking Company, Limited, and former Sumitomo Trust and Banking Co., Ltd.

### Our Personnel System and Personnel Management, Supporting Employee Career Formation

The Group has implemented a course-based system that promotes employee career formation. Employees are streamed into two courses, the G Course and 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.

### Internal Job Posting System

We have initiated an internal job posting system to encourage our employees to independently and voluntarily shape their own careers. Under this system, applicants can apply directly to the Personnel Department. If applicants pass the screening, they will be able to transfer to their desired position or division.

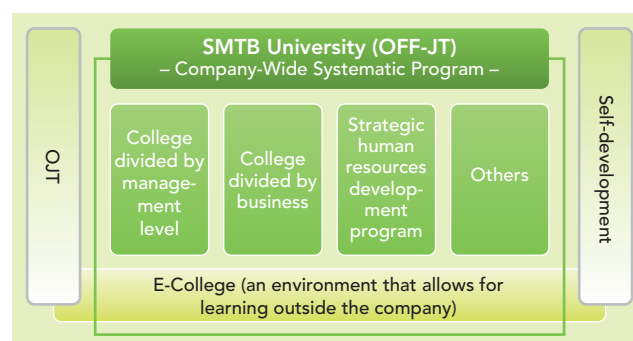
### Personal Evaluation System

The Group's personnel evaluation system enables individual employees to participate in the evaluation process. Employees consult with their supervisors, setting tasks that they will attempt to tackle at the beginning of the term. They meet again with their supervisor to discuss whether they achieved these goals and to receive feedback.

### Employee Training and Skills Development

While employee training and skills development in the Group are generally provided on an OJT\* basis, group training is also provided. The objective is to improve employees' operational skills and management abilities. Many opportunities for self-development are also provided to encourage employees to continue improving their skills. For example, we established the SMTB University in May 2012. This company-wide program is aimed at equipping all employees with improved skills and advanced expertise and developing strategic human resources. It implements training and study sessions for different management levels, businesses, and purposes.

\* OJT = On the Job-Training. OJT is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via their daily tasks.

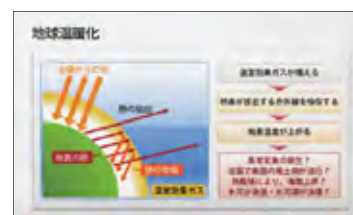


### Human Resources Development that Promotes CSR

CSR is incorporated into the training curriculum for new hires, and we give lectures on the Group's basic CSR philosophy as well as the significance of our efforts.

### Environmental Education through E-Learning

The Group has obtained ISO 14001 certification for the South Tower Building, the Fuchu Building, and the Senri Building. Since acquiring the certification, we have made it mandatory for all employees of Sumitomo Mitsui Trust Bank, including branches, to complete an environmental education course through e-learning. This effort is to instill employees with the latest knowledge on issues such as the basics of environmental problems, laws and regulations, the Group's initiatives, and biodiversity problems.





# Environmental Burden Reduction Initiatives

The Group utilizes an environmental management system framework to reduce the environmental impact of its daily business activities, and is working on initiatives to improve the efficiency of its operations.



## Further Promotion and Group-Wide Deployment of Environmental Management

In conjunction with the birth of Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Trust Group has rebuilt its environmental management operational structure and moved forward with group-wide environmental initiatives. The Group intends to play an active role in building a sustainable society based on the two pillars of contributing to the resolution of environmental problems through its core business and reducing the environmental burden caused by its business activities.



Solar-power generation equipment installed on the roof of the new head office building

### • 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 14) and the Action Guidelines for Preserving Biodiversity (see page 22) are specific guidelines that were drawn up based on this Environmental Policy.

# 1 Environmental Burden Generated by Business Activities

## Major Activities and Targets

Based on its Environmental Policy, the Group has established environmental targets and formulated implementation plans at its three business offices: the Fuchu Building and the Senri Building, which have obtained ISO 14001 certification (international standard for environmental management systems), and the head office building, which is scheduled to obtain the same certification. The aim of the effort is to make continual improvements by measuring actual results and revising regularly the environmental targets. At the head office building, new targets were established in conjunction with the transfer of the head office function from the South Tower Building to the head office building.

For paper consumption, the head office building aims for an annual 10% reduction from the assumed annual consumption in fiscal year 2012 and aims for a 15% reduction per employee by the end of fiscal year 2013. Both the Fuchu Building and the Senri Building aim for a 15% reduction by the end of fiscal year 2012 and a 20% reduction by the end of fiscal year 2013 (versus fiscal year 2008).

For electricity consumption, the head office building currently aims for an annual 1% reduction from the assumed annual consumption in fiscal year 2012. The Fuchu Building and the Senri Building aim for reductions of 4% and 6%, respectively, by the end of fiscal year 2012 (versus fiscal year 2010).

For waste discharge, the head office building aims for a 15% reduction from the annual discharge in fiscal year 2012 by the end of fiscal year 2013. Both the Fuchu Building and the Senri Building aim for a reduction of 15% by the end of

fiscal year 2012 and a reduction of 20% by the end of fiscal year 2013 (versus fiscal year 2008).

At the head office building, we are also encouraging the purchase of environmentally friendly equipment and have set a "Green procurement" target of 91% for stationery. Furthermore, we are planning the development of an environmental financial business based on Eco-Trustution. (See pages 18 to 27.)

## Findings from External Auditors

In January 2012, an ISO 14001 renewal audit was conducted at the Group's three business offices: the South Tower Building, the Fuchu Building, and the Senri Building. We received high marks for the following efforts: (1) the implementation of innovative activities by the Environmentally Friendly Property Promotion Team that could lead to a new business model, (2) the shared goal of a 35% reduction in paper consumption achieved by the business promotion departments (for the first half of fiscal year 2011), and (3) an "Environmental ISO Questionnaire Survey and Self Check", targeting all department members of the Centralized Administrative Department II of Sumitomo Mitsui Trust Business Service Co., Ltd. in the Senri Building, were conducted, and the procedures of activities for which awareness levels had been low were made widely known. (For details, see the chart below.)

Meanwhile, improvements were also suggested regarding the following points: the methods for achieving paper consumption reduction targets were the same as the previous year for some departments; and analysis on the causes of the target achievements was insufficient with respect to the results of activities based on the Environmental Management Implementation Plan.

### Major Activities and Targets

Activities	FY2011*1		FY2012*2	
	Targets*3	Results*3	Targets*4	Results*5
Paper consumption	10% Reduction	10% Reduction	Fuchu Building and Senri Building: 15% Reduction Head office building: 10% Reduction	Fuchu Building and Senri Building: 20% Reduction Head office building: 15% Reduction
Electricity consumption*6	8% Reduction	8.5% Reduction	Fuchu Building: 4% Reduction Senri Building: 6% Reduction Head office building: 1% Reduction	Pending
Waste discharge	10% Reduction	3.3% Reduction	Fuchu Building and Senri Building: 15% Reduction Head office building: 10% Reduction	Fuchu Building and Senri Building: 20% Reduction Head office building: 15% Reduction
Environment-conscious "Green procurement"	91%	84%		91%
Expansion of sales of environment-related financial products				
Environment-conscious activities in office				

\*1 Targets and results for ISO Certified Sites (the South Tower Building, the Fuchu Building, and the Senri Building).

\*2 Targets for ISO Certified Sites (the Fuchu Building and the Senri Building) and the head office building for which ISO certification acquisition is planned.

\*3 Paper consumption and waste discharge figures indicate reductions versus FY2008. Electricity figures indicate reductions versus FY2010.

\*4 The Fuchu Building and the Senri Building figures indicate reductions versus FY2008. The head office building figures indicate reductions versus assumed annual consumption. The baseline for determining the assumed annual consumption is the consumption during the second quarter of FY2012 times four.

\*5 The Fuchu Building and the Senri Building figures indicate reductions versus FY2008, while the head office building figures indicate reductions versus FY2012.

\*6 Electricity consumption target are set for every single year due to power supply and demand measures and changes in the forms of facility utilization.

### Findings from External Auditors

Findings (positive assessments)	The Environmentally Friendly Property Promotion Team, which was newly established as part of efforts to promote environmental businesses, is facilitating innovative activities that can lead to new business models. Further development can also be expected.
	The specific measures column of the Environmental Management System Implementation Plan includes a focus on business processes and forward-looking investments of management resources through the cooperation of relevant departments. Intra-departmental education activities are also positive. Further ripple effects also can be anticipated in overcoming the massive administrative work expected in the post-merger period.
Opportunities for Improvement	An Environmental ISO Questionnaire Survey and Self Check were conducted targeting all employees at the Senri Building in November 2011 as part of information collection and publicity activities. We view this effort as effective for reconfirming awareness of environmental issues after the passage of nearly three years since the adoption of EMS.
	Measures by some departments for achieving the shared goal of paper consumption reduction stated on the Environmental Management Implementation Plan are the same from the previous year, causing concern as to whether these measures could produce improved results.  There is a functional framework for the analysis and summarization of the results of activities based on the Environmental Management Implementation Plan. Although an appropriate analysis of causes was conducted for areas that fell significantly short of targets, there were not enough comments when targets were exceeded. Even for cases where targets are significantly surpassed, there could still be room to incorporate the possibility of expanding to other departments as well as room to leverage the framework for an analysis of causes in consideration of the possibility of unexpected internal or external factors that are beyond the efforts of the parties involved.

## Environmental Performance

The Group works to reduce the burden on the environment both in its input of resources such as the energy and paper used in business activities and in its output from these activities. The chart below shows aggregated data on the environmental performance at the domestic sites of Sumitomo Mitsui Trust Bank since integration took place.

In fiscal year 2011, the volume of CO<sub>2</sub> emissions was 39,309 tons, a significant reduction of 13.7% from the year before (45,541 tons). Electricity consumption fell by 10.4% from the previous year (95,432 thousand kw) to 85,480 thousand kw, thanks to measures including setting air-conditioner temperatures to 28°C and controlling air-conditioner operation times. Gas consumption was cut by half versus the previous year (2,012 km<sup>3</sup>) to 1,087 km<sup>3</sup>, due to shutting down kitchens and training facilities from July to September, while water consumption dropped from 199,939 m<sup>3</sup> in the previous year to 150,900 m<sup>3</sup>. Total waste disposal fell by 6.2% versus the previous year (1,882 tons) to 1,766 tons, as a result of thorough implementation of separate waste collection and promotion of product recycling efforts.

On the other hand, the significant impact of the management integration led to an increase in paper usage by 10.5% from the previous year (898 tons) to 992 tons. This was despite stricter inventory controls on supplies, pamphlets, and the like, as well as tight management of the creation and disposal costs. In the future, we will identify departments that use particularly large amounts of paper and provide individual guidance on

specific reduction measures. We also plan to expand to more departments the inventory control of printed materials and the changes in ordering methods that have proven successful.

In accordance with the greenhouse gas emissions reduction measures based on Metropolitan Tokyo's Environmental Security Ordinance, extensive energy saving and CO<sub>2</sub> reduction measures were implemented during fiscal year 2011 at the Fuchu Building, which has a particularly large volume of CO<sub>2</sub> emissions. These measures included the installation of a high-efficiency heat source system and suppression of humidification steam during the outdoor air cooling of the computer room's main air-conditioning unit. Meanwhile, electricity conservation measures were implemented during the summer in the service areas of Tokyo Electric Power Company after the installation of equipment. Accordingly, between June and September, we were forced to shift main operations from an electronic air-cooled heat pump chiller installed to save energy and reduce CO<sub>2</sub> emissions to a gas-burning cold water generator for the purpose of cutting peak electricity consumption. As a result, the equipment installation only resulted in a reduction of 563 tons of CO<sub>2</sub>, compared to initial plans of 1,070 tons. Although the change in main operations yielded a significant effect on electricity conservation, we were not able to meet our energy saving and CO<sub>2</sub> reduction targets. We will continue our efforts to implement well-balanced energy management that supports both the supply-demand balance of electricity and global warming countermeasures.

### Environmental Performance (Domestic Sites)

Input	Unit	FY2009			FY2010			FY2011		
		Former Chuo Mitsui Trust Holdings	Former Sumitomo Trust	Total	Former Chuo Mitsui Trust Holdings	Former Sumitomo Trust	Total	Former Chuo Mitsui Trust Holdings	Former Sumitomo Trust	Total
Total energy input	GJ <sup>*4</sup>	481,021	600,189	1,081,210	490,638	616,514	1,107,152	414,189	563,803	977,992
Electricity use	MWh	42,477	51,700	94,177	42,821	52,611	95,432	36,819	48,661	85,480
Gas use	km <sup>3</sup>	690	1,248	1,938	675	1,337	2,012		1,087	1,087
Gasoline use <sup>*1</sup>	kl	58	616	674	55	619	674	56	628	684
Paper consumption <sup>*2</sup>	t	432	531	963	377	521	898	445	547	992
Recycled paper	t	53	332	385	0	338	338	61	315	377
Water use	m <sup>3</sup>	129,709	71,610	201,319	128,274	71,665	199,939	102,747	48,153	150,900

Output	Unit	FY2009			FY2010			FY2011		
		Former Chuo Mitsui Trust Holdings	Former Sumitomo Trust	Total	Former Chuo Mitsui Trust Holdings	Former Sumitomo Trust	Total	Former Chuo Mitsui Trust Holdings	Former Sumitomo Trust	Total
CO <sub>2</sub> emissions	t	20,686	25,211	45,897	19,597	25,944	45,541	16,509	22,799	39,309
Total waste disposal <sup>*3</sup>	t	1,265	812	2,077	1,158	724	1,882	1,026	741	1,766
Paper disposal <sup>*3</sup>	t	1,009	592	1,601	857	503	1,360	860	500	1,360
Recycled amount	t	967	592	1,559	831	503	1,334	809	500	1,309
% of total	%	96	100	97	97	100	98	94	100	96
Other waste disposal <sup>*3</sup>	t	1,189	176	1,365	1,091	170	1,261	166	240	406
Recycled amount	t	1,000	144	1,144	921	143	1,064	50	157	207
% of total	%	84	82	84	84	84	84	30	65	51

•Tabulation Period: April 1, 2011 - March 31, 2012

\*1 Does not include all sites.

\*2 Scope includes paper used for copies and computer printouts.

\*3 Main site buildings

\*4 GJ: Gigajoule. A giga is 1 billion. A joule is the international unit of energy, work, or heat quantity.

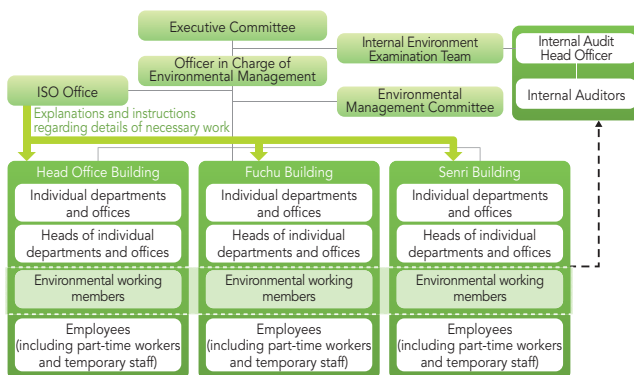
## 2 Environmental Management Structure

### Rebuilding the Environmental Management Operational Structure Following Integration

In March 2009, the Group obtained ISO 14001 certification, the international standard for environmental management systems (EMS), for three of its business offices that consume high levels of energy. By incorporating environment-related efforts into our management strategies, we have been moving forward with more effective environmental activities. A renewal audit was conducted in January 2012, three years following certification, and our certification was renewed as the organization's EMS was deemed to be properly maintained. (See page 49 for the auditors' findings.)

In conjunction with the establishment of Sumitomo Mitsui Trust Bank, Limited in April 2012, the originally established Rules on the Operation of Environmental Management System were revised. The entire Group will work toward the continual implementation and improvement of EMS by conducting internal training for the ISO working group members in each department and providing e-learning courses to all employees (see page 47).

#### Environmental Management Operational Structure



### Efforts to Obtain Certification for the New Head Office

The facilities and building management of the new head office building, which was completed in January 2012, differ from that of the South Tower Building, and the organizational structure within the new head office building has been changed and expanded. Accordingly, we took steps during the first half of fiscal year 2012 to grasp the operating conditions and environmental aspects of the building. Based on the know-how that has been accumulated over the years,

we continue our EMS operation in the new head office building, for which we expect to obtain ISO 14001 certification during fiscal year 2012.

### Group Companies Initiatives

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd., one of our Group companies, has also built an environmental management system and has been implementing environmental initiatives. This company believes that addressing a range of environmental problems through its business is an integral part of CSR activities. Accordingly, the company has created an in-house EMS and worked to save energy and reduce consumption of photocopying paper. It has developed a system to measure environmental burden of CO<sub>2</sub> and waste emissions, and now plans to focus on implementing reduction measures. In a measure unique to a leasing company, it promotes reuse of products after the lease term expire through sale or donation to NPOs. Also, at the disposal contractors' sites the company conducts on-site verification of industrial waste management. In addition, it has strengthened its environmentally friendly lease finance business for the purpose of contributing to environmental preservation through its core business.

In March 2012, the company obtained certification under EcoAction 21, the EMS certification system established by Ministry of the Environment. Furthermore, it released an environmental report that summarizes the company's environmental activities in August 2012.

The Group companies located in the head office building, the Fuchu Building, and the Senri Building also conduct environmental initiatives under the EMS framework.



EcoAction 21 certification and registration certificate

# Efforts to Conduct Fair Business Activities

In light of the recent violation of insider trading regulations, the Group is strengthening and re-enforcing its management structure with the aim of rebuilding trust. The entire Group is also working together to accurately respond to the social demands of financial institutions, such as the elimination of transactions with antisocial forces and the prevention of the improper use of financial functions.



## Insider Trading Prevention

As we stated near the outset of this report, the Group is rigorously implementing measures to strictly prevent a recurrence of insider trading. These moves include: enforcing and reviewing organizational systems, cultivating compliance awareness, building a corporate culture of compliance and instilling a sense of ethics, and monitoring the progress and assimilation of recurrence prevention measures.

## Prevention of Money Laundering\*

The Group has adopted various measures to ensure proper personal authentication and prompt reporting of suspicious transactions. For example, we have training courses for employees at Sumitomo Mitsui Trust Bank to maintain and improve employees' knowledge of this subject on an ongoing basis.

\* Money laundering is the act of hiding the source of money obtained illegally (for example, through the sale of illegal drugs) by routing such money through multiple banks or bank accounts. Terrorists and perpetrators of remittance scams are examples of people who may abuse the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as "Money Laundering Prevention Countermeasures."

## Response to Antisocial Forces

Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies with ties to them, who may threaten public order and the security of civil society. The Group has declared, both internally and externally, its resolute stance against antisocial forces in its Code of Conduct ("Value") and various other codes. We have established a system for investigating and conducting systematic checks in all types of transactions in order to prevent transactions by antisocial forces. We have also incorporated a clause to exclude organized crime in the provision of our loan and money transfer contracts. This clause deters antisocial forces from initiating transactions with us. The measure gives us the legal grounds to dissolve contracts, once the presence of antisocial forces is detected, after the commencement of transactions.

## Fair Trade with Outsourced Contractors

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.

We also verify whether or not outsourced contractors are antisocial in nature before entering into new contracts, and we repeat this verification on a regular basis. The purpose is to prevent transactions with antisocial forces and to eliminate interference from them.

## Efforts to Manage Conflicts of Interest\*

In order to properly manage conflicts of interest, the Group has established a department that is responsible for such management, independent from the sales department, and has assigned a supervisor in charge of such management to develop a system to properly perform the management of conflicts of interest for the whole Group. The department and the supervisor examine and evaluate the effectiveness of the Group's management of conflicts of interest on a regular basis in order to make continual improvements. We also provide regular training and education and keep executives and employees informed on such matters.

\* "Conflicts of interest" refers to cases in which the interests of the Group and those of clients or interests among clients contradict.

## Efforts to Prevent Remittance Scams

At Sumitomo Mitsui Trust Bank, we are making efforts in our daily business activities to prevent remittance scams by such means as frequently calling out to clients at our branches. These moves are in response to demands from the whole of society and are done so that clients can use our services safely.

In fiscal year 2012, these ongoing efforts resulted in prevention of remittance scams at the Chiba, Ikebukuro, Yokohama, Sangenjaya, and Koshigaya branches (as of the end of October 2012). As a result, three of these branches received letters of appreciation from the local police for their role in crime prevention.



Receiving a letter of appreciation from the Tobe Police Station (Yokohama Branch)



# Initiatives to Earn the Trust of Clients

There is a pressing need for financial institutions to properly and fully explain to clients the mechanisms and risks of their products and to gain their understanding. It is also increasingly important that financial institutions properly manage client information and work to improve client satisfaction. The Group is promoting various initiatives to address these issues.



Materiality 1

## 1 Client Protection Management

### Basic Policy

Amid the growing number of financial products with ever more complex mechanisms and unique characteristics, there is a pressing need for financial institutions to properly and fully explain to clients the products' mechanisms and risks and to gain their understanding. It is also increasingly important that financial institutions appropriately respond to complaints and requests from clients and properly manage client information.

Given these conditions, the Group regards client protection as one of its most important management issues. To meet the expectations and trust clients place in the Group, SMTH has established the basic policy in its Client Protection Management Rules to enable each Group company to enhance client protection and convenience. Checking and promotion systems have also been developed, so the Group complies with these and carries out business activities in a fair and just manner. By developing these systems, the Group is promoting various initiatives to address issues and problem areas, and enabling appropriate action based on self-discipline.

Group companies develop appropriate client protection management systems in accordance with the characteristics of their own operations, based on the basic policy established by SMTH.

### Outline of Initiatives

#### Providing Appropriate Information to Clients

In providing financial products and services to clients, Sumitomo Mitsui Trust Bank takes into account the client's knowledge, experience, asset situation, and purpose of transactions, and provides appropriate and sufficient explanations to obtain the client's understanding and consent.

For instance, our policy for the solicitation and sales of financial instruments is available for clients to see at our branches and on our website. We also ensure that the aforementioned actions are appropriately taken from the clients'

standpoint by ensuring compliance with the suitability rule\* and establishing company regulations through the compilation of a client manual regarding the provision of adequate explanations, etc., as well as through the thorough training we give to our employees.

In particular, for transactions of products with no guarantee of principal, we conduct monitoring to ascertain whether adequate explanations have been provided to elderly clients and we review solicitation rules as required.

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

#### 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.

#### Client Support Management

We quickly respond to inquiries and complaints from clients in a sincere manner, aiming to resolve them with the understanding and consent of clients to the greatest degree possible. By utilizing our "Voice of Customers Portal," we also work to assess and analyze the causes of such inquiries and complaints as well as making efforts to improve operations in order to enhance client convenience.

#### Outsourcing Management

When outsourcing its operations, the Group conducts monitoring through verification and evaluation of the contractors' operations, to ensure proper performance of the operations as well as the appropriate handling of clients, including the appropriate management of client information. (See page 52.)

Materiality 2

Materiality 3

## 2 Efforts to Enhance Customer Satisfaction (CS)

### Basic Policy

A wider choice of financial institutions and products is now available to clients, thanks to advances in information technology in our society. Financial institutions are now expected to offer higher levels of services. The Group is responding to today's demands by continually improving its products and services so that it remains the financial institution of choice for clients.

The Group is utilizing its significant expertise and comprehensive capabilities to quickly provide clients with comprehensive solutions. It is also making every effort to adopt a "customer-first approach" and to offer clients peace of mind and ensure their satisfaction with supreme loyalty and sincerity, placing prime importance on credibility and sound management.

### Outline of Initiatives

#### Our System for Reflecting Client Feedback

Sumitomo Mitsui Trust Bank receives a lot of feedback from clients and many requests at branch offices throughout Japan through telephone centers and the Group's website, as well as the "Voice of Customers Questionnaires" available at every branch. We use this feedback to provide better products and services.

#### Activities to Raise Employees' CS Awareness

Sumitomo Mitsui Trust Bank is dedicated to training and education to ensure that each and every employee always takes a client-oriented approach.

### <Main Education and Training Content>

- CS Lectures: We invite speakers from various industries, such as theme parks and aeronautics, to give lectures and lead study sessions for employees.
- New Employee Training: Our training for new employees includes general business manners such as the proper way to greet clients, as well as discussions about what a client-oriented approach entails.
- Client Service Training—Role-Playing: Our client service training includes role-playing so that employees can improve their service skills. Employees also participate in the "Seminar Providing a Simulated Experience as an Elderly Person" to experience some of the physical constraints faced by elderly clients, in an effort to improve the quality of services for these clients.
- CS Information Sharing: Information regarding CS activities and success stories from branch offices, praise from clients, and other CS information is shared via the intranet.

### Barrier-Free, Accessible Sites Improving Environments at Branches

Sumitomo Mitsui Trust Bank is implementing a variety of initiatives in order to ensure that its branches are accessible to all.

For example, we are installing ATMs for the visually impaired, as well as textured paving blocks, to allow them to carry out their transactions smoothly. We have also defined internal procedures for writing and reading proxies for deposits, withdrawals, and the like.

To make our branch facilities easier to use for those with hearing difficulties, we have posted "Ear Mark" signs and "Assistance Dog" stickers, and equipped counters at each branch with writing boards, hearing aids, and communication boards.



CS Lecture



## Initiatives to Facilitate Financing

In light of the enforcement of the Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises (SMEs), etc. (SME Financing Facilitation Act), Sumitomo Mitsui Trust Bank has established a basic policy on the facilitation of financing to SMEs.

When we receive applications for new loans and for alteration of conditions from clients, we study them and respond promptly after examining individual cases in detail. We conduct appropriate screening and, if necessary, closely cooperate with other financial institutions. When we have no choice but to decline an application, we strive to provide

clear and detailed explanations to obtain the client's understanding and consent. In addition, we respond to clients' requests for consultation and complaints regarding financial facilitation through a toll-free telephone number as well as branch offices.

Furthermore, in order to ensure appropriate management and operation based on the basic policy, we have established the positions of officers in charge of the management of financial facilitation, the Financial Facilitation Committee, and financial facilitation managers, and defined their roles as well as those of relevant departments involved in financial facilitation.

## Sumitomo Mitsui Trust Group Privacy Policy

We at the Sumitomo Mitsui 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 and guidelines set forth by government agencies including other standards.

### 2. Appropriate Acquisition

The companies in the Group shall obtain personal information from clients 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.

### 4. Consignment

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

### 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 shall be handled quickly and accurately.

### 7. Safety Measures

The companies in the Group take appropriate safety measures in terms of their organizations, personnel affairs, and systems to manage personal information, and the governance framework necessary to protect personal information has been developed.


### 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.



### Materiality 3

## CSR Activities to Enhance Trust and Strengthen the Business Base



Tenjinzaki in Tanabe City, Wakayama Prefecture, is a pioneering place for the National Trust movement in Japan. In October 2012, fifth-grade students at Tenjinzaki Tanabe Daisan Elementary School learned about the living creatures found in their natural surroundings from Mr. Sumio Tamai of the Tenjinzaki Nature Conservancy Foundation. The events were recorded on video by Green TV and an employee of Sumitomo Mitsui Trust Bank, Limited, who acted as a teacher, using the film later as study material for a class.



## Creating Shared Value

Corporations contribute to society along various themes. The Group has been stepping up its activities especially in the following three areas: (1) support for the environment and living creatures, (2) support for "successful aging," and (3) contributions to local communities and society. Although some social values pursued in these activities may not be directly connected to the Group's business, we believe that continuing these activities will enhance the trust our clients and local communities place in us and consequently strengthen the Group's business base.





# Activities across Japan

In order to contribute to local communities and build a strong relationship of trust with community members, Sumitomo Mitsui Trust Bank, Limited engages in social contribution activities that are rooted in local communities, primarily through its local business offices located across Japan. With the slogan "With You," Sumitomo Mitsui Trust Bank has been promoting these activities with a focus on the following three areas: (1) support for the environment and living creatures, (2) support for "successful aging," and (3) contributions to local communities and society.



## Koshinetsu, Hokuriku ●



### Collaboration with Prefectural Light-Up Project

Contributions to local communities and society



The Fukui branch participated in the Fukui Prefecture's project on the theme "Happy Illumination (illumination that makes people feel happy)" in November 2012. The branch building, which was built before World War II, was lit up with illuminations created by well-known designers. Passersby were delighted by the ephemeral but profound beauty of the display.

## Tokai ●



### Seminar on "How to Become a Healthy Centenarian"

Support for "successful aging"



The Gifu branch organized a seminar on "How to Become a Healthy Centenarian," featuring a lecture by the guest speaker, Ms. Yoko Shido of the International Longevity Center Japan. Topics discussed included secrets to living a long, vibrant and happy life, and the audience paid keen attention to the lecture.

## Kinki ●



### Public Reading of "Love Letters at Sixty Years Old"

Support for "successful aging"



"Love Letters at Sixty Years Old" is a project to collect love letters by couples. Married couples are invited to compose love letters to each other on postcards, and then sent them to us. In January 2012, the Akashi branch held a reading of these "Love Letters at Sixty" in public. Twelve selected letters and the first grand-prize winning piece were read aloud.

## Sanyo, Sanin ●



### Clean-up of the Tottori Sand Dunes

Contributions to local communities and society



The "Tottori Sand Dunes Clean-up" campaign started in 1980 as an effort to protect the landscape of the Tottori Sand Dunes. The Tottori branch has participated in the clean-up every year since 2008. A lot of volunteers, including not only employees of the branch but also their families, joined in the activity and parents and children worked together to contribute to the local community.

## Kyushu ●

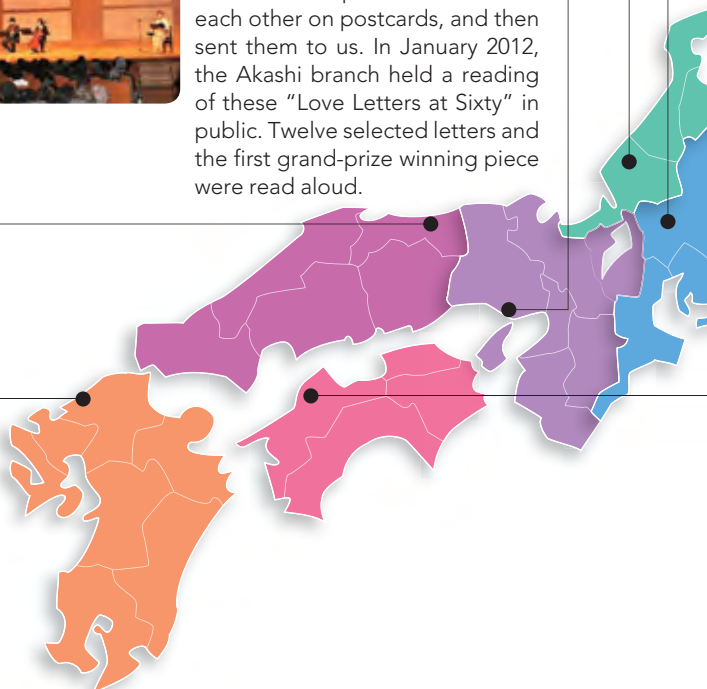


### Participation in the "Love Earth Clean-up"

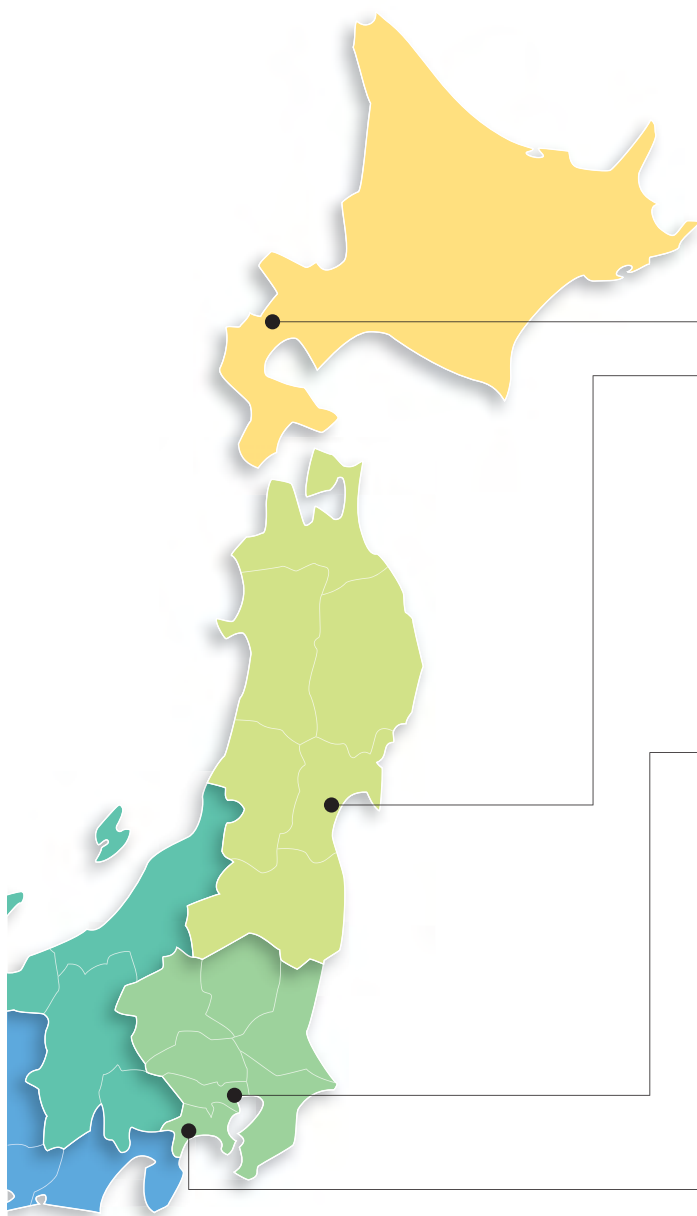
Contributions to local communities and society



The "Love Earth Clean-up" is a campaign to clean up the global environment. It started to put the concept of "Think Globally, Act Locally" into practice. Citizens, corporations, and local governments work together to conduct a vast clean-up of hills, beaches, and other sites. The Fukuoka branch has participated in the activities since 2005.



# WithYou



## ● Hokkaido



### Underbrush Clearing in the Kuromatsunai-cho Beech Forest

Support for the environment and living creatures



In July 2012, the Sapporo-Chuo branch and the Sapporo branch conducted a joint project to clear underbrush from the seedbed of beeches in Kuromatsunai-cho, Hokkaido, with 35 employees pitching in. We are grateful for the extremely kind guidance we received from Mayor Wakami and the staff of Kuromatsunai Town Hall.

## ● Tohoku



### Participation in the Pink Ribbon Smile Walk

Support for "successful aging"



The Sendai branch participates every year in the "Pink Ribbon Smile Walk" in Sendai. The aim of the event is to raise awareness about breast cancer and to encourage women to have medical screenings. In October 2011, about 65 people from the Group joined the walk.

## ● Kanto



### Recycling Activities (Ecocap)

Support for the environment and living creatures



The Tokyo Business Department is conducting a campaign to collect used plastic bottle caps to raise money for vaccinations for children in developing countries and to support reconstruction following the Great East Japan Earthquake. Although collection was temporarily interrupted while moving office, the campaign resumed in June 2012 with bottle-cap collection boxes set up in the new office.

## ● Kanto



### Breeding of Endangered Killifish

Support for the environment and living creatures



Medaka (Japanese killifish) that is categorized as a "vulnerable species" can be found in Odawara City. The Odawara branch, therefore, established a special team, known as "Meda-ka (Killifish Section)," to breed the fish at the branch and distribute information about the species. In this way, we contribute to the preservation of the medaka species in the Sakawagawa River system.

## ● Shikoku



### Guardian Squad for Elementary School Children

Contributions to local communities and society



The "Guardian Squad" at the Matsuyama branch watches over elementary school children on their way to school every Tuesday and Thursday. The employees exchange greetings with the children and remind them to obey traffic signals, while keeping an eye out to ensure that suspicious persons do not approach the children.

## Activities at Overseas Branch Offices

In July 2011, the London branch participated in the well-known charity event the “British 10K London Run.” To raise money for the victims of the Great East Japan Earthquake, the branch’s runners solicited sponsors who pledged donations on the condition that the runners complete the 10-kilometer race. The sponsors’ donations totaled 281.50 pounds (approximately 36,000 yen), which were given to earthquake victims in Japan via the British Red Cross Society.

In October 2012, the Sumitomo Mitsui Trust Bank, Limited donated a total of 50,000 U.S. dollars to local relief organizations to help victims of and areas devastated by Superstorm Sandy, which caused enormous damage. Together with this effort, employees at the New York branch and at the Sumitomo Mitsui Trust Bank (U.S.A.) Limited raised money through a donation-matching program, and also volunteered to deliver and distribute goods to the victims of Superstorm Sandy.



Volunteer activities to support victims of Superstorm Sandy



A visit to the Shanghai Botanical Garden with children of Taoyuancun Elementary School

The Shanghai branch has been promoting awareness of environmental issues among local children. The branch has organized events such as guided tours of environment-related pavilions at Expo 2010 Shanghai China and tree-planting activities with children. We hope that these initiatives will contribute to building friendly relations between Japan and China, as well as heightening environmental awareness.

## The Pink Ribbon Campaign

The Group has joined the Pink Ribbon Campaign, which intends to raise public awareness of the importance of the early detection, diagnosis, and treatment of breast cancer, in the interest of supporting our clients not only in terms of finances but also in terms of health. One of the main activities we are involved in is co-sponsoring the annual “Pink Ribbon Festival” (sponsored by the Japan Cancer Society), an event to promote awareness of breast cancer screening which takes place in October every year in Tokyo, Nagoya, Kobe, and Sendai. The Pink Ribbon Festival began in 2003 as a project to promote public awareness of the importance of early detection, diagnosis, and treatment of breast cancer, and the Group has been a co-sponsor since 2005.\* The festival’s main event is “Smile Walk.” Employees and their families from nearby branches volunteer every year to



Smile Walk in Nagoya



participate in the “Smile Walk” to give a further boost to the Pink Ribbon Campaign.

In addition to that, our branches throughout Japan hold exhibits in their lobbies with panels explaining the importance of early detection of breast cancer. During the exhibition period, employees wear pink ribbon badges and spread the campaign’s message.

\* From 2005 to 2010, the former Sumitomo Trust and Banking Co., Ltd. was a co-sponsor, and in 2011, the former Sumitomo Trust and Banking Co., Ltd. and the former Chuo Mitsui Trust and Banking Company, Limited were co-sponsors.



# Nikko Asset Management's Activities in Support of Post-Disaster Reconstruction



"Let's Go Forward with the Children of East Japan" Project



Clean-up activities at Minamisanriku-cho fishing ports



Assisting with English classes

Nikko Asset Management Co., Ltd. (Nikko AM) engages in various corporate social responsibility (CSR) activities based on the principle that as an asset management company it should actively address global environment issues and the development of a sustainable society.

For instance, the company has launched a volunteer project called "Let's Go Forward with the Children of East Japan." It is resourced with management fees from funds managed by Nikko AM in order to support reconstruction of the areas devastated by the Great East Japan Earthquake. In this way, Nikko AM is able to provide support through its core business.

As one of the project's activities, employee volunteers made five visits to Minamisanriku-cho, Miyagi Prefecture in 2011 and 2012 to clean up fishing ports and remove debris, in addition to assisting local children in mathematics, English, and so on to support reconstruction. The volunteers also traveled around by bus to the sites of the pre-disaster Shizugawa Public Hospital and Togura Middle School, where a large number of people were killed and injured, and listened to stories about the earthquake and tsunami from victims.

After the visit Nikko AM invited 14 ninth-grade students

from Minamisanriku-cho-ritsu Togura Middle School to the Tokyo head office for the "Experience Learning in Tokyo" program in August 2012. The students visited Nikko AM and other offices in Tokyo Midtown during a two-day, one-night visit. They also had the chance to experience some simple business training, including a session as a call center operator and lessons on how to exchange business cards. The work experience program is usually conducted for eighth-grade students as part of Togura Middle School's career education, but the 14 ninth-grade students were invited to the "Experience Learning in Tokyo" program because they had missed the opportunity the year before due to the Great East Japan Earthquake.

On the final day of the program, the students gave a presentation to promote the attractions of Minamisanriku-cho. It featured original characters the students created by themselves and a PR video produced by the students. The audience who gathered for the presentation included not only Nikko AM employees but also many outside visitors from the Organisation for Economic Co-operation and Development (OECD) headquarters, FUJIFILM Corporation, and student volunteers.



Office visits and work experience



Group photo of participants (Experience Learning in Tokyo)



Presentation by students (Experience Learning in Tokyo)



# Educational Support

Nurturing future generations means building the foundation for a more sustainable society. The Group is working to support education for future generations and research in finance and economics by leveraging the knowledge and expertise it has accumulated through its core businesses.

## Support of Universities in Japan and Overseas

The Group supports universities in Japan and overseas through such measures as establishing research projects and endowed lectures on finance and economics, as well as dispatching lecturers to promote and develop trust systems.

Moreover, we have created a lecture named “the Sumitomo

Mitsui Trust Bank Course on Economics” at Renmin University of China and invited outstanding students from the course to Japan every year so they can join events such as research forums and academic exchanges between the two countries.



Renmin University of China, China: the Sumitomo Mitsui Trust Bank Course on Economics (Research Forum)



Aoyama Gakuin University: Seminar on Trust Act (Presentation on Product Development Research)



Keio University: Japan Post Endowed Course (Course Title: Corporations and Shareholders in the Ubiquitous Society)

## Support of Local Elementary and Middle Schools

Each business office of the Sumitomo Mitsui Trust Bank, Limited welcomes children and students from neighboring elementary and middle schools for work experience programs and office tours. We also organize discussions between students and our employees as part of career ed-

ucation in collaboration with local Chambers of Commerce and Industry. Through these events, we are working to provide financial education and opportunities where students can learn what work means as members of society.



Nihonbashi Business Department



Sugito Branch



Yokosuka Branch

## Co-sponsoring the Network for Economic Education

Since fiscal year 2006 the Group has been co-sponsoring the Network for Economic Education (headed by Professor Soichi Shinohara, Doshisha University), an organization that assists in improving economic education for elementary, middle, and high school students.

The network was established for the purpose of bringing together in a loose affiliation various individuals and groups

who are engaged in economic education, teaching children and students about sound capitalism and giving them an overall grasp of how the economic systems works. The organization is actively engaged in various activities related to economic education, such as organizing workshops and symposiums for teachers across the country and developing teaching materials.

## Promotion and Popularization of Trust Systems by Trust Sixty Foundation

Trust Sixty Foundation (hereinafter “Trust Sixty”) is an institution that conducts research on finance and economics with a focus on trusteeships. The Group established Trust Sixty in 1987 for the purpose of “contributing to economic development and improvement in citizens’ quality of life through

surveys and studies that promote and develop trust systems.”

Since its establishment, Trust Sixty has made a number of research achievements particularly in the area of trusteeships, while it has actively worked to develop and spread trust systems.

# Introduction of CSR Activities through Social Media

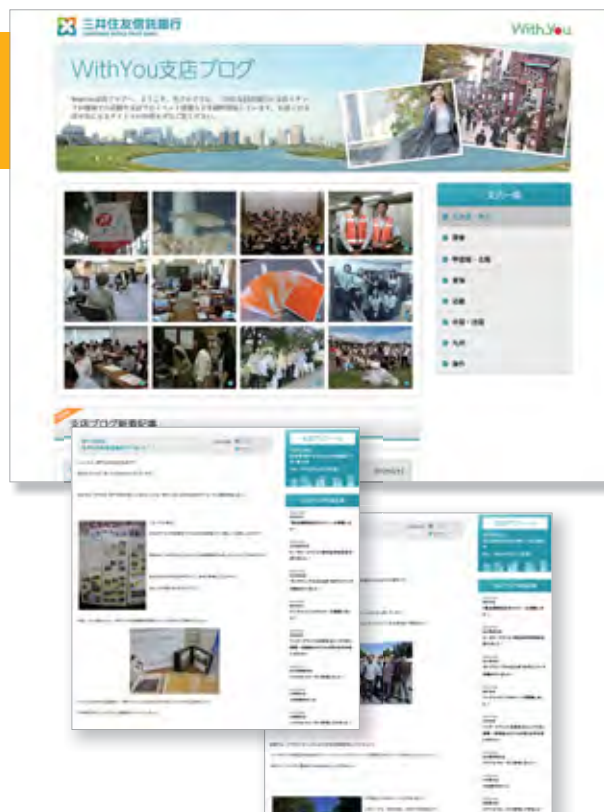
## Branch Blog With You

URL: <http://branchblog.smtb.jp/>

Sumitomo Mitsui Trust Bank, Limited launched the “Branch Blog With You” site to introduce our “With You” activities at each branch across Japan. A new way of distributing information, a blog is an Internet site where one can post about everyday life in a diary-like form. It is one form of social media that has enjoyed explosive growth in bloggers and readers in the past few years.

Sumitomo Mitsui Trust Bank started the Branch Blog With You so we could interact more closely with local people by publishing information unique to each community in real time and by allowing our branch employees to express in their own words their thoughts about contributing to the local community.

In the future, we hope to use the blog to provide information about seminars and panel exhibitions and furthermore, we hope to develop it as a more effective means of communication.



Materiality 1

Materiality 2

## Collaboration on ESD with Green TV

URL: <http://www.japangreen.tv/>

Green TV, headquartered in the U.K., is the world's sole media company that specializes in environmental videos. Green TV Japan has a total of 850 videos available for viewing free of charge, including a large selection of overseas videos as well as videos produced independently in Japan. The Japanese media company has attracted considerable attention recently for providing high-quality contents to the government and corporations and for supplying original programming to broadcast satellite (BS) channels.

Sumitomo Mitsui Trust Bank has supported Green TV consistently as a media sponsor since its establishment in 2007. We have collaborated on various projects including producing environment-related video content. Recently we initiated a new collaboration with Green TV Japan involving the activities of the National Trust movement across Japan under the umbrella of the Education for Sustainable Development (ESD) project. The project got underway in



Materiality 3

Tenjinzaki, Wakayama Prefecture, the birthplace of Japan's National Trust movement (see pages 56–57) as a new collaboration to educate nearby elementary school children on the environment, using the films.

# Accession to International Guidelines for Corporate Conduct, etc., and Related Activities

The Group has signed on to various international guidelines and principles involving corporate conduct. It has actively involved itself in the formulation of international standards in cooperation with international organizations, foreign companies, and NGOs, while it implements such activities.

Materiality 1

## Accession to the United Environment Programme Finance Initiative (UNEP FI)



The UNEP FI is an international network that encourages financial institutions to take action to preserve the environment and to make development sustainable. The Group has proactively supported UNEP FI ever since it became the first Japanese trust bank to sign on to it in October 2003.

## 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.

## Signing of a 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.

## Signing 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 Japan Network (GC-JN), in which signatory companies of the UN Global Compact participate.

## Accession to the Carbon Disclosure Project (CDP)

CARBON DISCLOSURE PROJECT

Under the CDP, institutional investors and financial institutions around the world cooperate in urging companies to disclose information regarding their greenhouse gas emissions. The Group joined the CDP in January 2007.

## Accession to the Principles for Responsible Investment



The Group companies became a signatory of the Principles for Responsible Investment, which were jointly established by the U.N. Global Compact and the UNEP FI. These principles require institutional investors and fund management institutions to give consideration to ESG (Environmental, Social, and Governance) factors when making investment decisions.

## Membership in Business for Social Responsibility (BSR)



BSR, based in the United States, is an organization that promotes CSR, and it is engaged in the development of sustainable business strategies through collaboration with more than 250 member companies all over the world. In January 2010, the Group became a member of BSR and is receiving various forms of support in promoting CSR that is specific to its business, such as the provision of research information on China Stock SRI funds and the dispatch of lecturers to training programs for managers.

## Formulation and Practice of "Principles for Financial Action towards a Sustainable Society" (Principles for Financial Action in the 21st Century)

The Group has been actively involved in the formulation of the Principles for Financial Action in the 21st Century. These principles aim at concrete action toward creating a sustainable society jointly taken by Japan's major financial institutions. As the current chair of the steering committee, we are pressing ahead with efforts to coordinate the signatories and to ensure the widespread adoption of these principles.



Materiality 2

Materiality 3





## Comments on 2012 CSR Report

Yoshihiro Fujii  
Professor,  
Graduate School of Global Environmental Studies,  
Sophia University

This is the first CSR report since Sumitomo Mitsui Trust Bank, Limited (SMTB) started under the umbrella of Sumitomo Mitsui Trust Holdings, Inc. Although this report marks an occasion for commemoration, it must begin with an explanation of the company's operational misconduct and the countermeasures it has taken in response. I am sure everyone in the Group must have been mortified by the misconduct. Even though I am a third-party commentator, I also cannot avoid commenting on it.

How should corporate misconduct be dealt with from the perspective of CSR? Of course no misconduct would be best of all, but companies have to prepare for incidents, accidents, and employee misconduct as part of their risk management procedures in case they do face such unfortunate situations. From this point of view, companies must present three broad categories of information to their shareholders and stakeholders: (1) facts about the misconduct, (2) investigation into the causes of the incident, and (3) a commitment to not allowing misconduct to be repeated and countermeasures to prevent recurrence.

First, an objective and neutral grasp of the facts and assessment of the situation are necessary. This is partly because initial misconduct reports may be unreliable. However, in terms of CSR, the most important point is (2) investigation of the causes. Was the incident caused by personal factors such as negligence or malicious intent of member(s) in the organization? Was it caused by external factors? Or was there a structural problem with the organization? Once the causes have been identified, then (3) the countermeasures can be determined.

Please view the misconduct cited in this report from the above perspective. With regard to (2), leaving aside (1) the statements of the facts, the Special Investigation Committee composed of internal and external relevant parties was set up, and an evaluation made by this committee was further examined and verified by the Third Party Committee in order to ensure objectivity and neutrality. On this basis, systematic factors, in addition to individual factors, were recognized to have led to the misconduct. To put it simply, the systems that had been in place to prevent misconduct were not sufficiently powerful as a deterrent.

Thus, the critical point of (3) countermeasures against recurrence of the misconduct is focused on how to rebuild systems and how to make them function properly. This report points to five fields of countermeasures. The challenge ahead is whether or not these countermeasures can heighten deterrence. Everyone at SMTB, from the top management to each individual employee, must unite to

tackle this incident, looking at it as a matter of his or her own credibility. In this way, I hope that everyone working together will not only restore the credibility of the organization as a whole, but further raise it to greater heights.

Apart from the response to the misconduct, this CSR report, like that of last year, presents initiatives from the perspective of "strategic CSR." By its nature, the basic CSR policy does not change from year to year, so it makes sense to stick to the same policy. However, I would have liked to see a reference to how the impact of the misconduct will be assimilated into the concept of "Creating Shared Value (CSV)", the central pillar of strategic CSR. The report could have confirmed to readers the functionality of CSR at SMTB, if it had appropriately addressed the impact of the misconduct along with the new countermeasures and preparations in the case of recurrence among the description of internal control and risk management.

SMTB has developed products and services that address environmental and social issues by leveraging the basic functions of finance. These products and services have led the financial industry in innovation. The environmental finance market is showing signs of expansion, including the development of renewable energy, and the efforts by SMTB to date could soon come to fruition. I recommended that the results of these efforts be disclosed in the previous report. This year again, I am afraid this field has not been addressed sufficiently.

No matter how good the idea of a product or service may be, it may not in many cases take off because of a combination of several other factors such as policy trends and technological changes. Including these causes and background in an analysis may help to overcome the challenges of the market as a whole.

In terms of information disclosure, the trend toward integrated reporting with both financial and non-financial information is rapidly expanding globally. The International Integrated Reporting Council (IIRC), composed of relevant institutions in Japan and overseas, released its framework for integrated reporting in July 2012, and it is now being tested by leading global companies. The basic stance of integrated reporting is to provide stakeholders with a more accurate disclosure of corporate value, including non-financial information. How is the strategic CSR pursued by SMTB reflected in corporate value? Or how will it be reflected?

I hope that SMTB, bearing in mind its position as a leader in CSR activities in the financial industry, will take a pioneering, progressive approach to creating integrated reports.

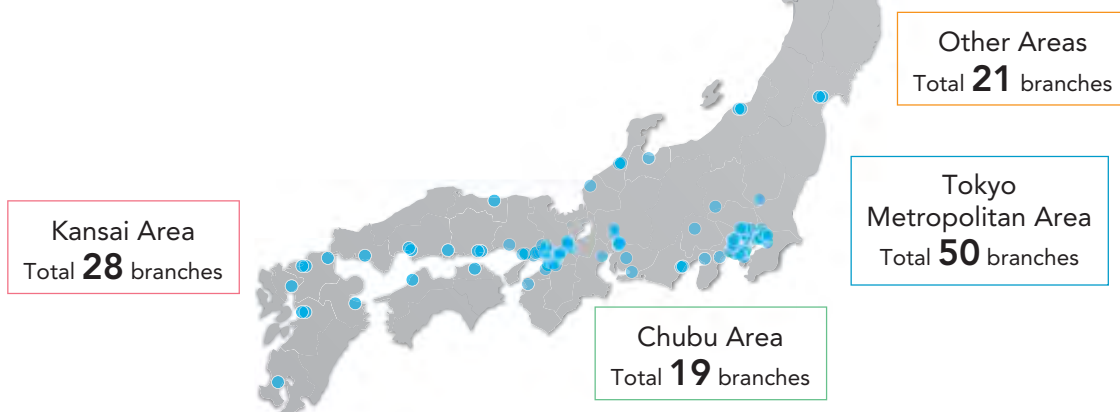


# Network of Sumitomo Mitsui Trust Group

(as of September 30, 2012)

## Domestic Branch Networks and Overseas Network

The Group has built a balanced network focused on the Tokyo metropolitan, Kansai, and Chubu areas. The Group also has an overseas network that can provide global financial services in the loan business, asset management and administration business, as well as the consulting business, among others.



### Domestic Branch Network

(as of September 30, 2012)

	Branches	Consulting Plaza and Consulting Offices
Tokyo Metropolitan Area	50 (42.4%)	26
Kansai Area	28 (23.7%)	8
Chubu Area	19 (16.1%)	1
Other Areas	21 (17.8%)	0
Total	118 (100.0%)	35

Balanced domestic branch network, focused on the Tokyo metropolitan, Kansai, and Chubu areas

### Overseas Network

(as of September 30, 2012)

U.S.	New York	New York Branch
	New Jersey	Subsidiary (Asset management business)
Europe	London	London Branch
		Subsidiary (Securities business)
	Luxembourg	Subsidiary (Asset management business)
Asia	Singapore	Singapore Branch
	Shanghai	Shanghai Branch
	Beijing	Beijing Representative Office
		Beijing (Securities business) Representative Office
	Nanjing	Zijin Trust Co., Ltd. (Trust business)
	Hong Kong	Subsidiary (Asset management business and finance business)
	Others	Jakarta Representative Office
		Seoul Representative Office
		Bangkok Representative Office

An overseas network that can provide global financial services

## Corporate Information (as of September 30, 2012)

<b>Registered Trade Name:</b>	Sumitomo Mitsui Trust Holdings, Inc.
<b>Headquarters Location:</b>	1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
<b>Date of Establishment:</b>	February 1, 2002 (Change of trade name: April 1, 2011)
<b>Main Business:</b>	<p>With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of Sumitomo Mitsui Trust Group, and sets the following (1) - (6) as its key functions:</p> <ul style="list-style-type: none"> <li>(1) Formulating group management strategy</li> <li>(2) Allocation of management resources</li> <li>(3) Monitoring administration of business activities</li> <li>(4) Supervising risk management</li> <li>(5) Supervising compliance management</li> <li>(6) Managing internal auditing</li> </ul>
<b>Capital:</b>	261,608,725,000 Yen
<b>Stock Exchange Listings:</b>	Tokyo, Osaka and Nagoya Stock Exchanges Tokyo (Primary), Osaka (Primary), Nagoya (Primary)
<b>Securities Code:</b>	8309

## Rating Information (as of December 31, 2012)

Sumitomo Mitsui Trust Holdings, Inc. has not obtained a credit rating. The credit ratings of subsidiary Sumitomo Mitsui Trust Bank are shown below.

		Long-term	Short-term	Financial
Sumitomo Mitsui Trust Bank	S&P	A+	A-1	—
	Moody's	A1	P-1	C
	Fitch	A-	F1	a- <sup>*1</sup>
	JCR	AA-	—	—
	R&I	A+	a-1	—

<sup>\*1</sup> Viability Rating

Issued: February 2013

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 URL: <http://smth.jp/en/csr/index.html>

