



**SuMi TRUST**  
SUMITOMO MITSUI TRUST HOLDINGS

**SuMi TRUST**  
SUMITOMO MITSUI TRUST HOLDINGS  
ESG/CSR REPORT  
**ESG**  
**2017**



# Editorial Policy

## Editorial Policy of the ESG/CSR Report

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

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

The report references GRI G4 Sustainability Reporting Guidelines.

\*There is a questionnaire at the end of this report so readers can share their forthright opinions with us concerning the ESG/CSR 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, and other group companies)

## Target Readers

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

## Period Covered by This Report

October 1, 2016 to September 30, 2017

\*This report also includes the most recent information on activities before fiscal year 2016 as well as after October 2017.

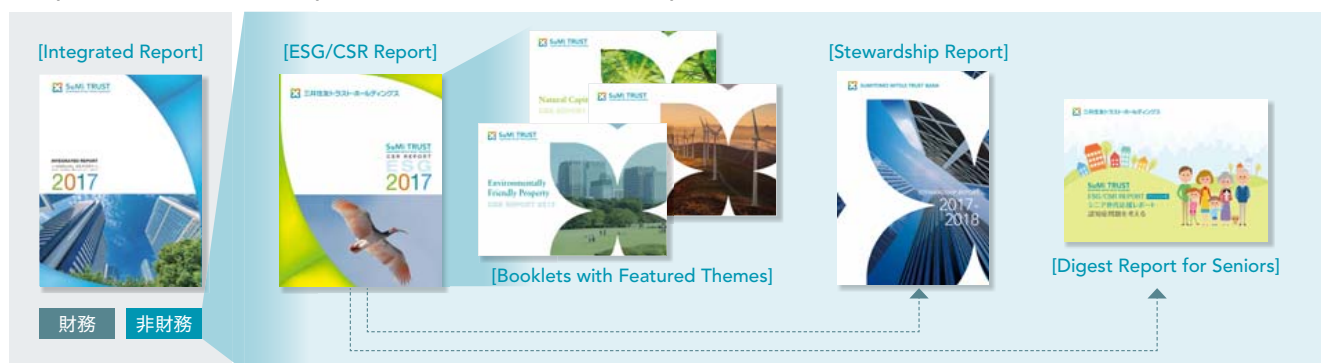
## Reference Guidelines

Global Reporting Initiative (GRI)

"G4 Sustainability Reporting Guidelines"

\*For tables comparing GRI guidelines and information in our ESG/CSR report, please refer to the section from page 150.

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



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

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



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

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

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



Sumitomo Mitsui Trust Group is working for biodiversity conservation, including protection of rare species.



Cover Photo: Japanese crested ibis  
Provided by: Ecosystem Conservation Society-Japan (Foundation)

The IUCN Red List of Threatened Species is prepared based on investigations into the status of endangered wildlife by the International Union of Conservation of Nature and Natural Resources. The Japanese crested ibis has been classified by the Red List as Critically Endangered 1A.

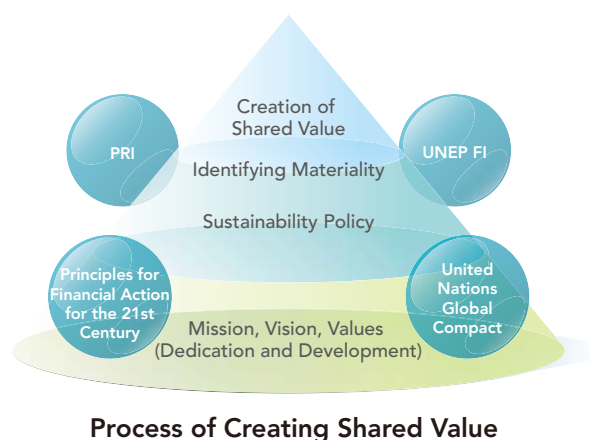
## Creating Shared Value through CSR Activities

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

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

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

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



## Management Principles ("Mission")

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

## Ideal Model ("Vision")

—Towards "The Trust Bank"—

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

## Codes of Conduct ("Value")

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

### Completely Client-oriented—Truthfulness and Loyalty

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

### Contribution to Society—Dedication and Development

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

### Realization of Organizational Capability—Trust and Creativity

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

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

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

### Strict Compliance with Applicable Laws and Regulations

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

### Resolute Stance against Antisocial Forces

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





Sumitomo Mitsui Trust Group's

# Basic Policy on Social Responsibility

(Sustainability Policy)

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

Sumitomo Mitsui Trust Holdings, Inc.

002

2017 ESG/CSR Report



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

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# Bolstering Initiatives for ESG Priority Issues (Materiality) Contributes to Improving Corporate Value

## ESG for the SuMi TRUST Group

Worldwide investment focused on environmental, social and governance (ESG) factors has surpassed ¥2,500 trillion. While ESG investment was slow to catch on in Japan, it has surged in the past few years, reaching ¥136 trillion in 2017. It is not an exaggeration to say that ESG investment has become a major player to put the planet on a sustainable footing.

ESG investors are by no means an undemanding group for companies. They have high expectations. They press companies on a wide array of themes from effective governance, building more diverse and sophisticated human capital, and developing sound corporate cultures with robust compliance awareness that are risk sensitive to sustainable usage of natural capital. Not only do ESG

investors rigorously judge companies that do not meet certain standards through their exercise of voting rights, they also in some cases divest shares (recollect investment). Yet companies paying attention to ESG investor trends have started to think of them as reliable partners for increasing corporate value over the long term.

The SuMi TRUST Group has been a signatory to the Principles for Responsible Investment (PRI), which promotes ESG consideration in decision-making, since its launch in 2006, and this way of thinking has naturally been adopted into our management perspectives. ESG investors position themes which give impact on the value creation processes of companies as materiality (priority issues), and



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press companies to provide clear, concise disclosure on their materiality themes. The Group identified materiality (priority issues) in 2015, highlighting the themes the Board of Directors ought to pursue. We have also constructed a process for reflecting ESG investor evaluations into management through conducting “internal engagement” exercise where department responsible for CSR acts as “in-house ESG quasi-investors” and engages in constructive dialogue with departments responsible for matters relevant to high materiality themes. Moreover, along with the ESG/CSR report encompassing ESG information, from fiscal year 2017, we increased the sophistication of our annual report, a legally mandated publication, and started publishing the Integrated Report, which digs deep into linkages between financial data and materiality.

### Fiscal Year 2017's Materiality Reform

We believe ESG investors emphasize materiality because it is the foundation supporting the long-term earnings of companies. In fiscal year 2017, the Group advanced major reforms relating to three materiality themes. Through these, we are building earnings and client bases that support stable, sustainable growth.

The first is corporate governance reform. With the aim of sustainable growth and improving corporate value over the medium- to long-term, the Group established its “Basic Policy on Corporate Governance” in June 2015. We have worked toward ensuring management transparency and appropriateness by increasing the number of independent external directors and external Audit & Supervisory Board members on the Board of Directors, and through the functions of the Nominating and Compensation Committees and the Audit Committee, newly established as advisory bodies to the Board of Directors. After receiving approval at the General Meeting of Shareholders held in June 2017, we changed over to the “company with Three Committees” system of governance. We think these governance reforms will translate into speedier management.

The second is to further pursue client-oriented initiatives. The Group is among the driving forces in the financial sector in advancing fiduciary duties and conflict of interest management, and it works to put these into practice in a comprehensive manner across all Group operations. In fiscal year 2017, we further enhanced our conflict of interest management framework, and established the Conflicts of Interest Committee as an advisory body to SuMi TRUST Holdings. In connection with stewardship activities in our asset management businesses, we established the Stewardship Activities Advisory Committee as an advisory body to the Officer in charge of the Fiduciary Services Business.

The third is work style reform. The Group has to date worked on initiatives aimed at becoming the “No.1 financial group for human resource development” and the promotion of “diversity & inclusion (D&I)” but we recognize

that promoting the creation of an environment that supports the diversity, health, and motivation of each and every employee is even more important today. In that vein, we launched the “Work Style Reform Headquarters” and established the “Work Style Reform Declaration.” We will continue to promote work style reform with the aim of realizing a virtuous circle, where we grow together with our clients, in which the added value provided to clients is increased through energetic work, and praise from clients inspires even greater motivation among employees.

### Toward Creating a Sustainable Society

The Sustainable Development Goals (SDGs) adopted at the United Nations Sustainable Development Summit in September 2015 comprise 17 goals and 169 targets that bring together global-scale priority issues that should be addressed collectively around the world through 2030. A prerequisite to supporting sustainable growth at companies is putting the environment and society on a sound, sustainable footing, so the development of a universally shared set of priority issues aimed at sustainable development is of the utmost significance. On the flipside, enormous sums of money will be required to address the priority issues. We think the role of finance in supplying funds while involving various stakeholders in realizing SDGs will be critically important. Growing acceptance of this view is behind the explosive growth in ESG investment in the past several years.

We identify issues for our clients while finding linkages to SDGs, and we believe harnessing our unique functions as a trust bank and providing total solutions are important roles for the Group as we aim to be the “Best Partner” for our clients. We, the Group’s directors, officers and employees, are united in delivering value for our stakeholders and we ask for your continued support for our endeavors.

December 2017



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



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

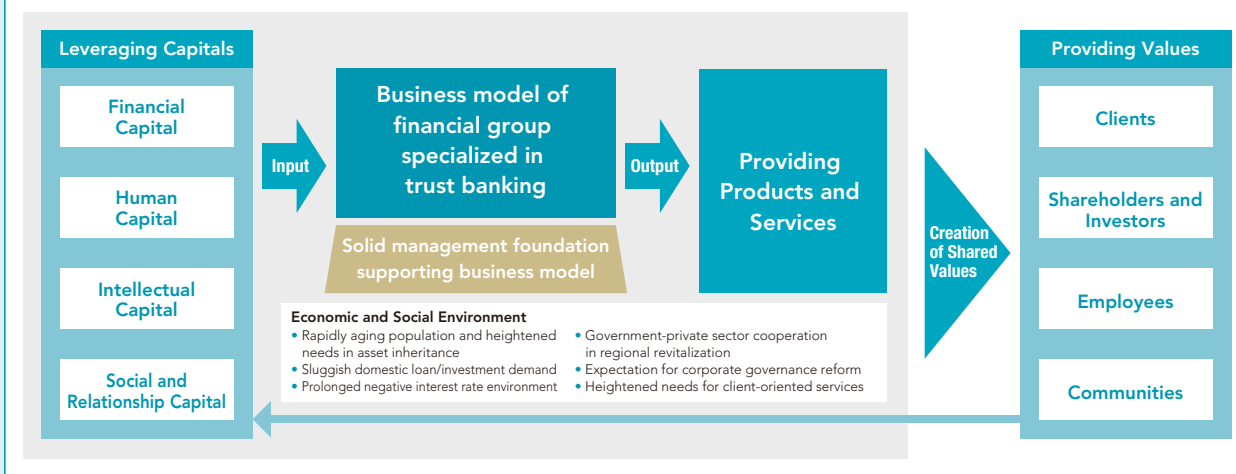


# Materiality Management for Creating Shared Value at the SuMi TRUST Group

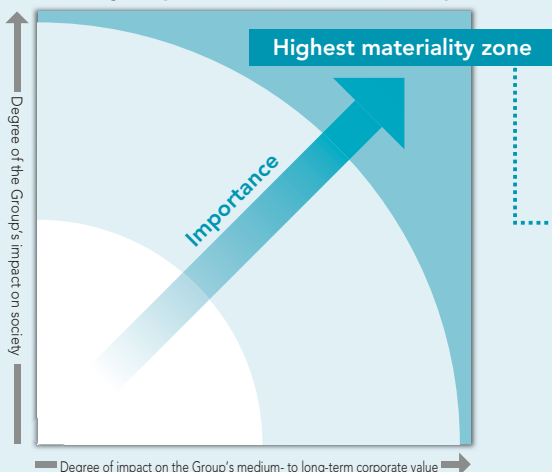
Materiality (priority issues) refers to events that have a material impact on a company's value creation process. The SuMi TRUST Group promotes materiality management that identifies materiality issues to be addressed as priorities from a medium- to long-term viewpoint and dealt with at the top level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

Materiality is identified both in terms of impact on the Group's medium- to long-term corporate value and the Group's impact on society through its relationships with stakeholders. In the process, we consider themes related to our management foundation, such as governance; social themes, such as relationships with employees and the community; and environmental themes that are directly related to resources and energy problems. The Group thus recognizes materiality and environmental, social and governance (ESG) issues as overlapping areas.

## Value Creation Processes of the SuMi TRUST Group



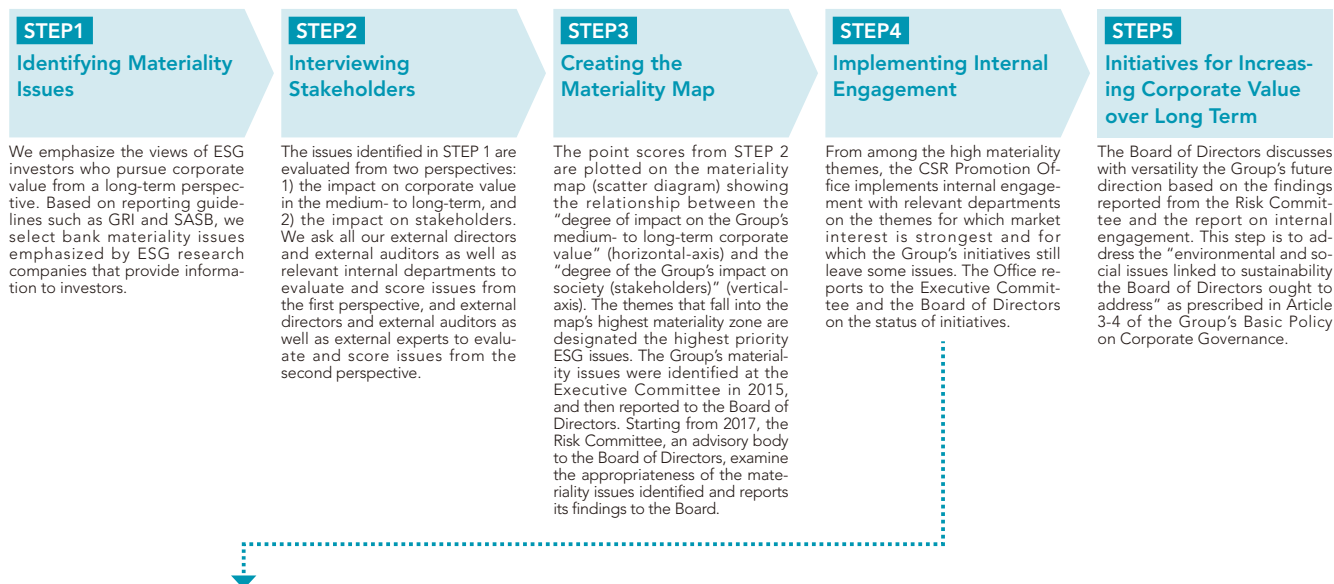
## Materiality Map of the SuMi TRUST Group



## Identify and manage high priority issues (materiality) which give impact to value creation process

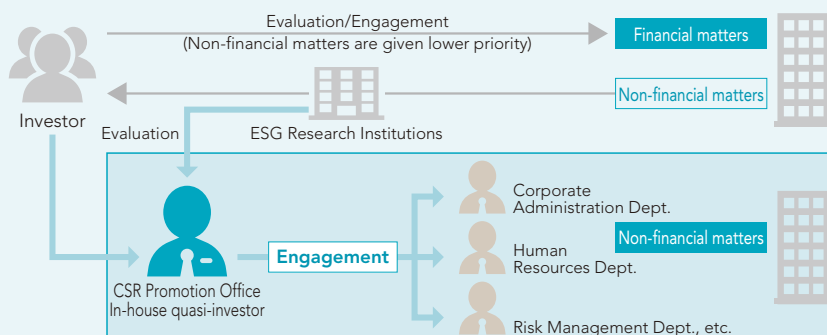
Identified highest materiality issues	<b>Corporate Governance</b> <ul style="list-style-type: none"> <li>Stability of Financial System</li> </ul>
	<b>Risk Management and Resilience</b> <ul style="list-style-type: none"> <li>Personal Information and Client Data protection</li> <li>Safety of Financial Products</li> <li>Cyber Attacks</li> <li>Consideration of environmental and social impact to investment destination and borrowers</li> </ul>
	<b>Compliance</b> <ul style="list-style-type: none"> <li>Consideration on fair transactions</li> <li>Transactions with anti-social forces</li> <li>Crime prevention</li> </ul>
	<b>Human Capital</b>
	<b>Dialogue with Stakeholders</b>
	<b>Improvement of Client Satisfaction Level/Fiduciary Duties</b>

## Materiality Identification and Practice



### Internal Engagement

In internal engagement, the CSR Promotion Office of the Corporate Planning Department plays the role of “in-house quasi-investor” and engages in dialogue with departments responsible for matters relevant to high materiality issues. This creates an opportunity for departments which have little direct dialogue with external institutional investors and stakeholders to become aware of issues from the investor’s perspective and to examine specific measures to address these issues.



### Internal Engagement in FY2016-2017

Themes	Target Departments	Engagements in FY2016	Results from Prior FY/Engagement in FY2017
Corporate governance	Corporate Administration Dept., Corporate Secretariat	Relayed that investor interest in governance themes such as the Board composition and director compensation is extremely high, and input data for bolstering governance systems	Provided evaluation results on the Group’s governance reforms received from ESG research firms, and relayed what investors see as issues for the Group and recent items of interest among investors
Bolstering human capital, increasing corp. value	Human Resources Dept.	Relayed the growing calls for disclosure on linkages between HR policies and corporate value given elevated investor concern about human capital, and discussed countermeasures for the Group	After engagement, prepared map of linkages between HR policies and corporate value, and started its disclosure (page 115). Continuously discussed on the enhancement of disclosure content on human capital
Overseas anti-bribery	Compliance Dept.	Relayed status of growing investor interest in this theme amid stricter anti-bribery regulations in the US and other nations, and discussed the need to bolster anti-bribery initiatives	After engagement, commenced investigation of anti-bribery measures, including for Japan; conducted risk assessment, set policies, devised prevention program, and commenced operation (page 96)
Climate change	Wholesale Business Planning Dept., Stewardship Development Dept.	Relayed rapidly growing interest among international financial authorities, financial institutions and institutional investors in climate change risks with the conclusion of Paris Agreement, discussed its impacts on our businesses	Shared recognition relating to loan and investment risk relating to fossil fuels; Fiduciary Services Business commenced disclosure of the status of engagement with high CO <sub>2</sub> emitters in the Stewardship Report
Stewardship report	Stewardship Development Dept.	—	Discussed the need for information disclosure on stewardship activities and ESG initiatives as fiduciary responsibilities to investors; discussed on the preparation of Stewardship Report, reached to its publication
Improving client satisfaction	Customer Satisfaction Promotion Dept.	—	Relayed information such as assessments of ESG evaluation agencies on CS activities, global disclosure trends in banking sector, and the direction for establishing KPI
Long-term environmental goals	Corporate Administration Dept.	—	Discussed on setting long-term targets for CO <sub>2</sub> emission reductions stemming from the Group’s business activities
Integrated report	Relevant departments	—	Discussed non-financial (ESG) information disclosure policies with relevant departments with CSR Promotion Office acting as a coordinator, and factored into Integrated Report

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

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



## Sustainability Policies and SDGs

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

## Partnerships for Sustainable Finance



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

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

Financial institutions from various segments of Japan's financial industry—more than 250 in all— participate as supporters of the Principles for Financial Action towards a Sustainable Society. These principles aim at fostering concrete action toward creating a sustainable society. The SuMi TRUST Group has played a central role from the drafting stage in 2011, and is also the chair of a working group for sustainable regional support. In fiscal year 2017, the working group focused on dementia issues, worked to strengthen the industry's response to the issues, such as publishing a financial guide, and convening a symposium on this topic (page 33).



### United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is an international network that encourages financial institutions to act in ways that take sustainability into account. The SuMi TRUST Group became the first trust bank in Japan to be a UNEP FI signatory in 2003. As a member of the UNEP FI Property Working Group and the Natural Capital Finance Alliance (formerly known as the Natural Capital Declaration), the Group also contributes to bolstering initiatives in the global financial industry, and introduces and highlights the latest information on relevant matters to Japan's financial industry.





## Sustainability Initiatives in Our Businesses ◀ Sustainability Policy 1

The 17 goals that comprise the SDGs reflect social needs. Because social needs eventually become customer needs, SDG initiatives are also a way for companies to identify seeds for new businesses.

Creating money flows well suited to a sustainable society is vital to building the sustainable society the SDGs aim to foster. We think achieving this is an essential mission for financial institutions. From this perspective, the Group together with clients think of ways for clients themselves to respond to social needs, and the financial mechanisms that go along.

In keeping with our “Eco-Trustution” concept, the Group has expanded its lineup of total solutions in businesses that contribute to addressing environmental problems and addressing the problems of a super-aging society, and it will continue to advance these sustainability businesses. For each SDG, the Group will use each one as a standard to verify the acceptability of the social values of the products and services it offers. The Group will also increase the level of its SDG-related information disclosure, operation and management so that it can contribute positively to realizing the goals.



**ECO Trustution®**  
エコ・トラステーション

### ECO Trustution:

The Group has coined the word “Eco-Trustution” for environmental financial businesses that offer solutions to ecological issues using our trust function. Under this concept, we work to develop and provide solutions-based financial instruments and services.

## Offering Value to Communities ◀ Sustainability Policy 6

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

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

### EXAMPLE

#### ESG Project Supported by SuMi TRUST Bank



To realize a sustainable society, each and every one of us must recognize that we live in an irreplaceable natural environment and that it will be necessary for people to change their behavior. Education for Sustainable Development (ESD), which is promoted by the United Nations, is an education that fosters leaders in creating a sustainable society. SuMi TRUST Bank has since 2012 strived to raise awareness and understanding among children, the next-generation of environmental leaders, about National Trusts' activities and nature conservation efforts across Japan through ESD project using video footage (page 132-133).

Nov. 2012



Tenjinzaki, Tanabe City, Wakayama Prefecture



Sept. 2013



Koajiro Forest, Miura City, Kanagawa Prefecture



Sept. 2014



Waterhead Forest in Mimasaka, Mimasaka City, Okayama Prefecture



Jan. 2015



Oyatsu Forest, Kamakura City, Kanagawa Prefecture



June 2015



Nippon Rosy Bitterlings, Yao City, Osaka Prefecture



Jan. 2016



Nakaikemi Wetlands, Tsuruga City, Fukui Prefecture



July 2016



Deepbody Bitterling fish, Kisogawa, Aichi Prefecture



Feb. 2017



Shibayama wetlands, Funabashi City, Chiba Prefecture



July 2017



Sakata, Niigata City, Niigata Prefecture



Each of the activities link to 17 SDGs



## Sustainability Policy 1

# Contribute to Solving Social and Environmental Problems through Business

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



# Addressing Climate Change Using Our Financial Capabilities

Financial institutions are called on to contribute to devising measures well suited to both reducing the impacts from and mitigating global warming in response to trends and events such as damage to health caused by high temperatures and droughts, the failure of key infrastructure functions due to abnormal weather, and harm to food production and ecosystems caused by global warming. The Group contributes to promoting a transition to a zero-carbon society from a fossil fuel dependent one by deploying at scale renewable energy and promoting energy conservation investment through its high-value-added solution businesses that harness the skills and functions of a trust bank group.





## Keeping Global Temperature Rise below 2°C

### Transition to the Societies of Net Zero Carbon Emissions

The Paris Agreement established a framework for signatory nations to adopt measures to mitigate climate change aimed at limiting global temperature rise to below 2°C and transitioning to the societies of net zero carbon emissions.

Based on the scientific consensus that greenhouse gas emissions from human activities are causing global warming, the Paris Agreement has created an international framework for mitigating climate change in the post-2020 era predicated on the common goal of transitioning countries worldwide to the societies of net zero carbon emissions.

The agreement aims to keep global temperature rise to well below 2°C above pre-industrial levels and even limit the increase to 1.5°C with the goal of achieving effective net-zero-emission societies in the second half of this century.

### Budgeting Carbon Emissions in Transition to Net-Zero Emission Societies

**Carbon Budget:** The world must limit cumulative CO<sub>2</sub> emissions to about 800Gt-C to achieve the Paris Agreement aim of keeping global temperature rise below 2°C. This is what informs the “carbon budget” concept that sets a ceiling on the planet’s capacity to absorb GHG\* emissions.

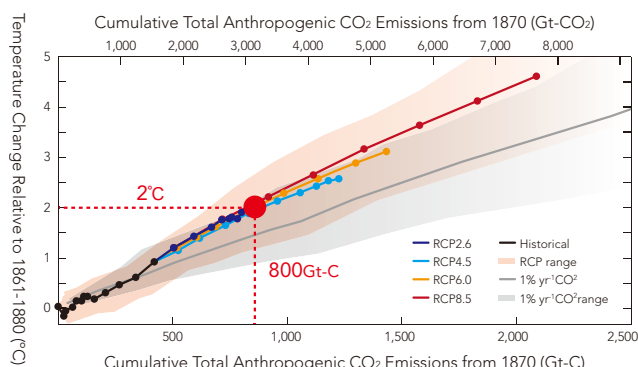
**Limited Remaining Carbon Budget:** Past cumulative CO<sub>2</sub> emissions come to about 500Gt-C, so the world is approaching a point where the remaining emission budget is just

one-third of the 800Gt-C total, or about 300Gt-C. At present, net global emissions is about 10Gt-C per year, so we are on course to exceed the safe ceiling for emissions within three decades.

**Net-Zero Emission Societies:** Nations globally must seek to end the fossil fuel dependence of their societies soon. It is likely too late to aim merely for a low-carbon society, so nations face pressure to aim higher and make a full transition to net-zero emissions.

\*GHG stands for greenhouse gases.

### Global Mean Surface Warming as a Indicator of Cumulative Total CO<sub>2</sub> Emissions\*



Source: IPCC fifth assessment review, Working group I, Summary for policymakers, Figure SPM.10

\*Estimates derived from many kinds of evidence

## Climate Change Impacts on Economics and Finance

It is widely recognized that among the many social and environmental risks facing the world, climate change will have very substantial impacts on economics and finance. The response to climate change thus calls for precision.

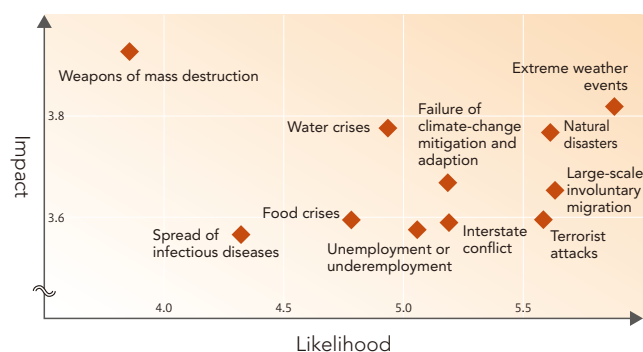
### Climate Change Poses Various Risks to Economics

Of the various environmental, social and political issues considered, the issues such as extreme weather events, natural disasters, water crises, food crises, and the spread of infectious diseases which arise from climate change itself as well as the failure of climate change mitigation and adaption policies are positioned as the risks with the greatest potential impact.

### Climate Change Impacts on Financial Sector

The Financial Stability Board (FSB), a global body of national financial authorities, released in June 2017 the final report of Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as proposed guidelines for climate-related financial disclosures. With this, financial institutions and the sector as a whole will face calls to go beyond reporting greenhouse gas emissions from their own business activities to monitoring with versatility climate change impacts caused by the companies and

### Global Risks Ranked by Potential Impact



Source: World Economic Forum “The Global Risks Landscape 2017 12th edition”

**Transition risks:** Financial institutions and corporations may well be exposed to asset value volatility due to risks such as technological advances, public policy changes, market trends, and reputation in the transition to a society of net zero carbon emissions.

**Physical risks:** Acute risks from extreme weather events such as typhoons, floods and droughts, and chronic risks such as sea level rise and shifting climate patterns.

projects in their loan and investment portfolios, disclosing such climate-related information, and ensuring thoroughness in risk management.

## Governance

### SuMi TRUST Group's Climate Change Governance

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

#### High Priority Issues concerning Climate Change (Materiality)

From a management perspective, the Group recognizes it is important as a financial institution to reduce climate change impacts arising from companies and projects in its loan and investment portfolios. We also recognize the importance of reducing CO<sub>2</sub> emissions from the Group's business activities.

It is our belief that helping to address climate change

issues by harnessing our trust function is a matter of critical importance that will direct more business opportunities to the Group.

#### The Group's climate change-related materiality issues

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

#### Action Guidelines for Mitigating Climate Change

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

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

##### 2. Provision of Products and Services

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

##### 3. Collaboration with Stakeholders

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

##### 4. Education and Training

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

##### 5. Information Disclosure

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

### Internal Engagement on Climate Change

Since the Paris Agreement came into force, countries around the world have accelerated their move to climate supportive policies. Not only is there growing interest in climate change problems at companies and institutional

investors, financial authorities are focusing more intently on such issues. Given prevailing conditions, we will strive to elevate our risk management around climate change issues from a medium- and long-term perspective.

### Materiality Identification and Practice

#### STEP1

##### Identifying Materiality Issues

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

#### STEP2

##### Interviewing Stakeholders

The issues identified in STEP 1 are evaluated from two perspectives: 1) the impact on corporate value in the medium- to long-term, and 2) the impact on stakeholders. We ask all our external directors and external auditors as well as relevant internal departments to evaluate and score issues from the first perspective, and external directors and external auditors as well as external experts to evaluate and score issues from the second perspective.

#### STEP3

##### Creating the Materiality Map

The point scores from STEP 2 are plotted on the materiality map (scatter diagram) showing the relationship between the "degree of impact on the Group's medium- to long-term corporate value" (horizontal-axis) and the "degree of the Group's impact on society (stakeholders)" (vertical-axis). The themes that fall into the map's highest materiality zone are designated the highest priority ESG issues. The Group's materiality issues were identified at the Executive Committee in 2015, and then reported to the Board of Directors. Starting from 2017, the Risk Committee, an advisory body to the Board of Directors, examine the appropriateness of the materiality issues identified and reports its findings to the Board.

#### STEP4

##### Implementing Internal Engagement

From among the high materiality themes, the CSR Promotion Office implements internal engagement with relevant departments on the themes for which market interest is strongest and for which the Group's initiatives still leave some issues. The Office reports to the Executive Committee and the Board of Directors on the status of initiatives.

#### STEP5

##### Initiatives for Increasing Corporate Value over Long Term

The Board of Directors discusses with versatility the Group's future direction based on the findings reported from the Risk Committee and the report on internal engagement. This step is to address the "environmental and social issues linked to sustainability the Board of Directors ought to address" as prescribed in Article 3-4 of the Group's Basic Policy on Corporate Governance.

#### <Results of internal engagement on climate change>

- Adoption of the Equator Principles in project finance
- Greater risk recognition relating to fossil fuels, especially coal



## Risks and Opportunities

### Climate Change Risk Management for Portfolio Investments

#### Climate Change and Engagement

SuMi TRUST Bank conducts engagements, calling on companies to disclose information on climate change challenges and assess climate-related risks. The Bank calls on energy companies and electricity utilities, where climate change is expected to have large impacts on shareholder value, to make disclosures on governance, strategy, risk management, and risks and opportunities required by the aforementioned TCFD.

In Japan, since 2016, the Bank has conducted 18 engagements with companies in the electric power, materials, and machinery sectors, which are large CO<sub>2</sub> emitters. Overseas, in 2017, the Bank, for example, voted for

shareholder proposals that called on U.S.-based Exxon Mobil to disclose information related to climate change at the time of year when many institutional investors exercise proxy voting rights, and the Bank also carried out activities urging Anadarko Petroleum, a U.S.-based petroleum and natural gas exploration and production company, to disclose information related to climate change.

#### A Member of Climate Action 100+

SuMi TRUST Bank is a member of Climate Action 100+, a five-year initiative that commenced in December 2017 to implement joint engagement with major corporate greenhouse gas (GHG) emitters. Based on recommendations issued by the TCFD, this initiative brings together partner organizations such as PRI and CERES in a collaborative engagement effort aimed at agreeing on a focus list of the world's top 100 GHG emitters and pressing them on climate-related information disclosures. Responsible for the Asia-Pacific region in this effort, SuMi TRUST Bank is engaging Japanese companies.

The purpose of this engagement is to urge companies where climate change is expected to have large impacts on shareholder value to make climate-related disclosures on governance, strategy, risk management, and risks and opportunities required by the TCFD.



#### Examples of Engagement with Large CO<sub>2</sub> Emitters in Japan

Sector	No of engagements	Engagement content
Electricity and gas	8	Confirmed initiatives policies to reduce CO <sub>2</sub> emissions at power utilities with high dependence on coal-fired power generation
Materials	6	Requested disclosure improvement of environment-related information such as CO <sub>2</sub> emission and reduction status to those companies like steelmakers, cement makers, and paper mills
Machinery	4	Confirmed medium-term risk recognition about company-owned coal-fired power generators and coal businesses of overseas acquisitions

### Climate Change Risk Management for Loans

#### Equator Principles

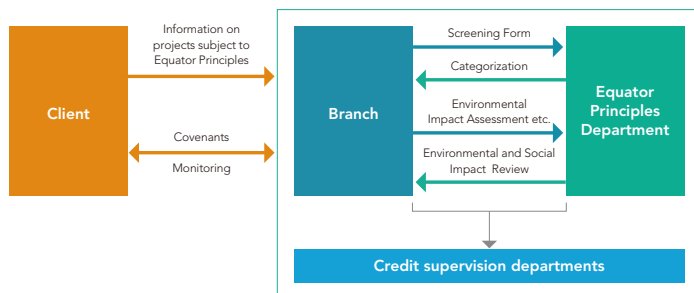
Based on its Sustainability Policy, the SuMi TRUST Group has drawn up environmental and human rights policies with the aim of moving toward a sustainable society, and it is working to further strengthen its ESG risk management system in line with international standards.

As a part of these efforts, we have specified processes for identifying priority issues (materiality) regarding sustainability. In light of the importance taking into account the environmental and social impacts of investment and loan destinations, SuMi TRUST Bank in February 2016 integrated use of the Equator Principles, guidelines for private-sector

financial institutions, into its decision-making processes for loans in project finance and related fields as a risk management tool.

SuMi TRUST Bank is aware that financing large-scale projects such as mine development, oil and gas development, power plants, petrochemical plants and infrastructure development may indirectly have an adverse effect on climate change. It also believes it is the responsibility of a sound financial institution to avert or mitigate risks of deterioration in loan receivables due to project suspensions as a result of environmental or social problems.

#### Systems and Processes for Evaluating Environmental and Social Considerations



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

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

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

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



## Strategy

### Risks and Opportunities Relating to Climate Change

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

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

#### Risks Relating to Climate Change

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

#### Business Opportunities Relating to Climate Change

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

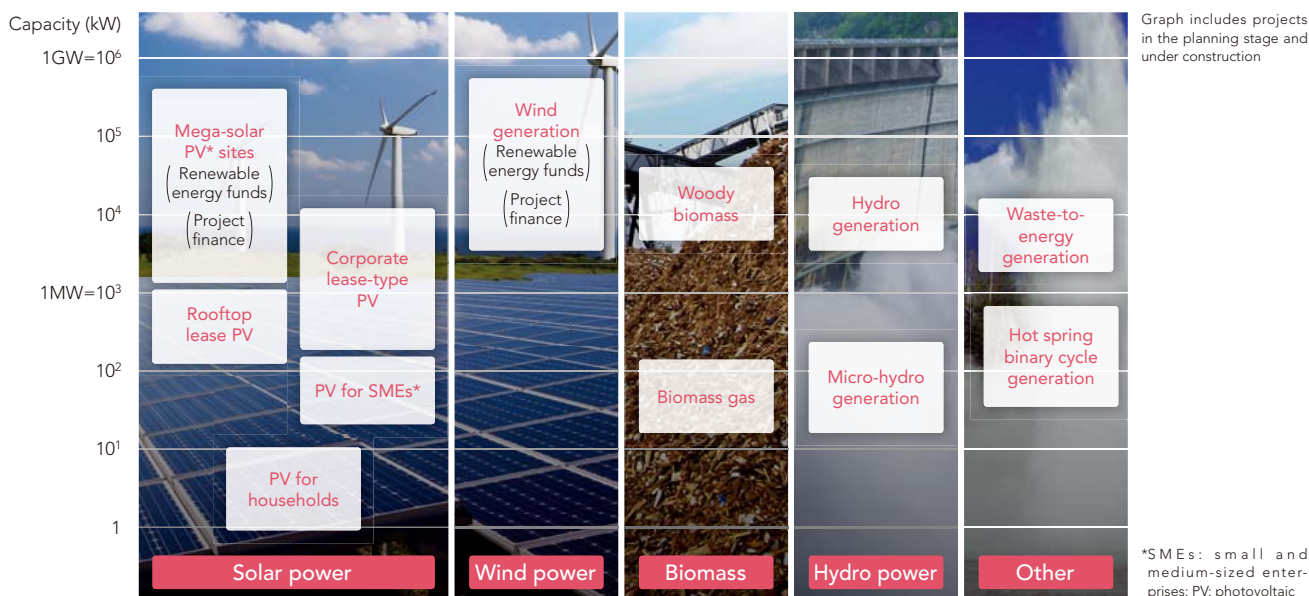
\*Risk and opportunity categories align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

### SuMi TRUST Group's Renewal Energy Initiatives

Social structure is significantly changing along with the technological innovation that includes mobility revolution that has accompanied the spread of electric vehicles and automated driving, computer-reliant artificial intelligence, the spread of FinTech, and the application of digital technologies to service industries. Keeping these energy-hungry technologies on track will require

de-carbonization of electricity, and we think this can be achieved by adopting renewable sources of energy while concurrently reducing fossil fuel usage.

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



## Performance

### Renewable Energy Finance

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

In project finance, both offshore and onshore wind power generation projects overseas are increasingly large-scale endeavors. In Japan, the number of mega-solar projects to which we provide project finance has further increased. The total potential generation capacity of projects where SuMi TRUST Bank has been involved in supplying project finance comes to 7,322MW. These projects,

with annual power output of 19,584GWh, reduced annual CO<sub>2</sub> emissions by 9.45 million metric tons.

Total potential generation capacity of projects supported by renewable energy funds came to 311MW, with annual power output of 362GWh and annual CO<sub>2</sub> emission reductions of 200,000 metric tons.

In financing for installations, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. mainly provides support for mega-solar projects. Since the feed-in-tariff (FIT) system was introduced, it has supported 26 mega-solar installations with total potential generation capacity of 45MW.

### Contributions to CO<sub>2</sub> Reduction via Renewable Energy Finance

Category of power generation	Number of projects	Potential capacity (MW)	Annual output (GWh/year)	CO <sub>2</sub> reduction effect (10,000t/year)
Solar	70	3,453	5,430	299
Wind	24	1,540	4,241	227
Offshore wind	6	2,489	10,166	434
Other	3	151	109	6
Total	103	7,633	19,947	966

Eligibility inclusion: SuMi TRUST Bank's project initiatives linked to project finance and renewable energy funds. Capacity calculations: Numerical values of potential generation capacity, gigawatt hours of output per year, and CO<sub>2</sub> reduction effect covers all projects in each category.

Subtotals may not add up to totals due to rounding.

#### Calculation Method for CO<sub>2</sub> Reduction Effect

Annual CO<sub>2</sub> reduction (CO<sub>2</sub> metric tons per year)  
= annual power output (kWh/year) x emission coefficient (CO<sub>2</sub> metric tons/kWh)

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

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

### Renewable Energy Project Finance

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

#### Case 1

#### Mega-solar in Japan

Photovoltaic (PV) panels with total potential generation capacity of about 11MW have been installed on the site of a former golf course in Ibaraki Prefecture that has been repurposed as a mega-solar farm. Installation and construction costs for the project were raised via a single-lender project finance loan from SuMi TRUST Bank. With estimated annual output of 13,700MWh, the project uses the feed-in-tariff (FIT) scheme to wholesale electricity at a fixed rate to the electricity supply system.



#### Case 2

#### Overseas Offshore Wind Farm

In Europe, where shallow expanses of continental shelf extend far from the coastline, construction of large-scale offshore wind power farms is increasing. At a site about 32 kilometers off the coast of Norfolk, England with a depth of about 20m is one of the world's largest offshore wind power farms with 67 large turbines that have total potential capacity of 6MW each. The project is expected to supply electricity to 410,000 households in England.



## Renewable Energy Funds

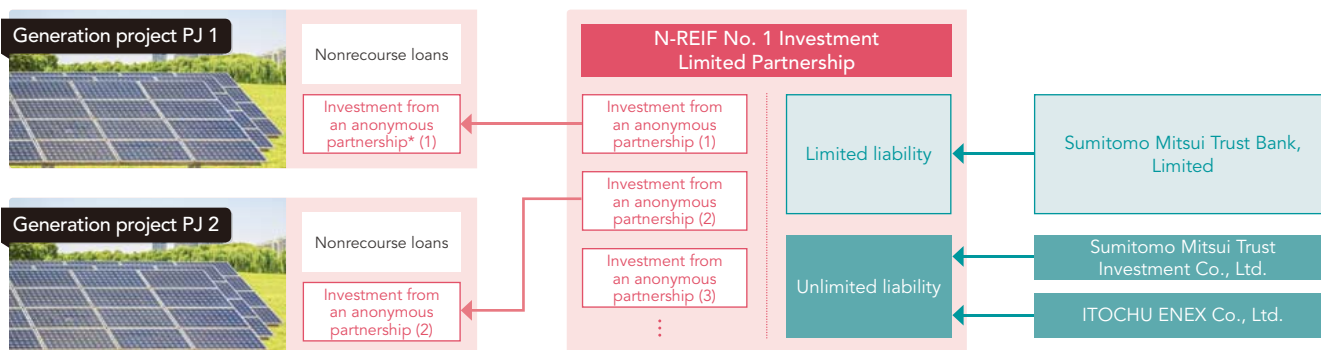
SuMi TRUST Bank manages renewable energy funds it has set up for the purpose of investing exclusively in large-scale renewable energy projects.

As of September 2017, these funds have supplied equity funding for seven mega-solar power generation projects and two wind power generation projects with total potential generation capacity of 311MW. Of the ¥119.8 billion in

aggregate equity investment directed into these projects, our funds supplied total equity investment of ¥9.5 billion. These projects generate annual power output of 362GWh, commensurate to CO<sub>2</sub> emission reduction of over 200,000 metric tons.

\*For CO<sub>2</sub> emission reduction calculations, we use the emission coefficient of each electricity supplier in the electricity supply system of the region where each project is located.

### Fund Schemes



\*Anonymous partnerships are called "tokumeikumiai" in Japanese.

- We contribute by providing equity-like funding for the spread of renewable energy projects.
- We are expanding assets under management in our funds and building up an investment track record in solar and wind power, and plan to broaden the scope of our renewable energy investments to include biomass and other sources.
- We are working to develop new investment products for individual and institutional investors and pension funds that seek stable income gains.

## Mega-Solar Projects Using Leases

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

Compared with other renewable energy sources, solar power generation has advantages such as 1) procedures for assessment etc. are straightforward and simple, 2) the construction phase is relatively short, and 3) low-cost, foreign-made PV panels with improved reliability have penetrated the space where domestically developed, well-established technologies once held sway, and its installation has been advanced.

In addition to new projects, we also provided lease-based financing options for fully operational projects that were put up for sale to investors (secondary transactions). Through improvements in technology and the establishment of new forms of funds provision, we will continue to work together with panel manufacturers, engineering, procurement, and construction (EPC) vendors, and others to provide total support to investors entering the solar power generation field.

### Future pathways for solar power

- Pursue energy management linked to electric vehicles and storage batteries
- Realize net-zero energy buildings (ZEBs), net-zero energy houses (ZEHs), and virtual power plants (VPPs).
- Expand local production for local consumption models for natural energy and increase self-sufficient energy demand formats
- Reduce power generation costs further via technological development
- Tap into new funding supplies via the use of infrastructure investment funds





## Micro-Power Generation in Water Supply Systems

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

In Japan's water supply systems, an increasing amount of energy is released without being harnessed such as untapped water flows from the vertical drop in gravity-flow supply pipes, surplus pressure in pumped supply pipes, and

reduced pressure via pressure-reducing valves. The Group promotes ways to tap into these wasted sources of energy as a form of renewable energy that can generate electricity.

We offer business financing schemes that keep upfront investment cost at zero through lease-based installation of new power generation systems, which have realized 1) low cost, 2) high efficiency, and 3) compact size, to the water facilities leased from local authorities.

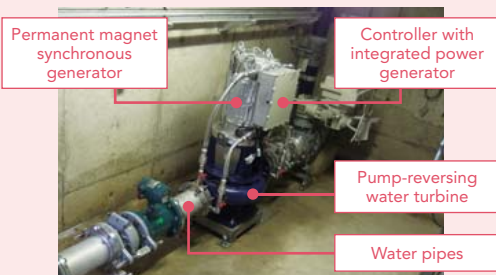
### Specific properties of micro-power generation systems

- Achieved low costs by using off-the-shelf pumps, low-cost magnets, and standardized parts
- Developed water turbines that efficiently generate power via inverter controls
- Integrated power generator and water supply control system, installed on waterwheel in a vertical configuration to realize a much more compact footprint

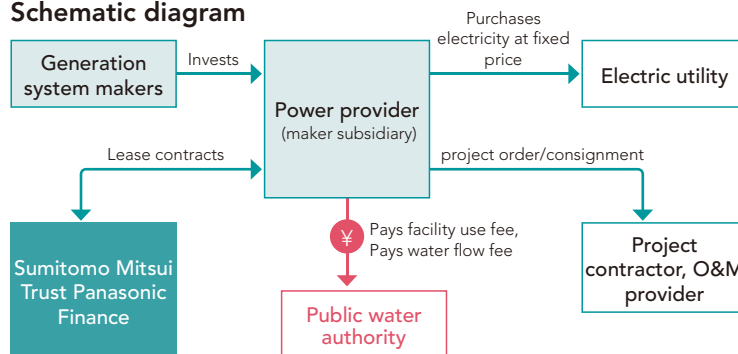
### Specific properties of leases (merits for local authorities)

- Projects can be launched with no upfront investment costs
- Power provider is responsible for constructing the power generation system and its operation and maintenance (O&M)
- Lease can earn stable revenues

### Newly developed micro-power generation system for water supply systems



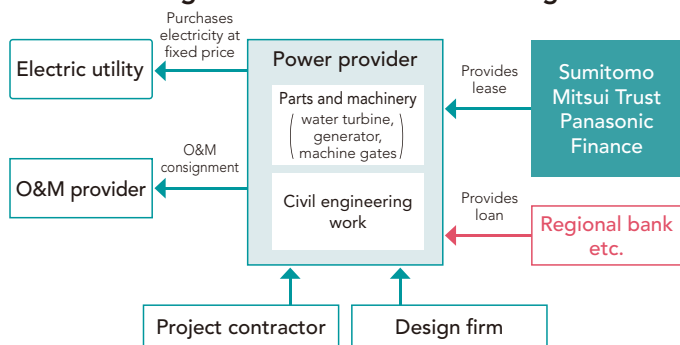
### Schematic diagram



## Small and Mid-sized Power Generation in Rivers

Japan's river systems have the potential to generate 14GW of electricity through the installation of small or mid-sized generators and its agricultural water supply channels 300MW, according to the results of a Ministry of the Environment survey. Sumitomo Mitsui Trust Panasonic Finance is helping to revitalize regional communities through joint initiatives with regional banks aiming to use each region's untapped hydropower potential.

### Schematic diagram of collaboration with regional banks

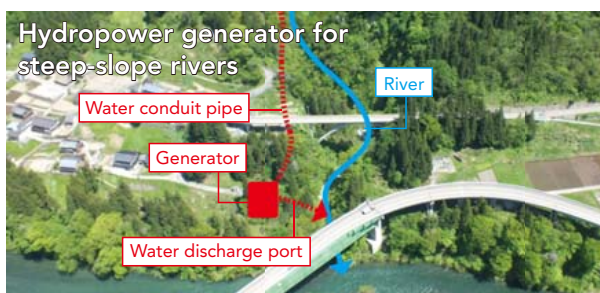


### Small and mid-sized hydropower potential, actual adoption capacity

	Potential aggregate output	Breakdown by category
Maximum aggregate potential in Japan*1	14.3GW	River systems 14GW Agricultural supply channels 300MW
Potential with FIT system*1	1.06~4.3GW	River systems 900M~4.06GW Agricultural supply channels 160~240MW
Approved for installation post-FIT adoption*2	1,120MW	
Installations post-FIT adoption*2	240MW	

\*1 Ministry of the Environment's fiscal 2010 survey report on the adoption potential for renewable energy

\*2 Agency for Natural Resources and Energy's website (accessed in June 2016)



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

Small and mid-sized power generators approved for installation since the FIT system's introduction have total output of 1,120MW, and of those, the ones in use have 240MW, indicating there is still scope for new installations.

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

## Biomass Gas Generation

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

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

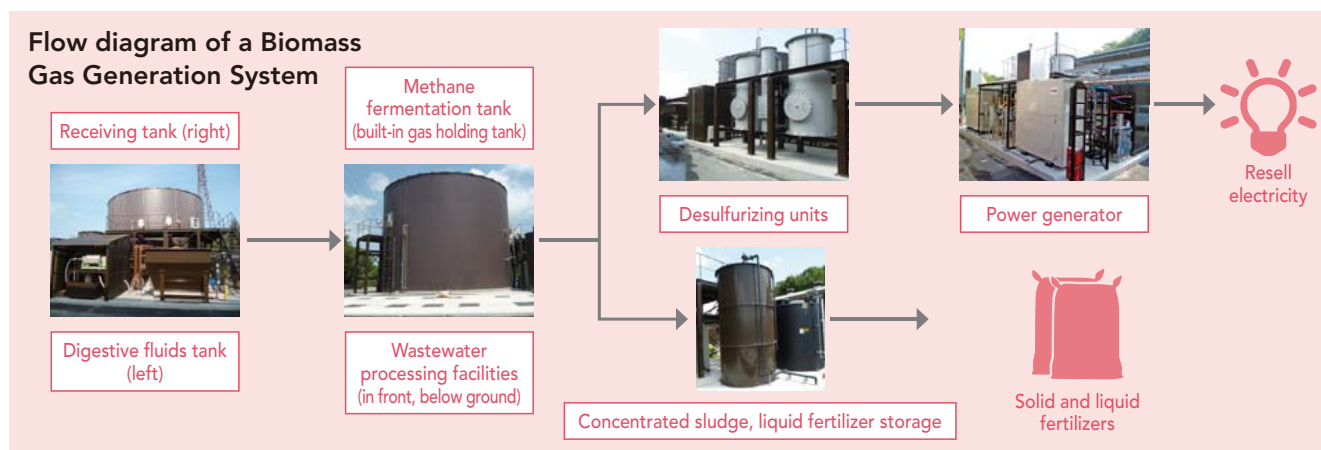
to generate electricity. Under the Food Recycling Law, the recovery of heat from food waste is recognized as a form of recycling provided certain conditions are met, and the power generated can be resold at a fixed price using the FIT scheme. The value of biomass gas systems is in improving overall energy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

### Merits

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

### Wastes eligible for usage

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



## Response to Freon Regulation

**In October 2016, an international coalition of nations agreed to regulate production volume of hydrofluorocarbons (HFCs), an alternative to ozone-destroying Freon\*, in a series of steps, at the 28th meeting of the parties to the Montreal Protocol. Accordingly, Japan has revised domestic systems, facing an urgent need to take measures.**

In the wake of the amended Montreal Protocol, in the major equipment categories such as air conditioners, refrigerators, and freezers, switching to equipment that uses non-freon or natural alternative refrigerants is now an urgent priority.

The expansion of government subsidy systems to support users for switching equipment is now being reviewed, while tightening of regulations is expected for installation, operation, maintenance and disposal of equipment.

Sumitomo Mitsui Trust Panasonic Finance focuses on

leasing the equipment using non-freon alternatives as refrigerants, and it is contributing to the adoption and spread of such equipment.

Japan Machinery Leasing and Sales Co., Ltd., a Group member, works to safely retrieve and dispose of leased, Freon-using equipment after the lease is expired.



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

\*Freon alternatives have been used in place of specified Freon, which has been identified as an ozone layer destroyer. HFCs do not deplete the ozone layer but they have a large greenhouse gas effect and so have high global warming potential.

## Kigali Amendment to Montreal Protocol to Regulate Freon Alternatives

	Developed nations	Group 1 developing nations*1	Group 2 developing nations*2
Base year	2011—2013	2020—2022	2024—2026
Baseline value (CO <sub>2</sub> equivalence)	Avg. HFC volume in each year + 15% of HCFC*3 baseline value	Avg. HFC volume in each year + 65% of HCFC*3 baseline value	Avg. HFC volume in each year + 65% of HCFC*3 baseline value
Launch year for regulation	2019	2024	2028
Target year	2036	2045	2047
Target reduction	85%	80%	85%

\*1 Group 1 developing nations are still developing and do not belong to Group 2

\*2 Group 2 developing nations are India, Pakistan, Iran, Iraq, and Gulf nations

\*3 HCFC: Hydrochlorofluorocarbons

## Support for CO<sub>2</sub> Reduction of Buildings

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

CASBEE for Real Estate is an environmental performance evaluation system developed with the aim of increasing the stock of buildings with superior environmental performance in real estate market and promoting its use among investors for investment decision-making. There is exten-

sive use of the system, especially among REITs and real estate companies, and SuMi TRUST Bank has consulting businesses that support property owners applying for the CASBEE for Real Estate certification.

### Evaluation categories in CASBEE for Real Estate



### Construction-Phase Support for Environmental Considerations

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

There are some projects we advised that have been recognized and awarded subsidies by the “leading projects” program for sustainable buildings (formerly known as “leading projects for promoting CO<sub>2</sub> reduction” program for housing and buildings), sponsored by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and the “net zero energy building” experimental pilot program, sponsored by the Ministry of Economy, Trade, and Industry (METI).



An example of a building where we provide construction-phase support for environmental considerations: Shimane Bank's head office building (Selected in 2014 for the 1st “leading projects for promoting CO<sub>2</sub> reduction” program for housing and buildings (currently known as “leading projects” program for sustainable buildings))

### Home Renovation Loans for Smart Houses

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

A smart house can efficiently generate and store its own power supplies by combining solar PV panels, storage battery units, and household fuel cells. Energy-saving functions that enable dwellers to control electricity consumption to match their lifestyles and weather conditions have improved. Since the system for purchasing surplus electricity from household solar panels will be phased out from 2019, converting the existing housing stock into “smart houses” will be an important theme to mitigate global warming.

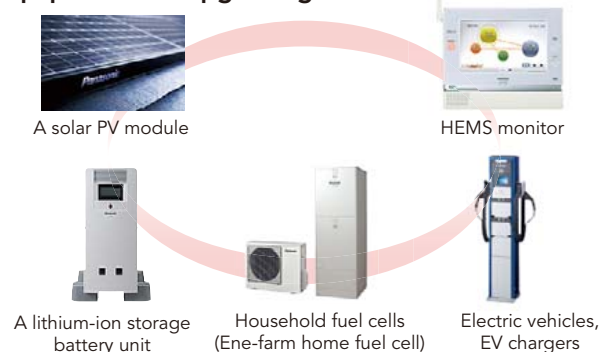
With the liberalization of retail sales of electricity and gas to households in Japan, energy and telecommunication sector companies are increasingly partnering to provide bundled services such as combined sales of telecom or broadcast with electricity generated from various sources. There has also been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

Since the system for purchasing surplus electricity from solar panels was established, Sumitomo Mitsui Trust Panasonic Finance has contributed to the adoption and spread of household solar panels with its solar loans. The cumulative sum of solar loans it has executed as of September 2017 is ¥69.1 billion. Through our partnerships with equipment vendors and installers, we support remodeling homes into “smart houses” with our renovation loans.



A smart house

### Equipment for Upgrading to a Smart House





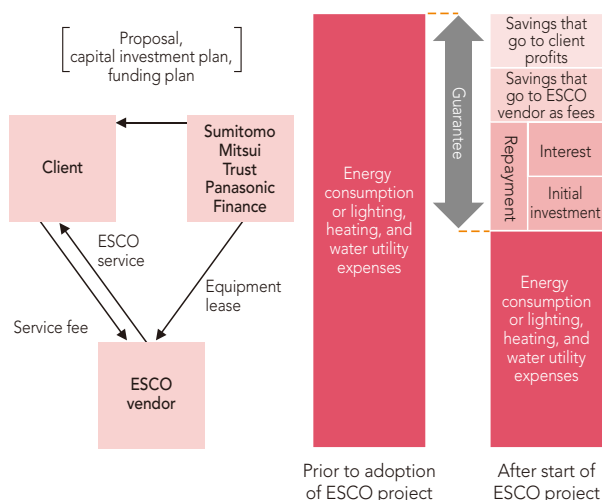
## Financing for ESCO Service Adoption

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

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

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

### Outline of ESCO concept



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

### Example: ESCO Proposal for a General Hospital

#### Energy conservation menu

Heat source: Construct hybrid heat source system, install high-efficiency steam boiler

Air conditioning: Improve air conditioning control system, install variable air volume controls, install inverters

Lighting: Install LED lighting

Monitoring: Add energy management functions

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

#### Projected boost to earnings (annual)

Lower water, lighting, and heating costs ¥80,468,000

Fees paid for ESCO project ¥77,598,000

Annual boost to earnings ¥2,870,000

#### Reduction to environmental impacts (annual)

CO<sub>2</sub> reductions: 1,459t-CO<sub>2</sub> (down 19.0%)

Electricity use reductions: 172,473kWh (down 7.7%)

Gas use reductions: 598,102ℓ (down 44.7%)

Water use reductions: 9,892m<sup>3</sup> (down 41.9%)

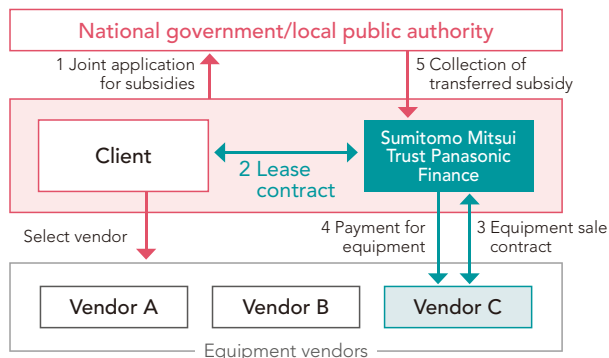


## One-Stop Services for Energy-Saving Investment: Subsidy-Eligible Leases

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

- Our one-stop service menu ranges from energy-saving assessments, examinations to identify energy-saving measures, equipment selection, subsidy applications, and securing financing to maintenance services.
- Using leases enables installation of energy-saving equipment without upfront investment cost.
- Securing subsidies lowers upfront investment costs, enabling recipients to benefit even more from energy savings and cost reductions.
- We offer tailored proposals through partnerships with manufacturers and installers.

### Flow Chart Mapping Out the Use of Subsidies



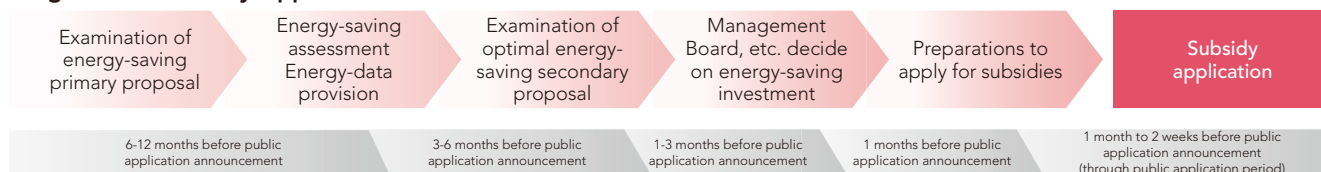
#### Main subsidy systems

- Subsidy support for rationalizing energy use at SMEs
- Net zero energy building (ZEB) project: Subsidies to promote adoption of innovative energy-saving technologies in housing and buildings
- Subsidies for facilities that sharply cut CO<sub>2</sub> emissions via efficient execution of advanced countermeasures (Advanced technologies promotion Subsidy Scheme with Emission reduction Targets (ASSET) project)
- Subsidies for promotion of renewable energy self-consumption measures using stored electricity and heat, etc.

\*1 Certain conditions must be met to be eligible to apply for subsidies


\*2 Subsidy systems are subject to change

### Stages in the Subsidy Application Process

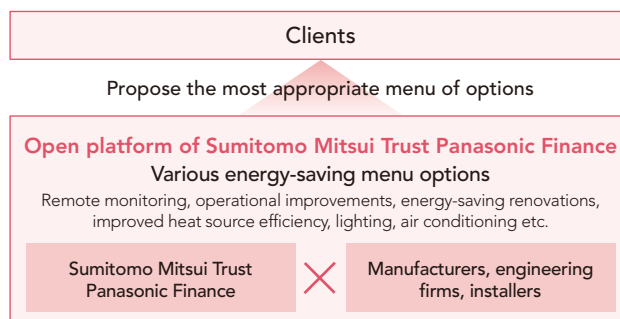
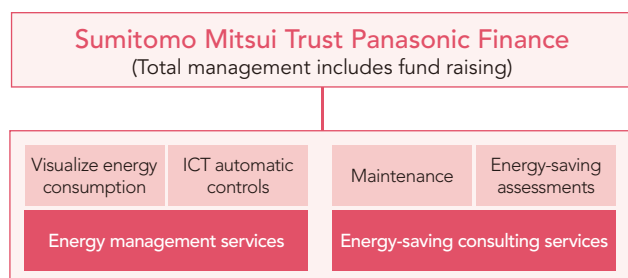


## Energy Management Services Using Leases: Example

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

<b>Specific investment ideas</b>	<ol style="list-style-type: none"> <li>1. Installation of high-efficiency freezers and showcases</li> <li>2. Installation of non-freon equipment</li> <li>3. Switch to LED lighting</li> <li>4. Adoption of integrated control systems</li> </ol>	 <p>Example: A store that remodeled by installing high-efficiency freezers, showcases, and LED lighting</p>
<b>Post-installation savings</b>	<ol style="list-style-type: none"> <li>1. Electricity consumption lowered by about 2.5GWh per year (25% cut)</li> <li>2. Electricity bill lowered by about 42 million yen per year</li> <li>3. Maintenance cost lowered by about 5.4 million yen per year</li> </ol>	
<b>Key points in our proposals</b>	<ol style="list-style-type: none"> <li>1. A one-stop service menu from energy-saving consulting, equipment investment planning, and financing to post-installation energy management services</li> <li>2. Use of subsidies lightens investment costs</li> <li>3. Use of leases reshapes payment stream: zero upfront investment to purchase equipment with costs paid over time in the form of leveled-out payments</li> </ol>	

### Energy-Saving Consulting: Energy Management Services



## Supporting Community-level Climate Change Mitigation Efforts

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

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

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



### Main benefits from using leases

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

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



## Natural Capital related Initiatives Using Our Financial Capabilities

Natural capital is the basis for economic activity and people's livelihoods and is exposed to a growing array of problems such as the widening scale and scope of endangered species, a shortage of biological resources and unfair transactions, and resource procurement risks due to the depletion and pollution of natural capital. The Group contributes to promoting sustainable use of natural capital and biodiversity conservation and the construction of socio-economic systems with low natural capital risk through the promotion of high-value-added solution businesses that harness the skills and functions of a trust bank group.





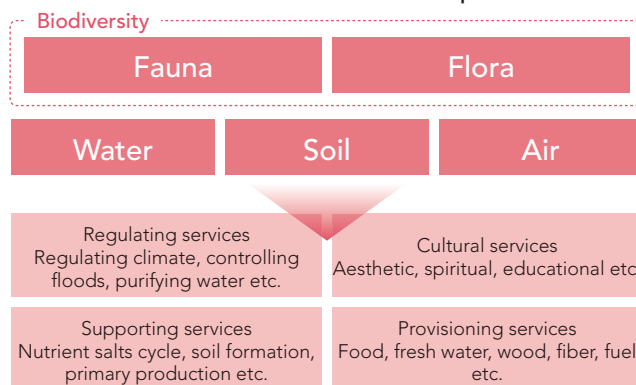
## Natural Capital: Foundation for All Environmental, Social, and Economic Spheres

Natural capital is made up of diverse living creatures and the water, soil, and air that sustain them. These are the foundation sustaining life on earth and conserving them needs to be prioritized ahead of everything else.

### Natural Capital's Blessings

The way we live depends on natural capital and the ecosystem services they provide. We thus feel continued wise use of natural resources which constitute natural capital over the long run goes beyond mere environmental conservation. It must extend to putting communities on a solid social foundation to enable sustainable economic development.

#### Five elements of natural capital



## Natural Capital Initiatives and Policies of the SuMi TRUST Group

### Natural Capital Finance Alliance (formerly the Natural Capital Declaration)

SuMi TRUST Holdings became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development "Rio+20" held in Rio de Janeiro in June 2012. SuMi TRUST Holdings is the only financial institution in Japan to have signed the declaration when it originally promulgated.

The initiatives of NCD signatories have been expanded through NCD's reorganization into Natural Capital Finance Alliance (NCFA).



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

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

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

### Sumitomo Mitsui Trust Holdings Action Guidelines for Preserving Biodiversity

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

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

#### 2. Providing Products and Services

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

#### 3. Collaboration with Stakeholders

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

#### 4. Education and Training

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

#### 5. Information Disclosure

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

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

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



Declaration	Status of initiatives during 2016-2017
1. Analyzing corporate activities with regard to their impacts on biological diversity	We continued to provide investment trusts that assess impact on biodiversity and loan products that include impact on natural capital in their assessment criteria.
2. Including the protection of biological diversity within their environmental management system	In our CSR promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually.
3. Appointing a person in the company responsible for steering all activities in the biodiversity sector and reporting to the Management Board	The Chief Sustainability Officer in the 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 for measures including those related to natural capital, and we review performance at 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 publish a yearly Natural Capital feature report. We disclose our biodiversity initiatives in our CSR report and at various events.
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step	We continue to pay attention to procurement of copier paper and office supplies linked to illegal logging in tropical rain forests, which has large detrimental impacts on biodiversity. In our fiduciary services business, we engage as a shareholder with investee companies on activities that contribute to natural capital destruction and voice our concerns.
7. Exploring the potential for cooperation with scientific institutions, 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 continue to be active in the Natural Capital Study Group, which was established in April 2013. Its participants come from all walks of life, including companies, national and local governments, universities, research institutes, and NGOs. The Natural Capital Study Group works closely with WWF Japan in the Consortium for Sustainable Paper Use.

## Business and Biodiversity Initiative: Japan Member Activities based on the Leadership Declaration

The three Japanese corporate signatories to the Leadership Declaration regularly hold teleconferences with the German secretariat ('Biodiversity in Good Company' Initiative e.V.). The SuMi TRUST Group updates its understanding of the latest trends in Europe on measurement of the economic value of natural capital and green infrastructure at these teleconferences.

## Natural Capital Study Group

The Natural Capital Study Group, which the SuMi TRUST Group launched in April 2013, is chaired by Masahiro Sato, an associate professor at the Graduate School of International Cultural Studies at Tohoku University. With members from companies, national and local governments, universities, research institutes, and NGOs, the study group meets regularly to debate the research themes of each member from a wide array of angles. At the 14th meeting held in February 2017, the study group met to discuss the themes of natural capital protocols and their application and case studies of corporate initiatives linked to natural capital, inviting Mr. Mark Gough, an executive director at the Natural Capital Coalition, and Mr. Baptiste Cassan-Barnel, a sustainability performance manager at Kering, to participate in a lively discussion on how to apply natural capital protocols.

## Exhibit at Eco-Products in Japan

Held annually in December at Tokyo Big Sight, “Eco-Products in Japan” is one of the nation’s largest environment-related events.

SuMi TRUST Bank had from 2007-2011 highlighted biodiversity as the main theme of the booth it opened jointly with the Ecosystem Conservation Society-Japan and the Association of National Trusts in Japan at the event, but its exhibit theme since 2012 has been natural capital. The exhibit explains the economic significance of natural capital through displays of the Bank’s initiatives for investment and loan products and real estate, information disclosure, and support for activities of the National Trusts.



Exhibit at Eco-Products in Japan

## Natural Capital Considerations: A Global Perspective

### Evaluating Supply Chain Impacts on Natural Capital

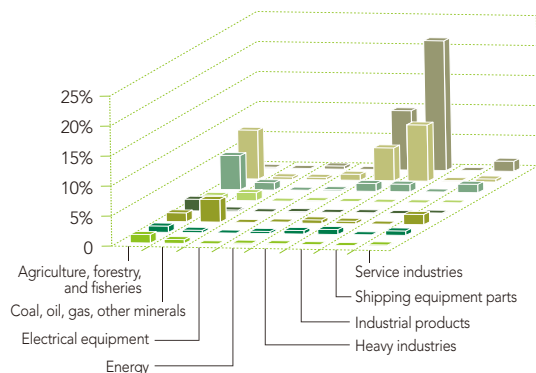
#### Natural Capital Evaluation

Natural capital evaluation is a service that calculates natural capital dependence arising from corporate activities and

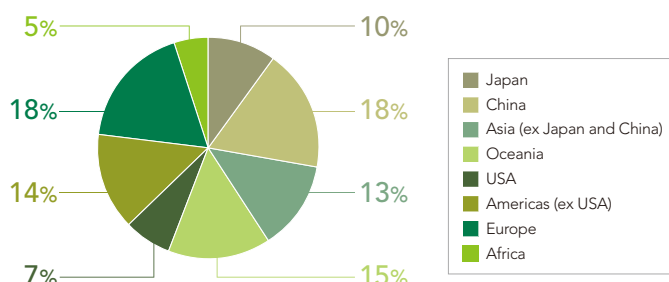
estimates the degree of impact for each procured item and for each country and region, tracing back through supply chain.

#### Example of output from a Natural Capital Evaluation Tool

Breakdown of water usage volume in each region by sector



Ratio of land usage area by region



GHG\* emissions volume is likewise calculated by sector and region.

\*GHG stands for greenhouse gases

#### Benefits of Natural Capital Evaluation

**(1) Gaining quantitative risk data related to the supply chain that can be used for management judgments**

Can obtain previously hidden risk data related to environmental impacts and the use of resources that are essential to global supply chain management

**(2) Obtaining quantitative data on environmental impacts that can be used for information disclosure**

Can use the data for scope 3 responses to surveys such as the Carbon Disclosure Project (CDP) survey and for disclosures in integrated corporate reports

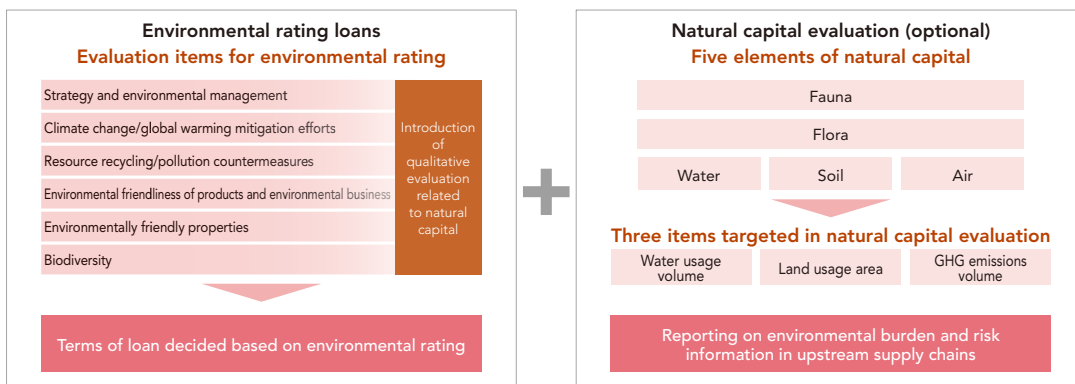
### Initiatives for Loans

#### Environmental Rating Loans with Evaluation of Natural Capital Preservation

The sustainable use of natural capital as resources is vital for a company to continue its business. There is a growing awareness that natural capital-related procurement risk management across the global supply chain is an indispensable part of management strategy.

In April 2013, SuMi TRUST Bank launched its Environmental Rating Loans with Evaluation of Natural Capital Preservation, which embed the concept of

evaluating impacts on natural capital and a company's initiatives into the environmental-rating evaluation process that assesses its environmental measures. This is the world's first attempt to incorporate natural capital evaluation into loan criteria, and the Bank's efforts have been cited in Japanese government environmental white papers and European Commission reports as an example of leading-edge practice.



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



## Natural Capital Risk Management for Investment

For corporate conduct SuMi TRUST Bank determines its needs of correction in light of international norms such as the UN Global Compact and OECD Guidelines for Multinational Enterprises, it collaborates with the responsible investment team at ISS-Ethix\* to engage with investee companies in

a discussion toward resolving the issues and verifying their implementation of countermeasures.

\*ISS-Ethix is a consultant offering ESG-related advisory services established by proxy voting advisory firm, Institutional Shareholder Services Inc.

### CASE 1

#### Genting

(Head office is in Malaysia)

##### Dialogue overview

Genting Plantations (GP), a subsidiary of Genting Berhad, owns palm oil plantations in Malaysia where water pollution concerns surfaced. People living in local communities brought up the issue to the Roundtable on Sustainable Palm Oil (RSPO). While working to confirm evidence relating to the case, SuMi TRUST Bank conducted hearings on the state of initiatives aimed at improving the situation at relevant sites.

##### The investee company reaction

Genting Plantations acknowledged its sites did not satisfy the principles and criteria for sustainable palm oil production and so it carried out an environmental assessment aimed at ameliorating the issues raised. The Bank was informed that Genting had reached an agreement on its future guidelines with local communities, and with RSPO as a relevant party.

### CASE 2

#### BHP Billiton

(Head office is in Australia)

##### Dialogue overview

Samarco Mineração S.A., a 50/50 joint venture between Australia's BHP Billiton Ltd. and Brazil's Vale S.A., operates the Samarco iron ore mine in Brazil, where at least 11 people died as a result of the collapse of a tailings dam. Samarco has rebuilt the tailings dam but Brazil's federal environment agency IBAMA continues to question whether the tailings dam has been adequately reinforced. While Samarco has disclosed information about the environmental impact caused by the dam's bursting, it has not disclosed its findings on the causes of the dam's collapse nor whether it had adequate preventive measures in place, therefore, a hearing has been convened on the state of initiatives aimed at improving relevant sites.

##### The investee company reaction

The Bank received from BHP Billiton a report on the cleanup of environmentally damaged sites prepared by Fundacao Renova, a foundation established with the aim of restoring sites harmed by the collapsed dam.

##### Post-dialogue actions

While the Fundacao Renova report confirms some progress has been made in environmental recovery work, the Bank has mentioned there might be problems in how BHP Billiton responded to the environmental disaster as it did not prepare the report. In addition, the Bank also urges BHP Billiton to remain responsive to the concerns raised by regulator IBAMA, as BHP Billiton's response to matters raised remains incomplete.

### CASE 3

#### Engaging Palm Oil Companies

Demand for palm oil is surging owing to its ease of use and the growing preference for health products but reckless plantation development is contributing to tropical rainforest destruction and biodiversity loss. The Bank asks major palm oil companies such as Malaysia's Sime Darby Berhad to refrain from development on high conservation value (HCV) forests, high carbon stock (HCS) forests, and peat land, abstain from clearing forested land using slash-and-burn method to prepare sites for development, ban practices that exploit indigenous or aboriginal peoples or laborers, reduce greenhouse gas emissions at existing plantations in a phased manner, comply with local and relevant overseas laws and regulations, and adopt best practices.



## Initiatives for Asset Management: Responsible Investment

### Biodiversity Companies Support Fund

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

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

### Evaluation Axis for Selecting Companies for Investment

#### 1

##### Risk management

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

#### 2

##### Business opportunities

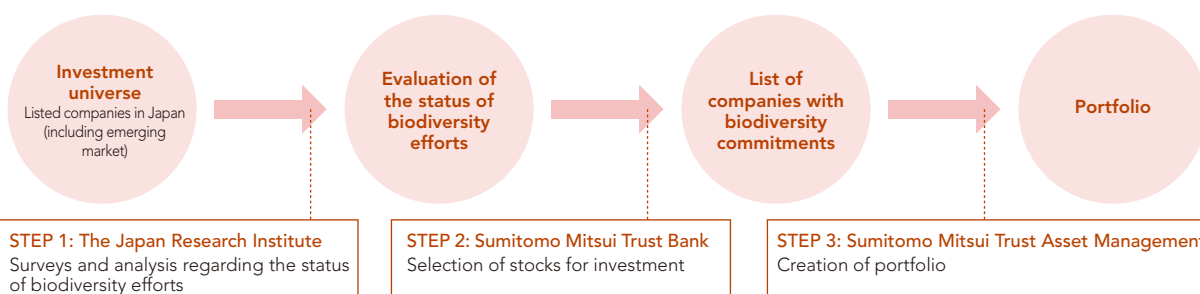
Companies that provide technologies or services that preserve biodiversity

#### 3

##### Long-term goals

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

### Investment Process



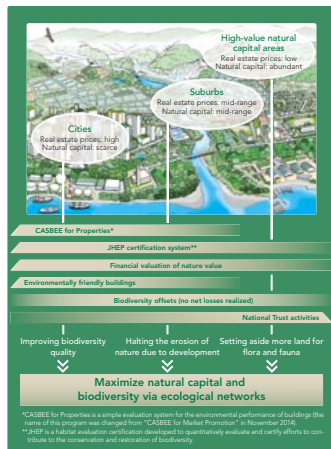
\*We use a risk metric to measure the capacity of companies to respond to natural capital risk, referencing the Natural Capital Efficiency Index (NCEI factors in the relationship of net sales to energy & water use and waste generated). The metric is an index of the magnitude of natural capital risk that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

## Contribution to Conserving Japan's Bountiful Natural Capital

### Acquiring Land: Support for National Trusts' Activities

#### Why Ecological Networks Matter

Our everyday lives and economic activities rely on abundant biodiversity. Keeping the diverse environments where various living creatures use, and linking the places via pathways called "corridors"; this is the idea of ecological networks.



We believe evaluating impacts on regional and building natural capital and developing methods to manage these as well as constructing ecological networks will help to address natural capital problems in Japan and lead to the formation of a sustainable society.

#### Acquiring Sites

Land is the foundation of natural capital in terrestrial ecosystems. The formation of ecological networks requires acquiring land that links rich ecosystems together. Not only is development destroying natural habitats but in the past few years those lands whose succession rights have been relinquished or unregistered have grown sharply due to Japan's shrinking population. We think retaining and expanding managed natural preserves will be effective in checking erosion in Japan's natural capital and forestalling growth in mountain forests and farmland where land ownership is unclear.

On the basis of such perspectives, activities to support National Trusts through the donation of funds for acquiring land are implemented at SuMi TRUST Bank (see page 134).

Through social contribution donation trusts (see page 40), clients can support the activities of National Trusts that are advanced by Ecosystem Conservation Society-Japan, a public interest incorporated foundation.

### Restoring Natural Capital in Cities

#### Construction Consulting on How to Foster Biodiversity and Ecosystems

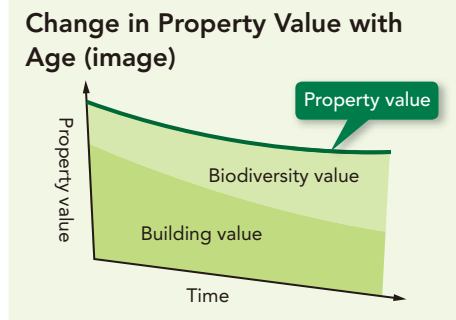
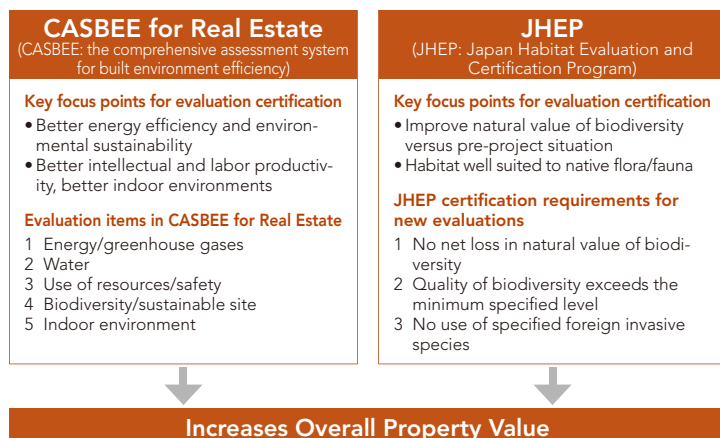
Through the use of CASBEE for Real Estate\*1 and JHEP\*2 together, the environmental performance of properties can be improved across many dimensions, helping to increase overall property value.

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

A building's environmental performance is evaluated on many dimensions such as energy savings, global warming mitigation

measures, biodiversity, durability, and resource efficiency.

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



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

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



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

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

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



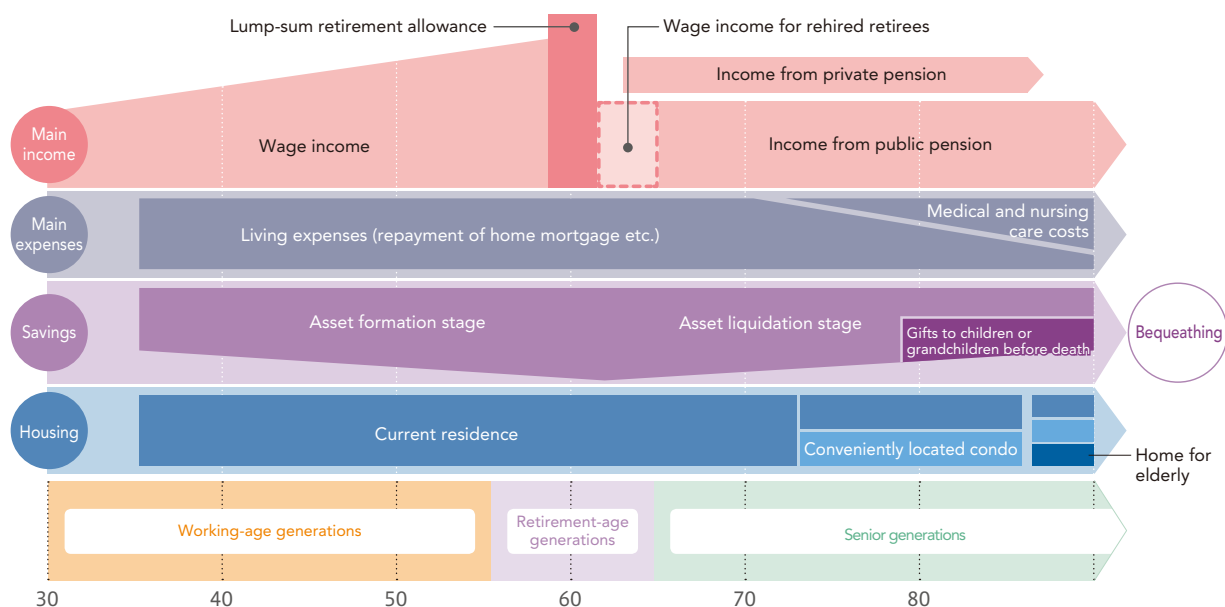


## Trust Banks Offer a Rich Variety of Problem-Solving Functions

### 1. Ensuring Stability in Net Income for Senior Generations

What senior generations seek from wealth management are solutions that enable them to put aside savings for unexpected expenses such as illness or earn income that supplements their public pension stipends, draws down their savings in keeping with a plan to ensure their income

and costs remain in balance and their quality of life can be maintained. SuMi TRUST Bank plays a part in helping clients put together a well-conceived life plan, drawing on the many products and services we have assembled to enable seniors to attain their goals in such circumstances.

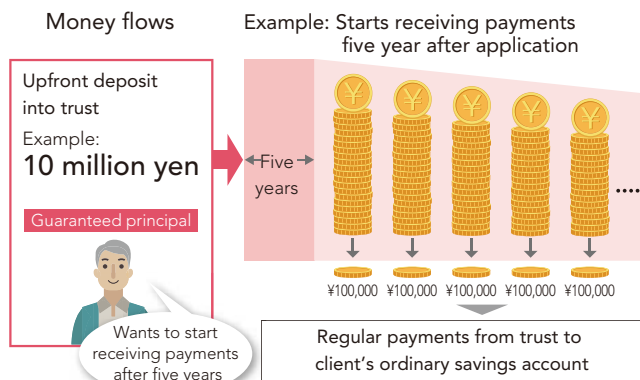


#### Personal Pension Trust

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

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

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



#### Offering Various Insurance Products

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

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

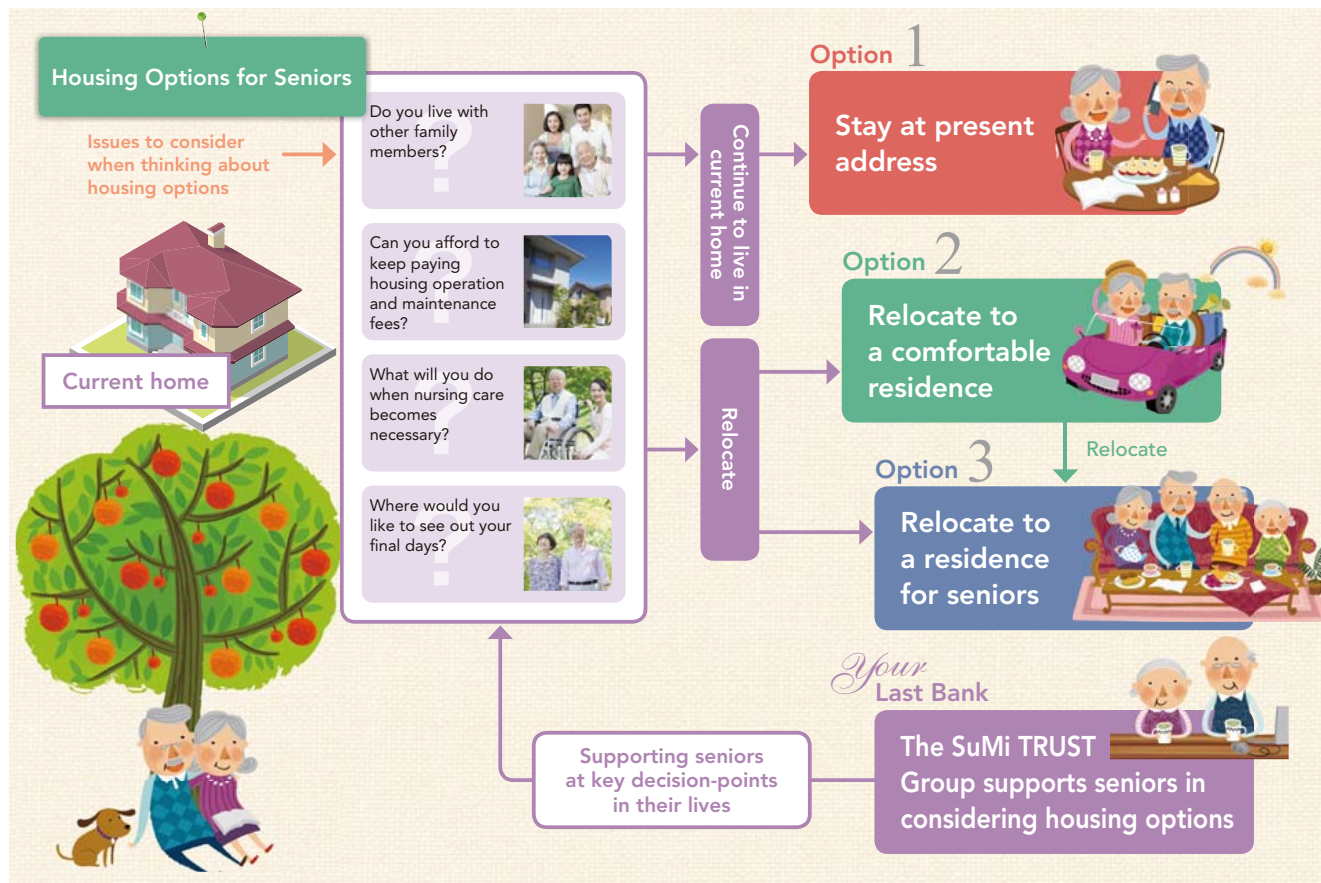
#### Reverse Mortgages

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

## 2. Ensuring Stability in Housing for Senior Generations

Housing holds the key for the elderly to maintain their quality of life and feel safe in their everyday routines. SuMi TRUST Bank provides information about housing that

matches the needs of senior generation clients and supports them in securing stable housing using the Group's array of functions.



### Providing Information on Housing Options for Seniors

SuMi TRUST Bank provides a variety of information on housing options for elderly clients.

- Holds Silver College seminars (see page 37)
- Supplies information on housing options
- Offers information via its website, etc.



Seniors enjoy a Silver College seminar

Housing is a vital foundation for preserving quality of life (QOL). Through an array of opportunities, SuMi TRUST Bank provides information on residences necessary for QOL maintenance (page 139).



### Renovation Loans

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

### Services relating to Real Estate

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

### Consultations on Relocation to Residence for Seniors

SuMi TRUST Bank provides consultations to clients who are considering future housing options, not only for those who seek to sell their homes as they search for a final abode to purchase but also for those who seek to relocate to a residence for seniors.

### Bridge Loans for Sales of Real Estate

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

### Consultations on Taxes and Estate Planning relating to Housing

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

### Reverse Mortgages

We accept inquiries for loans where a prospective borrower puts up their residence as collateral to secure the funds necessary to renovate their home, relocate to a new residence, or move to a nursing home.

### 3. Initiatives to Increase Housing for Seniors

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

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

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

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

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

#### (1) Accumulated Know-how

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

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

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

#### Database on regional information

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

#### Database on senior housing

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

#### Market analysis tools

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

#### Operating income and expenditure program

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

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

##### Effective Use of Land

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

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

##### Executing Business Feasibility Loans

SuMi TRUST Bank is promoting business feasibility loans (apartment loans) relating to the construction of housing for seniors and nursing care facilities. It has executed 21 such loans through November 2017, and the number of inquiries regarding such loans has continued to trend upwards in the past few years.

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

##### Finance for Healthcare REITs

SuMi TRUST Bank actively provides finance to healthcare REITs, which are a source of stable, long-term funding for healthcare facilities such as residences for the elderly and medical malls. Healthcare REITs raise funding for use in healthcare facility acquisition fees and related expenses. We have made two loans to healthcare REITs with the number of facilities linked to these loans coming to 41 as of November 2017.

##### Securitization Business for Healthcare Facilities

SuMi TRUST Bank is actively engaging in the securitization business relating to healthcare REITs and privately placed funds. As of November 2017, total healthcare REIT assets held in trust at SuMi TRUST Bank came to 117.5 billion yen, with the number of facilities standing at 73. In the securitization business related to REITs and privately placed funds, SuMi TRUST Bank uses the scheme of a real estate administration and disposal trust. This scheme refers to transfer of real estate ownership from the trustor (real estate owner) to the trustee (trust bank) followed by administration, management and disposal of the real estate by the trustee based on directions given by the beneficiary and the distribution of profits thus generated (mainly rent revenue minus expenses) as dividends to the beneficiary.

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



## 4. Dealing with Dementia-related Problems

Dementia is a disease that is seen as conspicuous among the elderly. Dementia, a typical example of which is Alzheimer's disease, decreases brain functioning and causes impairments to memory and judgment capabilities, making it difficult for patients to lead a social life and communicate with other people. The number of people who will suffer from dementia is projected to exceed seven

million in 2025, according to announced estimates. This means of the cohort age 65 or older, one in five is likely to show symptoms of dementia.

SuMi TRUST Bank is developing trust products to preserve the precious assets and improve the dementia literacy of our clients.

### Improving Dementia Literacy

#### Fact-Finding Survey on Dementia Problems

With the cooperation of the Kyoto Prefectural University of Medicine, SuMi TRUST Bank sent questionnaires to all its branches across Japan to collect information on what kinds of dementia-related problems they faced in their daily operations. Our survey has found that there are no branches that have not experienced issues caused by dementia such as clients losing their bank account passbooks and thus frequently requesting reissuance.

#### Workshop for Fostering Supporters for People with Dementia

With the aim of nurturing "Dementia Supporters," SuMi TRUST Bank holds workshops for fostering supporters for people with dementia at branches across Japan. The aforementioned questionnaires also reveal that employees who are well informed about dementia tend to look for a variety of ways to respond, and it has been confirmed that the strategies for responding to dementia taught in the workshops generate some effects.

#### Publication of a Financial Guidebook Responding to Dementia Problems

SuMi TRUST Bank participated in composing text for a guidebook, entitled "Practical Guide for Dementia Friendly Financial Services," published in September 2017 as part of the COLTEM\* project which is led by the Kyoto Prefectural University of Medicine. The guidebook categorizes the problems caused by dementia facing financial institutions, and presents a series of discussions by experts such as doctors, lawyers and certified social workers on versatile ways of responding. The guidebook is placed in all branches across Japan and used to improve the dementia literacy of employees in concert with workshops for fostering supporters for people with dementia.



\*The COLTEM project refers to "a development center of social technologies integrating law, engineering and medicine that seamlessly support community life for the elderly from the period of sound health to the onset of dementia," and is subsidized by the Ministry of Education, Culture, Sports, Science and Technology.

#### Convened Symposium on the Principles for Financial Action for the 21st Century

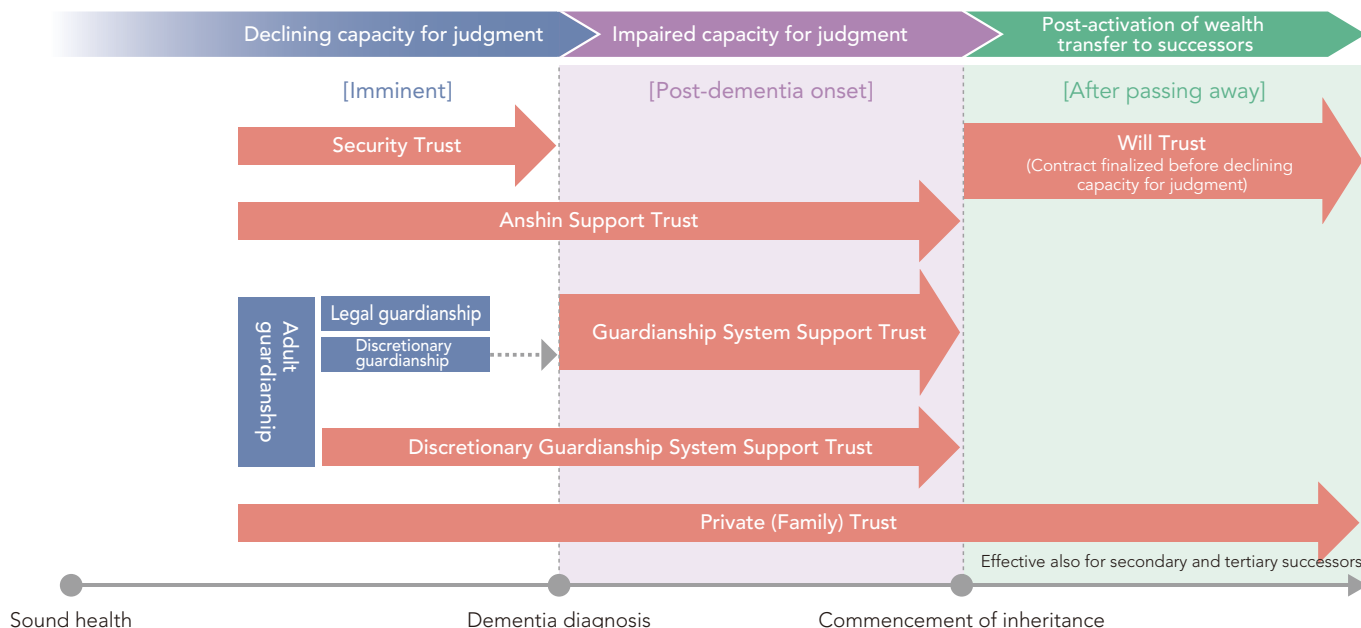
As chair of a working group supporting sustainable regional development linked to the "Principles for Financial Action for the 21st Century\*," SuMi TRUST Bank convened a symposium on the theme of the role of financial institutions in responding to dementia problems in regional communities. The key members of the COLTEM project participated in the discussion on the actual practice of responding to dementia in their daily operations based on the content in the financial guidebook. The symposium also encompassed lively debate on matters such as the state of wealth management using the adult guardianship system and trusts.



\*Financial institutions from various segments of Japan's financial industry—more than 250 in all—participated aiming at fostering concrete action toward creating a sustainable society.

### Wealth Management Products for Those with Declining Capacity for Judgment (see 34 pages for specifics)

#### Timing of Validity Activation in Wealth Management System for Seniors



## Trusts Supporting Adult Guardianship Field

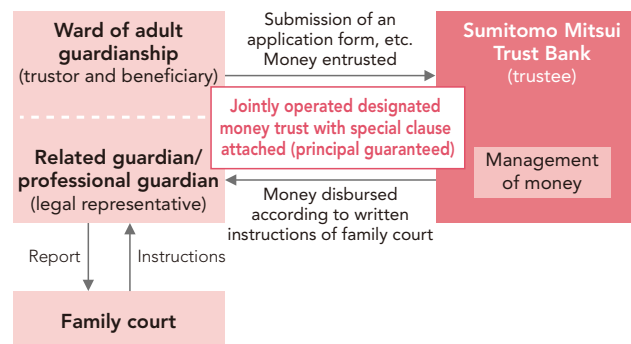
### Discretionary Guardianship System Support Trust

Guardianship system support trust is subject to legal guardians, but Discretionary guardianship system support trust is subject to discretionary guardians. The consummation of the trust means the supervisor of the discretionary guardian must consent in cases where discretionary guardian takes procedures for releasing funds from money trusts after discretionary guardian contract has taken effect. As a result, the discretionary guardian system works to safely and reliably protect the wealth of the system's users.

### Guardianship System Support Trust

The Guardianship System Support Trust is a trust designed to protect the assets of the ward and contribute to the stability of his or her living into the future. The money placed in trust is paid out as a specified sum paid regularly to the

ward, under a special provision established in accordance with a written instruction of the family court.



## Trusts Protecting Wealth of Seniors with Dementia

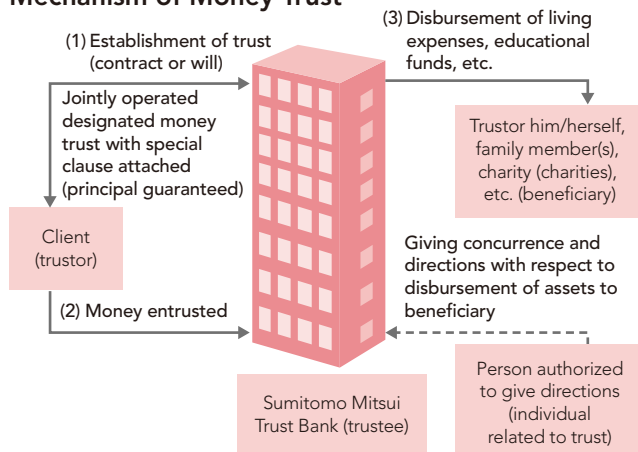
### Anshin Support Trust (Money Trust)

SuMi 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."

As for the money trusts, the trustor him/herself (self

benefit trust) or another person (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. For example, there are clients who have set up self-benefit trusts at SuMi TRUST Bank who have looked at moving into a nursing home for the elderly but have nobody they can trust to manage and conserve their wealth and are worried about what would happen if they were to develop dementia later in life. In such cases, SuMi TRUST Bank is obliged to pay without fail monthly residence fees on their behalf.

### Mechanism of Money Trust



### Security Trust

In view of the growing sophistication of financial crime, SuMi TRUST Bank commenced offering a Security Trust, a new product for protecting client assets, in September 2015. This product is structured so pre-designated a co-signer (a relative as far removed as the third degree of kinship, etc.) must consent to a request by the contracting party for a payment from deposited funds before the payout can be executed. For everyday living expenses, the contracting party can withdraw up to 200,000 yen per month periodically even without the consent of the co-signer.

Through a structure that requires the consent of a family member, the product offers preventative security against financial crime and protects the precious assets and family members of our clients.

## Support for Professions Involving Adult Guardianship

### Consultations and Inquiries related to Adult Guardianship System

Under agreements concluded with the Legal-Support Adult Guardian Center (Legal Support) and some regional lawyers' associations, SuMi TRUST Bank refers customers' consultations and inquiries related to the adult guardianship system to Legal Support and the associations.

### Private (Family) Trust

Commercial trusts are administered on a for-profit basis

primarily by trust banks whereas private trusts refer to a system of trusts that non-experts administer on a non-profit basis. Among lawyers, scriveners and tax accountants in particular, there is a growing trend to look for ways to make use of them. SuMi TRUST Bank supports the use of private trusts and enables trust accounts to be opened in the name of the trustee, and it can provide services including deposit transactions, asset management, loans, real estate transactions, and managing stockholdings.

## 5. Helping with Lifestyles of Family and Relatives

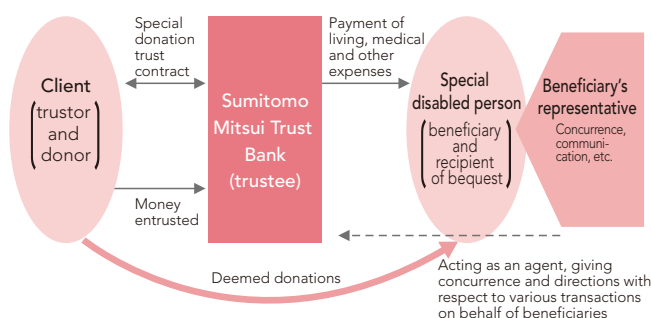
### Special Donation Trust

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

the bank on behalf of the client.

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

### Structure of Special Donation Trusts



### Anshin Support Trust (Life Insurance Trust)

Anshin Support Trust (Life Insurance Trust), co-developed by SuMi TRUST Bank and Prudential Life Insurance Co., Ltd., makes it possible to flexibly design the trust service in advance with regard to the provision method and usage of life insurance benefits. For example, the trust service can be designed such that if a customer dies, benefits are paid out as necessary while being protected to cover education expenses for their children (see Page 34).

### Family Consideration Trust (Lump Sum)

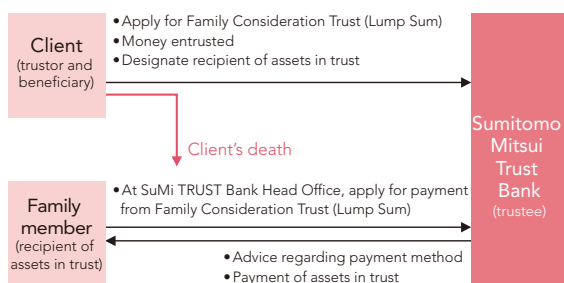
In the event of a bereavement, family members have to deal with various procedures, including arrangements for the funeral and inheritance-related procedures. The Family Consideration Trust (Lump Sum) is a product that, in the event of a client's death, pays out the deposited assets in trust to a recipient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

### Family Consideration Trust (Annuity)

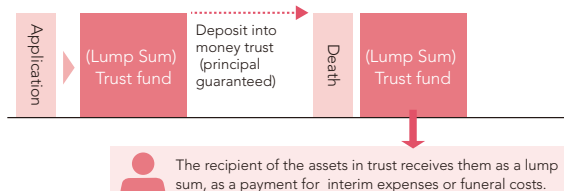
This product ensures a regular payment from the deposited assets in trust, offering bereaved family members a sense of security in their daily lives after the client's death.

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

### Family Consideration Trust (Lump Sum)

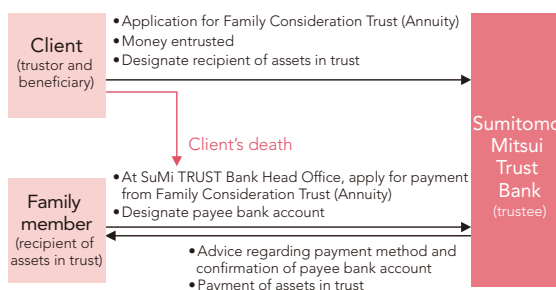


The recipient of the assets in trust receives them as a lump sum.

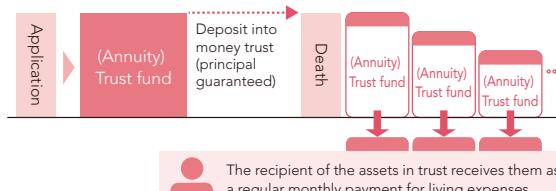


Illustration

### Family Consideration Trust (Annuity)



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



Illustration



## 6. Ensuring Heirs Inherit Family Wealth

### Helping Still-Living Clients to Give to the Next Generation

#### Annual Donation Support Trust

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

#### Tuition Fund Endowment Trust

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

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

#### Wedding and Child-Rearing Support Trust

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

#### Social Contribution Donation Trust

SuMi TRUST Bank offers products and services meant to support building a prosperous future for the next generation by enabling donation activities that serve the public interest. One such product is the social contribution donation trust, where clients select recipients every year from a list of organizations that SuMi TRUST Bank provides, and we process the donations (see Page 40).

### Helping with Smooth Planning for Inheritances

#### Estate Planning

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

#### Will Trusts

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

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

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

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

#### One-Stop Inheritance Service

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

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

## 7. Initiatives to Improve Gerontology Literacy

### Wellbeing Knowledge Examination

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

### Partnership with ILC-Japan

SuMi TRUST Holdings is a corporate sponsor of ILC-Japan, the Japanese branch of the International Longevity Center, an international alliance of organizations focused on gerontology. We work closely with ILC-Japan to jointly plan seminars for our Silver College program and publish information booklets.

In addition, we chair a research group studying lifestyles of long-lived societies which is organized by ILC-Japan. In fiscal year 2017, the research group discussed the theme of

problems arising from dementia in business settings from an array of viewpoints.

### Silver College Seminars

Many seniors hope to live out their golden years safely with peace of mind. SuMi TRUST Bank offers Silver College seminars especially for this generation of seniors at our branches across Japan. There are four systems or functions seen as necessary for an aging society: public support (safety net), assistance (medical and nursing care), mutual aid (giving and receiving aid), and self-help where people protect themselves. One form of self-help is preparation but there are not many places where people can learn systematically what specifically they should do to be prepared for an aging society. Our Silver College program has been a way for participants to learn how to be prepared from a top-notch team of instructors.

### Major Themes in Silver College Seminars

- |   |  |
|---|--|
| <b>1</b> How Seniors Can Enjoy Health, Safety, and Security in their Golden Years | <b>2</b> Housing Options for Seniors   |
| <b>3</b> Thinking about Dementia  | <b>4</b> Satisfactory Preparations for a Journey (to live well and end with peace) |

## 8. Participating in Comprehensive Regional Care System

Comprehensive regional care is a necessary support system to enable the elderly to continue to live in ways that suit them in a place they are most comfortable until they reach their final days. We think SuMi TRUST Bank can play an important role as a financial institution that shoulders a responsibility for managing elderly client assets, and our branches nationwide are actively participating in efforts to build comprehensive regional care systems.

Specifically, our branches nationwide are deepening cooperation with nearby comprehensive regional support centers, and joining networks to look out for elderly citizens in cities and wards where they do businesses. One example is the Omori Branch, which is a participant in the Ota Ward network looking out for elderly citizens. The branch also participates in urban-based comprehensive regional care system that collaborates with diverse stakeholders.

### TOPIC

### Contributing to Support for Self-Directed Living for Seniors

When providing medical care to dementia sufferers, we come across cases where just offering medical care or care alone seems woefully helpless. When we come across the people, who have worked so hard and saved money for old age, but losing their ability to use their money for themselves and being preyed upon and deceived by acquaintances, family members and unscrupulous businesses because of dementia, we cannot help but wonder why in an age of such spectacular technological achievements a system that anticipates the needs of such victims cannot be put into place. Our center brings together academia and industry to develop social systems that integrate law, engineering and medicine to support seniors with receding decision-making capabilities in living self-directed lives in regional communities. As part of the project advanced in keeping with this mission, the center sought cooperation from financial institutions such as SuMi TRUST Bank in addressing problems people with dementia face at financial institutions. The project led to the publication in September 2017 of a guidebook for financial institutions with guidelines on how to respond to dementia. SuMi TRUST Bank has for years harnessed the trust system, with all its intriguing possibilities, and has been actively involved in the adult guardianship system, so I expect it will continue to contribute to developing and implementing social systems to support those with dementia living in regional communities.



Professor  
**Jin Narumoto**  
Kyoto Prefectural  
University of Medicine

## Various Solutions Using Trust Functions

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

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

**SUSTAINABLE  
DEVELOPMENT  
GOALS**



## Mechanism of Using Donations and Other Funds to Solve Social Issues

### Charitable Trusts

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

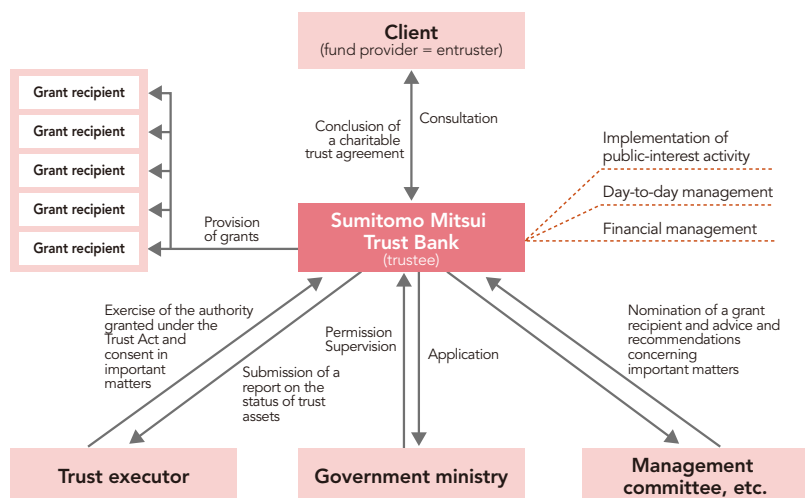
Charitable trusts are often named for the trustor, so his or her aspirations can be remembered for years to come by many people. Moreover, to ensure the public interest is served in accordance with the client's intentions, a charitable trust can

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

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

As of March 2017, there are 201 charitable trusts with total assets of 32.3 billion yen under our management. In fiscal year 2016, grants from charitable trust totaling 1.4 billion yen were provided to 2,986 bodies in total (including individuals) for activities that serve the public interest.

### Mechanism of Charitable Trusts



### List of Charitable Trusts by Donation Type (as of March 2017)

Type	Number of trusts under management
Scholarship	73
Promotion of natural science research	37
Promotion of human science research	5
Promotion of education	21
Social welfare	11
Promotion of arts and culture	9
Protection and propagation of animals and plants	1
Conservation of the natural environment	7
Development and maintenance of the urban environment	18
Promotion of international cooperation and exchanges	14
Other	5
Total	201

### TOPIC

#### The Suntory Fund for Bird Conservation

The Suntory Fund for Bird Conservation was established in 1990 by Suntory Holdings Limited to promote better, more extensive protection of birds. Since its inception 28 years ago, it has supported bird conservation activities in Japan and overseas. The fund has been accepting grant applications in three areas in the past few years: grant for bird conservation group activities, grant for community bird activities, and grant for riparian large bird conservation. Every year it awards grants totaling more than 40 million yen to organizations such as NGOs in Japan and overseas.



A pair of Blakiston's Fish Owls that have been observed for many years

## Social Contribution Donation Trusts

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

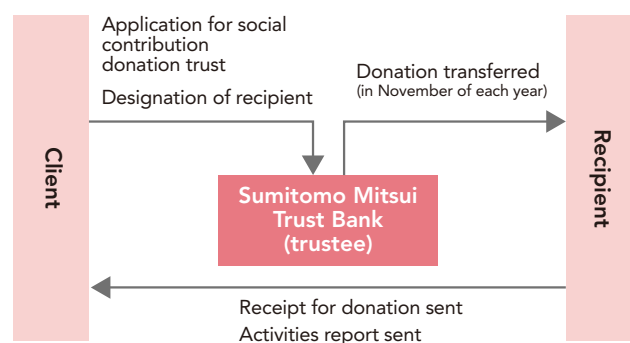
### List of Donation Recipients (as of September 1, 2017)

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

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

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

### Mechanism of Social Contribution Donation Trusts



## Social Contribution Scheme Using Treasury Shares

SuMi TRUST Bank offers trust schemes for companies to donate dividend income from their treasury holdings to public interest foundations etc. as a way to contribute to society. The voting rights with treasury shares placed in such trusts reside with SuMi TRUST Bank.

In fiscal year 2014, SuMi TRUST Bank, in conjunction with Toyota Motor Corp. (trustor) and Toyota Mobility Foundation (beneficiary), commenced initiatives using this scheme. In this case, the dividend income is used for many issues, from narrowing the mobility disparity in emerging nations and activities to promote healthy development of the auto industry to funding cutting-edge technological and systems research in developed markets.

## Trusts for Managing Loaned-Out Shares

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

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

## TOPIC

### Center for iPS Cell Research and Application at Kyoto University

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

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



Human iPS cells

## Designated Donation Trust

Designated donation trusts connect individual clients to public service organizations using trusts, and by administering donations as an intermediary, these trusts serve the purpose of providing ongoing support to public service organizations, and investment returns are exempted from taxation. Clients can receive reports on the content of the

activities of designated recipients.

Along with the scheme in place that enables clients to select from a list of donation recipients, we have also prepared options for clients to exercise full discretion in selecting donation recipients on their own, as in the two cases featured below.

### Case 1

## Doctor Car, Medical Support

Reflecting the hope of a client that wanted to support health care practitioners striving to help people in areas afflicted by the Great East Japan Earthquake and tsunami, People's Hope Japan (PHJ), a specified non-profit organization, was designated as a recipient.

Apart from that, PHJ donated a "Doctor Car\*" to Ishinomaki Municipal Hospital using the donation from the aforementioned client, and funds from designated donation trust (a total of ¥12 million over five years) have been allocated to pay operating and maintenance fees for the Doctor Car.

\*The Doctor Car is a small-size vehicle equipped with hospital devices to enable doctors to provide medical care and conduct medical examinations when making house calls. This vehicle supported the activities of doctors who traveled to see patients that could not visit hospitals because of trying circumstances such as living in temporary housing in disaster zones.

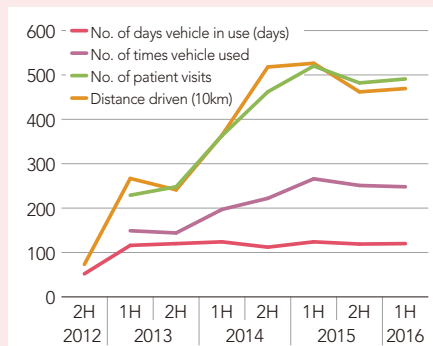


## Social Benefits from Supporting Donation Recipients

As shown in the chart of the right, thanks to the activities of all the medical practitioners who used the Doctor Car, the number of house calls increased sharply and helped to reassure people living in the region.

It is estimated visits by practitioners to the disaster zone yielded social benefits by ensuring patients' opportunities to receive medical care thus helping to maintain the regional medical care system, and contributing to lower social costs in the region from fewer calls to dispatch ambulances.

- Average distance driven per patient visit in kilometers: 10.4 kilometers
- Number of patients visited per month: about 70 people



### Case 2

## Veteran Mama's

Veteran Mama's, a general incorporated association with a base in Minami-soma city, Fukushima Prefecture, conducts projects to increase mental health care, projects relating to suicide prevention, projects to support learning and education, and projects to support counseling for children after disasters have struck. The association invites doctors to disaster sites, holds social gatherings to deepen understanding relating to radioactivity, and organizes daily learning support

and afterschool English classes by instructors.

The donations made to PHJ through designated donation trusts we administer on behalf of clients will be redirected to Veteran Mama's (a total of approx. ¥4.5 million over the next three years) this time.

Through its activities, we hope to restore a sense of stability to children in the disaster area and reduce suicides and social withdrawals among children.



## ESG Consulting in Stock Transfer Agency Services Business

The Stock Transfer Agency Services Business works as an “agent of record for listed companies” provided for in the Companies Act and undertakes stock-related services on behalf of clients. We offer shareholder registry

management services that enable our clients to increase and optimize their administrative efficiency, in addition to serving as a comprehensive provider of consulting services such as the following.

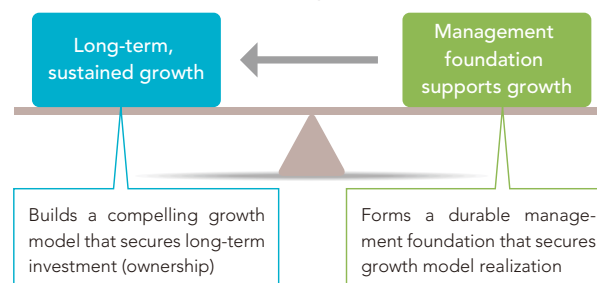
1. Consulting services for matters related to stock and shareholders' meetings to support the administration of stock-related matters for our clients through our abundant practical experience and advanced expertise	3. Consulting on investor and capital strategies to support clients' investor strategies, capital strategies, and public relation activities (IR/SR)
2. IPO consulting services to provide practical support for clients pursuing initial public offerings	4. Consulting on governance enhancement to support clients' efforts to enhance initiatives related to governance

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

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

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

### Points that Appeal to Long-term Investors



### Consulting Offerings on Investor Trends

#### Domestic beneficial shareholder survey

The domestic beneficial shareholder survey covers domestic institutional investors that exist behind domestic trust banks focused on asset management. The survey can be used to select institutions subject to investor meetings on financial results and one-on-one IR meetings, and to build communication toward shareholders' meetings.

#### Foreign beneficial shareholder survey

The foreign beneficial shareholder survey covers overseas institutional investors that exist behind overseas custodian banks. The survey can be used to select destinations to visit for overseas IR, and provides services for promoting the exercise of voting rights ahead of shareholders' meetings.

#### Individual shareholder analysis

We analyze shareholders' registries from the perspective of IR activities. The analysis can be used to understand the current status of individual shareholders for planning IR strategies, measuring the effects of IR/SR activities for individuals, etc.

#### Analysis for exercise of voting rights

We analyze trends in the exercise of voting rights by domestic and overseas institutional investors. The analysis is available as materials for in-house reports and considerations, including predictions on the exercise of voting rights ahead of shareholders' meetings and reviews after shareholders' meetings.

#### Focus Club (for members)

The Focus Club provides information about Japanese stocks investment trends among overseas institutional investors, etc. and their views on corporate governance to IR, administration, and legal sections of member companies.

#### Research on ESG Trends of Major Shareholders

We research trends in ESG initiatives among major shareholders and analyze the impacts of these on corporate issuers.

### Menu on ESG-related Consulting Services

#### ESG Advisory Services

- Latest trend in ESG market, long-term investor perspectives
- Integrating ESG into management, key points in information disclosure, etc.

#### Integrated Report Review Services

- Review ESG information disclosure based on the expert views of preparers and investors, etc.

#### Integrated Report Support Services

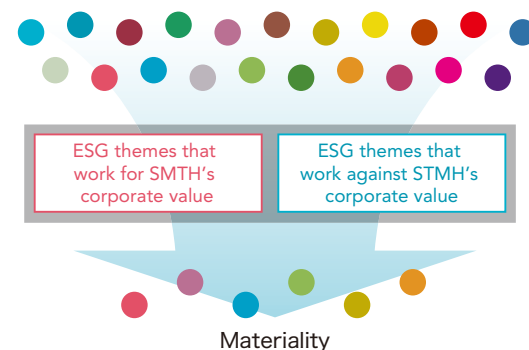
- Support for current status analysis relating to ESG
- Support for value creation process formulation
- Support for identifying materiality, etc.

#### ESG-IR Support Services for Overseas Investors

- Total support for ESG-IR activities from investor targeting to arranging interviews

### Reference Basic Thinking concerning Materiality

ESG themes (themes with high impact on stakeholders)



## Social Contribution as Business Activities

### Support for Animal Welfare activity

There has been increasing demand by consumers and sometimes by laws for due care and consideration in live-stock farming process on top of "Security" and "Safety" of foodstuffs. Animal Welfare ("AW") is the important element which, nowadays, all party involved in food industry must pay particular attention to.

Traditionally, eggs have been produced by layers bread in the small cage, while "Cage Free" system, which is closer to the natural environment and allows hens to move around freely, perch and lay their eggs in a nest box, is growing on a global basis.

SuMi TRUST Bank, in cooperation with Cargill, Inc. and an egg producer based in the United States, provided project financing to build and operate a new "Cage Free" facility that will be able to produce eggs in accordance with the guideline established by United Egg Producers ("UEP"). The facility, in conjunction with the producer's deep bio-security knowledge, is well equipped with epidemic control system to reduce the risk of diseases such as Avian Influenza. Once completed, it is going to be a one of the prominent egg producer in the U.S. with the capacity of

more than three million layers.

The share of cage free egg in the EU, where the AW is most advanced in the world, has already reached to approximately 70%. Along with consumers' increasing attention to AW, such ratio in the U.S. is expected to rise up to 70% by 2025 according to UEP. In fact, a lot of U.S. retailers and restaurants chains have publicly announced its shift to "Cage Free" with concrete milestone. SuMi TRUST Bank is committed to continuously support the AW activities as a one of environmentally and socially responsible residents on the globe.



Breeding process using a "Cage Free" system



Breeding process using a traditional small cage

### Mortgage Security Service against Severe and Chronic Diseases

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

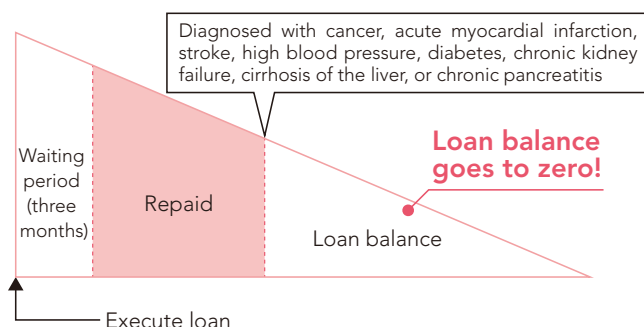
The guarantee service comes with three forms of coverage: one against the eight major diseases, one against the three severe diseases, and the cancer guarantee. Home

mortgage borrowers who are at least age 20 and up to age 45, and those who are age 46 up to age 55 are eligible to select the guarantee option that suits their needs.

These options are the "full-benefit type" that eliminates the loan balance in the event they are diagnosed, and the "half-benefit type" that reduces the loan balance to half. For those clients who are at least age 20 and up to age 45 who select guarantees against either the eight major diseases or the three severe diseases, their guarantee comes with a lump-sum payment in the event they are hospitalized for diseases or injuries not named in their guarantee, i.e., "triple hospitalization security."

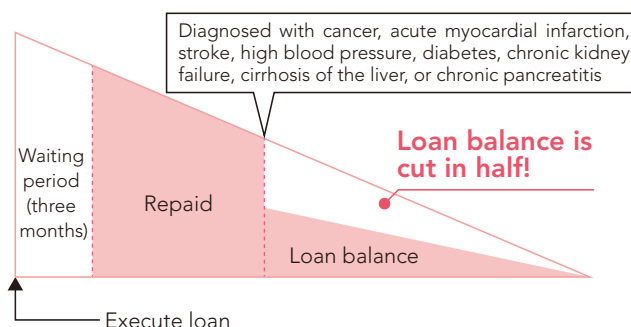
#### Full benefit type

Eliminates the loan balance



#### Half benefit type

Reduces the loan balance to half



## Initiatives to Facilitate Financing

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

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

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

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

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

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

#### ► In the case of SMEs

(Unit: case)

	End of September 2014	End of December 2014	End of March 2015	End of June 2015	End of September 2015	End of March 2016	End of September 2016	End of March 2017
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,086	4,173	4,265	4,314	4,366	4,447	4,511	4,568
Of which, number of loan claims regarding implementation ( ) is the loan ratio	3,772 (92.3%)	3,863 (92.6%)	3,956 (92.8%)	4,006 (92.9%)	4,055 (92.9%)	4,122 (92.7%)	4,181 (92.7%)	4,232 (92.6%)
Of which, number of loan claims regarding refusal ( ) is the refusal ratio	73 (1.8%)	74 (1.8%)	78 (1.8%)	79 (1.8%)	81 (1.9%)	86 (1.9%)	89 (2.0%)	93 (2.0%)
Of which, number of loan claims under examination ( ) is the ratio of claims under examination	41 (1.0%)	32 (0.8%)	17 (0.4%)	11 (0.3%)	10 (0.2%)	9 (0.2%)	5 (0.1%)	2 (0.0%)
Of which, number of loan claims regarding withdrawal ( ) is the ratio of claims withdrawn	200 (4.9%)	204 (4.9%)	214 (5.0%)	218 (5.1%)	220 (5.0%)	230 (5.2%)	236 (5.2%)	241 (5.3%)

\*As of the end of March 2017, the figures include claims regarding trust accounts as follows.

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

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

#### ► In the case of housing loan clients

(Unit: case)

	End of September 2014	End of December 2014	End of March 2015	End of June 2015	End of September 2015	End of March 2016	End of September 2016	End of March 2017
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,557	4,720	4,881	5,010	5,130	5,323	5,567	5,786
Of which, number of loan claims regarding implementation ( ) is the loan ratio	3,729 (81.8%)	3,878 (82.2%)	3,995 (81.8%)	4,087 (81.6%)	4,179 (81.5%)	4,319 (81.1%)	4,474 (80.4%)	4,598 (79.5%)
Of which, number of loan claims regarding refusal ( ) is the refusal ratio	69 (1.5%)	76 (1.6%)	83 (1.7%)	92 (1.8%)	102 (2.0%)	120 (2.3%)	141 (2.5%)	171 (3.0%)
Of which, number of loan claims under examination ( ) is the ratio of claims under examination	84 (1.8%)	69 (1.5%)	73 (1.5%)	69 (1.4%)	56 (1.1%)	50 (0.9%)	49 (0.9%)	67 (1.2%)
Of which, number of loan claims regarding withdrawal ( ) is the ratio of claims withdrawn	675 (14.8%)	697 (14.8%)	730 (15.0%)	762 (15.2%)	793 (15.5%)	834 (15.7%)	903 (16.2%)	950 (16.4%)

\*As of the end of March 2017, the figures include claims regarding trust accounts as follows.

Request: 509, Implementation: 427, Refusal: 18, Under examination: 0, Withdrawal: 64

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



## ESG-themed Initiatives in Our Asset Management Businesses

Corporate activities are having increasing impacts on the environment and communities, and it has become increasingly important to respond through supply chains to such environmental and social problems.

The Group integrates ESG perspectives into asset management and carries out ongoing dialogue with investee companies, and it strives to create positive impacts toward SDGs for each related sector.

**SUSTAINABLE  
DEVELOPMENT  
GOALS**

## ESG Investment Initiatives

As a “responsible institutional investor,” SuMi TRUST Bank strives to manage stocks and bonds in ways that take into account ESG information as a factor that affects corporate value via medium- to long-term business opportunities and risks, in addition to financial information such as corporate earnings that affects near-term share price trends. We regard stewardship activities such as engaging with companies and exercising voting rights as vital to addressing ESG challenges.

ESG challenges not reflected in financial information are the challenges in non-financial domains, which may give a significant impact on corporate value over time. We believe the Bank’s responses to ESG challenges lead to upside potential while limiting downside risk over the medium- and long-term, and actively responding to ESG challenges will enable us to meet our responsibility to expand investment returns for our clients, one of our stewardship responsibilities.

### 1. Milestones in the Bank’s ESG Activities

Amid the rapid global increase in ESG investment, the Bank is actively promoting initiatives on a host of ESG-related issues and advancing activities which contribute to the interests of its clients.

We ramped up our ESG activities in earnest from 2003, when we launched a Japanese equity SRI fund. The Bank has been a signatory to the Principles for Responsible Investment (PRI) since PRI’s launch in May 2006. Our PRI initiatives are

based on the latest trends, with policies we have formulated and put into place based on the six PRI principles.

In April 2015, as a mechanism for looking carefully at the earnings power of companies, we introduced MBIS®, an in-house developed tool for analyzing and evaluating ESG and other non-financial information. We also launched a “quality growth” Japanese equity fund, which harnesses MBIS® as a driving force of corporate engagement.

### Milestones in the Bank’s ESG Activities

<b>2003</b>	Launched a Japanese equity SRI fund for corporate pensions, the first of its kind in Japan
<b>2004</b>	Launched a SRI fund for defined contribution pension plans
<b>2006</b>	The Bank became a signatory to the Principles for Responsible Investment (PRI)
<b>2008</b>	Launched a SRI fund with a major public sector mutual aid association
<b>2010</b>	Launched a Chinese equity SRI fund as a publicly offered investment trust
<b>2014</b>	Declared acceptance of Japan’s Stewardship Code
<b>2015</b>	Introduced MBIS®, a tool for evaluating non-financial information Launched a “quality growth” Japanese equity fund Started factoring ESG concepts into business risk evaluations for corporate bond management Awarded an Outstanding Prize*1 in 2015 Sustainable Finance Awards*2
<b>2016</b>	Awarded an Outstanding Prize for second consecutive year in 2016 Sustainable Finance Awards*3
<b>2017</b>	Declared acceptance of Japan’s revised Stewardship Code and established the Stewardship Activities Advisory Committee and Stewardship Development Department

\*1 ESG integration into active domestic equity investment

\*2 Research Institute for Environmental Finance (RIEF) selects award recipients for its annual Sustainable Finance Awards program

\*3 Global engagement activities based on international norms and rules



## Active Involvement in Principles for Responsible Investment (PRI)

Principles for Responsible Investment (PRI), developed in a process convened by the United Nations (UN), encourages institutional investors to incorporate environmental, social, and governance (ESG) factors into investment decision-making processes. Since the Bank became a signatory to PRI in May 2006, it has devised policies in accordance with the six principles and implemented initiatives based on the latest PRI-linked trends. The PRI assessment team evaluates reports from signatories on their commitments relating to the six principles and progress in meeting them on a scale ranging from A+ (the highest possible score) to E (the lowest). As shown in the table below, the Bank received an A+ for a third successive year for the comprehensive assessment category, while receiving favorable scores on the whole. We will strive to improve our score in areas such as ESG integration into fixed-income investment.

### The Bank's Annual Assessment by PRI

		2017
Overall Approach to PRI (comprehensive assessment)		A+
Listed Equity—PRI Incorporation		A+
Listed Equity—Active Ownership		A
	Engagement	A+
	Proxy voting rights	B
Fixed Income—PRI Incorporation		C
	Government bonds	C
	Corporate bonds	B





## 2. MBIS®: Our Non-financial Information Evaluation Tool

To closely assess the basis for sustainable growth at investee companies, the Bank collects non-financial information (ESG information) that does not often appear in quantitative financial information such as the scale and sustainability of value added from services and products companies supply, their governance systems, which support the provision of added value, and their degree of impact on society and the environment, which are the foundations of sustainable growth. We tabulate this data for analysis and evaluation.

Drawing on these kinds of non-financial information, our in-house developed MBIS® tool is a framework we use to evaluate the strengths companies bring and the challenges

they face in achieving sustainable growth.

M is for “management,” B is for “business franchise,” I is for “industry,” and S is for “strategy.” Evaluation of a company’s ESG initiatives is included in “M,” whereas evaluation of the net contribution to income generation and new business creation from ESG is included in “S.”

ESG initiatives are evaluated based on the seven core subjects of ISO26000, an international standard that offers guidance on social responsibility developed by the International Organization for Standardization. Through ISO26000, we strive to ensure ESG initiatives are aligned with Sustainable Development Goals (SDGs).



MBIS® is a tool which our highly experienced analysts in the Investment Research Department provide. MBIS® score is the aggregate of the scores granted for each of M, B, I, and S subjects. Each of M, B, I, and S subjects is based on a comprehensive set of items to check we developed for forming an in-depth understanding of the strengths companies have and the challenges they face. In cases where the score granted reflects an outsized impact from specific items linked to strengths or challenges, it is possible to derive a score based solely on evaluation of those items alone.

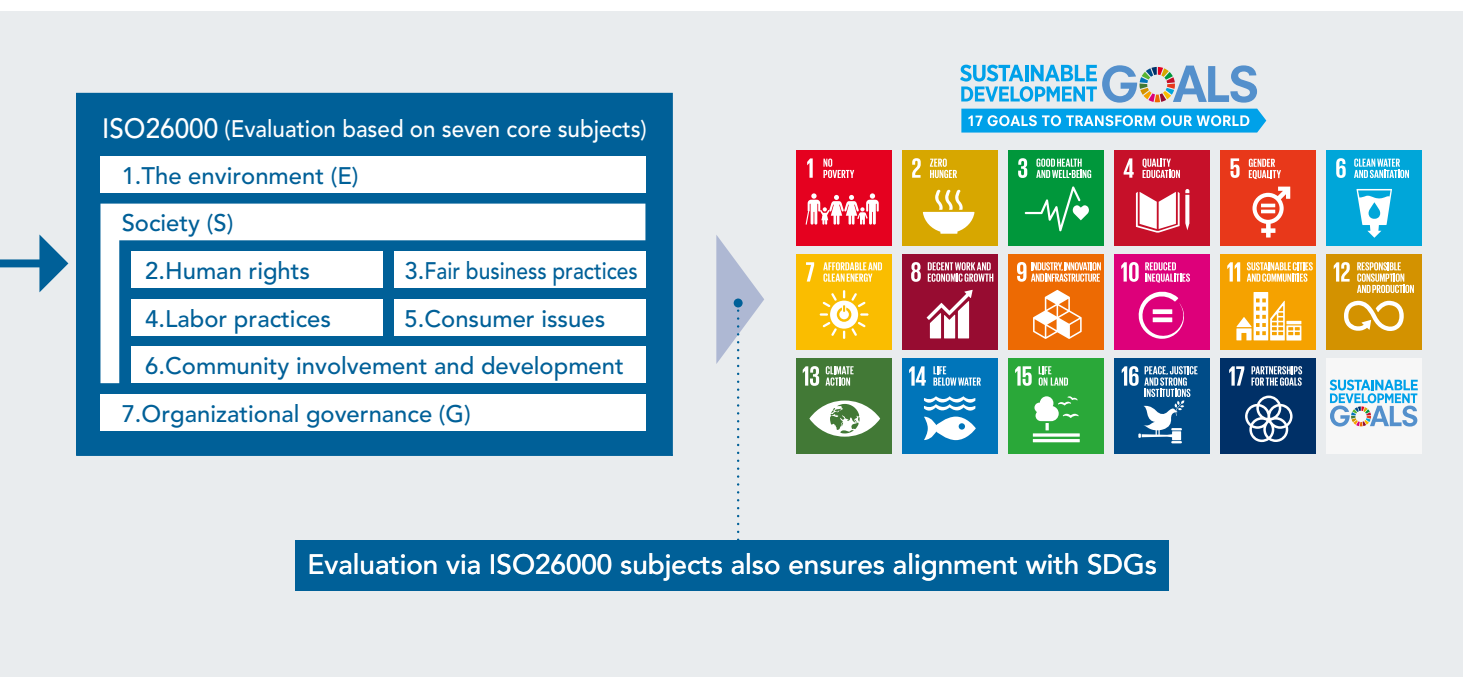
The purpose of MBIS® is to enable analysts to form an in-depth understanding of the strengths companies bring and the challenges they face in transitioning to sustainable growth, and it is to ensure analysts do not lose sight of specific items linked to strengths and challenges amid their evaluation of other items.

In order to improve MBIS® we perform appropriateness verifications of MBIS® scores via regular monitoring, as well as regular reviews and updating of MBIS® check items based on discussions with external experts and other consultants.

## Application of SDGs in ESG Investment

The Sustainable Development Goals (SDGs) are global goals listed in the 2030 Agenda for Sustainable Development, which were adopted at a United Nations Summit in 2015. The SDGs are derived from the purposes and principles of the UN Charter, including recognition of the importance of international law, for responding directly to ESG challenges on a global scale. SDGs are composed of 17 goals with 169 targets for realizing a sustainable planet.

The SDGs call on all businesses to apply their creativity and innovation to solve sustainable development challenges, and awareness of the SDGs among companies has been growing. The Bank has adopted SDG concepts into MBIS® with the understanding they will facilitate sustainable growth and future business opportunities for companies. With the 17 goals in mind, we are engaging with companies.



### 3. ESG Integration

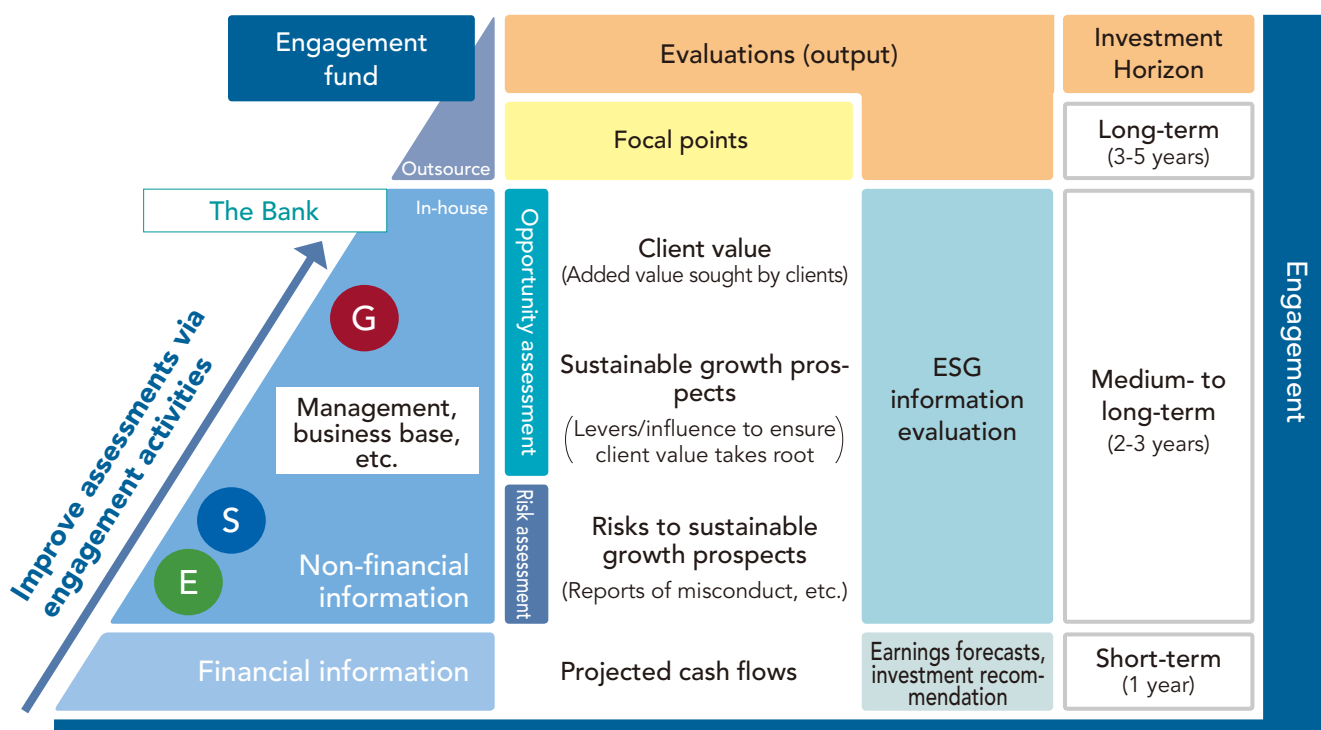
In addition to the normal schedule of financial disclosures released over the fiscal year, we also use ESG information (non-financial information) in our process of evaluating investee companies. While financial information such as earnings reports are important in the short-term in evaluating companies as investments, we think assessments relating to the sustainable growth prospects of investee companies are important in the medium- to long-term.

As a result, with the aim of identifying ways to improve and support sustainable earnings at investee companies, we gather ESG information such as how much value added derives from the products and services of companies and whether this value added is sustainable, and the resilience of their governance systems, which support the provision of added value. We assess this ESG information with MBIS®, our in-house developed non-financial information

evaluation tool and apply our analysis to stock selection as a way to improve active returns on equity investments while reducing downside risk.

This is the Bank's approach to ESG integration. We commenced application of this strategy in 2015, and all our actively managed domestic equity funds now factor in ESG considerations. In addition, some of our actively managed domestic fixed income funds also apply this kind of approach (total assets under management in this category using this strategy stands at about ¥2.4 trillion).

The way ESG ratings are applied differs according to the investment style of each fund. In equity investments, for example, ESG ratings are used for screening in the selection of stock universes, or they can be used to narrow down stocks deemed investable.



## SRI Fund: Flagship Japanese Equity Responsible Investment Fund

One of the oldest socially responsible investment funds in Japan, SRI Fund was launched in 2003. With a focus on ESG in selecting investment stocks, the fund takes into account the degree of contribution from ESG to improving financial returns. Its defining features are the knowledge of our SRI fund management team, and its use of basic research performed by the Japan Research Institute (JRI).

JRI, one of the most influential think tanks in Japan, selects “best-in-class” companies as candidates for its SRI universe using a survey it conducts covering 2,000 companies. The evaluation consists of E (environmental), S (social), and G (governance) themes, and since fiscal year 2013, V (Value, or valuation of growth prospects) theme has

been added. The V evaluation links the contribution of ESG initiatives to a company's earnings.

We exclude companies with high credit risks from the list of SRI universe candidates selected by JRI. A monthly committee, chaired by the General Manager of the Equity Investment Department, decides candidate stocks for our SRI universe. Fund managers evaluate stocks among our SRI universe based on 1) valuation of the growth prospects of prospective investee companies stemming from ESG initiatives, and 2) equity valuation and earnings momentum derived from the earnings forecasts of our Japanese stock analyst teams. The SRI Fund seeks excess returns versus the benchmark TOPIX.

## Quality Growth Japanese Equity Fund (Research, ROE Improvement)

With a focus on the earnings power of companies, the “quality growth” Japanese equity fund (Japan Quality Growth Fund), which we launched in 2015, holds a portfolio concentrated in stocks expected to achieve sustained ROE improvement based on company analysis using MBIS®, which harnesses non-financial information.

The fund's approach is focused on business margins, an ROE composition factor, and for stock selection purposes, the fund assesses companies likely to realize earnings growth on the two factors of client value and sustainable growth prospects. ROE improvements that derive from

shrinking the capital base are short-lived, so the fund focuses on improvements that come from expanding earnings (improving earnings power).

The share prices of companies with consistently high ROE outperform the market. The fund selects companies where we expect ROE to improve driven by earnings growth from top-line growth.

The fund applies quantitative and qualitative screenings on stocks in our analyst coverage in an investment process designed to enable our fund managers to ultimately construct a portfolio of 20-50 stocks.

## Fixed Income Investment and ESG Integration

In our process of selecting corporate bonds for investment, we apply our internal ratings to form our own judgments about creditworthiness in evaluating the creditworthiness of relevant companies.

Our internal ratings determine creditworthiness based on a quantitative model that focuses on scale, financial composition, earnings power, and repayment capacity,

which has high predictive power for credit ratings. In addition, we add a qualitative judgment that addresses concerns our quantitative model cannot.

We strive to implement ESG integration into fixed income investment by embedding ESG concepts into our business risk evaluations, which are an important element in qualitative judgments.



## 4. Guidelines for ESG Challenges (ESG Guidelines)

### Our Guidelines

Institutional investors have an important role to play in putting global ESG challenges into the spotlight and encouraging improvements. One aspect of this role is performing accurate analysis of non-financial information concerning investee companies and identifying ESG challenges and risks that they may face in the future. On this basis, global institutional investors should regard as a vital priority the implementation of activities that encourage companies to improve their responses to such challenges and issues.

As a “responsible institutional investor” that embraces Japan’s Stewardship Code and a signatory to the Principles

for Responsible Investment (PRI), the Bank actively seeks to work with investee companies on ESG challenges via engagement and the exercise of voting rights. Through efforts to promote solutions to challenges and issues, we aim to facilitate sustainable growth for companies and society as a whole.

Based on this viewpoint, the Bank has formulated the following ESG guidelines. Our guidelines respect the basic framework that has been ratified internationally and are based on the principles in the UN Global Compact (shared recognition).

### Full Text of the Bank’s ESG Guidelines (Environment)

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

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

The Bank expects companies to clearly articulate to shareholders their policies and guidelines for fulfilling the obligations that derive from their responsibilities for the impacts on the environment. The Bank expects companies to prevent or minimize environmental impacts and strive to develop and disseminate technologies that encourage environmental preservation.

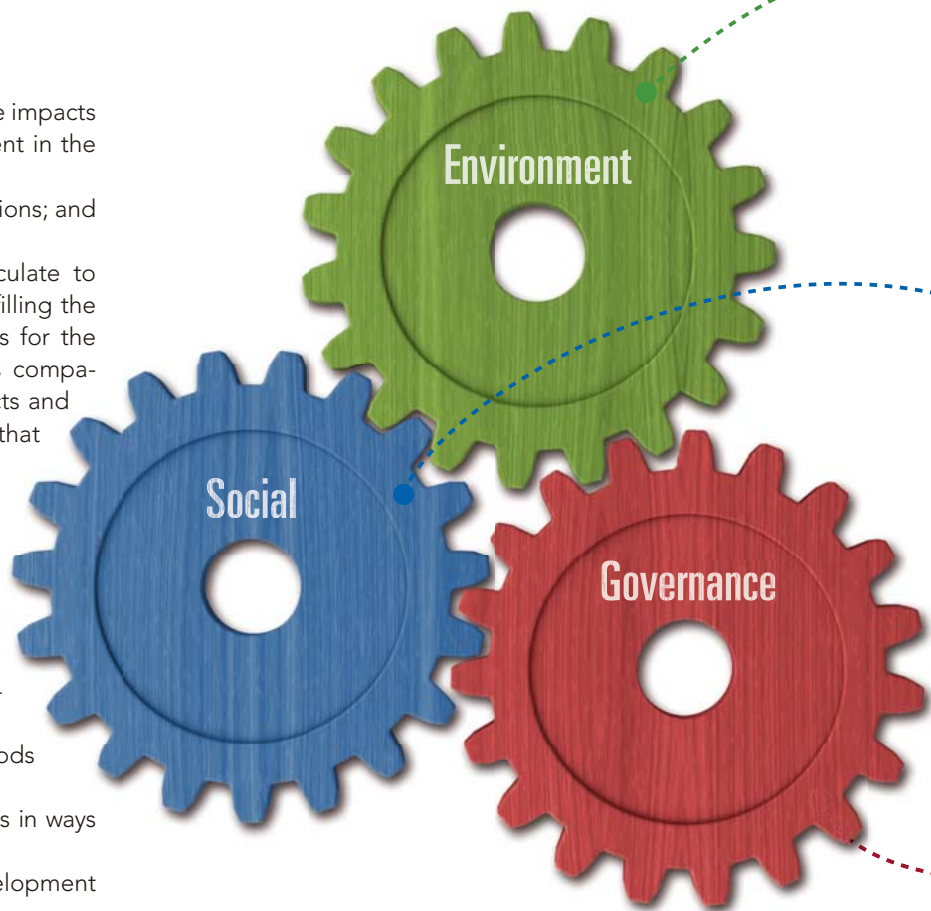
### (Social and Labor)

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

- 1) Adhere to all labor laws and regulations;
- 2) Ensure proper procedures are followed to maintain sound labor standards;
- 3) Prescribe health and safety management methods and make sure they are adopted into practice;
- 4) Provide employment opportunities to employees in ways that are fair;
- 5) Prepare plans and policies relating to self-development and training;
- 6) Recruit highly capable employees and encourage them to follow the policies and direction the company sets; and
- 7) Adopt measures to ensure internationally recognized human rights are not violated, and establish guidelines on order placement and suppliers for countries where the risk of human rights violations is high.

The Bank does not tolerate human rights violations by

companies. Companies are expected to observe to international labor standards and provide safe and sound work environments for their employees. In particular, we think it is important for companies to prohibit discrimination in employment, prohibit child labor, eradicate forced labor, and ensure the collective bargaining rights of labor.



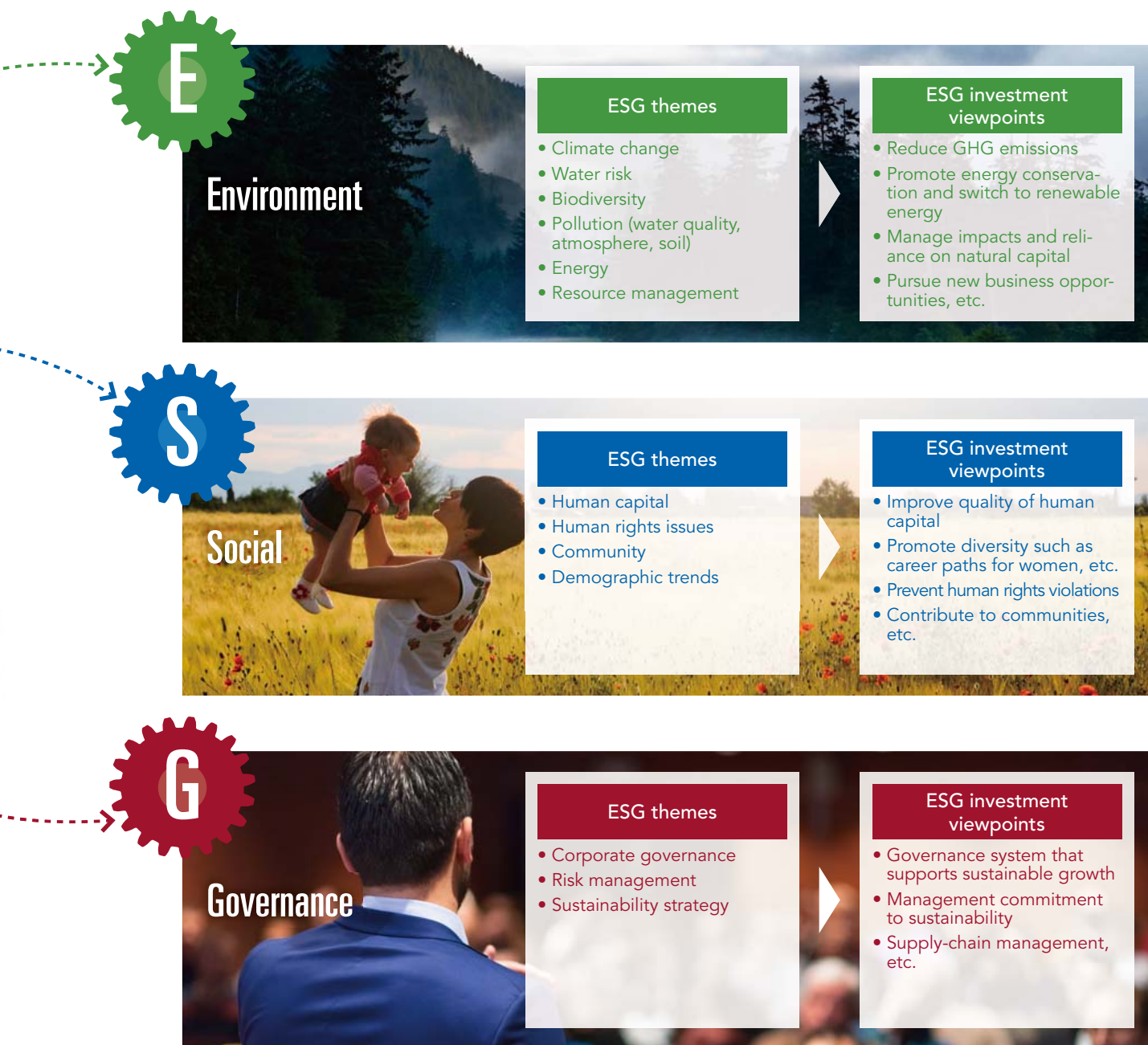
## (Governance)

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

1) endeavor to prevent all forms of corruption, including bribery and extortion; and

2) uphold business ethics and observe internationally accepted norms of morals, and work to ensure their image and reputation are not harmed.

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



## 5. ESG Engagement around the World

Based on our aforementioned ESG guidelines, the Bank conducts a variety of engagements on ESG challenges with companies around the world.

In Japan, our highly experienced research analysts and the specialists in the Stewardship Development Department conduct their own engagements with companies, and we also intend to make effective use of collective engagement through the Institutional Investors Collective Engagement Forum (IICEF) to encourage investee companies to improve their response to ESG challenges.

Overseas, we have specialists who conduct their own engagements, and the Bank also carries out initiatives harnessing a variety of international frameworks.

### Climate Change and Engagement

The Bank conducts engagements, calling on companies to disclose information on climate change challenges and assess climate-related risks. The Bank calls on energy companies and electricity utilities, where climate change is expected to have large impacts on shareholder value, to make disclosures on governance, strategy, risk management, and risks and opportunities required by the Task Force on Climate-related Financial Disclosures (TCFD).

#### Promotes Disclosures on Water Risk and Forest Resources-related Information at Investee Companies via CDP Participation

Carbon Disclosure Project (CDP) is an international non-governmental organization (NGO) that enables institutional investors to coordinate their efforts to call on companies to disclose environmental information such as their climate change strategies. CDP started out focused mainly on climate change but has since added water risk and forest resources as new themes, and these three themes are now the primary domains of its activities. In CDP's 2017 survey, of the 1,461 companies to which it sent questionnaires on water risk, 764 companies

responded, and of the 838 companies to which it sent questionnaires on forest resources, 211 companies responded. While response rates remain low, they are gradually increasing.

The Bank participates in CDP, and uses information CDP discloses in its ESG engagements and asset management processes. Through working groups on palm oil and water risk of PRI in which the Bank is a member, we strive to promote engagement on these issues with investee companies based on CDP survey results.

#### Participation in Climate Action 100+

The Bank has become a member of Climate Action 100+, a five-year initiative that commenced in December 2017 to urge companies through a joint-engagement effort to reduce greenhouse gas emissions. This initiative is based on TCFD, brings together partner organizations such as PRI and CERES in a collaborative engagement effort with the listed world's top 100 greenhouse gas emitters, requiring climate-related information disclosure. Responsible for the Asia-Pacific region, the Bank is engaging with Japanese companies in this effort (see page 14).

### Natural Capital and Engagement

Natural capital is one of the six capitals on which legal corporations and other organizations depend in creating value. In the abstract, natural capital is defined as all the renewable and non-renewable environmental resources and processes that enable the provision of goods and services that are the basis of the past, present, and future success of organizations. In concrete terms, natural capital as a concept includes air, water, soil, mineable minerals, forests, biodiversity, and healthy ecosystems.

Human life is made up of natural capital and the ecosystem services it provides. We thus feel wise use of natural resources which make up natural capital over the long run goes beyond mere environmental conservation. It extends to putting communities on a solid social foundation to enable sustainable economic development. In contrast, like the impacts arising from climate change, the destruction of natural capital results in negative external economy effects.

The Bank urges investee companies in its engagement

to devise policies and guidelines on the state of their natural capital use and risks, including supply chains, and asks them to control risks from a long-term perspective.

#### Engagement based on International Norms and Rules

For corporate conduct we determine is in need of correction in light of international norms such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises, the Bank collaborates with the responsible investment team at ISS-Ethix\* to engage with investee companies in a discussion toward resolving such issues and verifying their implementation of countermeasures. This investment strategy is aimed at unlocking and increasing latent value by resolving problems at investee companies. We seek to promote progress based on the view that the global stock market is a microcosm of the international community (see page 27).

\*Institutional Shareholder Services Inc., a leader in proxy voting advisory services, acquired Sweden-based Ethix SRI Advisors and renamed it ISS-Ethix, to provide ESG-related advisory services.

## Engagement on Social Issues and Human Rights

With corporate activities growing on a global scale, markets are making the issues facing an increasingly borderless international community more complicated, and so how companies are run has multiple impacts. In step with the globalization of business, companies are facing increasing pressure to address social issues and human rights beyond the workplace, where they have focused to date, to encompass concerns such as human rights issues in their supply chains and the rights of local communities. As an international community-led initiative, the UN Human Rights Council endorsed the UN Guiding Principles on Business and Human Rights in 2011, setting expectations for how companies ought to think about their involvement in addressing the impact of businesses on human rights.

### The Group's Policy on Initiatives Involving Human Rights

Under the "Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)," the Group respects the values of diversity and human rights for individuals in all its corporate activities and rejects unjustifiable acts of discrimination in all its activities. To ensure the execution of the aforementioned basic policy, the Group formulated in December 2013 its human rights policy, which serves as a standard for acts and judgments concerning human rights.

Based on the aforementioned policy, the Bank not only seeks to steer clear of activities and cases in its corporate endeavors that directly raise concerns about human rights violations, social issues, and inhuman conduct but also strives to avoid risk in its supply chain, and thus seeks compliance with related laws, regulations and standards.

## TOPIC

### Engaging Companies Involved with Anti-personnel Mines and Cluster Bombs

The issues of anti-personnel mines and cluster bombs are being addressed on an international level and from a humanitarian viewpoint. These weapons undermine peace and stability, and disrupt recovery and development in affected regions. To avoid aiding companies involved in such businesses, an effort by the global financial industry to end their access to financial services such as loans and investment banking services and end investment in their stocks and bonds is gathering steam as a way to discourage production of these weapons.

The Bank actively engages with companies\* producing cluster bombs to urge them to stop production, and it publicizes its actions. For example, the Bank continued to engage

with Textron, a U.S.-based manufacturer of cluster bombs to urge it to stop production, and after Singapore Technologies Engineering declared its intent to exit this business in November 2015, Textron also declared its withdrawal in August 2016. A Dutch NGO maintains a list\* of financial institutions that ban loans and investment in businesses involved in cluster munitions, and in recognition of our efforts, the Bank was included in the runners-up list (46 companies)\* as the only domestic financial institution to make the cut.

\*We reference the aforementioned list of companies maintained by Dutch NGO PAX CHRISTI in a report series entitled "Worldwide Investments in Cluster Munitions: a shared responsibility."

## Engagement relating to Diversity Initiatives

Companies that are active globally need to work to bolster their competitiveness by recruiting and harnessing capable people regardless of their ethnicity or gender. In corporate governance, this trend can be seen in many nations in membership diversity on corporate boards, and increasingly there are calls around the world for companies to promote diversity on their boards. In concert with this trend and relevant laws, regulations and norms, the Bank has strengthened engagement initiatives globally to promote diversity, with a particular focus on appointing female directors to boards.

In countries such as France, the Netherlands, and Norway where there are clear laws, regulations and norms\*<sup>1</sup> on gender diversity quotas, the Bank confirms progress toward target ratios for female representation on company boards through materials such as disclosure reports and materials prepared for general shareholders meetings. In France, quotas aim that at least 40% of board members to be female by 2017 against a ratio of 34.4% as of 2016\*<sup>2</sup>.

In contrast, normative frameworks are not in place in the United Kingdom and United States, so this kind of efforts

relies on voluntary initiatives such as organizations that promote new initiatives at companies to boost female representation on boards. In the United Kingdom, the "30% Club" promotes gender diversity on boards, and in nine countries led by the United States, the "Thirty Percent Coalition" does the same. The 30% Club was launched in 2010 with the aim of increasing female representation on the boards of FTSE100\*<sup>3</sup> companies to at least 30%. Founded after the 30% Club, the Thirty Percent Coalition is committed to promoting female empowerment in the workplace, including the goal of increasing female representation on company boards to 30%.

The Bank became a signatory to these two initiatives in February 2017. Through these activities, we conducted a total of six engagements from April to September 2017. The Bank plans to further increase its activities in this field in the years to come.

\*1 Nations that make attaining quotas for female board appointments (or efforts) mandatory.

\*2 European Women on Boards, Gender Diversity on European Boards, 2016

\*3 FTSE100 Index is seen as representative of large-cap companies listed on the London Stock Exchange.



## ESG-themed Initiatives in Our Real Estate Businesses

In step with socio-economic development, building energy use continues to be a source of global warming, and environmental destruction such as biodiversity loss caused by urban expansion has grown. The Group aims to promote and expand environmentally friendly real estate in areas such as energy efficiency, cities and buildings with high resource efficiency, and buildings that contribute to improved production efficiency. We will continue to promote initiatives that contribute to raising real estate value through attributes such as high environmental performance that improve income and reduce risk.



## Value Creation Process in Environmentally Friendly Property

It is generally believed that adopting environmentally friendly property into corporate activities will improve the value of company-owned real estate and may even foster improvements in corporate value. SuMi TRUST Bank provides various businesses relating to adopting

environmentally friendly property drawing on a network with cutting-edge knowledge and know-how as a pioneer in environmentally friendly property on top of its business foundation based on substantial expertise in the real estate business.



## Fundamentals Driving the Shift to Environmentally Friendly Property

The Paris Agreement was adopted in December 2015 at the 21st Conference of Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), and came into effect in November 2016. As a ratifying nation, Japan is expected to bolster its environmental regulations.

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

Global investment and financial sectors recognize that addressing global environmental problems is essential. More than 1,500 institutions in the United States and Europe have become signatories to the Principles for Responsible Investment (PRI), a United Nations-led global platform for investment that factors in environmental, social, and governance (ESG) issues, since its launch in 2006. Under the United Nations Environment Programme Finance Initiative (UNEP FI), more than 200 financial institutions based in Japan and overseas, including banks, insurers, and brokerages, are

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

Used for investment decision-making, Global Real Estate Sustainability Benchmark (GRESB) was created in 2009, mainly for a group of large pension funds in Europe, to measure sustainability performance in the real estate sector. In 2017, 53 companies in Japan participated in the GRESB assessment. Of those, 34 were real estate investment trusts (REITs) that together comprise about 85% of Japan's total REIT market capitalization.

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

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

## Business Foundation of SuMi TRUST Bank

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

SuMi TRUST Bank has proposed many ideas relating to environmental real estate, with a focus on showing how environmental performance can create added value in ways that

are readily understandable. The efforts to raise awareness on this topic go back to a paper we published in 2005 on the added value created by environmentally friendly property.

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

### Real Estate Business Foundation Based on Advanced Expertise

#### Real Estate Brokerage, Consulting Function

- Real estate brokerage (individuals/corporate)
- Real estate consulting (Japan/overseas)
- Real estate investment management (Japan/overseas)

#### Real Estate Asset Finance Function

- Non-recourse loans for funds (Japan/overseas)
- Finance arrangement for J-REITs
- Equity investments for funds (principal)

Balance of non-recourse loans ¥2.3 trillion\*2  
(including corporate bond types and REITs)

SuMi TRUST Bank  
"The Trust Bank"  
Real Estate-related Earnings  
About  
¥52.5 billion\*1

#### Real Estate Custody Function

- Entrusted real estate trusts
  - Asset custody and general administration (accounting administration, institutional operation)
- Balance of entrusted real estate trusts: No. 1 among Japanese trust banks\*2
- Investor registry management  
Asset custody  
General administration (accounting)  
General administration (institutional operation)

No. 1  
share\*3  
in services  
for J-REITs

#### Real Estate Management Function

- Management services for privately placed funds (Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.)
  - Fiduciary asset management services (pension funds, etc.)
- Group companies
- Asset management services for listed REITs (Mitsui & Co., Logistics Partners Ltd.)

\*1 Fiscal year 2016 earnings (aggregate sum at Group companies)

\*2 As of March 31, 2017

\*3 As of April 1, 2017 (number of services entrusted)

### Main Initiatives as a Pioneer in Environmentally Friendly Property

#### [Inception]

A commemorative paper entitled "A Note on Environmental Value Added for Real Estate" for the 10th anniversary of Tokyo Association of Real Estate Appraisers received grand prize in 2005 (see page 64).

#### [Organizing Study Groups]

- Lead organizer of a sustainable real estate study group since 2007; released results of studies in 2009 and 2015
- Lead organizer of a smart city study group since 2013; released results of studies in 2016

#### [Initiatives linked to UNEP]

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

#### [Initiatives related to CASBEE]

- Lead organizer of subcommittee examining CASBEE property appraisal since 2007; launched "CASBEE for Real Estate" certification system in 2013 (see page 60)

#### [Initiatives related to Real Estate Appraisal and Evaluation]

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

#### [Initiatives with National and Local Authorities]

- Member of a MLIT-sponsored study committee on the promotion and spread of environmentally friendly property since 2012; the committee launched in 2008
- Member of Tokyo metro government's low carbon partnership committee for small and medium-sized buildings since 2015; the committee launched in 2012 by the Tokyo Bureau of Environment
- Member of Smart Wellness Office Research Committee, sponsored by Japan Sustainable Building Consortium; announced results of a study on economic impact of buildings with CASBEE evaluations in 2015 (see page 65).

Orienting Businesses to Promote Environmentally Friendly Property

## Business Lineup for Environmentally Friendly Property

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

#### Initiatives related to CASBEE for Real Estate

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

CASBEE for Real Estate can be also used for GRESB assessment (see page 57), so use of this track is spreading, especially among REITs and real estate companies that are sensitive to sustainability concerns.

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

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

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

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

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

\*3 O&M: operation and maintenance

#### Consulting to Support Applications for CASBEE for Real Estate Certification

SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification. CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

#### Problem Discovery and Proposals for Improvement via CASBEE for Real Estate

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

bolstering environmental performance.

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

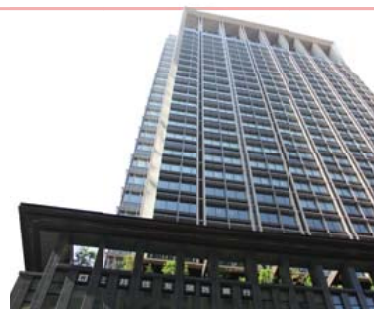


A CASBEE evaluation sheet

#### TOPIC

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

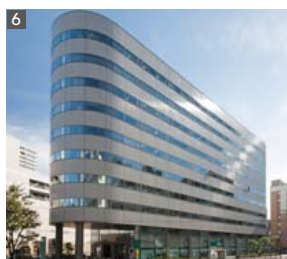
CASBEE for Real Estate had widen its applicable scope to include commercial properties and logistics facilities from its original focus on office buildings so as to broaden the range of properties eligible for this certification, and since December 2016 this certification has become applicable to sectional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





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

Owners	Property	Rank	Certification date
Isetan Mitsukoshi Holdings	<b>1</b> Isetan Shinjuku Main Store	S	2016/3/4
	<b>2</b> Mitsukoshi Nihonbashi Main Store	S	2016/3/4
	<b>3</b> Mitsukoshi Ginza Store	S	2016/3/4
Tosei Corporation	<b>4</b> Toranomon Tosei Bldg.	A	2015/9/26
Premier Investment Corporation	<b>5</b> Premier Kaigan Bldg.	A	2015/8/7
	<b>6</b> Urbanet Omori Bldg.	S	2017/3/27
Japan Retail Fund Investment Corporation	<b>7</b> Aeon Mall Musashimurayama	S	2015/2/27
	<b>8</b> Ario Otori	S	2017/2/27
Activia Properties Inc.	<b>9</b> Luogo Shiodome Bldg.	S	2016/3/17
	<b>10</b> Osaka Nakanoshima Bldg.	S	2016/11/25
AEON REIT Investment Corporation	<b>11</b> Aeon Mall Yamatokoriyama	S	2017/3/15
DREAM Private REIT Inc.	<b>12</b> Kobe-Minato Warehouse	S	2017/3/10
Industrial & Infrastructure Fund Investment Corporation	<b>13</b> IIF Kyotanabe Logistics Center	A	2017/6/16



## 2. Construction-Phase Support for Environmental Considerations

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

We offer advice relating to factoring in environmental

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

### Examples: Construction-phase support for environmental considerations

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

\*1 Selected for the MLIT-led “leading projects” program for sustainable buildings.

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

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

sustainable buildings (see page 62) and by the Ministry of Economy, Trade, and Industry (METI) for the “net zero energy building” experimental pilot program.

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



### Case Study A

## Shimane Bank's New Head Office

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

(Selected for the “leading projects” program for sustainable buildings; this was formerly known as the 2014 No. 1 “leading projects for promoting CO<sub>2</sub> reduction” program for housing and buildings)

### 3. Assistance to Help Subsidy Applicants Qualify

#### What Is the MLIT-led “Leading Projects” Program for Sustainable Buildings?

The “leading projects” program, led by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), accepts applications for subsidies from construction and renovation projects that show outstanding initiative in realizing CO<sub>2</sub> reductions with major potential repercussions for areas such as regional cities.

The program grants subsidies up to one half of the

budget for construction and other costs of pioneering initiatives. The average per-project subsidy (budget) has trended in the range of 200 million yen.

Recipient projects are announced by MLIT and published on the Building Research Institute website. Recipients are given an opportunity to present their projects at the time of selection as well as post-completion.

#### “Leading projects” program\*<sup>1</sup> for sustainable buildings: Number of applications, recipients, and budget amounts

Fiscal year	Applications	Recipients	Budget
2008	155	20	5 billion yen
2009	84	33	7 billion yen
2010	91	27	Included in 33 billion yen for projects promoting the environment and use of stock real estate
2011* <sup>2</sup>	74	24	Included in 16 billion yen for projects promoting the environment and use of stock real estate
2012	92	25	Included in 17 billion yen for projects promoting the environment and use of stock real estate
2013	42	21	Included in 17 billion yen for projects promoting the environment and use of stock real estate
2014	28	17	Included in 22 billion yen for projects promoting the environment and use of stock real estate
2015	37	21	Included in 6.1 billion yen for projects promoting the environment and use of stock real estate
2016	20	14	Included in 10.9 billion yen for projects promoting the environment and use of stock real estate

\*1 Projects that promote CO<sub>2</sub> reduction

\*2 Figures for fiscal year 2011 exclude the third round, a section for specified disaster-afflicted zones. (Source: MLIT)

#### Initiatives of SuMi TRUST Bank Involving the “Leading Projects” Program for Sustainable Buildings

SuMi TRUST Bank also provides consulting services to assist in preparing proposal applications with project selling points and highlights for the MLIT-led “leading projects” program for sustainable buildings.

\*Our consulting service does not guarantee applicants will be granted subsidies under the “leading projects” program for sustainable buildings.



#### Case Study B

#### Toranomon 2-10 Project

Hotel Okura Tokyo’s main building, which opened in 1962, will be re-developed with new functions as part of a project that will include office space suitable for a global business hub. The project’s multiple towers will be powered with an efficient energy system that achieves area-wide and 3D linkages, while the district-wide development scale enables us to create open green spaces that form cool spots and wind corridors and connect with green networks of neighboring districts. In conjunction with other large redevelopment projects underway at adjacent sites, the project will contain complementary functions to bolster local disaster preparedness.

(Selected for the 2015 No. 2 “leading projects” program for sustainable buildings)



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

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

\*See METI’s website for details.

To realize smart towns and cities, it is necessary to create economic value added commensurate with higher costs while establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues for the city or town.

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

### Concept Diagram for Making the Value of Smart Towns Visible



### Case Study C

## Fujisawa Sustainable Smart Town

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

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

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

This project is also praised for its community-wide comprehensive CO<sub>2</sub> reduction efforts together with town management. It was selected for subsidies under the MLIT-led “leading projects” program for sustainable buildings (formerly known as the 2013 No.1 “leading projects for promoting CO<sub>2</sub> reduction” program for housing and buildings).





## Delivering Value

### 1. Added Value of Environmentally Friendly Property <sup>1</sup>

#### —Added Value Derives from Property Profitability

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

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

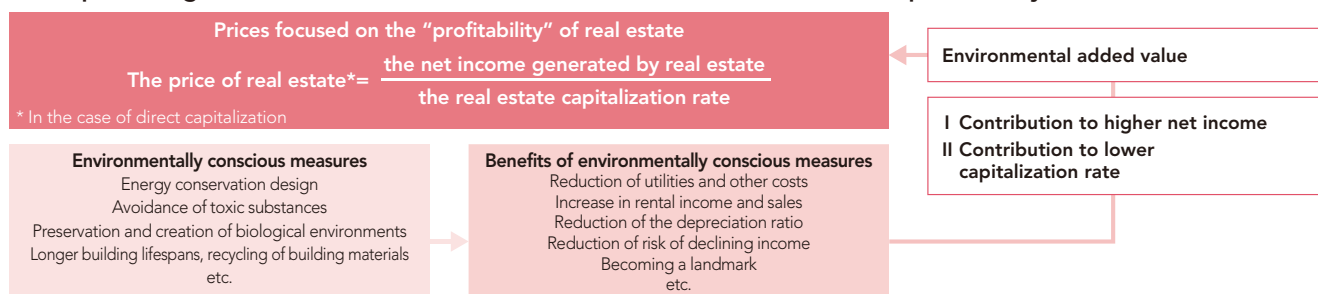
Environmentally friendly property can earn higher net

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

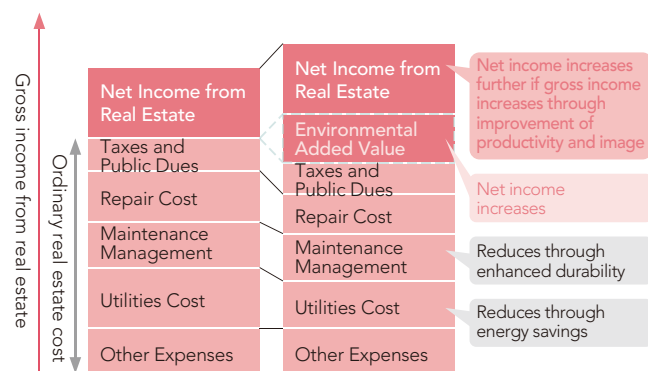
Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally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

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

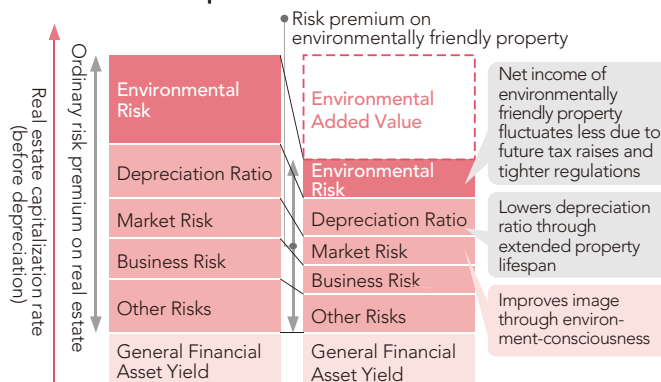
#### Conceptual diagram of environmental added value (1) Prices focused on the “profitability” of real estate



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



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



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

## 2. Added Value of Environmentally Friendly Property 2

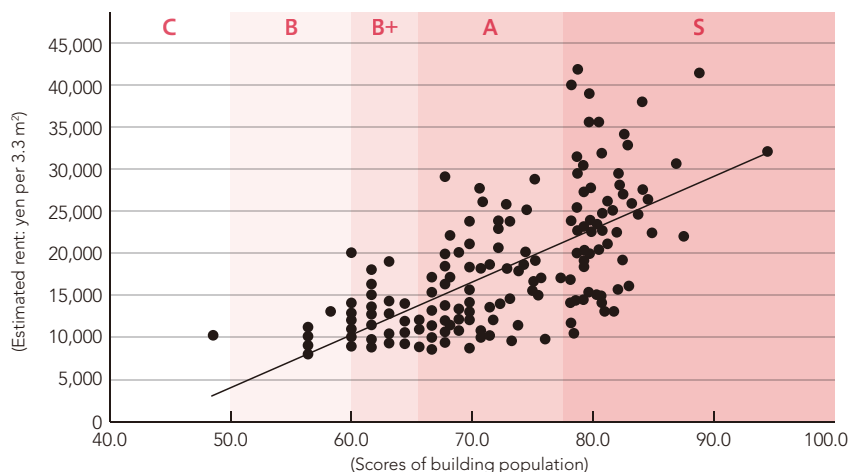
### —Helping to Make Added Value Visible

#### Study on Economic Impact of Buildings with CASBEE Evaluations

Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank implemented a study into the economic impact of buildings with CASBEE® evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE® certification and non-evaluated buildings and found average market rents in buildings with CASBEE certifications or applications were about 3.6% higher.

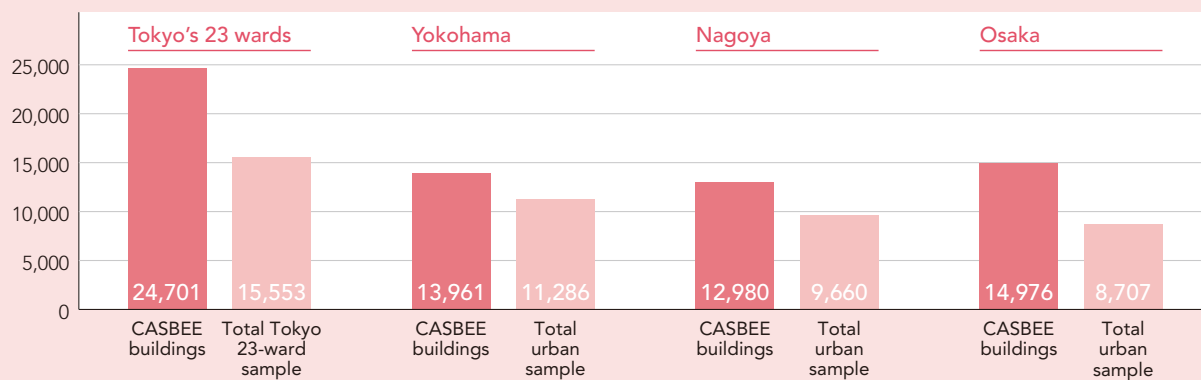
This suggests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

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



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

**Comparison of average rents: Yen per 3.3 m<sup>2</sup>**



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

#### Summary of multiple regression analysis results for CASBEE buildings

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

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

## Sustainability Policy 2

# Serve Clients with Sincerity

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



# Initiatives to Earn the Trust of Clients

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

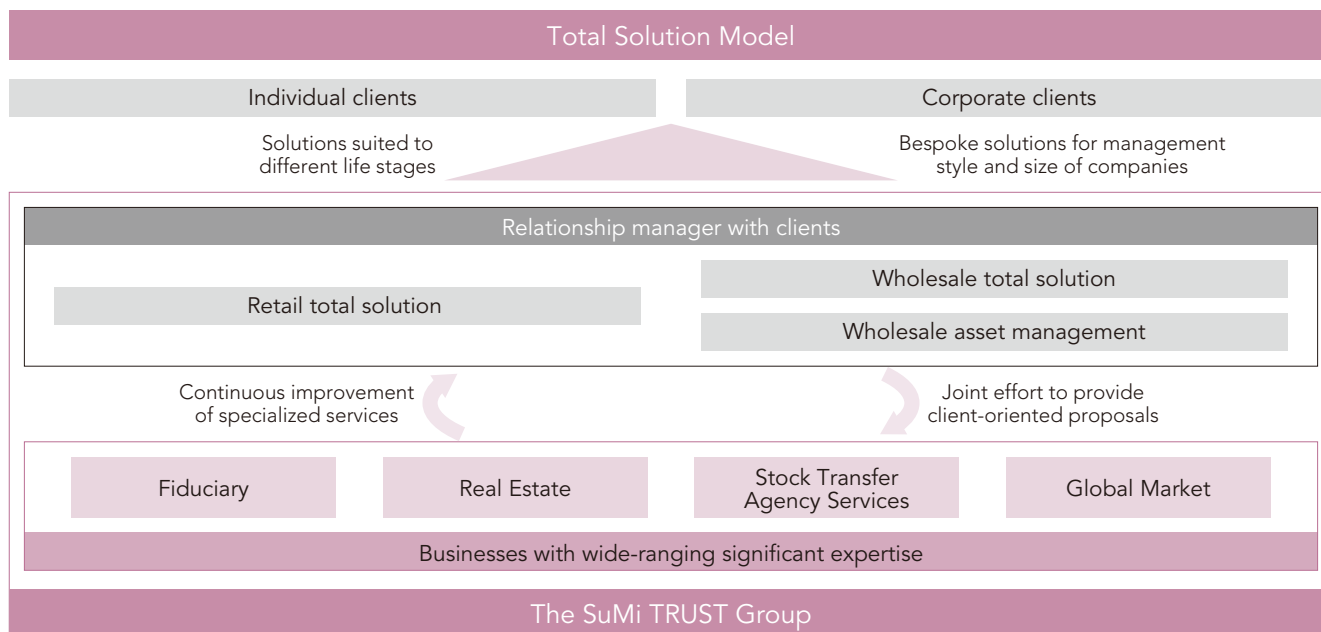


## Initiatives Aimed at Becoming Our Customer's Best Partners

### 1. Providing Value to Clients

The SuMi TRUST Group aims to accurately understand both the current and potential needs of individual and corporate clients and provide total solutions that offer a wide range of highly specialized products and services as the best ways to address those needs. In an era of dramatic environmental changes, the needs of both individual and corporate clients to build, manage and review their assets and to plan for succession are becoming increasingly

complex, and their needs for trustworthy financial institutions are growing. The SuMi TRUST Group, as Japan's only independent financial group specialized in trust banking, will leverage its comprehensive capabilities that combine trust and banking functions and the various trust functions within the Group, under a stringent conflict of interest management framework, with the aim of being the "Best Partner" for providing the greatest value to clients.





## 2. Product Development Capabilities Supporting Total Solutions

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

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

engine driving product development and provides development support for each business, while carrying out planning, development and promotion of medium- to long-term development projects across businesses.

Furthermore, the product development offsite meeting has been established as a forum for discussion among executive officers and general managers, where regular exchanges of opinion are held about product development, not only at a practical working level, but also based on management strategy from a medium- to long-term viewpoint.

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

## 3. Technologies Supporting Total Solutions

In a trust bank group with a variety of functions, it is critical to strengthen our capacity to respond to individual needs through digitalization and enhancing IT information infrastructure that provides total solutions to customers.

At SuMi TRUST Bank, each business has put into place IT information infrastructure where expert know-how is collected and stored. For example, our retail operations use our sales support system, i-Ships, to record the circumstances and content of their transactions with clients and information about their life events, and analysis of specific client information enables them to propose a diverse array of products and services such as asset management, succession/inheritance, and real estate. In fiscal year 2017, we introduced a system for registering client transactions on host computers from tablets salespersons visiting clients use, obviating the clerical processing stage at branch offices. This helped realize a sharp reduction in the clerical workload at branch offices. Efficiency gains from realizing host-linked transactions enabled salespersons and branch employees in charge of clerical processes to allocate more time to marketing activities and further improve client-directed consulting and services.

Moreover, SuMi TRUST Bank has put more resources into using video to make what it communicates in its consulting and services even easier to grasp.

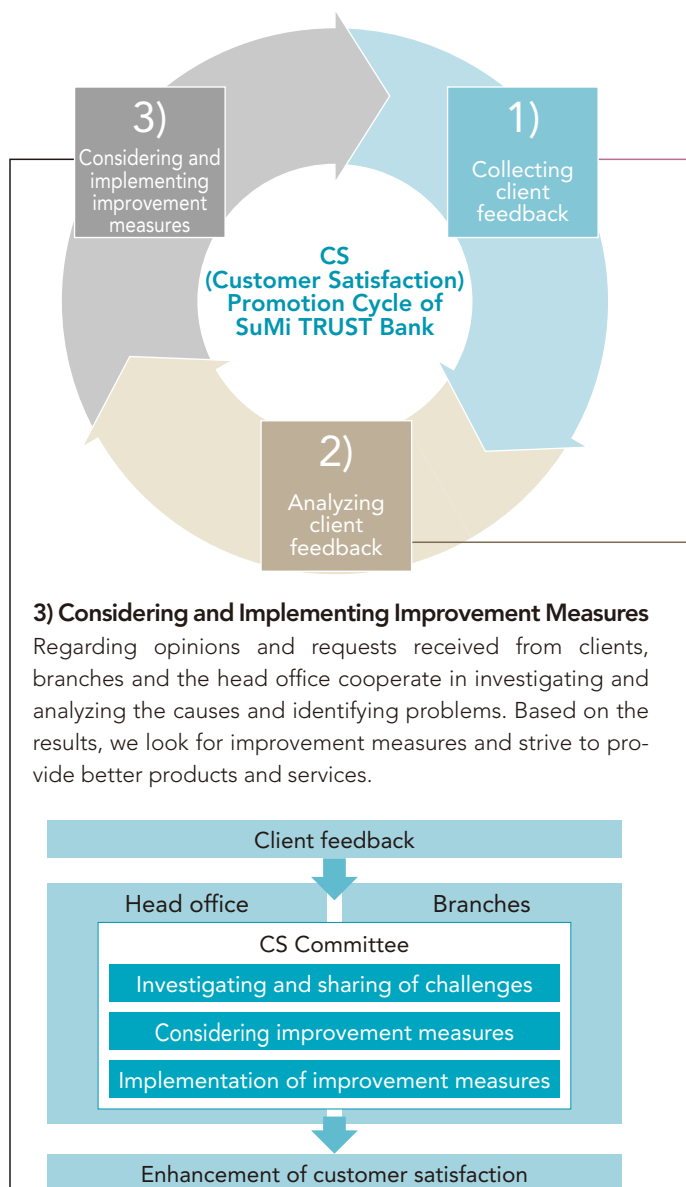
For example, in December 2017, SuMi TRUST Bank commenced use of eMotion, a customizable video streaming solution from ITOCHU Techno-Solutions Corp. (CTC), for

the operation of its dedicated video platform, “the always-accessible loan guide,” to provide product explanations on home mortgages and related insurance products. As long as clients have internet access, they can watch the video guide on their PCs, tablets, or smartphones wherever they are around the clock. The responsible salesperson can efficiently provide easy-to-grasp explanations to clients because the videos proceed in a dialogue format in step with the content of client loan applications. There are a very large number of items to explain before clients are ready to consummate a contract for a home mortgage, and until this system came online, explaining all these required a considerable amount of time, and adoption of “the always-accessible loan guide” platform also lightens the burden on clients.

In addition to the aforementioned guide, we integrated the Web service aimed at companies who subscribe to our asset building services and defined-contribution pension menus into a new “Life Guide” site we upgraded in April 2017. The site is used not only by clients to our defined-contribution pension plans but also Diners Club cardholders and home mortgage clients as a portal site that enables clients to register asset-liability information and conduct life plan simulations, and we offer the web service to clients as an easy-to-use site they can use for many matters such as asset management, home mortgages, defined-contribution pension plans, and welfare benefits.

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

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



### 1) Collecting Client Feedback

SuMi TRUST Bank receives a lot of feedback from clients and many requests via branch offices throughout Japan through diverse channels such as telephone centers and the Group’s website as well as the “Voice of Customers Questionnaires” available at every branch. In fiscal year 2016, we appreciated upwards of 310,000 opinions and requests received through these channels.

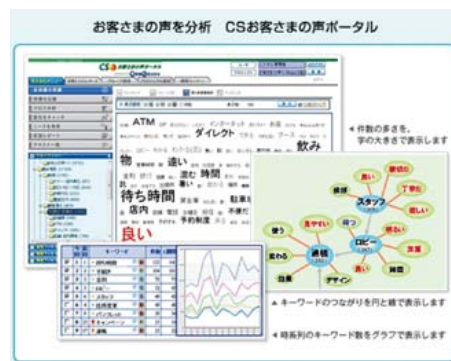
In addition, we survey our clients’ assessment of satisfaction with SuMi TRUST Bank by conducting “Client Questionnaires” for about 1.6 million clients who have consummated contracts for time deposits, investment trusts, etc. with us, with the aim of further promoting client-oriented activities and improving customer satisfaction.

#### [Main Ways Hear from the Voice of Customers]

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

### 2) Analyzing Client Feedback

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



### Improvement Case 1: Voice of Customers

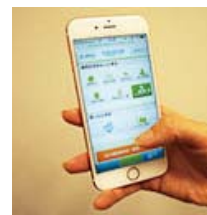
#### Adoption of explanatory online video service for our home mortgage contracts

Voice of Customers	We watched explanatory videos on DVD but we somehow could not grasp the explanation of complex home mortgage contracts even though we continued to watch the one-way DVD video.
Improvement content	We introduced “the always-accessible loan guide,” an on-line video streaming service with explanatory videos organized in a dialogue format that customers can access from our website. From our perspective, the service enables us to grasp the needs of our clients in advance based on their viewership records and reports on the results of surveys customers answer while watching videos. We have been able to further streamline loan procedures in response.

### Improvement Case 2: Voice of Customers

#### Defined contribution pension business

We started offering Web services for defined contribution pensions based on requests we received in surveys conducted at explanation meetings on pension administration at customer offices.



## 5. To Create a Client-Oriented Corporate Culture

SuMi TRUST Bank is conducting “The Trust Bank discussion” at every branch and department. This initiative aims mainly at fostering a corporate culture, improving operations at branches and departments, and expanding insights through discussions about daily problems and other issues among employees at branches and departments, regardless of their positions.

We set “Practicing Fiduciary Duties” as the theme of the discussion for fiscal year 2017, and made participation mandatory

for all employees.

We have also made it mandatory for employees to take e-learning courses to deepen their understanding of fiduciary duties while studying specific cases. The aim of the training is to acquire practical knowledge, including learning in detail about conflict of interest management. We plan to hold a series of study groups, etc. in each business adapted to practical business matters in each area.

### • Establishment of CS Committees

To promote customer satisfaction (CS) improvement activities, “CS Committees” are established in all branches, and they actively conduct various CS improvement activities that match the characteristics of each branch.

### • Holding Lectures on Customer Satisfaction

We are striving to further enhance our service and business manners through initiatives such as holding lectures where employees can study high levels of service and business manners for clients regardless of industry. Professionals from other businesses such as travel agencies and airlines are invited as lecturers on topics that employees feel to be challenges with regard to enhancing customer satisfaction.

### • Service Helper

We have assigned employees who have the “service helper” certification to all branches (as of April 2016) so that clients can use our services with peace of mind. The “service helper” certification demonstrates that one is committed to client hospitality and has learned the correct helping skills to allow the elderly and disabled to participate in society with confidence.

### • Client Service Role Playing

Role playing is implemented, with employees acting as clients, and employees evaluate each other’s performance. In addition, the role playing is recorded on video so that employees can check their own performance. Through such efforts, employees improve their client service skills, business manners, and conversation skills.

## e-learning for Improving CS Mindfulness

Course name	Content	Eligibility	Month offered
2016 1H Training on client support management	Study preparations for client support management	All employees	May
Customer First: Search until reaching source waters	Form a shared recognition that deepens employee understanding about our spirit of CS improvement and a genuine customer-first approach based on common principles and a motto that go back to our founding	All employees	July
August 2016 Office task retraining	Reconfirming office work capabilities of all employees	All employees	August
Reflecting on business manners	Reconfirming office work capabilities of all employees	All employees	August
Basics: How to answer phone calls	Learn basics on proper vocabulary for answering phones and how to advance conversations	All employees at branch offices	November
2016 2H Training on client support management	Study about client support management systems	All employees	January
February 2017 Office task retraining	Reconfirming office work capabilities of all employees	All employees	February
On fulfilling fiduciary duties	Learning about the basics of fiduciary duties and specific actions	All employees	February
Basics: How to answer phone calls	Learn basics on proper vocabulary for answering phones and how to advance conversations	All employees at branch offices	February
Reflecting on business manners	Reflecting on daily operations, conduct self-inspections on business manners	All employees	February

## TOPIC

### Top Rank in Overall Category in 2017 Retail Banking Survey for First Time

Of the 117 banks nationwide in the 2017 thirteenth annual retail banking survey\* released in September 2017, SuMi TRUST Bank ranked first in the overall category.

SuMi TRUST Bank ranked third in the 2013 survey but the 2017 survey is the first time it was named first in the overall category since it was established with the 2012 three-bank merger. In the 2017 survey, SuMi TRUST Bank ranked third in the branch service field and ninth in the product lineup breadth and strength field, receiving high marks in both.

\*The retail banking survey is jointly conducted by Nikkei, Inc. and Nikkei Research Inc. Survey implementers visit bank branches and evaluate them in the two fields of branch services and the product lineup breadth and strength and add up their score on both counts and rank participating banks according to their summed score.



## Initiatives regarding Fiduciary Duty

### 1. Practicing Fiduciary Duties

The aim of the SuMi TRUST Group to be the “Best Partner” for clients is based on our client-oriented spirit. While the SuMi TRUST Group has strived to be completely client-oriented from the beginning, with the fiduciary spirit as part of our DNA, we further enhanced our efforts by establishing and making public our “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group” (hereinafter, the “Policies”) in September 2016.

We believe that the practice of fiduciary duties depends on “significant expertise” that our clients can rely on, “consulting practice” that offers clients optimal options according to their

individual needs, and “stringent conflict of interest management.” The SuMi TRUST Group has put in place an extensive organizational structure from the management level to the working level, and strives constantly to enhance its initiatives in this area (please refer to page 73 for enhancement of the conflict of interest management framework). Along with the revision of the Policies in June 2017, we made public our “Key Performance Indicators (KPIs) concerning Initiatives Aimed at Becoming Our Clients’ “Best Partner”,” which will allow for easy-to-understand confirmation of the status of the SuMi TRUST Group’s initiatives through our complete client orientation.

#### Promoting/Supervising Structure of the Group

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

\*FD: Fiduciary duties

### History of Promotion of Fiduciary Duties

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



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

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

### Fiduciary Duties Planning and Promotion Department

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

### Subsidiaries

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

Of our subsidiaries, SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management and Japan Trustee Services Bank are engaged in the asset management, product development, sales and asset administration businesses that are the core of fiduciary duties, and have established and made public “specific initiatives” relating to fiduciary

duties (hereinafter, the “action plans”). Progress updates on the action plans are reported regularly to their respective Board of Directors, and the action plans shall be revised as necessary.

### Fiduciary Duties Discussion Panel

SuMi TRUST Holdings, along with SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management and Japan Trustee Services Bank, has established the Fiduciary Duties Discussion Panel (hereinafter, the “Discussion Panel”) to promote more advanced initiatives at subsidiaries with asset management, product development, sales and asset administration businesses.

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

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

### Principles of Action Policies on Fiduciary Duties

#### (1) Implementation of a client-oriented consulting practice

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

#### (2) Easily understandable provision of information

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

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

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

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

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

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

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

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

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

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

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

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

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

##### (ii) Proactive initiatives for financial education and investment education

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

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

The SuMi TRUST Group operates with sound business management based on a high degree of self-discipline with the background of fiduciary spirit, and provides our clients with a wide range of financial services through fully utilizing its significant expertise and comprehensive capabilities.

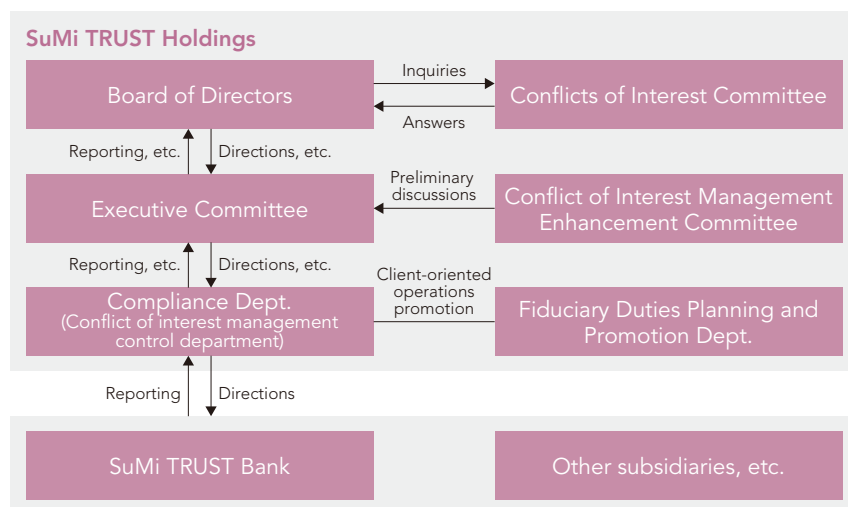
Along with the various products and services provided by our companies, in order to protect the interests of our clients from undue harm, we have been appropriately managing transactions that have possible conflicts of interest and carrying out business operations based on our Management Policy Concerning Conflicts of Interest. Recently, we have revised the Management Policy Concerning Conflicts of Interest in order to advance the enhancement and consolidation of the conflict of interest management framework of our Group, including improving the supervisory structure of the entire Group, introducing separation of authority, etc. in the major departments and businesses of SuMi TRUST Bank, and developing a highly-effective management system. Under a framework of best practice, we will proceed to provide our clients with high value-added "total solutions," as a trust banking group that is the "Best Partner" to our clients," able to foster even greater comfort and confidence than before.

#### Summary of Enhancements to the Conflict of Interest Management Framework of the SuMi TRUST Group

- (1) Improvement of the Supervisory Structure of the Entire Group (including establishment of the Conflicts of Interest Committee)
  - 1) Establishing the new "Conflicts of Interest Committee" (an advisory body of the Board of Directors of SuMi TRUST Holdings) (July 2017)
  - 2) Also establishing the new "Conflict of Interest Management Enhancement Committee" on the operational side (April 2017)
- (2) Introduction of Separation of Authority, etc. in the Major Departments and Businesses of SuMi TRUST Bank
  - 1) Strengthening the conflict of interest management framework relating to asset management operations through the utilization of the "Stewardship Activities Advisory Committee" (see page 74)
  - 2) Carrying out the separation of authority, etc. between the "wholesale total solution services business" centered on banking transactions with clients, such as business corporations, and the "wholesale asset management business" centered on providing managed products and services, such as trusts, to institutional investors, etc., based on the characteristics of each business
- (3) Highly-Effective Management System of SuMi TRUST Bank
  - 1) Strengthening the product review process when introducing new products and services
  - 2) Deployment of a "Conflict of Interest Management Officer"

From the perspective of improving the effectiveness of conflict of interest management, in addition to a General Manager of Conflict of Interest Management at the group-wide level, we will deploy "Conflict of Interest Management Officers" to the business supervising departments, etc. of our business divisions, and will seek to implement conflict of interest management that is further suited to individual products and transactions.

#### Conflict of Interest Management System<sup>\*1</sup>



#### Conflicts of Interest Committee Members

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

**Member: Takeshi Suzuki**  
 External Director, SuMi TRUST Holdings

**Member: Akiko Hosokawa**  
 Partner, Baker & McKenzie

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

<sup>\*1</sup> For roles and responsibilities of each management structure and main departments, please refer to page 71.

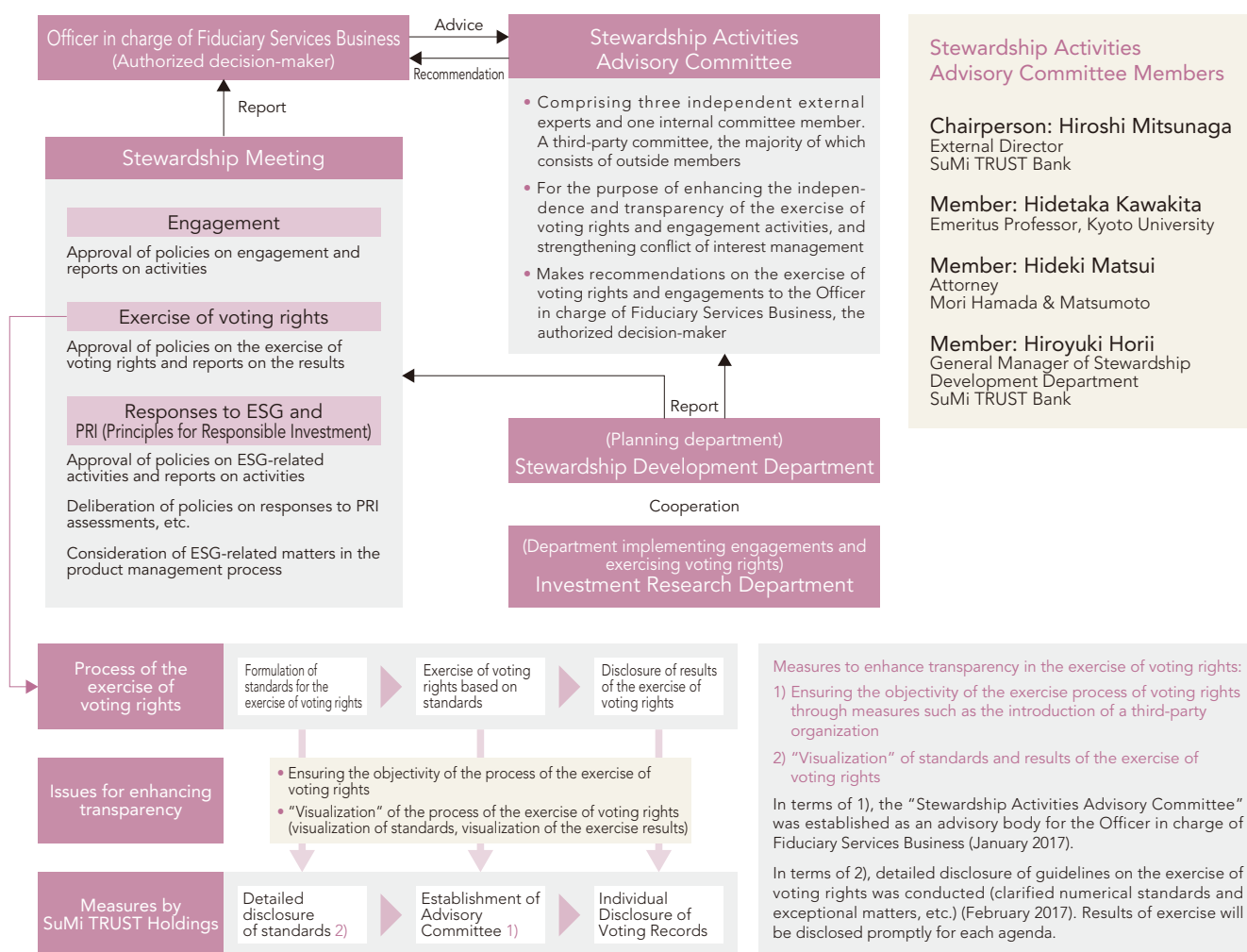
## 4. Enhancements to the Conflict of Interest Management Framework in Stewardship Activities

SuMi TRUST Bank has established the “Stewardship Activities Advisory Committee” (hereinafter referred to as the “Advisory Committee”) regarding stewardship activities made up of a majority of external experts. The Advisory Committee is a body established to make recommendations for various activities under Japan’s Stewardship Code. The Advisory Committee will make recommendations for the establishment, revision, or abolition of the guidelines for the exercise of voting rights, decisions concerning whether to support a proposal not stipulated in these guidelines, appropriateness of interpretation of these guidelines for an individual proposal, and verification and improvement of the decision-making process on the exercise of voting rights on a proposal in connection with which a conflicts of interest may occur. The Officer in charge of Fiduciary Services Business, who is independent from the authority to execute the

other operations of SuMi TRUST Bank, assigns maximum value to the recommendations of the Advisory Committee and makes decisions on various matters. If any recommendations are received from the Advisory Committee, the Officer in charge of Fiduciary Services Business shall immediately implement necessary corrective and remedial measures.

In terms of our exercise of voting rights, the Advisory Committee discloses numerical standards, etc. of the guidelines to enhance the visibility of our judgment. The Advisory Committee also discloses whether we voted for or against on each proposal for each investee company, thereby enhancing the visibility of exercise results. Through these efforts by the Advisory Committee to ensure the objectivity of processes involved and to enhance the visibility of the exercise judgment and results, we are raising the transparency of our exercise of voting rights.

### Stewardship Activities Promotion Framework



## Client Protection Management

### Basic Policy

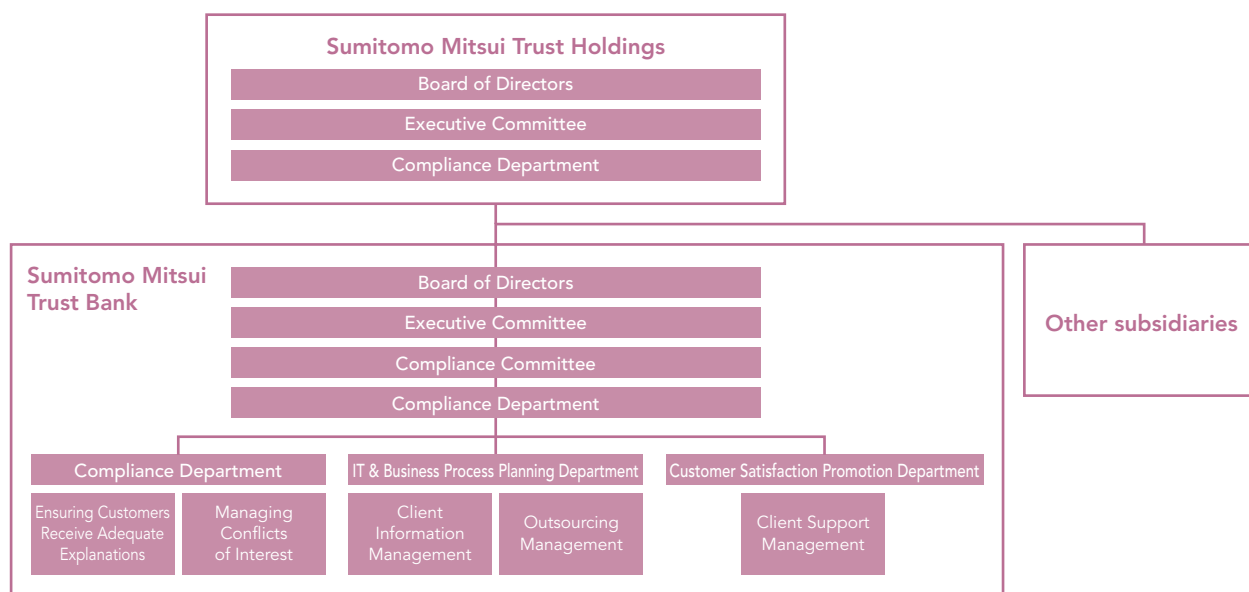
Amid the growing number of financial products with ever more complex mechanisms and unique characteristics, there is a pressing need for financial institutions to properly and fully explain to clients product mechanisms and risks and to gain their understanding. It is also increasingly important that 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 respond to the expectations and trust clients place in the Group, SuMi TRUST Holdings has established a 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 SuMi TRUST Holdings.

At Group companies, there are departments responsible for client protection management. Under this rubric, separate departments tasked with managing conflicts of interest, client information management, outsourcing management, and client support management have also been established. These departments work to ensure the appropriateness and sufficiency of client protection, revise and update important rules as needed, and provide regular status reports to the Board of Directors, etc. Through their preparation of internal company rules, guidance to related departments, and training expansion and improvement, these departments oversee client protection management as a whole as well manage as the supervisory departments.



### Ensuring Customers Receive Adequate Explanations

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

At SuMi TRUST Bank, the Compliance Department oversees this field as the department responsible for ensuring

customers receive the information they need based on relevant rules and regulations. Under the ambit of the compliance department, our policy for solicitation and sales of financial products and services, for instance, is available for clients to see at our branches and on our website. We also ensure such 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 for entering into the financial transaction contract.

## Managing Conflicts of Interest\*

The Group complies with laws and regulations, etc. so as to avoid unjustly undermining customers' interests as a result of various services provided by group companies and relevant persons and has published the outline of the policy for managing conflicts of interest, which describes "transactions that may constitute conflicts of interest," "methods of managing conflicts of interest" and "systems for managing conflicts of interest." In addition, based on this policy, the Group appropriately manages transactions that may constitute conflicts of interest and properly executes business operations.

In order to properly manage conflicts of interest based on rules for such situations, the Compliance Department at SuMi TRUST Bank has been established as a department

responsible for managing conflicts of interest independent of the sales department. For the whole Group, a system to properly carry out the management of conflicts of interest has been put into place. The Compliance Department examines and evaluates 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.

(see page 73 on measures to enhance the framework for managing conflicts of interest)

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

## Outsourcing Management

When outsourcing its operations, the Group takes measures to ensure that the outsourced operation is consigned to a contractor capable of: (1) establishing regulations for the appropriate management of risks from unexpected losses incurred by the Group or its clients, (2) recognizing problems related to the quality of service and the reliability of service continuity, and (3) implementing the operation accurately, fairly, and efficiently. 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.

At SuMi TRUST Bank, IT & business process planning departments are responsible for outsourcing management,

and based on rules for outsourcing management, they select contractors suitable to the Group for outsourcing consignments and monitor them. These departments provide regular status reports to the Board of Directors, etc. about the status of outsourcing management.

Moreover, each business designates a department to oversee operations outsourced to contractors and evaluates whether they are performing their assignments properly in accordance with relevant rules and their consignment contracts through confirmations of the status of consigned operations both on an ongoing periodic basis and in response to emerging situations. These departments also monitor contractors when necessary.

### Solicitation Policy (Sumitomo Mitsui Trust Bank)

#### 1. Explain the basic policy

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

#### 2. Recommend financial instruments suited to clients

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

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

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

#### 4. Offer appropriate explanations and conduct appropriate solicitations

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

#### 5. Strive to conduct solicitation activity convenient for clients

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

#### 6. Strive to improve in-house systems

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

#### 7. Created a consultation contact point for clients

## Client Information Management

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

At SuMi TRUST Bank, IT & business process planning departments oversee client information management as units tasked with this responsibility based on information

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

## Client Support Management

At SuMi TRUST Bank, the Customer Satisfaction (CS) Promotion Department is responsible for client support management. Based on rules for supporting clients, the department quickly responds 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 while also working to assess and analyze the causes of such inquiries and complaints and

making efforts to improve operations. In fiscal year 2016, there were 11,273 complaints.

With regards to complaints etc., there is a reporting system for complaints etc. that collects and manages this information, and management receive periodic reports about the content of complaints. By utilizing our "Voice of Customers Portal" (see page 69), we strive to improve operations to enhance client convenience.

### Sumitomo Mitsui Trust Group Privacy Policy

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

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

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

#### 2. Appropriate Acquisition

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

#### 3. Purpose of Use

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

#### 4. Consignment

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

#### 5. Offering to Third Parties

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

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

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

#### 6. Responding to Inquiries from Clients, etc.

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

#### 7. Safety Measures

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

#### 8. Continuous Improvement

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

## Sustainability Policy 3

# Earn the Trust of Society

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



# Corporate Governance

The Group has created a management control structure befitting Japan's largest and highest status trust bank group that combines banking, asset management and administration, and real estate businesses. Through this changeover, the Group will enhance management transparency and soundness, and will strive to speed up decision-making so it is flexible and responsive to a changing environment.



## 1. Basic Initiative Policy

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

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

### Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure effective equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders such as shareholders, clients, employees, business partners, and local communities, and to establish corporate culture and climate where it conducts sound business operations based on a high degree of self-discipline.
- In order to establish the basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out

its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.

- As a financial holding company with the function of managing the business administration of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees" and, by separating execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth and medium- to long-term enhancement of the corporate value of SuMi TRUST Holdings.

## 2. Perspectives regarding SuMi TRUST Holdings' Corporate Governance System

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

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



### 3. The Board of Directors

#### Roles of the Board of Directors

The Board of Directors shall ensure fairness and transparency of the SuMi TRUST Group's corporate management as its central role, by setting out the basic policy of managing the SuMi TRUST Group and supervising overall management of the Group.

Thus, except for matters which are required by law to be decided by the Board of Directors, the Board of Directors shall, in principle, delegate decisions on the execution of business to executive officers, and shall supervise the execution of business by executive officers, etc. Meanwhile, the Board of Directors shall provide and improve the environment where external directors may properly supervise the execution of business by the Board of Directors and the top management, and any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc. from the standpoint of stakeholders, in order to support sustainable growth and medium- to long-term enhancement of the corporate value of the SuMi TRUST Group.

In light of the importance of environmental and social issues over sustainability, the Board of Directors shall prescribe basic policy regarding social responsibility to be implemented by each Group company (the "Sustainability Policy"). With the Sustainability Policy, the Board of Directors shall enhance awareness of its officers and employees, and promote positive efforts to resolve these issues by considering its stakeholders, aiming to support the sustainable growth of society, and increase the corporate value of the SuMi TRUST Group.

Furthermore, the Board of Directors shall set policy on the provision of products and services suitable for the true benefit of clients (the "Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group"), and shall act to ensure clients' comfort and satisfaction by sharing our "client-orientation" policy within the SuMi TRUST Group, and shall promote the practice of fiduciary duties in the SuMi TRUST Group by supervising each Group company's commitment to its fiduciary duties.

#### Composition of Board of Directors

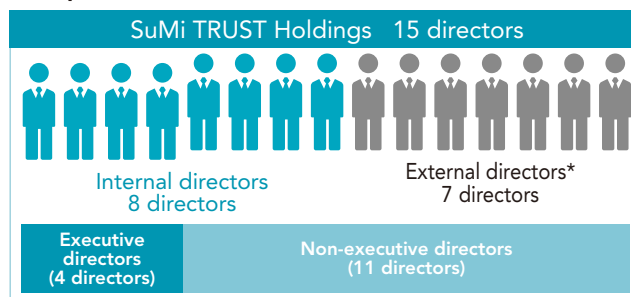
The Board of Directors of SuMi TRUST Holdings shall have no more than 20 directors, as prescribed in the Articles of Incorporation. The number of directors shall comprise the number necessary and appropriate to perform supervisory functions required as a financial holding company that oversees the Group's management control functions. Moreover, in deciding this number, due consideration shall also be given to ensuring diversity and expertise on the Board of Directors. External Director Isao Matsushita has been appointed chairman of the Board of Directors.

In light of the importance of external directors' functions in the corporate governance, SuMi TRUST Holdings shall operate the Board of Directors with at least one-third of directors being independent external directors, in principle. The Board of Directors shall establish and disclose

Independence Standards of Independent Directors (the "Independence Standards").

In deciding the candidates for directors, SuMi TRUST Holdings shall consider the balance between, among other things, individuals who can exert their strength in management of particular business fields, and individuals who are suitable for management administration, and strive to secure a board that is, as a whole, so balanced in terms of knowledge, experience, and capability; and so diversified that it is appropriate to properly supervise the wide business fields of SuMi TRUST Holdings as a trust bank group.

#### Composition of the Board of Directors



\*All seven external directors have been registered as independent officers to the relevant financial instruments exchange.

#### Evaluation of the Board of Directors

SuMi TRUST Holdings conducts annual evaluation of the effectiveness of the Board of Directors as a whole, and reviews and implements remedial measures for the challenges derived therefrom, whereby a PDCA cycle is activated for improving the effectiveness of the Board of Directors.

For the purpose of evaluating the Board of Directors in fiscal year 2016, SuMi TRUST Holdings conducted a questionnaire for all directors and corporate auditors of SuMi TRUST Holdings over the issues of "composition of the Board of Directors/proposals for deliberation/time for deliberation, etc.," "meeting materials/prior briefing, etc.," and "management of the meeting proceeding/status of the board members' expressing opinions, etc." (Evaluation of the Board of Directors for fiscal year 2016 was conducted for corporate auditors as well as directors, as SuMi TRUST Holdings was a company with a Board of Corporate Auditors.)

In addition, after the above questionnaire, evaluation based on a third-party perspective was carried out, such as interviews conducted between an external expert and all external directors and external auditors of SuMi TRUST Holdings.

The Secretariat for the Board of Directors conducted analysis and assessment concerning the effectiveness of the Board of Directors, based on the results of the questionnaire and interviews, which were later reported at the Board of Directors meeting held in April 2017.

#### External Directors' Attendance at Board of Directors Meetings

External directors 7	No. of meetings 7	Attendance rate 100%
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\*From June 29, 2017, when the transition to the "company with Three Committees" system was approved and took effect, through November 30, 2017.

## 4. Committees

In order to ensure the effectiveness of its corporate governance system and further enhance the soundness and reliability of the business model and the transparency of its management of the SuMi TRUST Group, SuMi TRUST Holdings shall establish a Risk Committee and a Conflicts of Interest Committee, in which independent external directors shall participate, as advisory bodies to the Board of Directors, in addition to the Nominating Committee, the Compensation Committee and the Audit Committee, which are required to be established under the Companies Act.

### Nominating Committee

The Nominating Committee shall determine the content of proposals regarding the election and dismissal of directors to be submitted to General Meeting of Shareholders, receive requests for consultation on the election and dismissal of executive officers including the President and the succession plan of management from the Board of Directors, and deliberate and makes reports on these. It shall also receive requests for consultation on the election and dismissal of directors and Audit & Supervisory Board Members from the Board of Directors of SuMi TRUST Bank, and deliberate and make reports on these. The Nominating

Committee shall consist of three or more directors, and a majority of the members shall be independent external directors. The chairperson of the Nominating Committee shall be selected from among members who are independent external directors, and this position is served by Mr. Isao Matsushita for fiscal year 2017.

### Compensation Committee

The Compensation Committee shall prescribe policy on decisions on the content of remuneration for individual executive officers and directors, and decide the content of remuneration for individual executive officers and directors in accordance with this policy. It shall receive requests for consultation on policy on decisions on the content of remuneration for directors, etc. from the Board of Directors of SuMi TRUST Bank, and deliberate and make reports on these.

The Compensation Committee shall consist of three or more directors, and a majority of the members shall be independent external directors. The chairperson of the Compensation Committee shall be selected from among members who are independent external directors, and this position is served by Mr. Isao Matsushita for fiscal year 2017.

### External Directors' Attendance at Nominating Committee Meetings

External directors 5	No. of meetings 5	Attendance rate 100%
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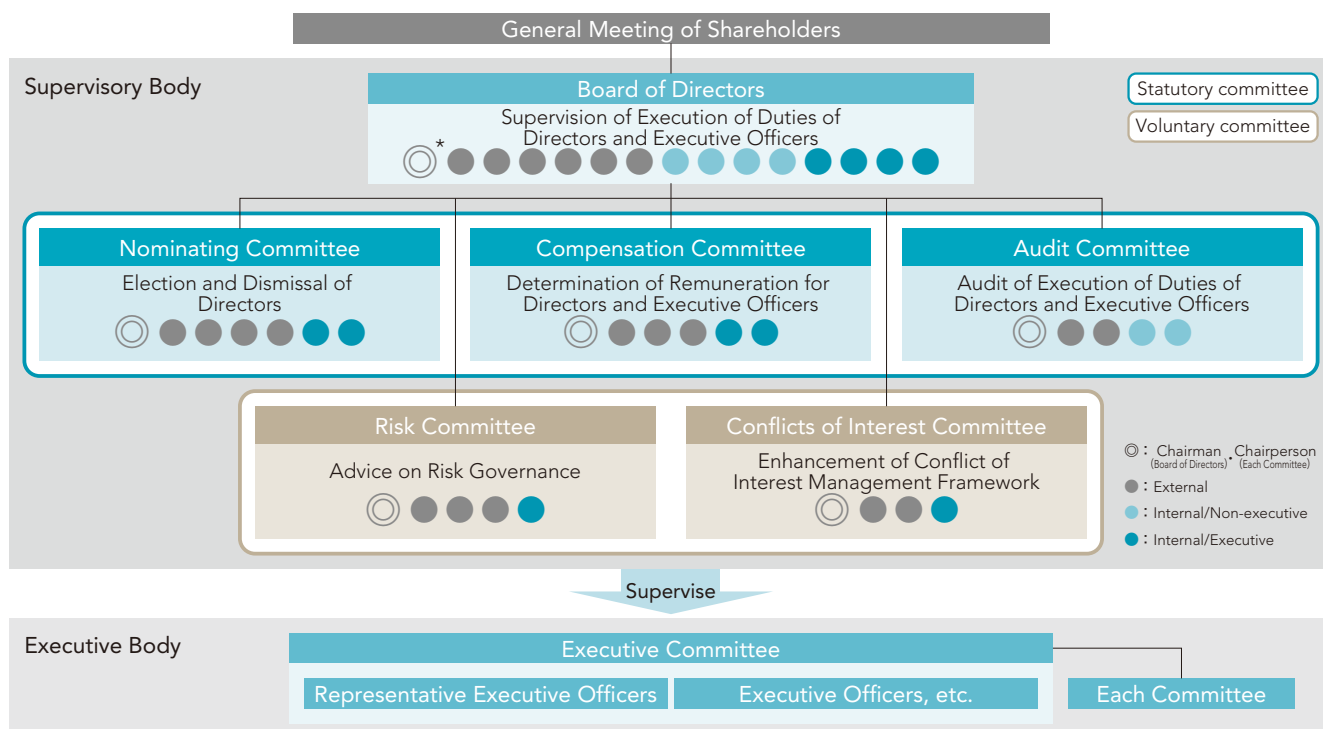
\*From June 29, 2017, when the transition to the "company with Three Committees" system was approved and took effect, through November 30, 2017.

### External Directors' Attendance at Compensation Committee Meetings

External directors 4	No. of meetings 2	Attendance rate 100%
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\*From June 29, 2017, when the transition to the "company with Three Committees" system was approved and took effect, through November 30, 2017.

## Corporate Governance System of SuMi TRUST Holdings after becoming a "company with Three Committees"



\*Mr. Isao Matsushita joined the Board of Directors as an external director on June 30, 2017.

## Audit Committee

The Audit Committee shall audit the execution of duties by executive officers and directors and shall prepare audit reports. It shall determine the content of proposals regarding the election and dismissal of a financial auditor, and the refusal to reappoint a financial auditor, to be submitted to General Meeting of Shareholders, as well as appropriately exercise consent rights regarding decisions on remuneration of the financial auditor.

In order to fulfill its role and responsibility, the Audit Committee shall appropriately exercise its authority to investigate the status of business and the assets of companies belonging to the SuMi TRUST Group. It shall appropriately utilize the internal control system of the SuMi TRUST Group and systematically and efficiently conduct audits through hearing reports from executive officers, directors and a financial auditor, and shall communicate with these persons. The Audit Committee shall consist of three or more directors who do not concurrently serve as executive officers, and a majority of members shall be independent external directors. The chairperson of the Audit Committee shall, in principle, be selected from among members who are independent external directors, and this position is served by Mr. Shinichi Saito for fiscal year 2017.

### External Directors' Attendance at Audit Committee Meetings

External directors 3	No. of meetings 7	Attendance rate 100%
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\*From June 29, 2017, when the transition to the "company with Three Committees" system was approved and took effect, through November 30, 2017.

## Risk Committee

The Risk Committee shall receive requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding the SuMi TRUST Group, top risks, and materiality, as well as (ii) matters concerning

the management of its risk appetite framework, risk management, and monitoring the effectiveness of the internal control system related to compliance management of the SuMi TRUST Group, and other matters, and shall review the appropriateness, etc. of them, and make reports.

In principle, a majority of the members of the Risk Committee shall be independent external directors and independent external experts. The chairperson of the Risk Committee shall be selected from among members who have professional knowledge and expertise in the field concerned, and this position is served by independent external director Mr. Mikio Araki for fiscal year 2017.

## Conflicts of Interest Committee

The Conflicts of Interest Committee shall receive requests for consultation from the Board of Directors on (i) matters concerning the validity of the framework for managing conflicts of interest of the SuMi TRUST Group, (ii) matters concerning the effectiveness of conflict of interest management, management of client explanation, and management of client support and the enhancement of systems for management of these, (iii) matters concerning the policy on fiduciary duties of the SuMi TRUST Group and the action plans, etc. of each company, (iv) particularly important matters concerning dissemination of conflict of interest management and fiduciary duties in the SuMi TRUST Group, and other matters, and shall review the appropriateness, etc. of them, and make reports. In principle, a majority of the members of the Conflicts of Interest Committee shall be independent external directors and independent external experts. The chairperson of the Conflicts of Interest Committee shall be selected from among members who are independent external directors and who are external experts with professional knowledge and expertise in the field concerned, and this position is served by Mr. Hideki Kanda for fiscal year 2017, who is an external expert and independent external director of SuMi TRUST Bank.

### Members of the respective committees (◎:Chairperson, ●:Member (external), ●:Member (Internal/Non-executive), ●:Member (Internal/Executive))

			Nominating	Compensation	Audit	Risk	Conflicts of Interest
External	Directors	Isao Matsushita	◎	◎			
		Soichi Shinohara	●	●			
		Takeshi Suzuki	●	●		●	●
		Mikio Araki	●	●		◎	
		Shinichi Saito	●		◎		
		Takashi Yoshida			●		
		Hiroko Kawamoto			●		
	Experts	Hideki Kanda*					◎
		Haruyuki Toyama*				●	
		Toshinori Kurihara*				●	
		Akiko Hosokawa*					●
Internal		Tetsuo Ohkubo	●	●			
		Masaru Hashimoto	●	●			
		Yasuyuki Yagi			●		
		Hiroshi Misawa			●		
		Yutaka Nishida				●	●

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

## 5. On Compensation for Directors and Corporate Auditors

### Status of Systems Concerning Compensation for Directors/Auditors

#### Scope of Applicable Directors/Auditors

In fiscal year 2016, the applicable scope of compensation under this scheme extends to our directors and corporate auditors but not to our external directors and external corporate auditors.

#### On Determining Compensation for Applicable Directors/Auditors

The Compensation Committee, which was established with the transition to a “company with Three Committees” system from a “company with a Board of Corporate Auditors” in fiscal year 2017, decides the specifics of each director’s compensation and policies for determining the content of compensation of individual directors and executive officers. The amount of compensation paid to each SuMi TRUST Bank executive officer is reported to the Compensation Committee.

Concerning compensation of external directors, fixed compensation is limited to monthly compensation, and is determined based on business conditions at SuMi TRUST Bank, the compensation level of internal directors, and applicable public standards at large.

### Directors/Auditors Compensation System Design, Operational Appropriateness

#### Policies concerning Compensation for Directors/Auditors

The ceiling on director/auditor compensation in fiscal year 2016, approved at the General Meeting of Shareholders, was ¥30 million per month for directors and ¥9 million per month for auditors, and in a separate framework, the ceiling on stock option grants (new share subscription rights) to directors was set at ¥40 million per year. Compensation amounts for directors and auditors were set within the scope of the respective ceilings.

The Compensation Committee, which was established with the transition to a “company with Three Committees” system from a “company with a Board of Corporate Auditors” in fiscal year 2017, decides the specifics of each director’s compensation and policies for determining the content of compensation of individual directors and executive officers.

Compensation for directors is intended to function effectively as an incentive for improvement of corporate

performance and expansion of corporate value in order to realize stable and sustainable growth of the Group, centering on core subsidiary SuMi TRUST Bank. Also, rather than focusing on single-year performance evaluation in which short-term contribution to profit is emphasized, we have built a compensation system with a balance of near-term incentives and medium- and long-term incentives with rewards based on a comprehensive evaluation reflecting earnings contribution over the medium and long terms and a focus on officers’ qualifications and capabilities as senior management. The directors and corporate auditors of SuMi TRUST Holdings accurately ascertain the roles executive officers must perform and the results of their efforts so they can adequately discharge supervisory duties over Group companies, and determine individual compensation based on a highly transparent, fair and objective evaluation.

In the fiscal year under review, SuMi TRUST Holdings allocated new share subscription rights as stock options to directors with the aim of promoting higher shareholder profits and raising director morale and motivation in contributing to share price increases and rising earnings over the medium and long terms.

### Compensation for FY2016

The total amount of compensation in fiscal year 2016 for directors, excluding external directors, was ¥415 million and for corporate auditors, excluding corporate auditors, was ¥50 million. Moreover, we have not disclosed compensation of individual directors or corporate auditors because no one at SuMi TRUST Holdings received total compensation in excess of ¥100 million, the level which triggers mandatory disclosure.

### Total Amount of Compensation for Directors/Officers at SuMi TRUST Holdings

Category	Headcount	Total amount of compensation	Total amount of fixed compensation	Basic compensation	Total amount of variable compensation	Bonus	Compensation as stock options	Retirement benefits
Directors (ex. External Directors)	6	415	328	328	60	60	27	—
Corporate Auditors (ex. External Auditors)	2	50	50	50	—	—	—	—

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

\*From April 1, 2016 to March 31, 2017

## 6. Regarding Cross-Shareholdings

### Policies Regarding Cross-Shareholdings

The SuMi TRUST Group shall not acquire and hold the shares, etc. of business counterparties, etc. (the “Cross-Shareholding Shares”), except in the case where it is deemed that such acquisitions and holdings will contribute to medium-to-long term enhancement of the corporate value of the SuMi TRUST Group, from the perspective of, among other things, establishing a stable transactional

relationship over the long term, a business alliance, or facilitating or reinforcing collaborative business development with a business counterparty, in principle.

Regarding major holdings from among the Cross-Shareholding Shares, SuMi TRUST Holdings shall verify, and report at a Board of Directors meeting regarding the medium-to-long term economic rationale for holding



them, and the effect of holding them from the aspect of maintaining and enhancing the overall relationship with business counterparties, etc.

In principle, the SuMi TRUST Group shall sell the Cross-Shareholding Shares in cases where the significance and rationality of holding them is not observed, after taking into consideration various factors, including the impact of selling the shares on the stock market.

### Standards for Voting on Cross-Shareholding Shares

SuMi TRUST Holdings and SuMi TRUST Bank, which is a core subsidiary of SuMi TRUST Holdings, shall decide to vote for or against each resolution and exercise voting rights pertaining to the Cross-Shareholding Shares (the "Voting Rights"), after comprehensively taking into consideration the business conditions, etc. of the issuer of the Cross-Shareholding

Shares (the "Issuer"), as well as the impact on sustainable growth and medium-to-long term enhancement of the corporate value of the issuer and the SuMi TRUST Group.

In the case that SuMi TRUST Holdings or SuMi TRUST Bank is required to pay special attention upon the exercise of voting rights due to a long-term downturn of business conditions, a reorganization, or an occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall decide to vote for or against each resolution after collecting enough information through a variety of methods including engaging in dialogue with the issuer.

In the case that there is a risk of conflicts of interest upon the exercise of voting rights, SuMi TRUST Holdings and SuMi TRUST Bank shall properly deal with the risk pursuant to the Management Policy Concerning Conflicts of Interest prescribed separately.

## 7. Measures for Protection of Stakeholders' Interests

### Management System of Related Party Transactions

When SuMi TRUST Group engages in transactions with its officers or major shareholders, etc., the transactions shall be referred to the Board of Directors for prior approval, in order to ensure that such transactions do not harm, among other interests, the interests of SuMi TRUST Group or the common interests of its shareholders, except where the trading terms are obviously equivalent to those of general transactions.

### Management System of Transactions Involving Conflict of Interest with Customers in SuMi TRUST Group's Business Operations

SuMi TRUST Group shall separately prescribe the Management Policy Concerning Conflicts of Interest (the

"Management Policy") pursuant to laws, etc., in order to ensure that none of the various services provided by each group company and its related parties unfairly harm the interests of its customers. Pursuant to the Management Policy, SuMi TRUST Group shall appropriately manage transactions that may give rise to a conflict of interest, and shall properly implement its business operations.

### Compliance Hotline System

In order to promptly and appropriately respond to any violation of laws, etc., SuMi TRUST Group has established a compliance hotline system where all officers and employees can directly report to the Compliance Department or external law firms.

## 8. Internal Control

An internal control system is designed to prevent the occurrence of misconduct by putting various mechanisms and rules into place for the purpose of conducting sound management in a company. Basically, there are four objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and ordinances concerning business activities, and (4) safeguarding of assets. Through development and operation of its internal control system, a company can attain these objectives.

To attain the aforementioned objectives, the Board of Directors has determined the Basic Policy on the Internal Control System so the Group can attain the aforementioned objectives. The basic policy pertains to the following: (1) the compliance system (ensures compliance with laws, regulations, etc.); (2) the risk management system; (3) the business execution system; (4) the system to ensure management transparency; (5) the management system to ensure

appropriateness of Group operations; (6) the information storage and management system; (7) the internal audit system; and (8) the system for audits by corporate auditors.



## 9. Risk Appetite Framework (RAF)

### Positioning of Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide business management framework made up of the process for deciding the types and levels of risk that SuMi TRUST Holdings is willing to take, within its risk capacity, in order to achieve its management strategies formulated by management based on the Group's social role and management policies, together with the internal control system underpinning that process.

### Operation of Risk Appetite

#### Deciding Risk Appetite

The Group's risk appetite is decided in accordance with the management plans, based on management strategies and verification through stress tests.

The Group reviews risk appetite as needed, at least once a year.

In setting risk appetite, the Group identifies the main risks (risk characteristics), including credit risk, market risk, information security risk, and conduct risk, to which each business is exposed according to the nature of its operations.

#### Monitoring of Risk Appetite

The Group sets risk appetite indicators to clarify risk appetite, and monitors them regularly. If the risk appetite indicators deviate from the set levels, the Group analyzes the

The Group's RAF aims primarily to both strengthen profitability and enhance risk management, and promotes the realization of those goals through environmental assumptions and risk awareness, and increasing the transparency of risk-taking through the setting, communication, and oversight of risk appetite, appropriate allocation of management resources, and monitoring of operational status.

cause of the deviation, and then takes countermeasures or revises the levels.

#### Risk Governance

Risk governance, which forms part of corporate governance, is a system to identify, measure, manage and control risks by clarifying and monitoring risk appetite and risk limit.

We promote the enhancement of risk governance, aiming for the sound development of the Group.

SuMi TRUST Holdings strives to enhance operation of risk appetite through measures such as establishing the Risk Committee and the Conflicts of Interest Committee as part of its initiatives to enhance corporate governance which include the transition to a "company with Three Committees."

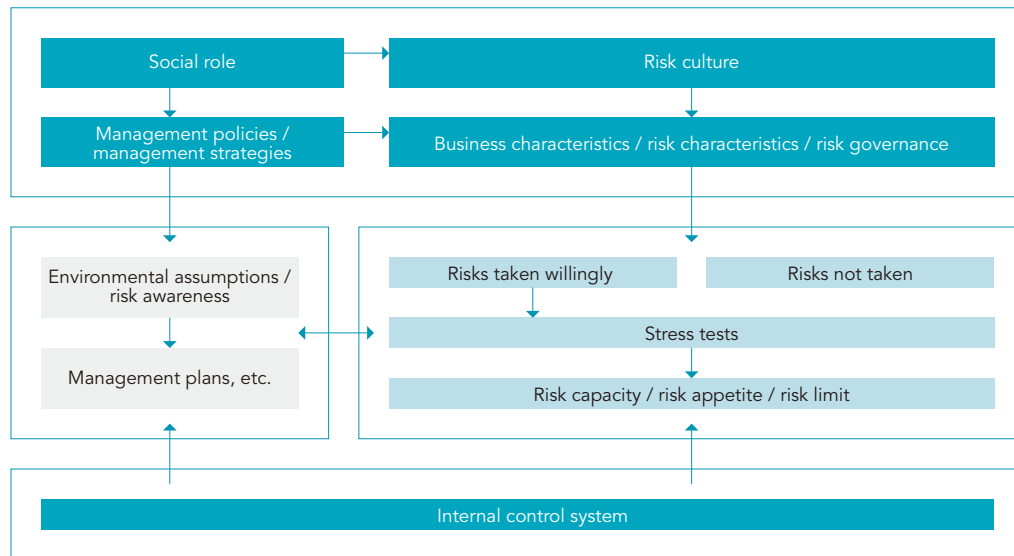
### Fostering a Risk Culture that Takes Root Across the SuMi TRUST Group

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group's organization, as well as officers and employees, that flexibly carries out risk-taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline rooted in the fiduciary spirit.

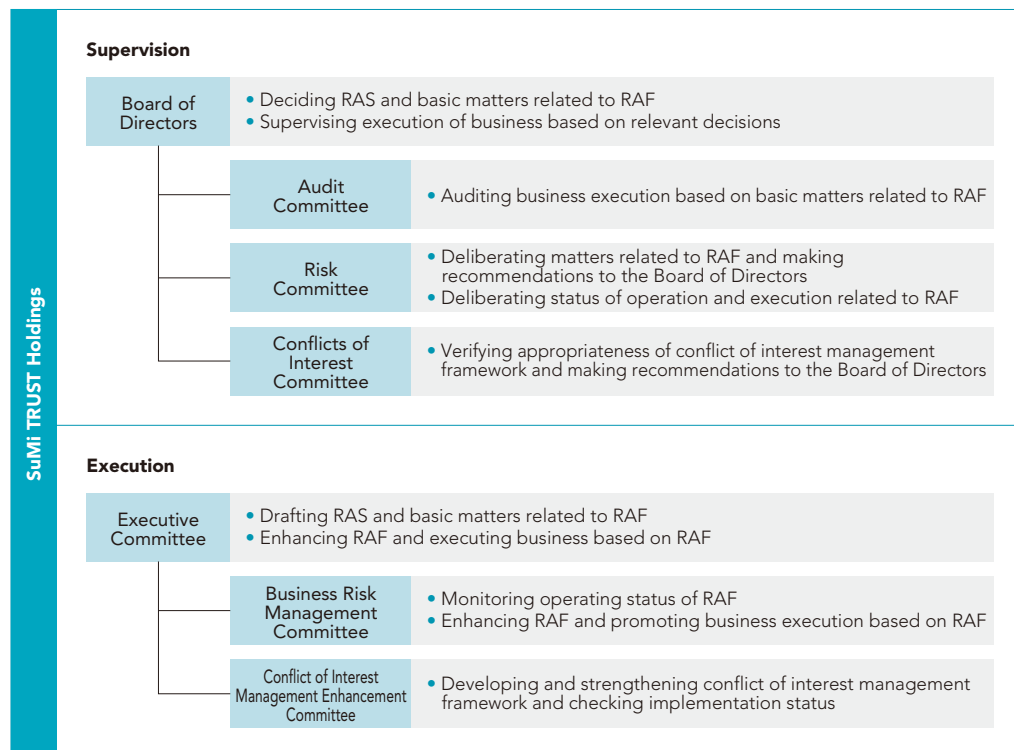
In order to foster a risk culture that takes root across

the Group, we are endeavoring to share and disseminate knowledge of risk culture within the Group through delivery of messages from top management, training and education, and other measures. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used in lively discussions concerning risk appetite within the Group.

## Outline of Risk Appetite Framework



## Risk Appetite Framework Operating System



## 10. Three Lines of Defense

### Risk Management System Based on Three Lines of Defense

SuMi TRUST Holdings has adopted a risk management system based on the Three Lines of Defense model, in order to carry out risk-taking with the aim of achieving the profit plans of each business based on group-wide business strategies, while making appropriate revisions to the business model according to changes in the risk situation and implementing measures to handle emergencies.

The Three Lines of Defense comprise the following three elements.

#### (1) First Line of Defense (Risk-taking, Risk Control)

- Each business identifies and gains an understanding of the risks involved in carrying out its own business, based on knowledge of services and products in that business.
- Each business engages in risk-taking within the established range of risk appetite, and, when a risk materializes, promptly implements risk control at the on-site level.

#### (2) Second Line of Defense (Risk Governance)

- Each business management department serving as a risk management-related department identifies and

evaluates group-wide risks in accordance with the group-wide risk management policy determined by the Board of Directors, creates a risk management process, and sets risk limits. The second line of defense formulates group-wide recovery strategies in advance for when risks materialize.

- The risk management-related departments monitor the status of compliance with risk limits during the fiscal year, and report to management.
- The risk management-related departments act as a restraint function for the risk-taking of the first line of defense, and supervise and direct the risk management system.

#### (3) Third Line of Defense (Risk Assurance)

- Internal Audit Department verifies the effectiveness and appropriateness of the group-wide risk governance system and processes from an independent standpoint.

Under this system, each line is monitored and controlled by higher-level bodies, including various committees, the Executive Committee, and the Board of Directors.

#### Composition of Each Line





## 11. Internal Auditing

### Basic Initiative Policy

The SuMi TRUST Group believes that establishing an efficient and effective internal auditing system commensurate with the size and nature of its business, the content of laws and regulations that apply to operations, and the type of risks is indispensable to achieve management targets, appropriate legal compliance, facilitating financing, client protection, and risk management.

Therefore, with the aim of ensuring the soundness of management by improving and enhancing the business

execution system and the internal management system, SuMi TRUST Holdings and its main Group companies have established internal auditing units that are independent of departments involved in business execution and that adequately act as a restraint function. The internal auditing units verify the appropriateness and effectiveness of the business execution system and internal management system, provide comments and recommendations for correcting problems, and follow up on the status of improvement measures.

### Internal Auditing Implementation System

#### (1) SuMi TRUST Holdings

##### 1) Organization

In addition to establishing an Internal Audit Department independent of departments involved in business execution under the Board of Directors, SuMi TRUST Holdings has strengthened the supervisory and restraint capabilities (governance) with regard to management and business execution departments by establishing a statutory Audit Committee (chaired by an external director).

##### 2) Functions and Roles

Internal Audit Department of SuMi TRUST Holdings formulates an internal audit plan, taking into account the basic policy on internal audits, including development of the SuMi TRUST Group's internal auditing system, as well as significant group-wide risks. After receiving the consent of the Audit Committee, the plan is approved by the Board of Directors. The Internal Audit Department reports the results of the internal audit without delay to the Director, President and the Audit Committee, while also analyzing the internal audit results, including those for Group companies, and reporting regularly to the Board of Directors.

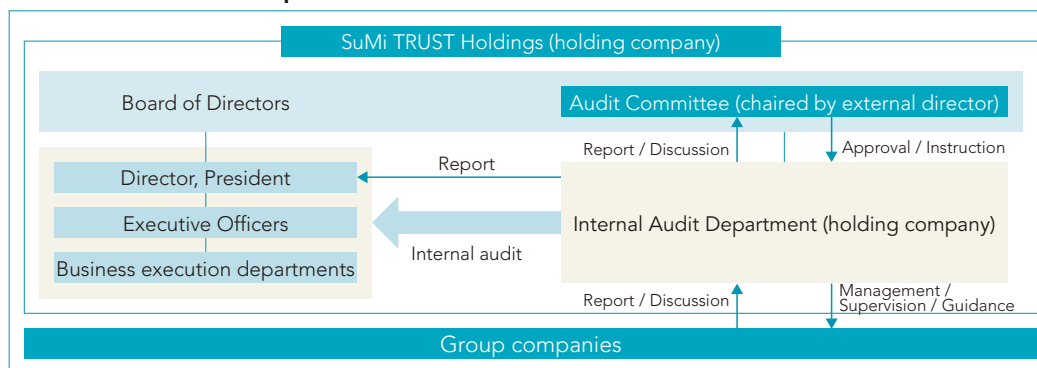
In addition, Internal Audit Department of SuMi TRUST Holdings, as the department supervising the Group's internal auditing, approves the internal audit plans of Group

companies after confirming their conformity with the basic policy, and carries out internal audits in collaboration with the internal auditing unit of each Group company. The role of the Internal Audit Department also includes receiving reports of internal audit results from Group companies, assessing and verifying the internal auditing system and its implementation status at each Group company, and providing guidance as necessary.

##### (2) Group Companies

Internal auditing units that are independent of departments involved in business execution have also been established at the main Group companies including SuMi TRUST Bank, and conduct internal audits of all Group companies. Each Group company formulates an internal audit plan in line with the basic policy on internal audits set by the holding company, which is approved by the Board of Directors of each company after consultation with the holding company. Results of internal audits are reported without delay to the president and to the holding company. Analysis results of internal audits, including those of Group companies, are also reported regularly to the Board of Directors and the holding company.

### The SuMi TRUST Group



## 12. Regarding Constructive Dialogue with Shareholders

SuMi TRUST Holdings has established the Policy for Constructive Dialogue with Shareholders, etc. as provided in the “Basic Policy on Corporate Governance”:

- SuMi TRUST Holdings shall emphasize constructive dialogue with its shareholders, etc., and shall endeavor to engage in dialogue with its shareholders, etc. through various opportunities under the initiative of its senior management.
- Through constructive dialogue, SuMi TRUST Holdings shall endeavor to obtain the understanding of its shareholders, etc. regarding SuMi TRUST Holdings’ management

policies, and it shall endeavor to support sustainable growth and medium- to long-term enhancement of the corporate value of the SuMi TRUST Group, by absorbing and reflecting analyses of management administration and views from the perspective of capital providers, etc. through listening to the voice of the shareholders, etc.

To promote constructive dialogue with shareholders, SuMi TRUST Holdings actively conducts IR activities. For details on specific efforts and measures, please see below.

### Activities Regarding IR

	Supplemental remarks
Preparation and publication of disclosure policy	SuMi TRUST Holdings has established the Disclosure Policy and disseminates it externally, as well as to SuMi TRUST Group’s officers and employees for the purpose of appropriately implementing it. The Disclosure Policy serves as SuMi TRUST Group’s IR activity guidelines, setting forth that we should make efforts to proactively disclose corporate information which we deem useful for our shareholders, investors, etc. in understanding the SuMi TRUST Group, adopting timeliness, accuracy, and fairness as basic requirements therefor.
Regular information meetings for individual investors	SuMi TRUST Holdings holds corporate briefings via securities companies and so on, where the representative director, and the officer and employee in charge of IR explain SuMi TRUST Group’s characteristics, earnings results and financial condition, and management strategies, etc.
Regular information meetings for analysts and institutional investors	SuMi TRUST Holdings holds investor meetings semi-annually (around May and November), inviting securities company analysts and institutional investors, with the representative director explaining SuMi TRUST Group’s earnings results and management strategies, etc. Further, SuMi TRUST Holdings holds one-on-one and group meetings for analysts and institutional investors from time to time, with the representative director, and the officer and employee in charge of IR providing explanations.
Regular information meetings for overseas investors	SuMi TRUST Holdings’ representative director, or the officer in charge of IR, visits major institutional investors in the U.S., Europe, and Asia, etc. several times per year, explaining SuMi TRUST Group’s earnings results and financial condition, and management strategies, etc. Further, SuMi TRUST Holdings regularly participates in IR conferences organized in Japan by securities companies for overseas institutional investors, as well as participates in such conferences held overseas.
Posting of IR materials on website	Promptly after their announcement, SuMi TRUST Holdings discloses various types of IR information and information for shareholders, etc. on its website. The types of information disclosed are, among others, as follows: financial results and related explanatory materials; annual securities reports; quarterly securities reports; summary of financial results; investor meetings’ presentation materials; the Basic Policy on Corporate Governance; stock information; business reports, annual reports, convocation notices for general shareholders’ meetings; results of voting, etc. Videos of investors meetings and corporate briefings for individual investors are also posted on the website. Further, on the page of its website entitled “For Individual Investors,” explanation is provided for individual investors regarding SuMi TRUST Group’s business and operational results in an easy-to-understand format. For overseas institutional investors, too, SuMi TRUST Holdings provides various types of IR information and so on in a timely manner via its English website. Japanese URL: <a href="http://smth.jp/IR/index.html">http://smth.jp/IR/index.html</a> English URL: <a href="http://smth.jp/en/IR/index.html">http://smth.jp/en/IR/index.html</a>
Establishment of department and/or manager in charge of IR	SuMi TRUST Holdings has appointed an officer in charge of IR, as well as established the IR Department as the section in charge of daily IR activities. SuMi TRUST Holdings makes efforts to appropriately disclose corporate information, as well as aiming for highly transparent corporate management through proactive IR activities and constructive dialogues with both domestic and foreign shareholders and investors. Officer in charge of IR: Yukihiro Kitano, Senior Managing Executive Officer/Koichi Onaka, Managing Executive Officer Section in charge of IR: IR Department The General Manager of the IR Department serves as the administrative IR contact person.
Others	<Internal organic cooperation to assist dialogues with shareholders> Through cooperation with the management team and each section, the officer in charge of IR and the section in charge of IR endeavors to appropriately understand management information and other internal information, and make efforts to disclose such information in a timely, accurate, and fair manner, as well as leverage such information for the purpose of constructive dialogue with shareholders and investors.  <Feedback regarding shareholders’ opinions and IR activities to the management team and the Board of Directors> We provide timely and appropriate feedback to the management team regarding opinions or concerns, etc. expressed by shareholders, investors, and analysts, etc. In addition to an overall report on IR activities, reports regarding such opinions or concerns, etc. shall be regularly made to the Board of Directors.  <Management of insider information during dialogues> For the purpose of the management of insider information, the SuMi TRUST Group regularly disseminates, within the SuMi TRUST Group, the laws, regulations, and rules, etc. which the SuMi TRUST Group is bound to comply with, as well as instructions for the appropriate handling of insider information. Strict management and operation is also conducted during dialogues with shareholders and investors.

## 13. CSR of Sumitomo Mitsui Trust Group

### Fundamental Perspectives

SuMi TRUST Group's Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increasing the corporate value of SuMi TRUST Group by promoting active efforts to resolve sustainability-linked environmental and social issues while taking into consideration its stakeholders. "Creating shared value" is the concept of pursuing social value together with corporate value. It has long been an issue ingrained in SuMi TRUST Group's management.

Dealing with issues of sustainability at the working level is SuMi TRUST Group's approach to CSR. As sustainability issues can be broken down into the three elements of environmental, social and governance (ESG), we have defined CSR to be the reflection of ESG into our daily business processes. In particular, based on a process for identifying ESG-linked materiality issues (high priorities) that have an impact on our value creation process, we emphasize materiality management, which is factored into our management processes, and regard this as the foundation of "creating shared value." ESG information disclosure to investors is an important CSR function. The aim of the ESG/CSR Report is to provide comprehensive ESG information disclosure, while the Integrated Report highlights linkages between materiality and financial information.

towards the creation of shared value and determines the direction which SuMi TRUST Group is to take.

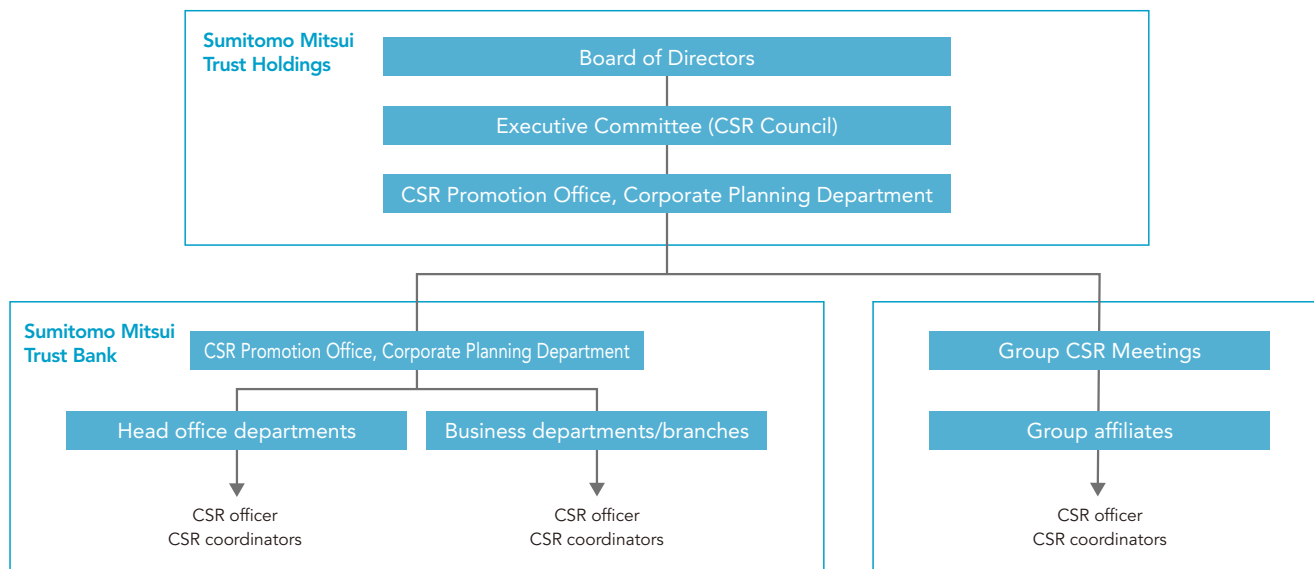
- 2) The CSR Council, which is held as part of the Executive Committee, formulates medium-term policies on CSR as well as the policies for each fiscal year and manages the CSR activities of SuMi TRUST Group based on the PDCA cycle.
- 3) The CSR Promotion Office, Corporate Planning Department plays an integral role in promoting the CSR activities of SuMi TRUST Group based on the instructions of officers in charge (see page 91).
- 4) The CSR Promotion Office has been cast as an in-house ESG investor who implements internal engagement via dialogue with departments whose operations intersect with high materiality themes (see page 7).
- 5) CSR officers and CSR coordinators have been appointed at each group company and each branch of the SuMi TRUST Bank to play a role in promoting CSR activities, as well as promoting activities that reduce the environmental burden at each office and leading "With You" activities (see page 129).
- 6) Group affiliates formulate policies based on their respective operational attributes, and have promoted them in CSR operations. Also, Group CSR Meetings are held regularly to exchange information.

### Structure for Promoting CSR Activities

- 1) The Board of Directors formulates the Sustainability Policy, while managing CSR activities as a whole in an effort to enhance the awareness of officers and employees of SuMi TRUST Group. The Board of Directors also conducts multi-faceted discussions mainly on themes of high materiality

Officer in charge of CSR activities	Shigeki Tanaka (Managing Executive Officer)
Head Office Executive of the CSR Promotion Office, Corporate Planning Department (Chief Sustainability Officer)	Tsukasa Kanai (Council member and General Manager in charge of CSR)

### SuMi TRUST Group's Structure for Promoting CSR Activities



## Four Pillars of CSR Promotion Office Activities

### ESG Management that aims to create shared value

- Supervision of CSR operations (formulate management plans and promote CSR activities based on the PDCA cycle)
- Promotion of materiality management  
Act as secretariat for the Board of Directors and Executive Committee  
Implement internal engagement
- Respond to ESG survey firms, engage in dialogue with investors
- Strategic ESG information disclosure through our integrated reports and ESG/CSR reports

### CSR Permeation across the Group, Promoting “With You” Activities

- Hosting various meetings  
Group CSR Meetings, Group ESG Meetings, ESG Risk Response Project Team, Human Rights Due Diligence Liaison Committee, LGBT Matters Information Liaison Committee
- “With You” activities promotion at business departments and branch offices, budget grants, points management, and blogs management
- Providing information to individual clients about super-aging society problems, promoting regional collaboration, and responding to issues arising from dementia



### Developing innovative products and services, rolling out CSV businesses

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



\*We have coined the word “Eco-Trustution” to describe initiatives that provide solutions to ecological issues through the use of our trust function, and we are actively promoting such initiatives.

- Collect information on ESG risks for loans and investments where investors focus on issues such as climate change, biodiversity, human rights; display them internally

### Building sound relationships with stakeholders

- Exchanging information with NPOs/NGOs in Japan and overseas, government organizations and universities, etc., and understanding the needs of stakeholders
- Actively participating in international initiatives (UNEP FI, United Nations Global Compact, Business and Biodiversity Initiative, Natural Capital Finance Alliance ([formerly The Natural Capital Declaration], etc.)
- Actively participating and playing a leading role in financial alliance projects in Japan (Principles for Financial Action for the 21st Century, COLTEM Financial Satellite, etc.)

## CSR Medium-term Policies/FY2017 Policies

### (1) CSR Medium-term Policies (FY2017-2019)

Themes	Medium-term Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> <li>• Further sophistication of materiality management</li> <li>• Bolster ESG risk management for loans and investments</li> <li>• Strengthen messaging to investors, elevate sophistication of ESG information disclosure in our ESG/CSR reports and integrated reports</li> </ul>
Contribute to improving earnings and actively promote CSV businesses	<ul style="list-style-type: none"> <li>• Actively advance solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies</li> </ul>
Pursuit of social returns	<ul style="list-style-type: none"> <li>• Link CSV businesses and “With You” activities to the 17 SDG themes, build frameworks for specific initiatives and adopt concepts for pursuing not only economic returns but also social returns</li> <li>• Support research on problems arising from dementia, and actively contribute to property management initiatives in particular</li> </ul>

### (2) FY2017 CSR Policies

Themes	FY2017 Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> <li>• Review materiality items and revise if necessary, cooperate with ESG-related departments on high materiality items and establish an internal engagement system across the entire fiscal year</li> <li>• Devise guidelines for each sector to which the Group lends, strengthen ESG risk management for loans and investments via stepped-up engagement on ESG themes</li> <li>• Publish integrated reports (revise our disclosure materials and annual report)</li> <li>• Publish stewardship reports (an upgraded, revised edition of our responsible investment booklet)</li> <li>• Formulate a roadmap and medium- and long-term environmental goals relating to climate change</li> </ul>
Contribute to improving earnings and actively promote CSV businesses	<ul style="list-style-type: none"> <li>• Bolster solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies</li> </ul>
Pursuit of social returns	<ul style="list-style-type: none"> <li>• Link individual activities to 17 SDG themes, organize fundamental concepts relating to the pursuit of social returns</li> <li>• Analyze the state of SuMi TRUST Group’s information liaison groups on problems arising from dementia, devise policies for medium- and long-term responses</li> </ul>



# Compliance and Conducting Business Activities Fairly

## 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, the SuMi TRUST 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

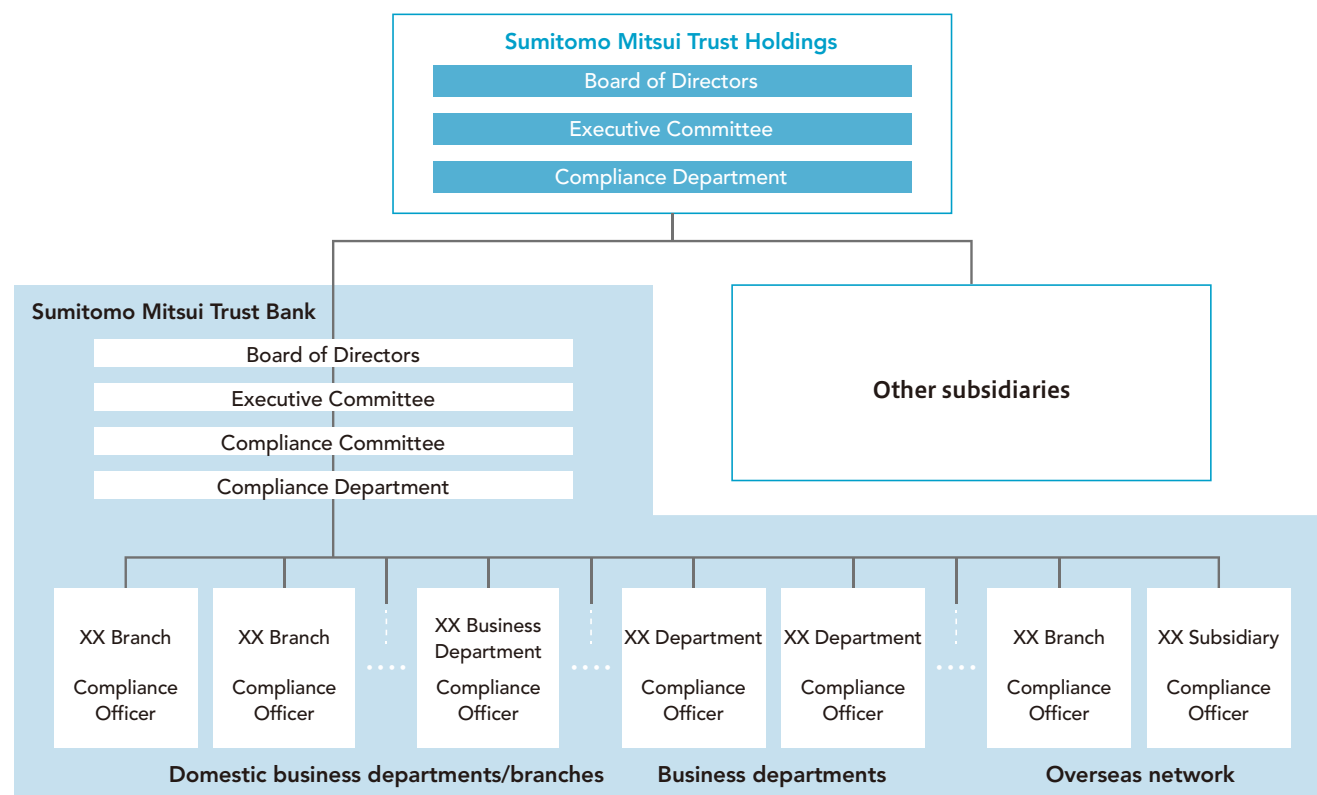
The Group positions supervision of the entire group's compliance system as one of its most important functions. SuMi TRUST Holdings' compliance rules establish standards which executives and employees must follow.

For specific practice plans in various measures on

compliance, a compliance program is made each fiscal year, and progress status is periodically assessed.

The roles of the Board of Directors, Executive Committee and other bodies are as follows.

### Group Compliance Structure



## The Roles of the Board of Directors, Executive Committee and a Director in Charge of the Compliance Department

- 1) The Board of Directors regards the achievement of thorough compliance at the SuMi TRUST Holdings and other group companies as the most important management matter. The Board supervises the development of the compliance system by developing and raising awareness of the compliance policy, Compliance Manual and Compliance Program, as well as developing organizational structures and monitoring and evaluating progress.
- 2) The Executive Committee makes decisions on matters concerning compliance and undertakes preliminary discussions of matters to be resolved by and reported to the Board of Directors. The Committee refers and reports to the Board of Directors matters concerning rules and regulations to be approved or communicated as well as matters concerning the development of the department to manage compliance.
- 3) Directors and executive officers engage in compliance oriented business management upon recognizing matters that need to be considered in accordance with laws especially for businesses for which they are responsible, in light of the importance of compliance. Additionally, the director in charge of the Compliance Department accurately recognizes the situation and considers policies and specific measures toward the development and establishment of an appropriate compliance system.
- 4) The Compliance Department oversees the overall compliance of SuMi TRUST Holdings and other group companies by establishing the rules and manuals necessary for the compliance system, implementing measures and providing instruction, dealing with various issues and improving the training systems, among other efforts. The Compliance Department also creates a compliance policy, monitors the situation of compliance management and execution, and reports to the Executive Committee on its findings regarding the status of compliance management and execution.

SuMi TRUST Bank also established the Compliance Department as a department to manage compliance. Based on the compliance policy established by SuMi TRUST Holdings, 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 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 SuMi TRUST Holdings.

### Compliance Hotline System

In order to promptly and appropriately cope with any violation, SuMi TRUST Holdings 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. This hotline system enforces rigorous control of information and protection of privacy to ensure protection of whistleblowers, who shall never be adversely treated so long as what and how they report is appropriate and fair.

There are no restrictions on the compliance hotline on the type of language used or the hours when reports may be made.

The SuMi TRUST Group posts on its website a contact phone number to which third parties may direct their opinions and requests.

### ■ Sumitomo Mitsui Trust Holdings, Inc. 03-6256-6000 (Main Number)

Each group company also posts its contact phone number on its website. The phone number for inquiries regarding SuMi TRUST Bank is as follows.

### ■ Customer Service Office

Weekdays from 9:00 a.m. to 5:00 p.m. (Service is not available on Saturdays, Sundays, holidays and the period from December 31 to January 3.)

\*The personal information you will be required to give at the time of inquiries will be treated responsibly by SuMi TRUST Bank. It will only be used in replying to your inquiries and not be disclosed to third parties or used for any other purposes without your consent.

## Response at the Time of Compliance Violations

Should a compliance violation occur, a system for reporting and managing it has been established at the SuMi TRUST Group by the Risk Management Department. This includes a system of customer care, a system for reporting internally and to the relevant authorities, and measures to prevent a recurrence (occurrence) of such a violation. The aim is to ensure appropriate responses, prevent and reduce accidents, and improve the quality of operations, among others.

In the event of a violation, SuMi TRUST Bank responds to the situation and manages it by following the process outlined below.

- 1) In the event of a compliance violation, the department in violation will appropriately and promptly make a report and responsibly manage and respond to the situation from the time the violation occurred until its resolution. Furthermore, upon conducting an investigation and analysis of the causes of the violation, it will formulate and implement measures to prevent recurrence.
- 2) Departments responsible for supervising businesses will cooperate with the department in violation and implement responses, investigate the causes and formulate measures to prevent recurrence. They also conduct case studies, raise awareness and implement measures to prevent recurrence within businesses as necessary.
- 3) Risk management-related departments (the Compliance Department) will provide instructions to the department in violation and departments responsible for supervising businesses as necessary. In the event a serious violation occurs, a compliance subcommittee will be convened, in principle, to examine the adequacy of the report and the appropriateness of the measures to prevent recurrence.

### 3. Response to Major Compliance Risks

#### Initiatives to Foster Compliance Awareness

In order to foster compliance awareness throughout the Group, a Compliance Manual has been created for SuMi TRUST Holdings and each group company, and employees are thoroughly informed about laws and regulations as well as various rules and items which must be followed.

The Group is also enhancing training courses including a course for rules to strictly comply with insider trading regulations, and each company's compliance department has

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 business and product characteristics and client attributes by implementing training and study in his/her workplace and providing guidance and instructions in daily work processes.

#### Compliance Training through e-learning in FY2016

Course name	Content	Those targeted for enrollment	Month of implementation
Training (written oaths) to prevent insider trading and leaks, ensure duty of confidentiality: May 2016	Lean basics to prevent insider trading, ensure duty of confidentiality and information management, etc.	All employees	May
Compliance basics: FY2016	Promote understanding on basics such as compliance and client protection	All employees	June
Volcker rule basics	Basic knowledge on Volcker rule compliance	All employees in related operations	July
Revisions such as confirmation at time of transaction (identify verification) per amended law preventing transfer of criminal proceeds: October 1, 2016	Promote comprehension of amended law preventing transfer of criminal proceeds, OECD's Automatic Exchange of Financial Account Information in Tax Matters	All employees	August
Launch reporting system for automatic exchange of financial account information of non-residents [laws relating to Japan's version of the common reporting standard (CRS)]	Promote comprehension of system concepts for OECD's Automatic Exchange of Financial Account Information in Tax Matters	All employees	November
Training (written oaths) to prevent insider trading and leaks, ensure duty of confidentiality: November 2016 event insider trading and leaks, ensure duty of confidentiality	Lean basics to prevent insider trading, ensure duty of confidentiality and information management, etc.	All employees	November
Preparedness against anti-social forces: FY2016	Basics of preparedness against anti-social forces	All directors, executives and employees	December
Measures to prevent money laundering etc.: FY2016	Meaning and implementation of anti-money laundering (AML) measures	All employees at branches/ departments Learn basics to print with officers responsible for AML	January

#### Major Compliance Risks

- Leakage of customer information
- Inappropriate acquisition and use of personal information
- Lack of credibility in products and services offered
- Violation of the principle of suitability
- Inadequate explanations to customers
- Insincere responses to customer consultations and complaints
- Relationships with customers that lack moderation
- Transactions with conflicts of interests
- Inappropriate accounting treatment
- Disregard for information disclosure
- Illegal payoffs
- Inhibiting free and fair competition
- Insider trading and other forms of unfair trading
- Violation of Foreign Exchange and Foreign Trade Act
- Infringement of intellectual property rights
- Opaque relationships with government authorities
- Dealings with antisocial forces
- Money laundering

#### Due Diligence in Transactions

Before conducting each transaction, SuMi TRUST Bank checks whether a potential customer has any connections to antisocial forces, as well as performing checks at the time of the transaction based on the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act. Additionally, transactions with customers of countries considered high-risk according to the Act on Prevention of Transfer of Criminal Proceeds are

subject to even more stringent checks at the time the transaction is made. Foreign exchange transactions are subject to checks on whether the counterparty is an individual or entity designated for economic sanctions such as the freezing of assets. If a customer requests payment to or a capital transaction with such a counterparty, SuMi TRUST Bank conducts strict checks on whether permission has been obtained from relevant authorities.

## Prevention of Money Laundering

Money laundering is the act of hiding a 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 responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as “money laundering prevention countermeasures.”

SuMi TRUST Group has released its compliance policies on laws and regulations concerning anti-money laundering (AML), and made clear its resoluteness in standing up to money laundering. We established our global guidelines on AML/CFT (combating the financing of terrorism) to realize a unified approach to AML measures that includes overseas bases, and the Group is working to sophisticate its approach to client protection and detection of suspicious transactions.

SuMi TRUST Bank seeks to improve its AML systems in accordance with its compliance policies on laws and regulations concerning AML and its global guidelines on AML/CFT.

Specifically, SuMi TRUST Bank conducts checks on

personal identification items, such as the name and address, as well as client management items, such as transaction purpose and occupation, when starting continuous business relationships, when conducting large-lot cash transactions, or when conducting transactions with persons who reside or stay in specified countries.

Additionally, SuMi TRUST Bank has adopted an AML system, which verifies whether any illicit transfers between accounts have taken place.

Moreover, when employees come across transactions suspected to be related to money obtained illegally or terrorist financing, they shall immediately report the suspect transaction to the person in charge, who notifies the relevant authorities. When use of accounts for illegal purposes, such as remittance fraud, has been found, SuMi TRUST Bank strives to prevent expansion of the damage by quickly taking such measures as freezing the relevant accounts.

Employees at relevant branches and departments shall periodically receive internal training concerning prevention of money laundering, etc.

### Anti-Money Laundering Compliance Policy

#### 1. Organizational structure

The SuMi TRUST Group has established and developed a comprehensive organizational structure and its Anti-Money Laundering Compliance Program for preventing money laundering and terrorist financing.

#### 2. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Money Laundering Compliance Program.

#### 3. Assessing money laundering risk

The SuMi TRUST Group conducts a periodic money laundering risk assessment, and based on it, implements and enforces its Anti-Money Laundering Compliance Program.

#### 4. Customer Due Diligence

The SuMi TRUST Group has established and maintains risk-based customer due diligence, identification, verification and know your customer (KYC) procedures.

#### 5. Sanctions list screening

The SuMi TRUST Group fully complies with applicable sanctions laws and regulations in every jurisdiction in which it operates, including filtering customers and other persons.

#### 6. Suspicious activity monitoring and reporting

The SuMi TRUST Group conducts transaction monitoring on an ongoing basis to detect and report suspicious transactions to the appropriate regulatory body.

#### 7. Training

All officers and employees are required to take appropriate training regarding anti-money laundering compliance on a regular basis.

#### 8. Record keeping

The SuMi TRUST Group maintains appropriate records for the minimum prescribed record-keeping periods.

#### 9. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

#### 10. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Money Laundering Compliance Program through a risk-based approach.

## Response to Antisocial Forces

Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies with ties to them, who may threaten public order and the security of civil society. The Group has declared, both internally and externally, its resolute stance against antisocial forces in its Code of Conduct (“Value”) and various other codes. We have established a system for investigating and conducting systematic checks in all types of transactions in order to prevent transactions 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.

If the counterparty in a transaction is shown to be as an antisocial force after the commencement of a transaction, we have developed a framework that allows us to take measures in close coordination with police and other external expert organizations for the eventual cancellation of such a transaction.

In addition, in order to strengthen awareness about and systems to deal with antisocial forces, in fiscal year 2016, SuMi TRUST Bank provided all executives and employees with training for the prevention of transactions with antisocial forces once each half of the year.



## Management of Conformity with Legal Revisions

Head office departments of SuMi TRUST Bank gather information on legal revisions and report them to the Compliance Department. The Department centrally manages information on the revisions and instructs and manages the related departments to respond to them in an appropriate manner.

## Prevention of Insider Trading

The Group prevents insider trading and other wrongdoings by strictly managing insider information that may be obtained during the execution of job duties.

Specifically, the “Rules on Insider Information Management” obligates employees to immediately report to their supervisors when they have obtained information that may constitute insider information. General managers at branches and departments strictly manage and report insider information to the necessary departments while it is completely prohibited to communicate such information to departments other than those deemed necessary. At entrusted asset business units, entrusted asset supervision departments are responsible for managing insider information.

Moreover, particularly strict measures are taken to shield

information so as to prevent communication of insider information to departments involved in investment (asset management). In addition, in entrusted asset businesses, the “Guidelines on Contact, etc. with Securities Companies, etc.” have been formulated to prohibit any inappropriate contact between personnel responsible for asset management and sales personnel of securities companies in principle.

SuMi TRUST Bank has developed a training system on a whole company basis. In fiscal year 2015, a training program for prevention of insider trading targeted at all employees was implemented four times (four additional times at entrusted asset business units). In addition, all executives and employees were required to submit written oaths pledging to comply with internal rules, etc. concerning prevention of insider trading twice during the fiscal year (two additional times at entrusted asset business units).

## 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 (please refer to Page 76).

## Prevention of “Dango” Bid Rigging and Cartels

As the Antimonopoly Act is intended to promote “fair and free competition” in order to secure consumers’ interests and

### Progress in the implementation of the measures to prevent recurrence of insider trading

We have implemented all the measures to prevent recurrence of insider trading that were announced by the SuMi TRUST Group in March and June 2012. We are continuously conducting regular monitoring of the status of their implementation and consolidation.

\*Details of the violation of insider trading regulations that occurred in 2012 are described in the 2012 CSR Report.

URL: [http://www.smth.jp/en/csr/report/2012/2012e\\_04.pdf](http://www.smth.jp/en/csr/report/2012/2012e_04.pdf)

## Anti-Bribery and Corruption Compliance Policy

### 1. Management commitment

Top-level executives are assigned to be in charge of overseeing the Anti-Bribery and Corruption Compliance Program.

### 2. Assessing bribery and corruption risk

The SuMi TRUST Group conducts a periodic bribery and corruption risk assessment, and based on it, implements and enforces the Anti-Bribery and Corruption Compliance Program.

### 3. Pre-approval before providing entertainment and gift

All officers and employees are required to obtain pre-approval before providing any form of facilities such as entertainment, gift, or donation to any governmental official or any related persons even where it is specifically permitted by law or regulation.

### 4. Conducting an appropriate due diligence

When establishing a relationship with a new third party, including an agent or consultant, or merger and acquisition targets, the SuMi TRUST Group conducts a due diligence regarding bribery and corruption risk through a risk-based approach.

### 5. Overseeing employment and trainee acceptance

The SuMi TRUST Group assesses the appropriateness of hiring employees and accepting trainees to avoid even the appearance of unlawfully offering a benefit to any governmental official or any related persons.

### 6. Training

All officers and employees are required to take appropriate training regarding anti-bribery and corruption compliance on a regular basis.

### 7. Whistle-blowing system

If a violation related to bribery or corruption is detected, all officers and employees can use a whistle-blowing system with a prohibition against any retaliation of anyone who makes a report in good faith.

### 8. Disciplinary action

All officers and employees may be subject to disciplinary action, up to and including dismissal, in case of violation of applicable laws or internal rules.

### 9. Monitoring and testing

The SuMi TRUST Group regularly conducts monitoring and testing including internal audits for compliance with the Anti-Bribery and Corruption Compliance Program through a risk-based approach.

promote democratic and sound development of the national economy, it sets basic rules for the free economy, such as a ban on unfair restrictions on transactions (cartel). In order to comply with the Antimonopoly Act, the Group has formulated a compliance manual concerning compliance with the Antimonopoly Act and has established a rule requiring checks related to the prohibition of joint activities, abuse of a superior position and false and misleading advertising indications at individual business units and is strictly enforcing them.

### Initiatives to Prevent Bribery

SuMi TRUST Group conducts risk evaluations concerning bribery and corruption and, on this basis, has established compliance policies on laws and regulations to prevent bribery and corruption and implements anti-bribery, anti-corruption programs.

The Group has put into place a prior approval system for corporate conduct that could lead to bribery and other corruption from client entertainment and gift-giving to expense sharing, donations and subsidies. We have adopted a mechanism for the human resources department to centrally manage bribery prevention to ensure illicit benefits are not received via the acceptance of employment or training. In addition, we have made due diligence implementation of third parties mandatory before contracts can be concluded for some contract categories as a way to protect against the risk of third parties such as consultants transferring funds to an intended recipient, a practice that has been increasingly exposed in the past few years.

The Group provides all directors, executive officers and employees with training every year to ensure reliable compliance with these rules and bylaws and implements periodic testing and monitoring to confirm individually the status of performance. Moreover, we have fostered close-knit collaboration between our overseas bases and local legal offices, especially at overseas bases where the risks of bribery and other corruption are high, and have strived to build systems for responding swiftly and properly to emergencies.

### Protection of Intellectual Property Rights

The Copyright Act and other laws ban the use of intellectual property rights such as copyrights without permission. The Group, while protecting the intellectual property rights of group companies, ensures employees' thorough compliance with those laws by specifying, in the compliance manual, the prohibition of copying and use of other persons' copyrighted materials, etc. without permission.

### SuMi TRUST Group's Basic Policies on Tax Compliance

The Group has over the years properly met its tax obligations in accordance with its basic policy concerning tax compliance amid growing scrutiny on tax issues confronting global companies such as transfer price tax regulation and tax haven countermeasures. In August 2016, we amended this policy by adding documentation relating to transfer pricing as a way of responding to public interest in tax policy, clarifying the

appropriateness of our international tax practices as a global company. In the past few years, large companies with a base in the United Kingdom have been required to devise and publicly disclose a UK tax strategy, and the Group has responded properly in accordance with this requirement.

Our response was aimed at further raising awareness about tax among our directors, executive officers, and employees and thereby ensure compliance with tax laws and appropriate fulfillment of our tax obligations. Through such efforts and the balancing of the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, the Group conducts its corporate activities in ways that are not contrary to social norms.

## Tax Compliance Policy

### Tax Law Compliance

We comply with rules regarding taxes such as national tax laws, directives and tax treaties and properly fulfill our tax obligations.

### Response to Tax-related Risks

The Group recognizes risks relating to taxes as an important issue from a management viewpoint. In a context where we balance the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, we appropriately manage tax-related risks and conduct our corporate activities.

### Relationship with the Tax Authority

We build a relationship of trust with the tax authority by enhancing transparency through information disclosure and other means.

The Group documents transactions that comply with the principle of arms' length transactions between independent companies for transactions that cross borders but are between Group companies. We have put into place systems we can explain to the tax authority of each country where we operate.

## ■ SuMi TRUST Group's Accounting Hotline

The Group has established a reporting hotline for information on accounting, internal controls involving accounting, misconduct on audit items, and improper treatment of information within SuMi TRUST Holding or Group companies such as SuMi Trust Bank (limited in all cases to information on actions performed in Japan), as noted below. The reporting hotline accepts comments send via regular post or email.



### Reporting Hotline

[Mailing address] Sumitomo Mitsui Trust Holdings, Inc.

2-2-2, Marunouchi, Chiyoda-ku Tokyo 100-0005

Sumitomo Mitsui Trust accounting hotline at City-Yuwa Partners (legal practice)

[Email] [sumitrust-hotline@city-yuwa.com](mailto:sumitrust-hotline@city-yuwa.com)

# Risk Management

## 1. Basic Philosophy on Risk Management

Reducing various risks surrounding a company is indispensable in averting any damage to its corporate value. Even so, strengthening the company's risk management structure ensures a robust corporate foundation and contributes to the enhancement of its corporate value. As the trust bank group which boasts the largest scale and the highest status in Japan, SuMi TRUST Group regards the development

of a risk management system suited to the characteristics of its operations and environmental changes as one of the most important management issues it faces. Accordingly, SuMi TRUST Group is making constant efforts to enhance and advance its risk management, which forms the basis of operations that support business expansion and sustainable growth of SuMi TRUST Group.

## 2. Risk Management Structure

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

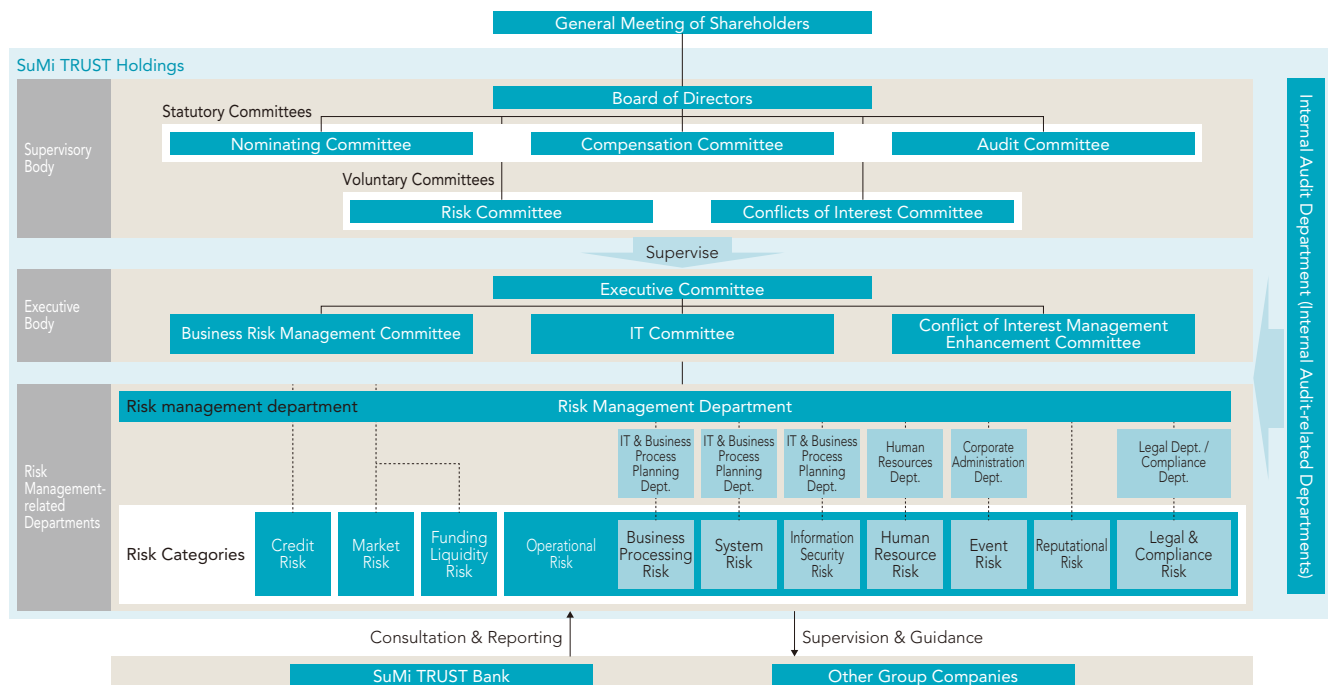
### The Responsibilities and Roles of Each Governing Body

- 1) The Board of Directors formulates policies on the identification, assessment, monitoring, control and reduction of risks, formulates management plans that include the Risk Capital Allocation Plan and Risk Management Plan and informs SuMi TRUST Group of the plans. The Board also builds an appropriate reporting system and grants the necessary authority for it, among other efforts.
- 2) The Executive Committee, pursuant to the policies set forth by the Board of Directors, approves arrangements for the identification, assessment, monitoring, control and reduction of risks and develops systems to enable

the implementation of such arrangements, among other efforts.

- 3) The front offices, pursuant to the Risk Management Rules and other related risk management regulations, accurately recognize risks and conducts operations including practicing appropriate controls commensurate with the size and characteristics of the risk with the goal of ensuring the effectiveness of risk management.
- 4) The risk management-related departments develop and implement risk management processes including the identification, assessment, monitoring, control and reduction of risks under their control. To achieve effective checks on the front offices, the risk management-related departments plan and promote risk management systems by monitoring the risk status and risk management activities of the front offices and by making reports to management periodically or as necessary.

### Risk Management Structure



### 3. Risk Management Operations

#### Types of Risk

SuMi TRUST Group classifies risk categories by causes of the risks it faces in its management as a whole into “credit risk,” “market risk,” “funding risk” and “operational risk.” SuMi TRUST Group manages these risks in accordance with their respective characteristics.

#### Risk Management Methods

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

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

Group companies develop appropriate risk management systems suited to the characteristics of their own operations and risks, based on SuMi TRUST Holdings’ policy concerning risk management.

#### Enterprise Risk Management

##### (1) Enterprise Risk Management Approach

SuMi TRUST Group has built an enterprise risk management approach using risk management as a framework to ensure sound management that keeps risks within the bounds of our corporate strength. Using enterprise risk management, we apply risk capital allocation management and conduct

stress tests, and based on basic policies established by the Group, we execute appropriate management to optimize risk-return performance and increase corporate value by evaluating our capital adequacy level and reporting on these to the Board of Directors, the Executive Committee, etc. on a regular basis.

##### (2) Risk Capital Allocation Operations

For the purpose of the SuMi TRUST Group’s capital allocation operations, SuMi TRUST Holdings assesses capital adequacy level, in consideration of the external environment, risk-return performance status, strategic targets, and the results of its stress test, and allocates capital of the SuMi TRUST Group to each group company based on its risks (credit risk, market risk, and operational risk). The risk capital allocation plan is subject to the approval of the Board of Directors.

Each group company operates its business in compliance with the allocated amount of risk capital (risk capital). The risk management supervision department monitors adherence to the allocated risk capital (risk capital) and the risk amount status on a monthly basis and reports to the Board of Directors and others.

The risk capital allocation plan is reexamined semiannually, and also whenever deemed necessary due to modifications to the business plan of any one of the group companies or changes in risk status, etc.

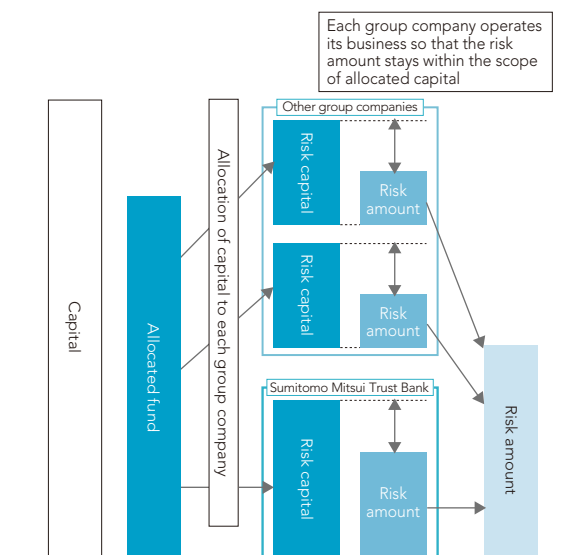
##### (3) Assessment of Capital Adequacy Level, Capital Strategy

The capital management departments assess the level of capital adequacy from the viewpoint of soundness each time a risk capital allocation plan is formulated or reexamined, and reports to the Board of Directors and others.

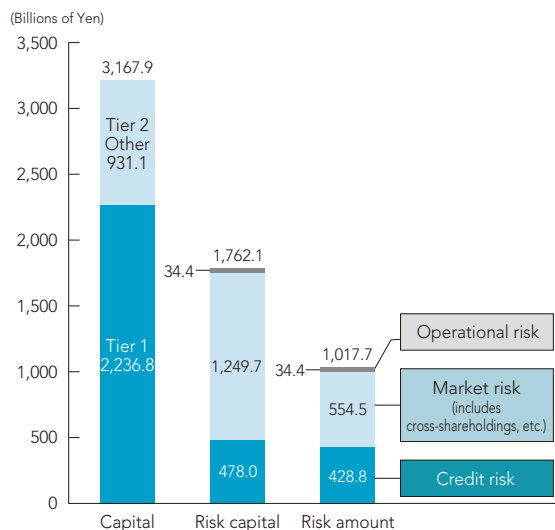
The SuMi TRUST Group assesses capital adequacy level multilaterally by establishing multiple definitions of capital and risk as follows.

From the viewpoint of ensuring business continuity, the

#### Capital Allocation Scheme



#### Capital and Risk Capital (within a 99% confidence interval, 1 year holding period)





SuMi TRUST Group assesses the capital adequacy level by comparing the amount of risk with a confidence interval of 99% with the regulatory required Common Equity Tier 1 capital (allocation fund). Also, from the viewpoint of depositor protection, it compares the amount of risk with a confidence interval of 99.9% and the amount of risk with a confidence interval of 99% after the consideration of stress events with the regulatory required total capital.

#### (4) Stress Testing

It is becoming increasingly important to develop and review countermeasures beforehand, against contingencies such as a financial crisis. These measures should be based on prior analysis and recognition of the impact on corporate management and finance, in the event of materialization of the stress event.

The SuMi TRUST Group conducts stress tests under the risk capital allocation plan (economic capital) and the capital adequacy ratio plan (regulatory capital), and utilizes the result for purposes including assessment of capital adequacy levels and development of countermeasures against the occurrence of the risks (contingency plan) when formulating management plans.

#### ■ Stress Test Framework

When formulating our management plan, we devise multiple scenarios as a point of departure for discussion such as the impact on our portfolio if events that actually happened in the past 10 to 20 years reoccurred (historical

scenarios) and forward-looking scenarios that have a relatively high probability of occurrence depending on the market environment that would have a large impact on corporate management (hypothetical scenarios). The next step is to review and make a final selection of scenarios for use in formulating the plan. Based on these scenarios, we estimate the size of losses in the event a risk were realized, evaluate the impact against our capital adequacy level, and report the results to the Board of Directors etc. within the reporting framework that has been established.

#### (5) Capital Adequacy Status

Under the risk capital allocation plan, against total capital of ¥3,167.9 billion (Common Equity Tier 1 capital of ¥2,236.8 billion) of SuMi TRUST Holdings on a consolidated basis, the allocated risk capital (risk capital) is ¥1,762.1 billion. Risk capital actually used (risk weights) is ¥1,017.7 billion. In addition, the net difference of ¥1,405.8 billion from subtracting allocated risk capital (risk capital) from total capital is at a sufficient level in view of the results of stress tests and other factors.

#### (6) Upgrading of Integrated Risk Management and Capital Management Systems

The SuMi TRUST Group will continuously verify the scope of risk to be managed, risk measurement methods, risk capital allocation methods, capital adequacy level assessment methods, etc., so that integrated risk management and capital management will be more effective, and will strive to improve and upgrade the systems.

### Compliance with BIS Capital Adequacy Regulations

Basel III capital adequacy ratio (CAR) rules, which are aimed at improving the quality and quantity of equity capital and bolstering risk recognition, took effect as the rules for Japan from the end of March 2013, replacing Basel II rules, which have been in effect since the end of March 2007. While enabling greater refinement in the assessment of risks facing financial institutions, the Basel III CAR rules also seek to encourage financial institutions to enhance their risk management capabilities and comprise the following "Three Pillars."

The SuMi TRUST Group has established a system to comply with the regulations in the course of enterprise risk management. Moreover, it is committed to further enhancing its risk management performance by constantly stepping up its compliance with new international financial regulations. As part of these efforts, the SuMi TRUST Group adopted the Advanced IRB Approach to credit risks from the end of March 2015, and the Advanced Measurement Approach to operational risks from the end of March 2014 in the calculation of the capital adequacy ratio.

#### (1) "The First Pillar"

The first pillar is designed to manage the required capital calculated under the regulation-prescribed methods. An internationally active bank is required to have a minimal capital against the aggregate of credit risk, market risk and

operational risk, in addition to further elaborating the measurement of credit risk.

Banks are to choose risk methods according to their internal risk management frameworks, and we have adopted the approaches indicated on the next page.

#### (2) "The Second Pillar"

The second pillar comprises the management of overall risks, including "interest rate risk in the banking account" and "credit concentration risk," which are particularly important among risks not covered by the first pillar, by the banks themselves, and the examination of the banks' capital adequacy by the banking supervisory authorities through the processes of evaluation and supervision. It is aimed at maintaining and improving the soundness of the management of banks. The SuMi TRUST Group is managing these risks within the internal risk management framework.

#### (3) "The Third Pillar"

The third pillar is designed to aim at maintaining and improving the soundness of bank management by enhancing information disclosure regarding matters related to the first and second pillars, such as capital adequacy and risk management, thereby increasing the effectiveness of market discipline to be exerted on banks.

## Management Status of Individual Risks

Credit Risk	
Definition	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.
Basic policy	<ul style="list-style-type: none"> <li>A credit risk management system and an asset evaluation management system are developed to ensure the soundness and adequacy of credit-related operations, in accordance with established basic policies on Group-wide credit risk management. Meanwhile, we are dealing with obligors, based on the understanding that it is critical to keep informed of the obligors' actual business status and provide them with management consultation and guidance along with assistance for business improvement initiatives, in an effort to mitigate credit risk.</li> <li>Likewise, the affiliated banks engage in appropriate credit risk management based on risk management systems established in accordance with the aforementioned basic policy.</li> </ul>
Risk management system	<ul style="list-style-type: none"> <li>The Risk Management Department is designated as a department responsible for credit risk management at SuMi TRUST Holdings and engages in monitoring and analysis of the credit risk status across the Group. The department also provides supervision and guidance to affiliated banks and companies.</li> <li>The Risk Management Department is designated as a department responsible for credit risk management at affiliated banks as well, while the credit supervision departments, the departments responsible for problem loans management, and the departments responsible for asset evaluation/management are designated as departments responsible for credit risk-related management.</li> </ul>
Risk management method	<p>An obligor's business status is managed on a consolidated basis across the Group. Not only loans but also assets and off-balance sheet assets associated with credit risk are managed on an integrated basis.</p> <p>Credit risk is evaluated and measured using criteria including credit ratings, while credit risk is adequately controlled through measures such as the imposition of risk limits and management of concentrated credit risk. The status of credit portfolio (concentration of credit to certain industry sectors or specific groups) is also adequately grasped and controlled.</p>

Market Risk	
Definition	Risk that the Group incurs losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. Of this, "market liquidity risk" in particular means risk that the Group incurs losses caused in a situation where it becomes impossible to conduct transactions in the market or becomes obligatory to trade at prices much more disadvantageous than usual due to market turmoil.
Basic policy	<ul style="list-style-type: none"> <li>Adequate market risk management is in place, commensurate with the Group's strategic goals as well as the scale, characteristics, and risk profile of business activities, to ensure the soundness and adequacy of business activities, in accordance with established basic policies on Group-wide market risk management.</li> <li>Our affiliated banks also engage in market risk management in accordance with risk management policies established on the basis of the aforementioned basic policy.</li> </ul>
Risk management system	<ul style="list-style-type: none"> <li>The Risk Management Department is designated as a department responsible for market risk management at SuMi TRUST Holdings and engages in monitoring and analysis of market risk status across the Group. The department also provides supervision and guidance to affiliated banks.</li> <li>An adequate market risk management framework is in place at our affiliated banks, where the front office (trading/marketing departments), the back office (administrative departments), and the middle office (departments responsible for market risk management) are separated to achieve effective checks and balances between them.</li> </ul>
Risk management method	Market risk is managed through monitoring and control of the status of conformity to the risk limits established based on risk capital allocated commensurate with the financial strength of each organizational unit, and to the alarm points established to prevent enlargement of loss. Meanwhile, market risk is measured by VaR (Value at Risk: the maximum amount of loss anticipated within a certain holding period and within a certain confidence interval), while stress testing is carried out to supplement such VaR-based measurement. Interest rate risk in the banking book in terms of the outlier criteria under Basel II is managed by regular monitoring.

Funding Risk	
Definition	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.
Basic policy	<ul style="list-style-type: none"> <li>Adequate funding risk management is in place, commensurate with the Group's strategic goals as well as the scale, characteristics, and risk profile of business activities to ensure the soundness and adequacy of business activities, in accordance with established basic policies on Group-wide funding risk management.</li> <li>Our affiliated banks also engage in funding risk management in accordance with risk management policies established on the basis of the aforementioned basic policy.</li> </ul>
Risk management system	<ul style="list-style-type: none"> <li>The Risk Management Department is designated as a department responsible for funding risk management at SuMi TRUST Holdings and engages in monitoring and analysis of funding risk status across the Group. The department also provides supervision and guidance to affiliated banks.</li> <li>At our affiliated banks, an adequate funding risk management framework is in place, where the independence of the department responsible for funding risk management from the departments responsible for funding management and the trading/marketing departments is ensured to achieve effective checks and balances between them.</li> </ul>
Risk management method	We adequately grasp the current degree of tightness of funding under the stipulated classification, based on analysis of information collected from domestic and overseas sources. We conduct funding operations in compliance with adequate predetermined limits in order to avoid funding risk and carry out stress testing to develop contingency plans, thus ensuring crisis preparedness.

Operational Risk	
Definition	Risk that the Group incurs losses resulting from inadequate or failed internal processes, people and systems or from external events.
Basic policy	<ul style="list-style-type: none"> <li>Adequate operational risk management is in place, commensurate with the scale and characteristics of business activities and risks, based on the recognition that operational risk is an inevitable risk associated with business execution, to ensure the soundness and adequacy of business activities, in accordance with established basic policies on Group-wide operational risk management.</li> <li>Our affiliated banks also engage in operational risk management in accordance with risk management policies established on the basis of the aforementioned basic policy.</li> </ul>
Risk management system	<ul style="list-style-type: none"> <li>The Risk Management Department is designated as a department responsible for overall operational risk management at SuMi TRUST Holdings, while departments responsible for business processing risk and system risk are separately designated.</li> <li>The Risk Management Department also engages in monitoring and analysis of overall operational risk status across the Group, while providing supervision and guidance to the affiliated banks.</li> <li>Likewise at the affiliated banks, departments responsible for the above three risk categories are separately designated.</li> </ul>
Risk management method	The Group regularly carries out self-assessments with respect to internal control (CSA: Control Self Assessment) and measurement of operational risk to adequately identify and assess the risk from both qualitative and quantitative aspects. On this basis, the Group develops measures for preventing such risk from materializing, action plans in the event it does materialize, and recurrence prevention measures based on the analysis of its causal factors, in an effort to mitigate risk. Risk mitigation measures developed through the above exercise are tested for its effectiveness, as part of the process for review and improvement thereof.

## Operational Risk Sub-categories

Business Processing Risk	
Definition	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.
Risk management method	The IT & Business Process Planning Department is responsible for business processing risk. The Department comprehensively deliberates such risks and operational efficiency issues across businesses. It also promotes the development of systems to ensure effective management of business processing risks from a company-wide perspective. Additionally, a department to supervise and instruct business process has been established within each business to verify rules they set out and to instruct and train the head office departments and branches on business processing in general.
System Risk	
Definition	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.
Risk management method	The reliability of hardware, software and system operations is being enhanced through measures such as hardware maintenance and securing its backup and alternative functions, conducting backups and preparing manuals. Measures are also being taken to ensure the safety of information systems and prevent unauthorized access and use. Additionally, a clear notification and response system has been established to minimize the impact of malfunctions and disasters on information systems and enable quick recovery and business continuity. This system is complemented by the preparation of manuals for back-up measures and recovery procedures and the implementation of operational education and training.
Information Security Risk	
Definition	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.
Risk management method	Each information asset held has been assigned an importance level according to the degree of damage its leakage, loss, alteration, etc. could have on SuMi TRUST Holdings and its customers. Appropriate security measures are being taken. This effort involves determining the methods for acquiring, using, managing, storing, internally communicating, taking out and disposing information assets depending on their level of importance. * For responses to cyber attacks, see page 103.
Legal & Compliance Risk	
Definition	Risk that the Group incurs losses due to uncertain legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
Risk management method	The consistency and compatibility of internal rules and the legality and appropriateness of transactions and business operations are being verified from a legal perspective (through legal checks, etc.).
Human Resource Risk	
Definition	Risk that the Group incurs losses due to personnel and labor management issues, such as unequal or unfair management of personnel and harassment.
Risk management method	A management system is in place to deal with personnel and labor management issues such as unfairness and inequality in personnel matters and harassment. The system involves internal seminars, interviews and establishing consultation desks.
Event Risk	
Definition	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.
Risk management method	Preventive measures for disasters and their mitigation, crime and safe-driving management are being implemented. Business continuity management systems have also been developed. The aim is to deal with a variety of incidents including fires, crimes, traffic accidents, natural disasters and epidemics that can disrupt operations. *Please see the section below on this page for information on crisis management and business continuity planning (BCP) in the event of disasters.
Reputational Risk	
Definition	Risk that the Group incurs losses as a result of deterioration in reputation for SuMi TRUST Holdings or its subsidiaries, owing to such reasons as mass media reports, rumors or speculation.
Risk management method	A system is in place to prevent media coverage, rumors and hearsay that threaten to impair the reputation of SuMi TRUST Holdings and its subsidiaries. The system also provides customer care and makes prompt and appropriate public announcements in the event of reputational damage.

## Crisis Management and Business Continuity Plan in Emergencies

### Initiatives Conducted by Sumitomo Mitsui Trust Holdings and Sumitomo Mitsui Trust Bank

SuMi TRUST Holdings and SuMi TRUST Bank have developed contingency plans in order to quickly implement emergency response measures in the event of emergencies, such as natural disasters, computer system breakdowns and outbreaks of new infectious diseases.

Moreover, regarding important business operations, such as financial settlement, SuMi TRUST Holdings and SuMi TRUST Bank have developed systems to continue business, including BCPs (business continuity plans) and backup offices. In order to ensure the effectiveness of such systems, they periodically conduct exercises and revise BCPs.

When the crisis is serious and its impact is extensive,

causing serious disruptions to the normal business operations of SuMi TRUST Bank and the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish an emergency response headquarters as a company-wide response organization and will quickly implement emergency response measures.

In particular, in preparation for the possible occurrence of a major earthquake, SuMi TRUST Bank, which has branches across Japan, periodically conducts exercises in order to make a response that gives consideration to the safety of customers and employees and to business

continuity and ensure the effectiveness of the response.

As for company-wide response, in order to enhance the effectiveness of the functions of the emergency response headquarters, the Group is strengthening systems for information gathering and information coordination, in addition to periodically conducting exercises, and it is also promoting the enhancement of emergency response systems in the Osaka

area on the assumption of a disaster in the Tokyo area.

Meanwhile, branches are striving to strengthen response capability through periodic exercises and are promoting disaster countermeasures in light of the location condition, the status of principal facilities and individual branches' specific circumstances. Branches are also developing a system for mutual support among them.

### Code of Conduct for Executives and Employees

1. Executives and employees must fully recognize and understand the importance of crisis management and prepare for emergencies. At the same time, they must strive to develop their knowledge in normal times so that they can quickly and appropriately respond in the event of an emergency.
2. In the event of an emergency, executives and employees must make judgments and take actions based on the following principles:

#### (1) Securing the safety of life

In the event of an emergency, the top priority must be placed on securing the safety of customers, executives and employees, and their families. Executives and employees must also always give priority to humanitarian considerations when taking various emergency response measures.

#### (2) Protection of Sumitomo Mitsui Trust Bank's Corporate Assets

By taking disaster prevention and mitigation measures in preparation for the possible occurrence of emergencies, executives and employees must protect Sumitomo Mitsui Trust Bank's corporate assets in the event of an emergency. They must also do

their utmost to take risk mitigation measures to guard against adverse effects that may disrupt business activities.

#### (3) Business Continuity and Early Restoration

In the event of an emergency, executives and employees must strive to quickly restore and continue priority business operations.

#### (4) Cooperation with Local Communities

In the event of an emergency, executives and employees must strive to cooperate with local communities in rescue and other local activities.

## Cyber Attacks

### Response to Threat of Cyber Attacks

The threat of cyber attacks and the damage they can inflict are growing both in Japan and overseas. SuMi TRUST Holdings is engaged in the following activities to protect the precious assets of our customers from the attacks.

### Improvement of Internal Response Systems in Preparation of Cyber Attacks

To respond to cyber attacks, SuMi TRUST Holdings monitors computer systems of SuMi TRUST Bank around the clock. In addition, SuMi TRUST Holdings has established SuMiTRUST-CSIRT as an internal organization for gathering information, conducting analysis and implementing measures relating to cyber attacks, and coordinates with outside expert organizations to strengthen its management system.

### Enhancement of Internet Banking Transaction Security

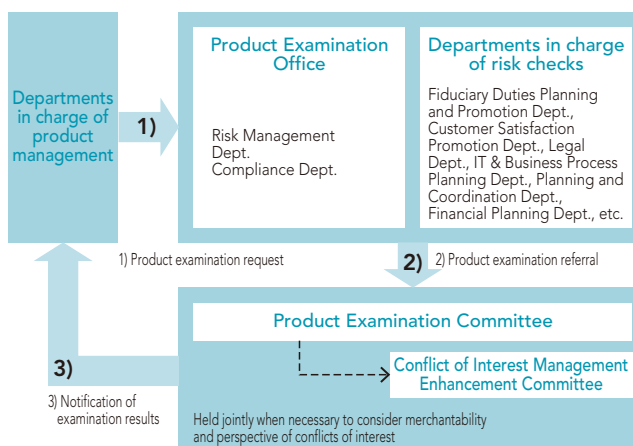
In terms of internet banking, SuMi TRUST Bank offers "Rapport," a type of security software specifically for internet banking, free of charge to help shield customers' precious deposits from fraudulent transactions.

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

## Systems for Introducing New Products and New Operations

When starting to handle new products or when engaging in new operations, it is necessary to develop various systems in order to continue offering products and services, including determining in advance whether there are any inherent risks and identifying their type, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a product examination system. In the product examination process, multiple departments carry out verification from various angles, with emphasis on introducing products and services that will earn the trust of clients. We also conduct verification through regular monitoring after the product has been introduced.

### Product Examination Process





## Social and Environmental Risk Response in Lending and Investment

The Group identifies the “consideration of environmental and social impact on investment destinations and borrowers” to be of the greatest importance from among the Group’s sustainability-related materiality themes. The

Group has an obligation as a sound financial institution to avoid and reduce its risk exposures by taking into account how the activities of its investee or lendee companies impact the environment and society.

### Environmental and Social Considerations as Institutional Investors

SuMi TRUST Bank puts forward its basic stance in view of its guidelines concerning ESG issues. Based on the recognition of ESG issues at investee companies and risks that

could be generated in the future, we engage companies to encourage them to improve such issues, and we exercise voting rights (for specifics, see page 52-55).

### Environmental and Social Considerations in Project Finance

SuMi TRUST Bank is a signatory to the Equator Principles. These international guidelines for private-sector financial institutions in approving loans for project finance etc. are to ensure project implementers give sufficient consideration to impacts on the natural environment and regional communities. In the decision-making process for lending, banks review the environmental and social risks of projects, the country where projects are located, and impacts on the environment and society according to sector in arriving at a comprehensive risk assessment.

a member of the World Bank Group. These standards and guidelines span many fields from implementation processes for assessing environmental and social risks and/or impacts, pollution prevention, and consideration for regional communities to environmental protections.

As of December 2017, 91 banks (including export credit agencies) from around the world have signed the Equator Principles. Signatories require project proponents to comply with the Equator Principles. The signatories can refrain from providing financing if requirements are not met, particularly in the case of large-scale projects in developing countries.

### The Equator Principles

The Equator Principles are standards that enable private-sector financial institutions approving loans for a large-scale project to confirm the project pays sufficient care to impacts on the natural environment and regional communities. Regardless of the country where the project is sited or industry, the Principles apply to project finance, project-related corporate loans (PRCL), and bridge loans that are intended to be re-financed by a project finance or PRCL.

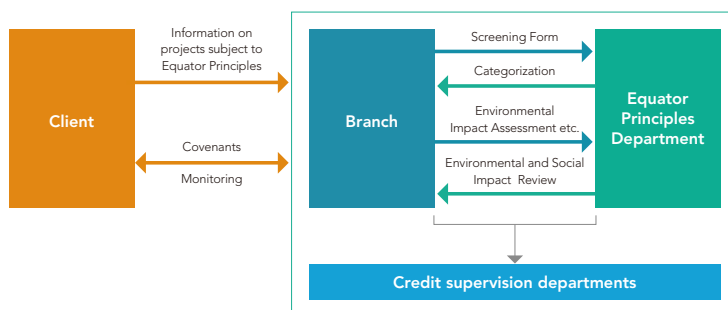
The Equator Principles are based on guidelines and standards concerning environmental and social risk management established by International Finance Corporation,

### Operational Structure of Equator Principles at SuMi TRUST Bank

#### Operational Structure and Processes for Applying Equator Principles

SuMi TRUST Bank has drawn up internal operating rules that stipulate procedures for evaluating environmental and social impacts, and established policies for protecting the environment and communities based on the Equator Principles framework. Departments and sections responsible for the Equator Principles implement evaluations of environmental and social impacts relating to individual projects.

### Systems and Processes for Evaluating Environmental and Social Considerations



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

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

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

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

## Types of financial instruments and other criteria including financing size for the application of the Equator Principles

Type	Application criteria including financing size
Project finance	All projects with total project capital costs equivalent to USD 10 million or more
FA services* <sup>1</sup>	Same as the above
Project-Related Corporate Loans (PRCL)* <sup>2</sup> PRCL: Project-Related Corporate Loans	If all four of the following criteria are met: 1. The majority of the borrowing amount is intended for a single project in which the borrower has effective control (either direct or indirect) of the project; 2. The total borrowing amount is equivalent to USD 100 million or more; 3. The commitment amounts (at syndication or prior to sell-down) of the individual signatories are equivalent to USD 50 million or more; and 4. The loan term is two years or more.
Bridge loans	Bridge loans with a loan term of less than two years that are intended to be re-financed by a project finance meeting the above criteria or PRCL

\*1 Project finance advisory services

\*2 PRCL includes the buyer's credit-type export financing but does not include the supplier's credit-type export financing. Furthermore, it does not include asset financing, M&A financing, hedging transactions, leases, L/C transactions, general funds and general working capital to maintain operations of a company.

## Implementing Environmental and Social Impact Reviews

In our processes for assessing project finance for projects subject to the Equator Principles, we conduct environmental and social impact reviews to confirm whether the response of project implementers in taking into account environmental and social impacts satisfies the standards set by the Equator Principles.

In environmental and social risk/impact reviews based on screening forms, the relevant project is categorized into one of three categories—A, B, and C as shown below—reflecting its environmental and social risks and/or impacts. The Structured Finance Department conducts detailed reviews based on environmental impact assessment reports that take into account the risk/impact category, the status of the country (designated\* or non-designated country) where the project is sited, and industry. The results of the environmental and social risk/impact reviews are sent to a credit supervision department, where it devises a comprehensive risk assessment based on the review results.

\*Designated countries are those countries deemed to have built robust environmental and social governance, legal systems, and institutional capacity to protect their people and the natural environment. Specifics can be viewed at the Equator Principles Association's website.

<http://www.equator-principles.com/index.php/ep3/designated-countries>

## Company Training Programs

In adopting the Equator Principles in February 2016, we provide multiple training sessions for the employees of sales, assessment, screening and other departments and sections involved to foster a thorough understanding of Equator Principles concepts as well as implementation processes for environmental and social risk/impact reviews. Through regular training programs, we strive to go further to raise awareness regarding environmental and social impacts among our employees and deepen their understanding of Equator Principles concepts and implementation processes for environmental and social risk/impact reviews.

## Monitoring Compliance with Equator Principles

As a rule, projects subject to the Equator Principles are engaged to submit regular reports in the loan agreement stipulating compliance with important items concerning environmental and social laws, regulations and rules as well as approvals and permits. Based on regular reports submitted by the borrower of the projects, we monitor compliance with rules relating to the environment and communities.

## Number of Projects Subject to Equator Principles

From October 2016 through end-September 2017, 26 projects were subject to the Equator Principles.

## Project Finance Cases

	FY2016*		
	A	B	C
	—	26	—
Sector	A	B	C
Mining	—	—	—
Infrastructure	—	2	—
Oil & Gas	—	—	—
Power	—	24	—
Petrochemical	—	—	—
Others	—	—	—
Region	A	B	C
Americas	—	2	—
Europe, Middle East, and Africa	—	1	—
Asia and Pacific	—	23	—
Country classification	A	B	C
Designated Country	—	26	—
Non-Designated Country	—	—	—
Independent Review	A	B	C
Implemented	—	24	—
Not implemented	—	2	—

\*Transactions subject to the Equator Principles implemented from October 1, 2016 to September 30, 2017

## CSR Procurement (Procurement that Considers the Environment and Society)

The Sumitomo Mitsui Trust Group strives to give procurement priority to goods and services that factor in consideration for the environment and society based on its Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy). Through its cooperation

with suppliers who care about the environment and society and efforts to spread CSR procurement, the Group seeks to contribute to sustainable social development as a corporate group trusted by the public.

### CSR Procurement Policy

Papers, stationery goods, fixtures and equipment used by SuMi TRUST Holdings in its businesses have been procured through a long supply chain that begins with the mining of resources and extends to its processing, manufacturing and sales. Throughout this process, it is a duty

of consumers to procure products and services that have been designed not to pollute the environment or cause human rights issues. SuMi TRUST Group has formulated a CSR procurement policy to promote procurement that gives consideration to the environment and society.

#### 1. Fair Transactions

We select suppliers through a fair and transparent method by taking comprehensive account of economic rationality, appropriate quality, delivery punctuality, compliance with social norms, consideration for social challenges and consideration for the environment.

We do not provide profits to or impose undue disadvantages on specific clients without due reason.

#### 2. Compliance with Laws, Regulations, etc.

We respect laws and social norms in procurement and never violate them in any case. We are not involved with antisocial forces in any way and reject unjust demands.

#### 3. Consideration for Social Challenges

We strive to conduct transactions with and procure products and services from suppliers who respect basic human rights,

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

#### 4. Consideration for the Environment

We strive to conduct transactions with and procure products and services from suppliers who promote efforts to reduce the environmental burden and contribute to mitigating and easing environmental problems, including climate change and biodiversity problems.

#### 5. Cooperation with Suppliers

We seek cooperation from and promote cooperative initiatives with suppliers in order to give consideration to social challenges and the environment across supply chains in our procurement activities.

### Implementation of CSR Procurement

SuMi TRUST Bank is promoting CSR procurement for the SuMi TRUST Group as a whole. From among products targeted for CSR procurement, we have started to apply environmental and social responsibility criteria for procuring paper, a product our operations use and dispose

in large volumes. With copier paper as a launching pad, we are implementing such measures, and we plan to gradually expand our CSR procurement product recommendations to include printed publications, etc.

#### TOPIC

### CSR Procurement Initiative for Paper Products

- Commenced surveys of suppliers into the environmental and social responsibility of their paper products such as copier paper, office supplies, etc.
- All Group companies are prohibited from procuring copier paper with environmental and social consideration problems, such as illegal logging in tropical rain forests
- Procure copier paper, in principle, with a 100% recycled content ratio
- Reference the viewpoints of Rainforest Action Network and other domestic and overseas NGOs on the environmental and social responsibility of products



## Consortium for Sustainable Paper Use

SuMi TRUST Bank regards destruction of ecosystems and logging in tropical rainforests to supply raw materials for paper as a serious issue. Along with other corporate paper users that share its concern and the World Wide Fund for Nature Japan (WWF Japan), the Bank has established the Consortium for Sustainable Paper Use. With the aim of promoting the spread of sustainable paper use throughout society, member companies share how their initiatives are progressing and ask their suppliers to supply them paper products that are environmentally and socially sound. The consortium launched in 2013 with five member companies has grown to nine companies as of May 2017.

### Consortium for Sustainable Paper Use Policies on Paper Procurement



- Prioritize use of recycled paper and reliable verification systems
- Do not use paper from sources that destroy forests with high protection value
- Use paper that has been produced through appropriate procedures, from logging of raw wood in compliance with laws in the country of origin
- Do not procure products from business operators connected to significant environmental or social problems

## TOPIC

### Debate at the Consortium for Sustainable Paper Use (CSPU)

In July 2016, SuMi TRUST Bank hosted a symposium on the theme of "Supply chain collaboration among companies: Aiming to expand sustainable paper usage." Participants, including consortium members, paper product suppliers, and industry organizations, shared problems concerning raw materials procurement, and discussed ways paper users and suppliers could work together to resolve such problems.

At a July 2017 member's meeting, after hearing a report from WWF Japan on the status of initiatives at paper makers and of managing forests in Southeast Asia, consortium members debated measures and issues for advancing initiatives such as use of third-party verification systems and dialogue with suppliers over the future activities.



## Rules on Human Rights Policy

The human rights policy formulated by SuMi TRUST Group prescribes that SuMi TRUST Group "gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies we invest in or lend to, negatively impact human rights" and that "in cases where relevant laws,

standards and policies are violated, necessary measures are taken as appropriate." The measures include requesting the resolution of a situation where human rights are being violated and suspending transactions and refusing to purchase products and services in case the situation is not resolved.



## Sustainability Policy 4

# Address Environmental Issues

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



# Environmental Burden Reduction Measures

The Group limits negative impacts from business activities in ways that relate to SDG themes through the operation of environmental management systems (EMS).



Through its natural resources, CO<sub>2</sub> emissions, waste generation from the use of energy, paper and the like in its business activities, the Group impacts natural capital and the environment, and it works to reduce environmental impacts that arise from its business activities and recognizes reducing negative impacts on society is an important matter. The Group also factors in environmental and social consideration by investee and lendee companies into its decision-making processes for loans and investment. With the aim of realizing smaller environmental impacts on social as a whole, we promote both initiatives to reduce direct environmental impacts from our business activities and initiatives to reduce indirect environmental impacts from investee and lendee companies in our portfolios.

SDGs have established goals and targets relating to a host of environmental issues. Our initiatives aimed

at responding to environmental issues arising from the Group's business activities are linked to the 17 SDG goals: reduction of waste, including chemical substances such as PCBs and generic waste such as paper waste, and properly managing, recycling and disposing of waste (Goal 3); efficient use of water (Goal 6); use of renewable energy generated by solar panels newly installed on four branch offices since 2013 (Goal 7); certification of the head office building under the "CASBEE\* for Real Estate" system (Goal 11); CSR procurement that guards against buying paper from sources deemed at risk for human rights and environmental abuses from tropical rainforest logging (Goal 12, Goal 15); and energy conservation activities aimed mainly at reducing electricity use (Goal 13).

\*CASBEE refers to the comprehensive assessment system for built environmental efficiency.

## Sumitomo Mitsui Trust Holdings Environmental Policy

### 1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

### 2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

### 3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

### 4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

### 5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

### 6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

### 7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

\*The Action Guidelines for Mitigating Climate Change (see page 13) and the Action Guidelines for Preserving Biodiversity (see page 24) are specific guidelines that were drawn up based on this Environmental Policy.

## Examples of Initiatives Aimed at Concurrent Achievement of Greater Operational Efficiency, Lower Environmental Burden, and Lower Costs

Initiative example	Effects from greater efficiency	Effects from lower costs	Effects from lower eco-burden
Paperless meetings	Lighter work load (e.g. preparing copies, replacing materials) and fewer work hours; prevent information leaks	Spend less on purchasing paper, reduce waste disposal costs	Conserve environment on lower paper use, less waste disposal
Even out work allocation and manage time to reduce overtime (encourage people to leave work at a set time, create leave-work-early days)	Less overtime means more self-initiated activities during off hours	Less overtime trims personnel costs and lowers electricity costs (reduced use of lighting and air-conditioning)	Help mitigate global warming via reduced electricity use

## Attainment Status of Environmental Targets for Main Large Buildings (buildings where we had formerly applied ISO14001)

Category	Building	Base year	Fiscal Year 2016				Main factors behind performance variability
			Targets	Results	Target attainment	Down (up) %	
Paper consumption	Head office	FY2012	Down 20%	Down 2%	×	Down 2%	Performance changes relating to major factors About sideways at core subsidiary SuMi TRUST Bank Includes effects of affiliate transfers shrinking the data aggregation scope
	Fuchu			Down 8%	×	Down 37%	Maintained overall downtrend in paper procurement volumes About 15% contribution in FY2013 from excluding some affiliates from data aggregation scope
	Senri			Down 31%	○	Down 20%	Reduced paper use since FY2014 following merger-attendant peak
	Shiba	FY2013	Down 15%	Down 3%	×	Up 5%	
Electricity consumption	Head office	FY2012	Down 6%	Down 16%	○	Down 7%	Maintain downtrend of 5-7% decreases YoY across year in FY2016 Contract cancellation for two floors leased by tenant also contributed in FY2013
	Fuchu			Down 8%	○	Down 6%	Switch to LED and adoption of air-conditioning inverter controls contributed; lower average temperatures resulted in less electricity use in FY2016 Stricter rules on after-hours air-conditioner use, contribution from shorter operating hours
	Senri			Up 13%	×	Up 11%	Increases in electricity use and UPS volume due to merger
	Shiba			Down 13%	○	Down 5%	Savings from conservation measures on operational improvements such as fewer elevators with 24-hour availability and fewer bulbs in office lighting
Waste discharge	Head office	FY2012	Down 20%	Down 9%	×	Down 1%	Two floors made latent contribution in FY2013, higher waste output as reduction measures were ineffective Generic waste output down 2% YoY, classified documents 0%, total waste output down 1% and flat YoY
	Fuchu			Down 25%	○	Down 10%	Offloading PET bottles, bottles, cans, etc. to recycling vendors from waste has yielded benefits since FY2014 Office layout changes, library reorganization, acceptance of people from other base buildings all contributed to increases in waste output
	Senri			Down 18%	×	Up 16%	Disposals and revisions to sales promotion materials such as investment trust prospectuses drove increases in mixed paper waste output
	Shiba	FY2013	Down 15%	Down 1%	×	0%	
Green purchase	Head office		Up 93%	Up 91%	×		Flat YoY trend every FY, with higher procurement of items not covered in green procurement on preparations for new branch openings driving attainment rate variability

## 1. Initiatives to Reduce Environment Impacts from Business Activities

### EMS Integrated with Framework for Operational Efficiencies

The Group operates environmental management systems (EMS) based on a framework that promotes operational efficiencies via initiatives for reducing the environmental impacts of its business activities. Through common activities relating to time (labor productivity), materials (resource productivity), and costs (efficiency), our aim is the simultaneous attainment of the goals of operational efficiency, environmental burden reduction, and cost reduction. For each activity aimed at achieving gains in operational efficiency mainly via reforms to operational flows and reorganizing shifts to reduce overtime hours, we seek to operate systems to harvest benefits from those activities such as lower paper consumption and less electricity consumption from the use of

lighting and air-conditioning during overtime hours.

We target the following to reduce our environmental impacts: (1) reducing electricity consumption (CO<sub>2</sub> emissions), (2) reducing paper consumption, (3) reducing waste disposal volume, and (4) promoting green procurement (CSR procurement). We implement the promotion of operational efficiency at all branches, which are all working to promote awareness on reducing environmental impacts. We continue to implement a PDCA cycle that reflects the main elements of the ISO14001 environmental management system for the large office buildings where key operations are located. Our promotion of initiatives in CSR procurement is in keeping with the main theme of the 2015 revisions to ISO14001, supply chain management.





## Initiatives to Reduce Energy Use and CO<sub>2</sub> Emissions Related to Business Activities

The Group is striving to reduce its environmental impacts in the form of both inputs such as electricity and gas used for business activities and outputs such as CO<sub>2</sub> emitted as a result of activities. As Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank") is subject to the Act on the Rational Use of Energy, it calculates the volume of energy consumption and CO<sub>2</sub> emissions at all of its sites across Japan using a common system. In fiscal year 2016, total electricity consumption at all sites across Japan came to 67 million kWh, down 6.3% from 71 million kWh in the previous year. City gas consumption declined 2.2% at 2.1 million m<sup>3</sup> from the previous fiscal year. Since fiscal year 2012, when the three banks merged to form SuMi TRUST Bank, the Group has steadily reduced total energy consumption inputs into its businesses. This reflects progress in energy conservation mainly at the large office buildings where we have key operations, in addition to savings from the closure and consolidation of branches in areas with redundancies at the initial merger stage.

At the Fuchu Building, which consumes the most electricity among Group facilities, the declines in electricity use for uninterruptible power supplies (UPS) for computer-related and air-conditioner operating hours both contributed. The Group worked to promote strictness toward applications to extend air-conditioner use into off hours at meetings of the building's coordinating and communication group, and thoroughness in reminding employees to request air-conditioners be shut off if they were the last one remaining in their section or department and were leaving sooner than planned.

Major benefits were obtained from raising awareness by providing feedback in the form of aggregate data on actual

air conditioner operating hours and early shutoff requests from each section and department, and from constant efforts to disseminate information about implementation. At the Shiba Building, additional measures such as pruning light bulbs in office sections and reducing the number of elevators in operation yielded benefits.

As for CO<sub>2</sub> emissions, which are a driver of global warming, the Group was able to lower its annual GHG emissions to 40,833t-CO<sub>2</sub> in fiscal year 2016, a 19.3% reduction versus the post-merger peak of 50,605t-CO<sub>2</sub> in fiscal year 2013, and a 6.8% reduction versus the level of the previous fiscal year.

The large buildings in the greater Tokyo metropolitan area that house key SuMi TRUST Bank operations are subject to the mandatory reductions in CO<sub>2</sub> emissions proscribed in the Tokyo Metropolitan Ordinance on Environmental Preservation. In the stricter regime of the No. 2 plan period, which commenced in fiscal year 2015, the mandatory reduction rate for the four bases subject to the original mandatory reductions was raised to 17% from 8%. The head office building was also added as a base subject to mandatory reductions in the No. 2 plan period, and it achieved its mandatory reductions in fiscal year 2016 and fiscal year 2015 (adjusted to a single fiscal year basis for the latter). In the five years of the previous No. 1 plan period (from fiscal year 2010 to fiscal year 2014), reductions far exceeded the mandatory level, so the Group received emission permits equating to 39,117t-CO<sub>2</sub>, and we carried forward these emission permits into the No. 2 plan period. We will make effective use of these emission permits to offset emission increases from such events as the addition of facilities and relocations while also executing reduction measures.

### Energy Usage and CO<sub>2</sub> Emissions (Domestic Bases)

Energy usage		FY2012	FY2013	FY2014	FY2015	FY2016
Total volume of energy usage (heating value)	GJ	972,784	954,891	913,437	846,829	801,370
Total volume of energy usage (converted to crude oil)	kl	25,097	24,636	23,566	21,848	20,675
Energy usage intensity	kl/m <sup>2</sup>	0.052	0.055	0.053	0.051	0.049
Electrical power	thousand kWh	82,807	79,932	76,768	71,206	66,742
City gas	thousand m <sup>3</sup>	2,409	2,502	2,398	2,153	2,107
CO <sub>2</sub> emissions		FY2012	FY2013	FY2014	FY2015	FY2016
Greenhouse gas emissions volume	t-CO <sub>2</sub>	46,563	50,605	48,918	43,816	40,833
Greenhouse gas emissions after adjustment	t-CO <sub>2</sub>	45,234	42,219	48,426	43,470	40,393
Emissions intensity	t-CO <sub>2</sub> /m <sup>2</sup>	0.097	0.114	0.111	0.103	0.098
Emissions intensity (after adjustment)	t-CO <sub>2</sub> /m <sup>2</sup>	0.094	0.095	0.110	0.102	0.097
Scope 1 emissions volume	t-CO <sub>2</sub>	5,592	5,806	5,577	5,002	4,907
Scope 2 emissions volume	t-CO <sub>2</sub>	40,971	44,798	43,340	38,813	35,925

Scope of calculations: SuMi TRUST Bank facilities in Japan subject to the Act on the Rational Use of Energy; Group companies are tenants in some facilities. Calculation method: Calculations conform to the method in the Act on the Rational Use of Energy; our disclosed figures have been revised following adjustments made to data for past fiscal years.

Some subtotals may not add up to totals due to rounding.

### CO<sub>2</sub> Emissions at Bases Subject to the Tokyo Metropolitan Ordinance on Environmental Preservation

		No. 1 plan period						No. 2 plan period			
		Four bases						Four bases		Head Office	
		FY2010	FY2011	FY2012	FY2013	FY2014	Cum. total	FY2015	FY2016	FY2015	FY2016
Standard emissions	t-CO <sub>2</sub>	27,690	28,790	29,891	29,891	29,891	146,153	38,446	39,224	13,287	13,287
Mandatory reduction ratio	%	8	8	8	8	8	—	17	17	6	6
Maximum emissions limit	t-CO <sub>2</sub>	25,476	26,488	27,501	27,501	27,501	134,467	31,912	32,558	12,490	12,490
Mandatory reduction	t-CO <sub>2</sub>	2,214	2,302	2,390	2,390	2,390	11,686	6,534	6,666	797	797
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	20,810	18,186	18,860	18,993	18,501	95,350	21,024	19,638	10,711	10,912
Emissions reduction	t-CO <sub>2</sub>	6,880	10,604	11,031	10,898	11,390	50,803	17,422	19,586	2,576	2,375
Excess reduction	t-CO <sub>2</sub>	4,666	8,302	8,641	8,508	9,000	39,117	10,888	12,920	1,779	1,578
Emission permits awarded	t-CO <sub>2</sub>						39,117				

The emission figures in the table above show the reduction status at SuMi TRUST Bank's four bases with regard to the "mandatory reductions in total greenhouse gas emissions" and the "mandatory reductions in total greenhouse gas emissions via the emissions trading system" proscribed in the Tokyo Metropolitan Ordinance on Environmental Preservation (The four bases are the Fuchu Building, Shiba Building, Chofu Building, and Meguro Building). The head office building is a multi-tenant building with mandatory reductions that came into effect from fiscal year 2015 but SuMi TRUST Bank's mandatory reductions have not yet been finalized and so this data is shown in two columns in a separate table. Our emission reporting has been verified by a third-party assessment organization. The coefficients used to calculate emissions for the No. 1 plan period and the No. 2 plan period differ, so the performance over time of these periods cannot be compared.





## Other Initiatives to Reduce Our Environmental Impacts

As for copier paper, we reduced our total paper use to 712 tons, down 14 tons or 1.9% year on year, in fiscal year 2016, maintaining the downtrend in use. Since the post-merger peak in paper use volume, we have worked to buildup reductions through continuous efforts to streamline operations. In output categories, waste paper output have increased sharply but this reflects 354 tons from the aggregation of waste paper treated with solvents at the head office building and Shiba building. The Group attained a 100% waste paper recycling

rate. In other waste output, the volume of large, solid objects for disposal totaled 57 tons, and waste plastic increased 26 tons owing to temporary factors but we will work to limit waste output, including trash from lifestyle-related items such as PET bottles. We will work to reduce total waste generated, as we strive to properly manage and dispose of chemical substances and equipment assigned to business operators by laws such as the law on special measures against PCB waste and the fluorocarbons (freon) emission control law.

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

		FY2012	FY2013	FY2014	FY2015	FY2016
Paper use	t	808	764	861	726	712
Recycled paper	t	592	524	508	526	596
Water use	thousand m <sup>3</sup>	210	193	178	166	166
Total waste output	t	1,749	1,972	1,646	1,347	1,756
Paper output	t	1,361	1,064	1,057	946	1,280
Recycled volume	t	1,296	1,015	1,018	930	1,280
Recycled rate	%	95	95	96	98	100
Other waste output	t	387	909	589	401	477
Recycled volume	t	96	357	142	124	132
Recycle rate	%	25	39	24	31	28

Tabulation scope: Base buildings (excludes some branches in the case of water use)

## 2. Initiatives to Reduce Environmental Impacts at Group Companies

Nikko Asset Management Co., Ltd. (Nikko AM) has offered its clients investment trusts that factor in environmental considerations since it launched Japan's first eco-fund in 1999, and at the same time, it has as a company actively supported activities to care for the environment and encouraged its employees to participate in social

contribution activities. With regards to reducing its environmental load, Nikko AM works to reduce copier paper use, electricity use, reduce CO<sub>2</sub> emissions, and implement green procurement policies.

In fiscal year 2016, Nikko AM achieved reductions in environmental load on all of the above items versus fiscal year 2015. Cutbacks to operating hours lowered electricity use from room air conditioners by 29,000kWh, and from water-cooled(heated) building air conditioners by 124GJ, and a result, CO<sub>2</sub> emissions declined 1.3% year on year in fiscal year 2016.

Also, multifunction printers in use at Nikko AM have been put on a security print setting so at the output stage, when data has been temporarily transferred to the printer, a password must be input into the operating panel, preventing printing errors. Thanks to the heightened sense of caution by employees, the purchased volume of copier paper per employee declined 8.6% year on year in fiscal year 2016.

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. (SMTPFC) is working to reduce electricity use, the volume of copier paper use, and gasoline consumption. The adoption of a system where employees can work wherever a desk is empty (the free address system) along with the networking of PCs and projectors enabled SMTPFC to realize a compact office. SMTPFC continued to reduce electricity use and copier paper use by moving to paperless meetings, electronic settlements via work flow reforms, and overtime hour reductions. In fiscal year 2016, electricity use

### Nikko Asset Management's Three Environmental Policies

#### Increase green investors

As flows of funds through socially responsible funds (SRIs) are very significant for preservation of the environment, Nikko Asset Management strives to increase green investors.

#### Promote office activities such as energy and resource conservation

Nikko Asset Management strives to promote energy and resource conservation and recycling of waste and expand green procurement in offices. Nikko Asset Management also strives to prevent environmental pollution by complying with laws, regulations and other requirements related to the environment.

#### Develop information disclosure

Based on the recognition that it is extremely important from the perspective of the preservation of the environment that information disclosure related to the environment takes hold and develops as a social system, Nikko Asset Management develops information disclosure by actively disclosing information concerning its environment-related initiatives, including the environmental policies.



trended sideways but copier paper use increased 5.3% year on year. The main driver of the increased paper use was the large year-on-year increase in printed materials due to stepped-up information dissemination activities aimed at developing customers. Gasoline use declined 6.9% year on

year, mainly because employees were urged to use public transportation when making sales calls to distant locations. As for the decrease in electricity use, SMTFPC will strive to realize shorter operating hours for lighting and air conditioning via the implementation of work style reforms.

### Environmental Performance of Nikko Asset Management

		FY2012	FY2013	FY2014	FY2015	FY2016	YoY Change
Electricity consumption	thousand kWh	1,068	1,025	1,026	1,071	1,029	Down 3.9%
Total energy consumption	GJ	13,928	13,280	13,317	14,022	13,441	Down 4.1%
CO <sub>2</sub> emissions	t-CO <sub>2</sub>	532	508	510	537	530	Down 1.3%
Copy paper procurement amount per employee	Piece	660	628	627	672	614	Down 8.6%
Stationery goods green procurement ratio	%	57.2	58.6	59.6	50.6	65.0	Up 14.4%

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

CO<sub>2</sub> emissions: calculated based on the method of specified greenhouse gas emissions in the Tokyo Metropolitan Ordinance on Environmental Preservation (same emission coefficients as in fiscal year 2014).

### Environmental Performance of Sumitomo Mitsui Trust Panasonic Finance

		FY2012	FY2013	FY2014	FY2015	FY2016	YoY Change
Copy paper consumption	piece	20,988,000	18,016,100	16,788,100	16,589,900	17,463,900	Up 5.3%
Gasoline consumption	ℓ	186,384	167,991	140,031	127,237	118,437	Down 6.9%
Electricity consumption	kWh	1,923,028	1,691,772	1,218,525	1,007,260	1,007,670	Up 0.04%

## 3. Medium- to Long-Term Targets

The Group sets medium- to long-term targets for reducing CO<sub>2</sub> and creating a circular society with a view to enhancing initiatives of the whole Group. Our targets reference the

numerical targets set by the Japanese Bankers Association, and we plan to set our own targets based on the Basic Energy Plan etc. issued by Japan's national government.



### Medium- to Long-Term Environmental Targets for SuMi TRUST Bank

CO <sub>2</sub> reduction (reduction of electricity consumption)	Reduce electricity consumption rate (electricity consumption/total floor area) in fiscal year 2020 by 10.5% compared to fiscal year 2009. (Sumitomo Mitsui Trust Bank)
Creation of circular society (waste disposal)	Raise purchase rates of recycled paper and environmentally friendly paper to 75% or more in fiscal year 2020. (Sites consisting of the head office, Shiba, Fuchu, and Senri)

## 4. Bolstering Supply-Chain Initiatives

SuMi TRUST Bank makes it a priority to purchase environmentally friendly products, especially products that factor in the environment such as energy-saving products and products on green procurement lists for purchases of office supplies and equipment for internal use. In addition to measures against resource depletion, SuMi TRUST Bank believes it has an obligation as a user to ensure the sustainable use of natural capital and prevent illegal logging of tropical rainforests.

The CSR procurement policy SuMi TRUST Group established calls for preferential procurement of goods and services that give due consideration to the environment and society, and CSR procurement, including at Group companies, is moving ahead. While seeking the cooperation of suppliers, we plan to expand CSR procurement in steps from paper products and office supplies to include printed materials and the like (to read our CSR procurement policy, please refer to page 106).



## Sustainability Policy 5

# Respect the Individual

- We respect individual rights and diverse values, rejecting unjustifiable acts of discrimination in all our activities.
- We create a safe and pleasant workplace environment, respect employees' diverse ways of working, and strive to achieve work-life balance.
- We work to develop the skills of employees and strive to build sound minds and bodies.

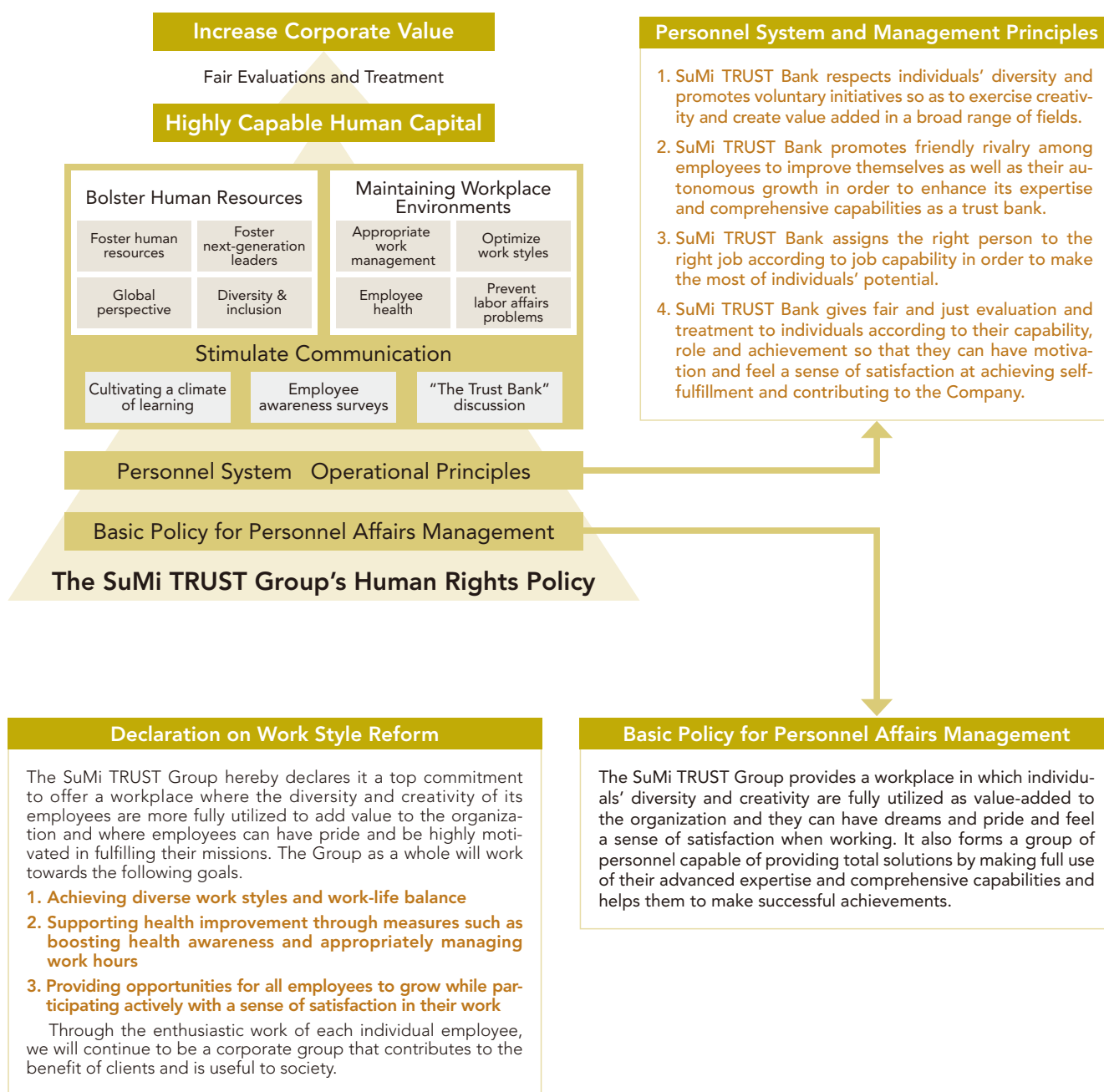


## Enhancing Human Capital to Increase Corporate Value

### Human Resources Strategy

Human resources are the most valuable resource of financial institutions. The SuMi TRUST Group endeavors to educate employees in human rights so that individuality is respected and they will not be subject to discrimination based on age, gender, nationality, etc. It also aims to increase corporate value by fostering a pool of human resources that can devise total solutions using all-around capabilities and well-developed expertise that fully draw on their individual uniqueness and creativity to create

added value for the organization. SuMi TRUST Holdings and SuMi TRUST Bank have presented a map leading to the increase of corporate value, and have set KPIs for individual activities according to which they measure the status of implementation of the activities. Additionally, in fiscal year 2017, the presidents of both SuMi TRUST Holdings and SuMi TRUST Bank made a declaration on work style reform, and will provide value to each and every employee.





## Bolstering Human Capital

### Foster Human Resources

#### Recruiting Highly Capable People

It goes without saying that employing capable personnel is the starting point for developing a robust corporate foundation. The recruitment section of SuMi TRUST Bank

website provides clear explanations of the characteristics of 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 a Group company is really like with features such as employee interviews, etc.

More than 41,000 recent graduates applied via the website during the recruitment period for new entrants to join the Group in April 2018. As the number of job applicants has been increasing year after year, we pick successful applicants through a rigorous selection process.

#### Number of New Recruits

	Total (total of male and female)	Male	Female
FY2015	377	166	211
FY2016	412	168	244
FY2017	433	179	254

### Personnel Assignment System Supporting Our Business Strategy

#### Career Course System Enabling Proactive Choice

SuMi TRUST Bank has implemented a course-based system that promotes employee career formation. Employees are streamed into three courses, the G Course, the R Course, or the A Course, depending on their likelihood of being transferred and the nature of their work duties.

There is also a system, applied to all courses, that

places employees into four work groups based on their demonstrated capabilities. By adopting this system, we encourage personnel management based on ability, rather than age or gender.

All employees regularly talk with their superiors on the status of career formation to be evaluated and receive feedback.

Course name		Residence and workplace relocation	Eligible business operations	Primary role
<b>G Course</b> (General and Global)	Nationwide relocation type	Possible	All operations	<ul style="list-style-type: none"> <li>• Leaders of department- and branch-level organizations, or</li> <li>• High-level professionals regarding various specific operations</li> </ul>
<b>R Course</b> (Retail & Region)	Operation- and region-specific type	Possible within the specified area*	Retail operation	<ul style="list-style-type: none"> <li>• Leaders of retail-related department- and branch-level organizations, or</li> <li>• High-level professionals regarding retail operation</li> </ul>
*Nationwide- and regional-types (Tokyo, Kinki and Chukyo areas)				
<b>A Course</b> (Area)	Region-specific type	None	All operations	<ul style="list-style-type: none"> <li>• General managers of departments and branches, or</li> <li>• Professions regarding various specific operations</li> </ul>

#### Respect for Employees' Will in Job Assignment

SuMi TRUST Bank determines job assignments after examining incoming new hires' aptitude through interviews with each of them before they formally join the bank. On the other hand, SuMi TRUST Bank attaches importance to new hires' will and motivation and provides them with opportunities to try acquiring qualifications hirers themselves desire (pension actuary, real estate appraiser, etc.) and offer them opportunities for challenging work at their first assignment (asset management and administration, market-related operations, etc.).

their own careers. Under this system, employees applying for jobs to be allocated through the internal job posting system can move to the departments where the jobs are available if they pass the Human Resources Department's selection process.

#### Personnel Exchanges among Group Companies

At SuMi TRUST Bank, from the standpoint of bolstering our human resources across the entire Group and bolstering group-wide management, we promote seconding Group employees not only to affiliates but we also accept employees from affiliates at the parent bank. We offer training to Group employees seconded to affiliates at Sumitomo Mitsui Trust Career Partners Co., Ltd. to ensure such personnel exchanges go well.

#### Internal Job Posting System

We have initiated an internal job posting system to encourage our employees to independently and voluntarily shape

## Skills Development

While employee training and skill 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.

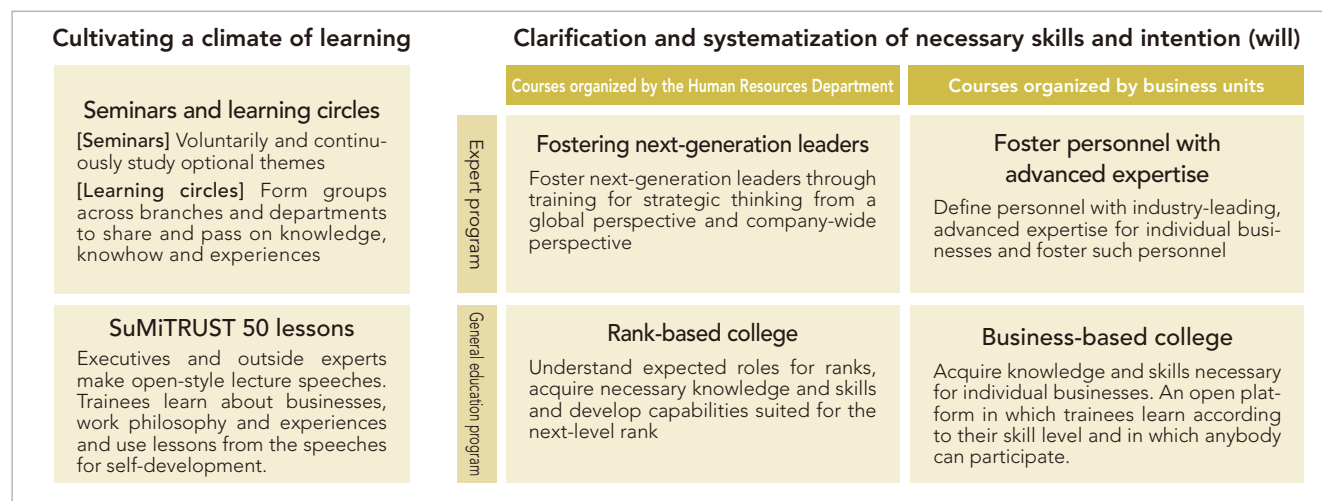
For example, we established SuMiTRUST University in May 2012. This company-wide program is aimed at realizing distinct added value that is "unique to a trust bank" and "distinctive of Sumitomo Mitsui Trust Bank." The program also develops human resources who can swiftly provide comprehensive solutions to clients. Under the operation principle of "building a culture of learning and developing human resources who can help themselves and be independent," we are developing a system to support employees improving their skills.

SuMi TRUST Bank's president serves as SuMiTRUST University's president, while SuMi TRUST Bank's executive in charge of the Human Resources Development and an outside expert serve as the university's vice presidents. The SuMiTRUST University receives advice regarding its management from Hitotsubashi University graduate school.

\*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.

OJT	Practical education is provided to all employees systematically and continuously in the workplace
OFF-JT (various training programs)	<p>Trainees acquire knowledge and skills systematically at the SuMiTRUST University as a "place of learning."</p> <p>◆ Various training programs</p> <ul style="list-style-type: none"> <li>• Training for new employees, rank-based training, business process-based training, language training (English and Chinese)</li> </ul> <p>Carefully tailored training is provided according to the levels of experience and skill.</p> <p>◆ Web Campus</p> <ul style="list-style-type: none"> <li>• Learning system using the Internet, including e-learning</li> <li>• All employees can learn compliance rules, operational knowledge, business skills, etc.</li> </ul>
Self-development support	Financial assistance to cover the cost of various qualification and certification tests, grants to support obtaining credentials, support to obtain books for the disabled
Internal job posting system	Opportunities to apply for jobs desired by employees are provided.
Various trainee programs	Capability development training programs, including training for acquiring qualifications and language training programs, are implemented. <Overseas training and language training programs (English, Chinese and Thai), business process trainee program (New York, London, Shanghai, Singapore, etc.)>

## Concept Image of SuMiTRUST University



- Clarify skills and intentions (will) necessary for desirable personnel
- Launch rank-based colleges managed mainly by the Human Resources Department and business-based colleges managed mainly by individual business units and enhance the curriculum by classifying them into "general education programs" in which all trainees participate and "expert programs" in which trainees acquire advanced skills and expert knowledge.
- Launch an open-style lecture program in which executives and outside experts talk about businesses, work philosophy and experiences so that employees can use lessons from their talks for self-development.

## Data concerning Training for Human Resources Development (FY2016)

Training implemented by business units (a college for each business)	Training implemented by the Human Resources Department (rank-based training)	SuMiTRUST Academy*	Total
503 days (3,521 hours)	117 days (819 hours)	38 days (266 hours)	4,606 hours

\*SuMiTRUST Academy is a program to provide various training in order to support employees willing to actively learn in a challenging environment from the perspective of fostering a culture of proactive learning.

## Developing Next-Generation Leaders

In cooperation with Hitotsubashi University's Graduate Programs, we offer "GL" training for Global Leaders (for deputy general managers, associate general managers, and equivalents) and SL training for Strategic Leaders (managers, operational chiefs, or equivalents) to develop the next-generation executive candidates. Candidates receive instruction on the values, general liberal arts knowledge, and MBA elements they need for management, and through sessions and courses, they complete the program by presenting a proposal to senior executives.

Through visits to historical Mitsui and Sumitomo sites and exchanges with external lecturers and exchange students, the program aims to reaffirm SuMi TRUST Bank's origins and business spirit, broaden horizons, instill global awareness, and enable participants to build networks within and outside the company.

## Global Response

### Strategy for Recruiting Globally Minded Human Resources

We offer training every year to local-country employees working at our overseas branches and overseas subsidiaries and affiliates. Training is focused on deepening employee understanding of our operations and the bank. To strengthen networks among participants and business lines, the training includes a management strategy briefing with an accompanying discussion as well as classes on Japanese business culture and history, and overviews relating to our various operations.

To further promote our global human resources strategy, we plan to increase the number of employees sent from Japan to work overseas to 224 as of September 30, 2017 from 115 as of March 31, 2012. We also plan to increase the number of employees with foreign citizenship working in Japan to 49 as of September 30, 2017 from 22 as of March 31, 2012. Moreover, some employees hired at overseas locations will be transferred to other overseas locations.

## Diversity & Inclusion

### Using Human Resources to Promote Diversity & Inclusion

The Group has since its founding managed a range of diverse businesses and thus pursued a human resources strategy built on initiatives to develop expertise and recruit human resources from diverse backgrounds. To promote communication among internal and external stakeholders amid growing recognition and penetration of the concept of diversity promotion in society, SuMi TRUST Bank established a Diversity & Inclusion (D&I) promotion office inside the human resources department in October 2016. Rather than stopping at diverse working styles for individual employees, SuMi TRUST Bank has appointed a manager responsible for D&I initiatives in the human resources department and tasked supervisory section members at each business with D&I promotion, with the aim of spurring mutually reinforcing growth in its diverse human resources and increasing corporate value. In these ways, SuMi TRUST Bank advances highly effective D&I promotion measures aligned with the actual conditions of each business.

In October 2017, SuMi TRUST Holdings established a D&I promotion office at the Group's human resources department, which works to share the mission and aims of D&I across the entire Group.

## 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 September 30, 2017, there was one female at the level of director at SuMi TRUST Holdings, and there were two female executive officers at SuMi TRUST Bank. To prepare the way for more proactively promoting female employees to the position of section manager or above, we offer training for female employees at three occupational ranks—those just under assistant manager, those appointed at a rank equivalent to an assistant manager, and those just under a section manager—aimed at helping them build networks and form career paths on their own.

Moreover, from the standpoint of supporting a balance between work and family life, we have put into place a variety of systems and cultivated a workplace environment that makes 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. For example, we began to accept applications for transfers to another region from A-course employees, who are hired as non-transferrable employees, on the basis of relocating for reasons such as marriage, the transfer of a spouse, and the need to care for a relative. From July 2017, we as a company provide our employees options beyond either "work" or "family" by recognizing leaves of absence without regard to gender so spouses can accompany another employee on an overseas assignment if they seek to support their spouse's self-sustaining career.

## Number of Female Employees in Management Positions at SuMi TRUST Bank

	End of March 2016	End of September 2016	End of March 2017	End of September 2017
Directors	0	1	1	0 (0%)
Executive Officers				
Level of General Manager	0	0	0	2 (5.6%)
Level of General Manager	10	12	14	14 (2.4%)
Level of Section Manager	192	224	232	229 (11.2%)
Level of Assistant Manager	1,080	1,022	1,069	1,061 (31.6%)

\*The number inside the parenthesis is the female employee ratio.

\*\*As of September 30, 2017, there was one female external director at SuMi TRUST Holdings.

### Employment of Disabled Persons

The Group hires disabled people who want to work, as well as to strive to create a more comfortable workplace for disabled people. As of March 31, 2017, our disabled person employment ratio was 2.08%.

### Postretirement Employment of the Elderly

SuMi TRUST Bank has a program that re-employs retirees who meet certain criteria until they reach the age of

sixty-five if they request employment (the Elder Partner Program). In recent years, approximately 90% of employees that reached retirement age use this program.

We certify employees with advanced expertise as Fellows, and have adopted a system where, depending on their results, their benefit levels do not decline. Employees that are eligible to become Fellows are re-employed through the age of sixty-five and, in principle, can extend their reemployment through the age of seventy.

## Upholding Positive Workplace Environments

### Appropriate Work Management

#### Support for International Principles regarding Work

We support the ILO\* Declaration on the Fundamental Principles and Rights at Work as a signatory to the UN Global Compact.

\* ILO: International Labor Organization

#### 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. Also, we have been working to reduce overall work hours by promoting programs that encourage employees to take paid holidays.

### Specific Initiatives

- et a nine-hour rest interval rule (the minimum number of hours between the end of a work day and the start of the next work day)
- Upload successful management examples to our internal intranet of efficient work operation execution
- Commence an initiative to prohibit smoking inside buildings
- Regarding the status of overtime work and the management of systems to promote employee health, we discuss these issues four times per year at meetings of the Board of Directors and listen to the opinions of attendees, including those from external directors and external corporate auditors, and utilize these in drawing up and executing proposals.

### Status of paid holiday use among SuMi TRUST Bank career-course employees (FY2016 results)

Average number of days of paid holiday use	12days
Average paid holiday usage rate	63%

### Status of overtime hours among SuMi TRUST Bank career course employees (FY2016 results)

Average overtime hours per month (outside of mandatory work hours)	19hours
Ratio of career-course employees exceeding 60 hours of overtime per month (outside of mandatory work hours)	0%

\*As for career-course employees, see page 116

### Optimize Working Styles

#### Initiatives to Realize Work-Life Balance

The Group actively strives to create working environments that enable employees to feel at ease and still maintain a good balance between work and home lives. As one plank in this effort, the Group joined the "Iku-boss Corporate Alliance" established by specified non-profit corporation Fathering Japan, which supports work-life balance for fathers and men, on November 7, 2017. Through the activities of the alliance, this initiative, which calls for realizing diverse work styles and work-life balance for employees, reinvigorates a crucial message that is necessary for sustainable growth, helps spread it within the Group, and promotes the nurturing of a reform mentality among senior executives.

As for childbirth and childcare leave, SuMi TRUST Bank has a slate of measures that enable us to create an

environment where parents can raise their children with peace of mind. In addition to offering childcare leave until children reach the age of two, we promote childcare leave for male employees, and have established a nursing care leave system where employees with two or more children requiring care can apply for up to ten days leave per year. Furthermore, employees who are pregnant or who live with and raise children of or below the third grade of elementary school are eligible for a system of shorter working hours and an exemption from working overtime or at night.

As of end-March 2017, 325 employees are on childcare leave via these systems. We have produced a childcare handbook as a guide for employees who plan to have a child and managers of the aforementioned systems

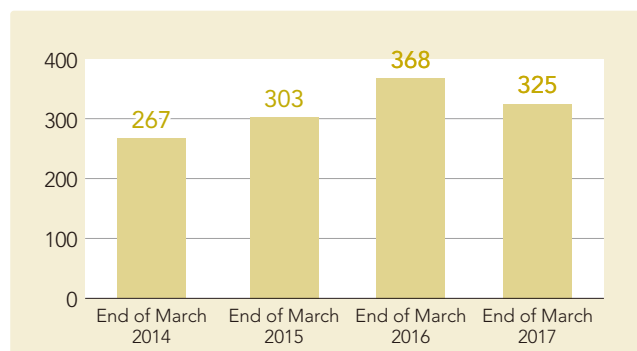


on system concepts, procedures, and points to be considered. Through Web Campus, which employees can access while on childcare leave, we periodically provide employees with company information and forms to file for childcare extensions, etc. in effort to support a smooth return to the workplace.

Regarding nursing care, we have established a nursing care leave system where employees can apply for up to ten days leave per year (for two or more family members requiring care), a nursing care leave system that provides leaves for as long as one year, and a system of shorter working hours that can be extended for up to three years (eligible families with at least two members).



### Number of Employees Taking Childcare Leave



We hold "Family Visit Days" aimed at the family members of employees to provide them with an opportunity to consider what it means to work as part of society, and to deepen bonds and communication between family members as well as commence telecommuting trials.

### Status of ratio of childcare leave use among male career-course employees (fiscal year 2016)

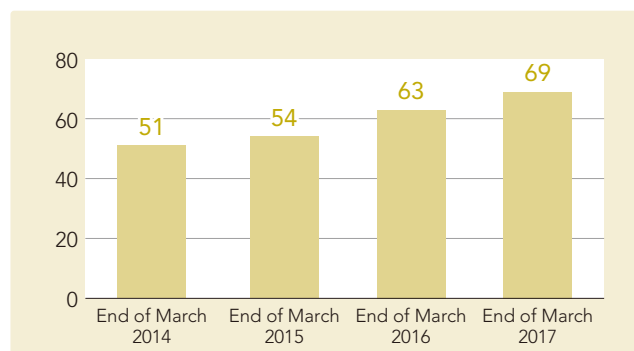
Male employee childcare leave use ratio*	11%
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\*Employees obtaining childcare leave during fiscal year 2016; ratio of male employees with a child born to a spouse during fiscal year 2016

### Usage status of flexible employment system (fiscal year 2016 results)

Number of employees using short work day system for childcare or nursing care	440
Number of employees using staggered work starts, late-night work exemptions for childcare or nursing care	231
Number of employees using remote relocation system for family work relocation or nursing care	21
Number of employees on telecommuting trials	179

### Number of Employees Taking Nursing Care Leave



### SuMi TRUST Bank's System for Childbirth and Childcare (as of end of March 2017)

Item	Pregnancy	Before childbirth	After childbirth	Under 1 year of age	Until the child's second birthday	To under elementary school age	Until third grade of elementary school
Staggered working hours	○	○	○	○	○	○	○
Secure time for hospital visits, ease the burden of commuting, etc.	○	○	○	○			
Prenatal and postnatal leave (8 weeks before and after childbirth/paid)		○	○				
Maternity and childcare leave (first week is paid leave)	○	○	○	○	○		
Childcare time (1 hour a day or two 30 minute periods a day/paid)				○			
Exemption from overtime work	○	○	○	○	○	○	○
Exemption from late-night work	○	○	○	○	○	○	○
Shortened workday system (shorten working hours by no more than 2 hours a day)	○	○	○	○	○	○	○
Nursing care leave				○	○	○	

## Prevent Labor Affairs Problems System to Respond to Complaints related to Labor Practices, etc.

From the perspective of promoting appropriate labor affairs management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk, at which employees can receive consultation without going through the regular reporting line when problems related to personnel and labor affairs management, such as unfair and unjust labor affairs management practices and workplace harassment, occur. As a safety net to guard against labor affairs problems, the Personnel Consultation Desk strives to appropriately handle consultation cases while promptly cooperating with relevant persons.

Regarding skilled contract employees, SuMi TRUST Bank has started personnel affairs support services, including rotation interviews with employees, through an affiliated company (Sumitomo Mitsui Trust Business Service). SuMi TRUST Bank prevents labor affairs problems by grasping the circumstances of individual employees and collecting opinions and views which may be difficult to express in the workplace through these services.

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

FY2013	39
FY2014	46
FY2015	42
FY2016	78

## A Handbook for Overseas Employees, Domestic Employees Posted Overseas

SuMi TRUST Bank has prepared a guide, the "Overseas Application Handbook," on all the social and cultural custom risks that overseas employees and domestic employees sent overseas ought to be aware of.

In drafting the handbook, we referenced reports by Business for Social Responsibility (BSR), a nonprofit that originated in the United States that works with companies on sustainability issues, and research materials released by the Industrial Federation for Human Rights, Tokyo.



Understanding the customs and taboos emanating from the culture, religion, national identity, and unique attributes of each country enable our employees to obtain a deeper understanding of the behavior and sentiments of people in other countries and thus build a foundation for smooth communication and mutual trust. The handbook covers a wide array of bases from summary data on each country such as Transparency International's Corruption Perception Index\* (country rankings), manners for various scenarios such as when doing business or sharing a meal, widely shared sensibilities and basic knowledge as well as taboos, differences between Japanese culture, customs, and lifestyles and those of the relevant country to the human rights of women in each country and customs and rules arising from religion. With our Global Business Planning and Coordination Department and Human Resources Departments at the fore, we publicize the handbook to encourage employees to look through it as a reference before going overseas.

\*Transparency International is an international NGO dedicated to fighting corruption, especially corruptions among public-sector authorities. The handbook's country ranking is based on Transparency International's Corruption Perception Index that covers 175 countries and territories.

## Dialogue with Employees

SuMi TRUST Bank's labor union has a total of 8,537 members, equivalent to 63% of all of its employees (as of the end of March 2017).

The Company and the union have concluded a labor agreement and are conscientiously complying with it in order to ensure sound development of the Company and enhance the status of union members.

Under the labor agreement, management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department consultation meetings, which are attended by representatives of the labor and management sides at individual branches and departments, are periodically held to discuss working conditions for union members and how to maintain the working environment.

The union conducts organizing activities at individual workplaces and implements surveys concerning employees' satisfaction level and the workplace environment in order to reflect employees' opinions in business management through management consultation meetings and branch and department consultation meetings.

At other group companies as well, there are initiatives to ensure smooth business operation and maintain and improve the workplace environment through dialogue between the companies and unions or representatives of employees.

## Employee Physical and Mental Health Employee Health Management

In an effort to help our employees manage and improve their health, the Group has appointed medical and hygiene supervisors (hygiene promoters) at each of our business locations to provide detailed health management guidance, and through e-learning courses, we seek to raise the awareness of employees about the importance of health. We have activities such as training to raise the awareness of line managers about the importance of managing their own mental and physical health and that of their subordinates.

At SuMi TRUST Bank, a section dedicated to promoting health matters has been established within the human resources department, with directors and executive officers

responsible for the personal department overseeing general managers.

### Physical Health

Obligatory health examinations are provided every year to all employees, with attentive follow-ups to ensure the maintenance of 100% participation rate, and we also support health examinations for family members through health insurance coops for families. Through initiatives aimed at promoting work hour interval rules and prohibiting smoking inside buildings and efforts to reduce overtime and improve operational efficiency, we are focused on promoting employee health.

### Mental Health

In addition to conducting stress checks for all employees once per year, the Group has a counseling system that is easy for employees to use. Industrial physicians offer education on implementing care for line managers, mental counseling sessions are available at clinics on site inside the company, and health insurance associations offer free health advice over the phone.

### Specific Initiatives

- From the standpoint of bolstering employee health management, we thoroughly disseminate to employees their duty to manage their health, and we encourage independent and voluntary health management.
- We ensure a flexible approach is in place for employees working long hours by encouraging them to take half-day paid leave or come to work later in the day.
- Regarding regular health checkups, re-examinations, and those who have missed checkups but need medical treatment, we commenced a comprehensive program for checkups in coordination with branches and departments.
- We put into place conditions for ascertaining the health status of each employee through daily communication within departments, human resource appraisal interviews, and the filing of job condition applications (once a year), in addition to regular health checkups.
- We offer influenza shots at the head office building, the Shiba Building, and some branches and issue warnings to protect against the spread of influenza, norovirus, and other infectious diseases.
- We encourage employees to participate in radio calisthenics at the start of the work day.
- Regarding the status of overtime work hours and the management of systems to promote employee health, we report on these issues four times per year at meetings of the Board of Directors, and we listen to a broad range of opinions, including those from external directors and external corporate auditors, and utilize these in drawing up and executing proposals.

## Fair Evaluations and Treatment

### Personnel Evaluation Systems with Individual Employee Participation

The purpose of our personnel evaluation system is as follows.

- 1 To maximize our performance as an organization by aligning the vectors of the company and individual employees in the same direction;
- 2 To ensure goal setting and issue identification, daily communication, and face-to-face meetings to review performance, etc. lead to changes in behavior and capacity development;
- 3 To fairly evaluate the various achievements of employees and the diverse capabilities they have demonstrated to ensure they are assigned to appropriate jobs and treated justly.

SuMi TRUST Bank's personnel evaluation system enables individual employees to participate in the evaluation process. At the beginning of each business term, SuMi TRUST Bank's employees consult with their supervisors and determine specific business execution tasks.

After the end of the term, supervisors meet face to face with employees and review their attainment level versus issues identified and the process they went through to deliver results, provide them with assessments they find convincing, and afford them capability evaluations across the process they followed to achieve results. As for capabilities demonstrated, among the matters that are evaluated is their compliance with ethics and the state of their compliance and their degree of involvement in developing human resources.

### Bonus System Reflecting Business Performance

From the perspective of encouraging individual employees to fully exercise their capabilities, SuMi TRUST Bank has introduced a system to appropriately reflect the business performance of the whole of the Group and individuals' performances and achievements in the bonus amount with a view to realizing "incentives for building up earnings for the whole Group as well as for contributing to business units, branches and departments" and "fair and highly transparent system management through clarification of the process of reflecting business performance."

Through appropriate evaluation of personnel and the payment of bonuses reflecting performance, the Group has developed an environment that enables capable personnel to fully exercise their capabilities.

#### Employees to be evaluated

9,783 employees in career formation courses  
(as of end of March 2017)

#### Business performance indicators used to determine performance-linked bonuses

Achievement ratio of the consolidated net business profit before credit costs  
Achievement ratio of the consolidated net income

#### Evaluation method used to measure individuals' performance

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

## Results of the Employee Satisfaction Survey

SuMi TRUST Bank conducts an "attitude survey" of all employees in order to objectively identify employees' perception of the dissemination of measures taken by the company, the personnel system and its operation, the workplace environment and engagement.

	FY2012	FY2013	FY2014	FY2015	FY2016
Vitality level	63.0	62.3	62.1	61.5	60.9
Satisfaction level	62.3	61.3	61.4	61.1	60.8

Vitality level: Indicator of the level of expectations for the future, forward-looking thinking, willingness to contribute to the organization, work motivation

Satisfaction level: Indicator of how much satisfaction employees get from the contents of their job duties, the working environment and personal relationships.

## Employee Breakdown (Sumitomo Mitsui Trust Bank)

	As of end of March 2016	As of end of March 2017
Number of employees	13,463 (6,221 men)(7,242 women)	13,647 (6,212 men)(7,435 women)
Hong Kong	50	58
Japan	12,800	12,941
China	137	151
Korea	3	3
Thailand	4	0
Singapore	129	140
Indonesia	6	6
UK	157	160
USA	177	188
Average age	42.5 (Male: 43.4)(Female: 41.8)	42.7 (Male: 43.5)(Female: 41.9)
Average continuous years of employment	13.0 (Male: 16.0)(Female: 10.5)	13.2 (Male: 16.2)(Female: 10.6)
Average annual salary	7,220 thousand yen	7,072 thousand yen
Number of temporary staff	508	541
Number of part-timers	125	89
Number of disabled persons employed	258 (Disabled person employment ratio: 2.04%)	272 (Disabled person employment ratio: 2.08%)
Number of employees using the Elder Partner Program	448	418
Number of absentees (annual)	361 (127 men)(234 women)	333 (117 men)(216 women)
Number of employee turnover (annual)	335 (127 men)(208 women)	306 (126 men)(180 women)
Number of work-related accidents (annual)	73 (accidents during work: 38; accidents during commuting: 35)	95 (accidents during work: 67; accidents during commuting: 28)



## Initiatives concerning Human Rights

### 1. Human Rights Management

#### Establishment of Human Rights Policy

Under the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” the Group upholds respect for individuals’ human rights and diverse values and rejects unjustifiable acts of discrimination in all its activities. Moreover, in December 2013, to ensure the execution of the aforementioned basic policy, the Group formulated its human rights policy, which serves

as a standard for acts and judgments concerning human rights, and on November 1, 2016, we amended this policy to add text prohibiting discrimination against LGBT and disabled people. Based on this policy, the Group respects the human rights of all stakeholders with whom we are involved when conducting routine business activities and providing products and services.

#### Human Rights Policy

At the Group, based on the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” we strive to foster a corporate culture and workplace environment that respects the basic human rights of clients and all stakeholders, always act with a strong sense of ethics and social conscience in all aspects of our corporate activities, and achieve sustainable development as a corporate group that is trusted by society.

##### 1. Respect International Standards

We respect international standards on human rights, such as The Universal Declaration of Human Rights and corporate codes of conduct based on the United Nations Global Compact.

##### 2. Prohibit Discrimination

We reject, in all our corporate activities, discrimination and infringement of human rights based on race, nationality, gender, sexual orientation, gender identity, origin, social status, beliefs, religion, disability, physical characteristics, and the like.

##### 3. Foster a Corporate Culture that Respects Human Rights

We regard every kind of human rights issue as one facing us and encourage our employees to think from the other person’s point of view so as to foster a corporate culture that respects human rights.

##### 4. Establish a Pleasant Workplace Environment

We establish a pleasant workplace environment by encouraging all executives and employees to treat each other as business partners

and build equal relationships that allow a free exchange of opinions.

We acknowledge that such behavior as sexual harassment and power harassment impair human dignity; therefore, we do not allow such behavior.

##### 5. Ensure Fair Recruitment

We implement strict and fair screening in the recruitment of employees and others, solely based on individual capability and suitability.

##### 6. Implement Human Rights Education Training

With the aim of resolving all kinds of actual or potential issues related to human rights and encouraging all executives and employees to develop a deep appreciation of human rights that appropriately reflects relevant and accurate facts and information, we work on a wide range of human rights education activities, including one addressing discrimination against the Dowry caste, a specifically Japanese social minority, through every kind of opportunity, mainly annual workplace-based human rights education training.

The above-mentioned policy also applies to our overseas network, and the Group gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies that we invest in or lend to, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

### Basic Philosophy

The Group’s human rights management is based on the “Guiding Principles for Business and Human Rights,” which

was adopted by the United Nations Human Rights Council in June 2011.

### Human Rights Management System based on the Guiding Principles for Business and Human Rights

Commitment	Establishment of the Human Rights Policy
Implementation of human rights due diligence*1	Once a year, the Human Rights Due Diligence Self-check List*2 is distributed to all branches, departments, and affiliates both at home and abroad as a tool to check the status of respect for human rights at each unit.
Access to redress	The Personnel Consultation Desk (LGBT consultation desk) in the Human Resources Department serves as a contact point.

\*1 Human rights due diligence refers to a series of initiatives to identify actual or potential impact on human rights, resulting from the activities of the Group or related outside parties, to develop measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

\*2 A check list serves to verify the progress in each department concerned with the Human Rights Management System, such as the status of implementation of human rights due diligence, compliance with the Human Rights Policy, and occurrence of human rights violations.

## Outline of the Human Rights Management System

The Human Rights Due Diligence Liaison Committee chaired by the Head Office Executive of the CSR Promotion Office, Corporate Planning Department, was established in December 2013 as a joint organization by Sumitomo Mitsui Trust Holdings ("SuMi TRUST Holdings") and Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank"). The roles of the concerned units are as follows.

### Human Rights Due Diligence Liaison Committee

- Chaired by the Head Office Executive of the CSR Promotion Office, Corporate Planning Department, this committee engages in investigating the status in addressing human rights at all Group companies including overseas entities, derives tasks to be addressed, and discusses measures for improvement.
- This committee conducts annual investigations into the status of addressing human rights by using the Human Rights Due Diligence Self-check List.

### Departments Forming Human Rights Due Diligence Liaison Committee

Sumitomo Mitsui Trust Holdings
Corporate Planning Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department
Sumitomo Mitsui Trust Bank
Corporate Planning Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department, Customer Satisfaction Promotion Department, Global Business Planning and Coordination Department, Fiduciary Business Planning Department, and Wholesale Business Planning Department

### Corporate Planning Department

This department formulates objectives and plans for the development and reinforcement of the framework to address human rights issues within the Group, based on discussions at the Human Rights Due Diligence Liaison Committee.

### Human Resources Department and Human Rights Education Committee

These organizations engage in the planning and implementation of measures including human rights education training, based on discussions at the Human Rights Due Diligence Liaison Committee. Specifically, the Human Rights

### Organizational Structure of the Human Rights Education Committee

Chairman	Executive in charge of the Human Resources Department
Vice Chairman	General Manager of the Human Resources Department
Members	General Managers and employees responsible for personnel affairs at branches and departments
Secretariat	Human Resources Department

Education Committee, chaired by the executive in charge of the Human Resources Department, plays the central role in implementing various training programs and conducting education activities concerning human rights issues.

### All Branches, Departments, and Affiliates at Home and Abroad

Each unit verifies the status of compliance with Human Rights Policy, based on the Human Rights Due Diligence Self-check List.

### Main Items on the Human Rights Due Diligence Self-check List

- ☒ Consideration for Human Rights Issues in Management
- ☒ System to Promote Human Rights Awareness (system administration, response when human rights issues occur, etc.)
- ☒ Human Rights Education (implementation of human rights awareness training, etc.)
- ☒ Response to Human Rights Issues by Category
  - ☒ Understanding and awareness of the Dowry Issue
  - ☒ Whether recruitment and hiring are implemented fairly
  - ☒ Companies and society (ending discriminatory expressions, understanding of universal design, etc.)
  - ☒ Human rights in the workplace (harassment prevention, consideration for the elderly, consideration for the disabled, understanding for those with contagious diseases such as HIV, etc., understanding for LGBT community)
  - ☒ Balancing work and family (consideration for employment diversity in personnel system, consideration for maiden name use, understanding for childbirth & childrearing support and for nursing case leave, etc.)
  - ☒ Pursuit of job satisfaction (fairness in personnel evaluation and treatment, equality of opportunity, respect for the individual, safety and crisis management that take into account disabled and pregnant workers, etc.)
  - ☒ Awareness activities about various human rights issues (discrimination on the basis of nationality, discrimination against the elderly, child labor; discrimination against lepers, those identifying as LGBT, and ex-convicts, etc.)
  - ☒ Consideration for human rights issues in loans & investments and supply chain (racial discrimination, child labor, human health, environmental destruction that affects people's livelihoods, weapons and armament manufacture contrary to humanitarian concerns, fairness in hiring activities, consideration for employee human rights, etc.)
- ☒ Activities of those responsible for human rights awareness in Human Resources Department

### Personnel Consultation Desk (LGBT Consultation Desk)

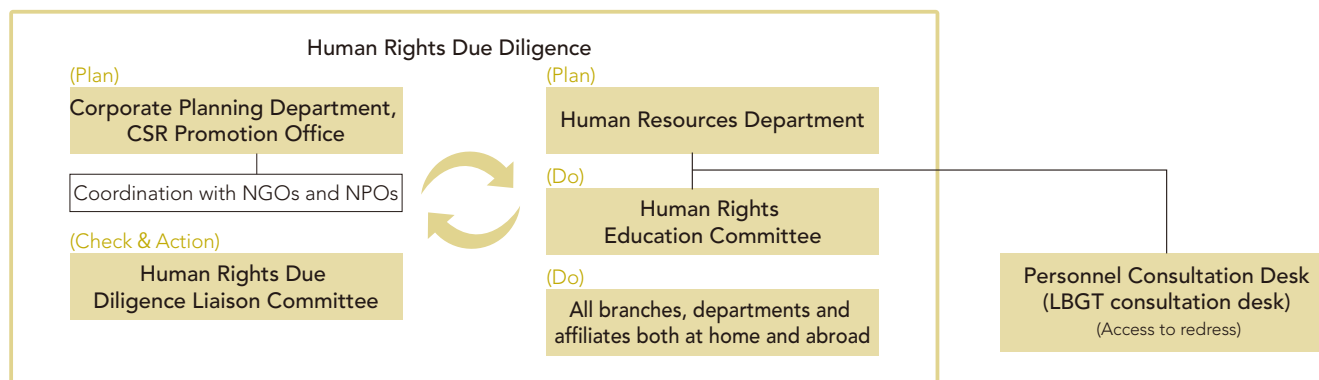
While responding to various claims and inquiries concerning human rights, the relevant departments and units work together to swiftly take necessary steps (see page 126) in cases where it becomes evident human rights have been infringed.

The total number of consultations received through the consultation desk came to 78 in fiscal year 2016. All cases have been resolved, with the exception of one case.

### Human Rights Management based on PDCA Cycle

Through the PDCA cycle, the Group strives to improve the quality of its human rights management so as to cultivate a workplace environment and corporate culture where the basic human rights of all stakeholders are respected, unjustified acts of discrimination are rejected, and individual rights and diverse values are respected.

## Human Rights Management System Based on PDCA Cycle



## 2. Education Concerning Respect for Human Rights

The Human Rights Education Committee dispatches a “Human Rights Awareness Tool” by e-mail to all employees on a monthly basis, which cites outstanding examples that illustrate respect for human rights. The Committee also organizes workplace based human rights education training for about one hour per year for each employee on average at all branches, departments, and affiliates across the Group. In fiscal year 2016, 23,046 employees of out the 24,918 employees at 276 departments who were required to receive a total of 414 hours of training (training participation ratio of 92.49%).

Human rights-related themes are taken up in collective training such as ranked-based training as well as in divisional meetings in an effort to enhance human rights

awareness among employees. In fiscal year 2016, 31 sessions of rank-based training held for a total of 16 hours with the participation of a total of 1,529 employees.

### Training concerning Human Rights in FY2016

	Number of trainees	Training hours
Workplace-based human rights education training	23,046	414
Rank-based training	1,529	16

## 3. Protecting Various Human Rights

### Initiatives for Diversity & Inclusion

The Group disseminates information to employees to promote diversity & inclusion with conviction and as a way to respond to laws to end discrimination against the disabled (Elimination of Disability Discrimination Act) and to promote a more active role for women at work (Act of Promotion of Women’s Participation and Advancement in the Workplace) that came into effect in April 2016.

### Initiatives to Address Dowry and Foreign Residents Issues

The Group regards tackling discrimination against the Dowry caste as a particularly important theme in the promotion of human rights education. The origins of our Group’s efforts to be more active in human rights education goes back to the Dowry issue. The Group has continued to draw on insights from external bodies, such as the Industrial Federation for Human Rights, Tokyo, and at the same time, we have worked to completely eliminate prejudiced or discriminatory views against the Dowry caste through various training programs and education activities, including new employee training.

With regard to foreign residents issues, we discuss the residency management system, which was launched on July 9, 2012. Rank-based training was provided on giving consideration to the human rights of foreign residents, including the handling of personal authentication documents

and respecting privacy, envisioning such situations as identifying oneself at service counters.

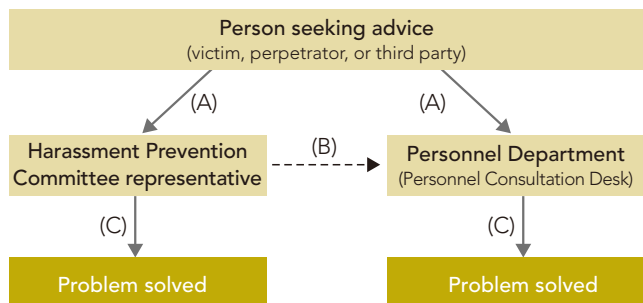
### Prevention of Sexual Harassment and Power Harassment

Sexual harassment and power harassment are actions that infringe on the human rights and personal dignity of individuals and are prohibited. In particular, we strictly prohibit sexual harassment. Such behavior can both damage the character of an individual and infringe upon his or her human rights. We have taken a particularly strict stance on prohibiting sexual harassment within the workplace. In terms of power harassment, we are working toward the elimination of all forms of this problem. This problem is based on advantageous positions in the workplace. It is not limited to harassment by superiors of subordinates, but also includes harassment between senior employees and junior employees, colleagues, and even harassment by subordinates of their superiors. In the event harassment does occur, advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk within the Human Resources Department. When advice is sought by a victim, a person in charge conducts an overall investigation that includes interviews with relevant parties on the specific behavior indicated, the relationship of the people involved, the response of the

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

Furthermore, we discuss harassment in workplace-based 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.

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



- (A) Advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch or department, or directly by the Personnel Consultation Desk within the Human Resources Department.
- (B) The Harassment Prevention Committee representative will, where necessary, consult the Personnel Consultation Desk within the Human Resources Department and request advice or measures to address the case.
- (C) The Harassment Prevention Committee representative or the Personnel Consultation Desk within the Human Resources Department will, once they understand the details of the complaint being registered by the complainant, interview the party accused of harassment, as well as other related parties as necessary, in order to accurately understand the situation, and attempt to solve the issue via advice or other measures.

### LGBT-Linked Initiatives

The Group added text prohibiting discrimination against LGBT people when it amended its human rights policy in November 2016. At SuMi TRUST Bank, the LGBT Liaison Committee, launched in November 2015, comprises the Human Resources Department, Corporate Planning Department, Corporate Administration Department, and departments responsible for operations and retail business planning. The committee collects information relating to LGBT employees, customers, and business partners and examines internal systems and product development. In October 2016, we published an LGBT consultation response manual to facilitate discussions and responsive measures within the workplace, and in 2017 we strove to promote understanding about LGBT matters via an e-learning course aimed at all employees.

These initiatives were well received, and on October 11, 2017, private organization “work with Pride” (wwP), which supports the promotion and entrenching of LGBT-related diversity management, awarded SuMi TRUST Bank the highest rating of “Gold” in its PRIDE evaluation metric for initiatives relating to sexual minorities such as LGBT.

From January 2018, SuMi TRUST Bank will accept officially notarized documents stipulated for home mortgages from same-sex partners just as it does from spouses.



## 4. Factoring Human Rights Issues into Lending and Investment Decisions

### Basic Policy

The Group collects information on whether the business activities of the companies in our loan and investment portfolios, including those based overseas, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

### Human Rights Concerning ESG Guidelines

As a “responsible institutional investor,” SuMi TRUST Bank actively approaches investee companies (engagement and exercise of voting rights) based on its ESG guidelines and encourages them to address issues. In the case of human rights problems as well, SuMi TRUST Bank clearly signals its unwillingness to tolerate human rights abuses by companies. In the case of activities in countries where there are significant risks of human rights abuses, we call on suppliers and business partners to establish guidelines (see page 52).

### Loans and Investments Relating to Cluster Bombs

SuMi TRUST Bank does not provide loans that fund the manufacture of cluster bombs, which are seen as weapons that raise serious moral concerns, regardless of whether related firms are located in Japan or overseas. In asset management, our actively managed funds refrain in principle from investing in companies involved in manufacturing cluster bombs and anti-personnel mines, and our passive funds engage with such companies to end their involvement (see page 55).

As a result of engagement activities where SuMi TRUST Bank called on companies to stop manufacturing cluster bombs and anti-personnel mines, Singapore Technologies Engineering declared its intent to exit this business in November 2015, followed by U.S.-based Textron, which declared its intent to exit in August 2016.

## 5. Human Rights in Supply Chain Management

Based on the CSR procurement policy we have formulated, we strive to conduct transactions with and procure products and services from suppliers who respect basic human

rights, give consideration to industrial safety and health, and avoid violations of human rights, such as unjust discrimination, forced labor and child labor (Page 106).



## Sustainability Policy 6

# Participate in and Contribute to the Community

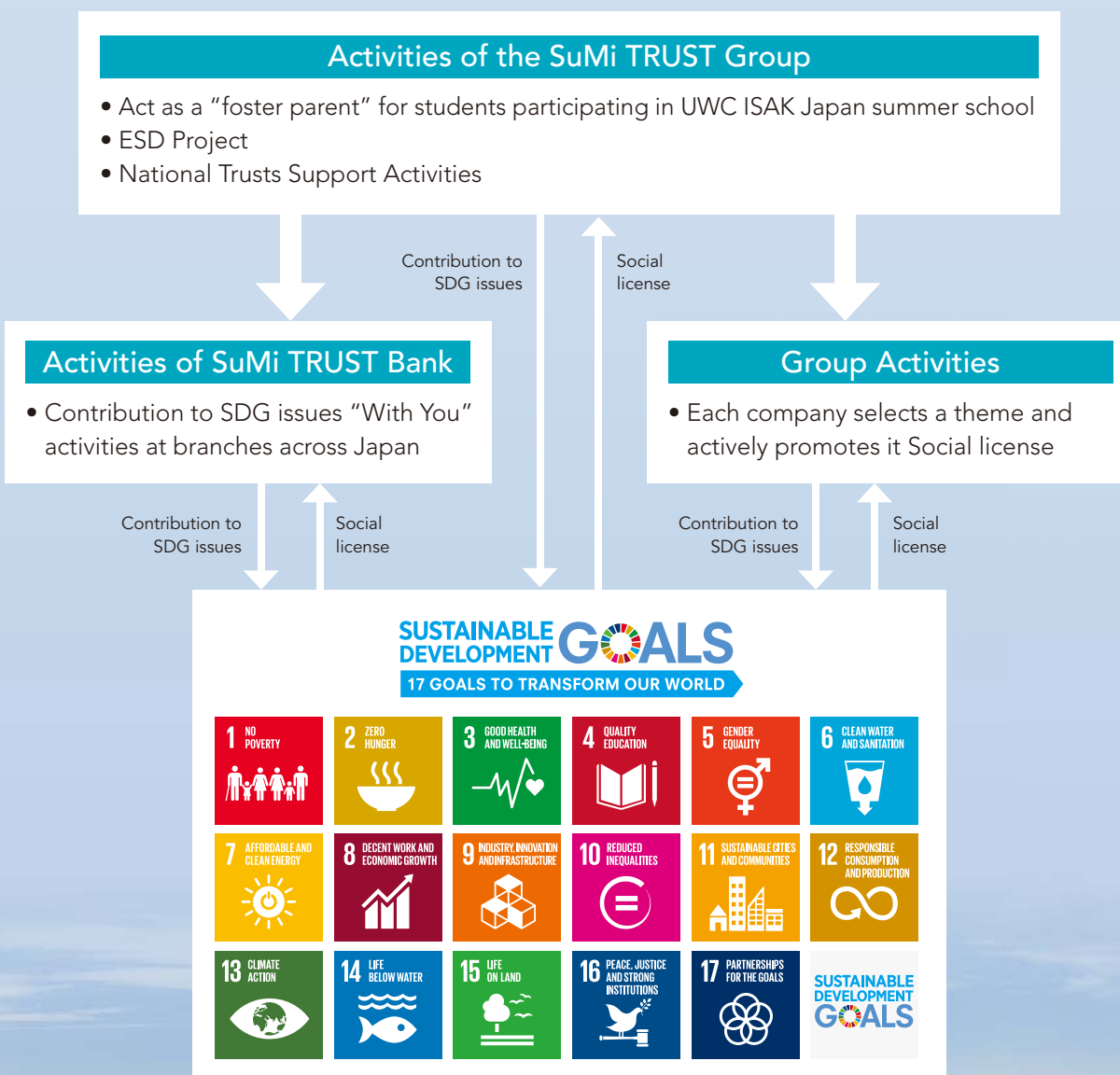
- We aim to revitalize communities and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contributions such as educational and cultural activities.





# Meaning of Providing Value to Communities

SuMi TRUST Group integrates an SDG viewpoint into the array of community and regional contribution initiatives it implements in communities where the Group and Group companies, including SuMi TRUST Bank, has office branches. Providing value helps support the soundness of our business foundation, and some also believe it is necessary as a social license to operate a business.





## SUMI TRUST GROUP INITIATIVES 01

## Supporting Education for Children to Grow into Next-Generation Leaders

## We Support UWC ISAK Japan Which Fosters Future Global Leaders

The Group is a proponent of the educational philosophy of United World College ISAK Japan (UWC ISAK Japan) and supports a two-week summer school program aimed at junior high school students on the ISAK Japan campus. Many of the students who participate in the summer school are from developing countries and impoverished socio-economic backgrounds. The Group has since 2013 paid the tuition fees and travel expenses of one scholarship student participating in the summer school as a “foster parent.”

The summer school, which goes from July 21 to

August 2, accepts 80 junior high school students from 26 countries around the world. The Group will continue to support the program so it can help as many students as possible soar as global leaders.



### Gap Year\*/Advance to Universities in Japan or Abroad

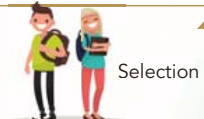
International  
baccalaureate (IB) diploma  
Japanese high school diploma



### UWC ISAK Japan (United World College ISAK Japan)



Selection



Selection

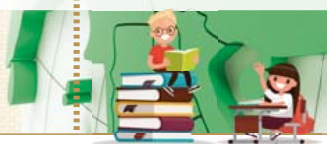
### Summer School

#### Main Supporter

Every year SuMi TRUST Group pays the tuition fees and travel expenses for one scholarship student as “foster parents.”

Selection

### Accept applications from junior high students from countries worldwide



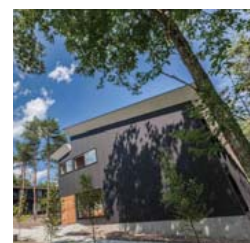
\*Gap year: A period when high school students who have received a letter of acceptance to a university gain various life experiences without immediately proceeding to higher education. During the period, individual students pursue social experiences such as volunteer activities and internships, study abroad programs, and travel.

## TOPIC 01

### UWC ISAK Japan

With a campus in Karuizawa, UWC ISAK Japan is an international school where all the students live in dormitories. The first of its kind in Japan, students from fifty five countries from around the world attend the school. Of the about 170 students who attend the school, about 70% are overseas students. Many of the students are from economically disadvantaged backgrounds, and about 70% of the student body is on scholarships.

The students all live together in dorms while receiving support from the faculty to learn the skills and confidence they need to become change makers (i.e. a social change agent) who make the world a better place, and grow into global leaders.



Karuizawa campus



## Students SuMi TRUST Group Have Supported Since 2013

2013



Vietnam  
Hong Lien Nguyen

2014



India  
Thulasi Priya Ramesh

2015



India  
Thanuja Ramesh

2016



Mexico  
Eduardo Bautista

2017



India  
Prashanth Babu

### A comment from Prashanth Babu

Dear SuMi TRUST Bank  
Thank you for supporting me to come to ISAK. If it weren't for you, I could not have come to ISAK. I'm enjoying my time at ISAK. I have made many friends from different countries. Once again thank you for allowing me a chance to come to Japan.

Prashanth Babu



Commemorative photo with Chief Sustainability Officer Tsukasa Kanai at the summer school

Prashanth Babu is a 13-year-old boy from the Shanti Bhavan school in India who participated in the summer school program. Babu, who likes Shakespeare and soccer, is like any normal middle school student. Since not only his family but he has also experienced discrimination in society caused by India's caste system, which has perpetuated social stratification for hundreds of years, Babu feels a strong sense of urgency about problems caused by corruption, discrimination, and poverty that are rampant in India. His wish is to become a change maker who opens a school like Shanti Bhavan.

©Jun Toyosaki



Founder Lin Kobayashi

## Displays in Branch Lobbies Nationwide

Fiscal year 2017, an ISAK lobby display toured branches across Japan. "All four students who have received support went through a challenging selection process to come to ISAK summer school as scholarship students. I would like to express our appreciation for your deep involvement in the timing that enabled the timing of the first step in changing the live of these students," UWC ISAK Japan founder Lin Kobayashi told us. Among the comments we received about the displays were "I knew my heart was warmed from looking at the children's handwritten letters," and "This is a wonderful endeavor."



Display in lobby at Nihonbashi Business Department

## TOPIC 02

### Support the Shanti Bhavan Children

The Shanti Bhavan school was established for the purpose of educating children who are the most socially and economically disadvantaged by the caste system, which has persisted for 2,000 years in India. The Group sponsors three Indian children that are scholarship students in the Shanti Bhavan school as "foster parents" to attend the ISAK summer school. All three children are highly interested in issues such as discrimination, poverty and the human rights of women, and they strongly hope to improve their homeland. We will continue to watch after them to they can become global leaders involved in activities to abolish the caste system.



A vicious cycle of despair for children living in slums who don't have an opportunity to receive an education



## SUMI TRUST GROUP INITIATIVES 02

## Education for Sustainable Development (ESD) Projects

SuMi TRUST Bank has worked on activities to raise awareness about National Trusts in collaboration with Green TV Japan, an Internet broadcaster specializing in the environment, on Education for Sustainable Development (ESD) projects aimed at children, from whom tomorrow's leaders will come.

Since 2012, this project has developed videos on nature conservation activities and National Trusts sites

across Japan for use in local classrooms. Appealing to children's sense of sight and sound, these educational videos communicate a large amount of information in a short span, directing the interests of children toward learning. It is hoped the videos will increase their interest in the real world around them and relevant issues.



### Appeal to Current Generation on the Meaning of Environmental Conservation

- We create classes that enable students implementing ESD to pay attention to the preciousness of biodiversity and ecosystems created by local wilderness.
- We invite experts from such groups as the Association of National Trusts in Japan to teach a class harnessing the attributes of video that enable large volumes of data to sent in a short time frame and co-produce original video footage with Green TV Japan.
- We coordinate with schools for each project on class themes such as the National Trusts activities, rare organisms conservation activities, and environmental conservation activities that students themselves have continued for many years.

#### Aim of Our Activities

### Continue environmental conservation activities for the next generation

- As for environmental conservation activities students have continued for many years, mechanisms have been created so such initiations can be continued by younger employees.
- Environmental conservation activities are in many cases led by instructors in biology and applied heat cooking, and when the lead instructors reach mandatory retirement age and their activities flag, and the research results they have amassed are in not a few cases dissipated. For this project, contents used in class are re-edited to create a narrative and an interview with the lead instructor is added to the recorded video, and the final product is presented to schools and boards of education.

### Harnessing the SuMi TRUST Group's strengths

In the implementation of this project, the environment, starting with natural capital, is a theme of businesses in the SuMi TRUST Group's network. For the Funabashi ESD project, we invited Yasuaki Domoto, the head of the secretariat of the Saitama Ecological Conservation Council, and a member of the Kanto Ecological Network Promotion Committee supported by the Ministry of

Land, Infrastructure and Transport (MLIT) to be an instructor. The class he taught was filled with humor. For the project, one necessary condition for the selection of a hosting site is that it be a field in close proximity to a branch. Each branch is working to build its own local brand through public relations activities in connection with government bodies.



### Project flow

①

## Plan

Select a field that can support learning by children in an area with both a school that hosted an ESD class and a branch

②

## Do

Carry out advance location scouting for the production of video teaching materials. Conduct a class harnessing video footage, present the recorded footage as a gift.



Place where we collected and recorded footage (recorded by Green TV Japan)



Prepare materials using recorded video footage





## ESD Projects from 2012



2012



Local elementary school students interview a local expert at Tenjinzaki, Wakayama Prefecture.

2013



An expert is interviewed about conservation activities in Koajiro Forest in Kanagawa Prefecture.

2014



A National Trust staffer provides viewers with an introduction to the water head in forested land in Mimasaka, Okayama Prefecture.

2015



A video is produced on the Oyatsu forest in Kamakura, Kanagawa Prefecture, for use in classrooms.

2015



A video is produced on the Rosy Bitterling fish in Yao City, Osaka Prefecture, for use in classrooms.

2016



Students at Yashironishi Elementary School learn about Fukui Prefecture's Nakaikemi wetlands in an ESD class.

2016



Students at Aichi Prefecture's Kisogawa High School learn about the Deepbody Bitterling fish in an ESD class.

2017



Funabashi City, Chiba Prefecture (Kenritsu Funabashi Shibayama High School) Life connections from the viewpoint of the Shibayama wetlands

2017



Niigata Prefecture, Niigata Shiritsu Akatsuka Junior High School Regional development and co-existence with nature from the viewpoint of Sagata Lagoon

SuMi TRUST Bank received an award from the Biodiversity Action Award 2015 (sponsored by the United Nations Decade on Biodiversity 2011-2020).



Please scan these QR codes to see these specific examples.

via information sent to the entire community

### Promoting Public Awareness about National Trusts

at home

Children talk with their family about what they learned

on the web

The day's video footage is immediately uploaded

at branch lobbies

Videos on class activities, etc. are shown



Invite an expert as an instructor to teach a class using video footage



Produce recorded footage edited to present the overall project

3

## Check

Students are surveyed after class and we receive feedback in the form of a class evaluation

4

## Action

Participants meet to look back at the content of recorded footage, classes, and education videos, and share feedback that can be used for the next project



## SUMI TRUST GROUP INITIATIVES 03

## Our Activities Supporting National Trusts



A movement that traces its origins to nineteenth-century England, the National Trusts acquires sites with natural value and historical buildings via donations from citizens. Its conservation activities protect private-sector sanctuaries as "trust land," highlighting this approach as an effective way to steadfastly protect natural capital. The National Trusts as a movement in Japan goes back to 1960, and the scope of its activities has broadened to

now include over 50 regions across Japan.

SuMi TRUST Bank recognizes that increasing National Trusts landholdings is an investment in the foundation supporting our livelihoods, and through land acquisitions, environmental education, and our products using the trust system, we support its activities, which are rooted in the characteristics of each site.

### Forest where Tsushima leopard cats live

The Tsushima leopard cat is an endangered wildcat living exclusively on Tsushima Island, Nagasaki Prefecture, with its population now down to just around 100. In addition to programs for Kuromatsunai town and Amami Oshima, SuMi TRUST Bank administers a donation program for funding purchases of National Trusts landholdings through social contribution donation trusts.

### Nakaikemi Wetlands

The roughly 25-hectare Nakaikemi wetlands, surrounded by mountains on three sides, are rich with nature and designated under the Ramsar Convention. SuMi TRUST Bank has produced a video on the wetlands highlighting the 3,000 species of flora and fauna that call it home despite its proximity to a city center. The video is to be used for environmental education in Fukui Prefecture.

### Forest where Amami-no-kurousagi (Amami Rabbit) lives

SuMi TRUST Bank has joined the Trust Campaign run by the Association of National Trusts in Japan to protect the rare Amami Rabbit, whose sole habitats are the islands of Amami Oshima and Toku-no-shima. The Kagoshima Branch donated a sum commensurate to that needed to purchase 8,066 m<sup>2</sup> of forest lands for the rabbit.

The Grey-faced Buzzard Forest Trust, the Miyako Island

### Tenjinzaki



Tenjinzaki is a promontory in Tanabe City, Wakayama Prefecture. Despite its location near a city center, the site is home to a rich natural environment. SuMi TRUST Bank produced education videos from interviews conducted by students of a nearby elementary school, and used these for environmental education classes.

### Water Head in Mimasaka Forest Trust



The water head for the Yoshii River watershed is in a 62 hectare forest where nature has been preserved in a pristine state. SuMi TRUST Bank created educational materials on the water head forest and used them to teach environmental education classes to elementary school students, prompting the students to think about the importance of water.

### Koaji Forest



Koaji Forest, located near the tip of the Miura Peninsula, has been preserved by the activities of the National Trust chapter in Kanagawa Prefecture. SuMi TRUST Bank, in collaboration with Green TV Japan, interviewed experts for an education video it produced for use in environmental education classes at elementary schools.







### Utasai Bog, Hokkaido's Oldest



SuMi TRUST Bank joined a campaign led by the Association of National Trusts in Japan to protect the Utasai Bog, the oldest high-elevation marshland in Hokkaido with a history that goes back 24,000 years. The donation of the Sapporo Branch and Sapporo-Chuo Branch for the Utasai Bog is commensurate to the sum needed to purchase 1,500 m<sup>2</sup> of the site.

### Northernmost Beech Forest



The Beech Forest in Kuromatsunai town is the most northern habitat of native beech. Moreover, the forest is valuable for awakening us to the environmental changes caused by global warming. Employees of the Sapporo Branch and Sapporo-Chuo Branch planted beech saplings on the National Trusts site and are active in regular activities to conserve the beech trees.

### Oyatsu Forest



Oyatsu Forest spreads out behind the Tsurugaoka Hachimangu shrine. To protect this forest, the Kamakura Environment Conservation Society was established in 1964 as the first National Trusts chapter in Japan. SuMi TRUST Bank sponsored an environmental education class in Kamakura City to mark the 50th anniversary of the Society's founding.

## Panel Exhibits in Branch Lobbies Nationwide

In fiscal 2016, 73 branches across the SuMi TRUST Bank network showed panel exhibits on the theme of the activities of the National Trusts. We support the "forest cemetery" operated by Ecosystem Conservation Society-Japan, which promotes National Trusts activities. In February 2016, the forest cemetery opened in Chosei-gun, Chiba Prefecture. At a site where the forest had been lost to sand mining, the remains of the deceased are buried, wooden grave markers are installed, and local tree saplings are planted and cultivated. No manmade items such as gravestones are placed at the site, so it is attracting attention as a new type of cemetery business where a natural forest will take root on the burial grounds in the future. From fiscal 2017, starting with six branches in Chiba Prefecture where the cemetery is located, panel exhibits featuring the business will circulate over time among our branch lobbies.



Lobbies in Chiba Prefecture branches



Full picture of forest cemetery

## Supporting National Trusts' Activities through Donations for Acquiring Land

SuMi TRUST Bank supports activities to acquire high-value sites and land with bountiful nature through contributions from citizens and corporations that are promoted by the Association of National Trusts in Japan. The Bank has donated funds to purchase those lands where endangered species live and of academically important. In 2014, the Bank donated funds toward the acquisition of forest land (equivalent to 8,000m<sup>2</sup>) in Amami Oshima to conserve habitat for the endangered Amami rabbit. In 2015, the Bank donated funds toward the acquisition of the Utasai bog (equivalent to 1,500m<sup>2</sup> of the site), located within Kuromatsunai town, to conserve the high-elevation wetland, one of the oldest in Hokkaido.

Vending machines that donate a percentage of their sales to the Association of National Trusts in Japan have been installed in the Nakano Branch, the Tokorozawa Branch, the Tokorozawa-Ekimae Branch, and the Omori Branch. Funds equate to the acquisition cost of 2,000m<sup>2</sup> of forest land in Chichibu, a source region for water supply to the greater Tokyo metropolitan area, have been donated through October 2017.



Vending machines that direct a percentage of sales to the National Trusts



# SuMi TRUST Bank

## "With You"

### Activities Carried Out across Japan



### Initiatives Common to All Branches across Japan

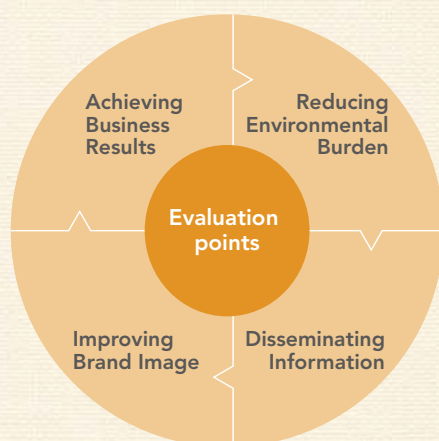
To build strong relationships of trust with community members, SuMi TRUST Bank engages in social contribution activities rooted in local communities, which are known as "With You" activities. These activities are promoted with a focus on the following three areas: (1) support for this generation of seniors, (2) support for the environment and living creatures, and (3) contributions to local communities and society.

With a view to promoting these activities systematically, SuMi TRUST Bank introduced a point system in fiscal year 2012 as a guideline that establishes standards for these activities, dividing activities into categories and measuring their degree of difficulty and effectiveness. The point system sets a baseline point target for each year and assesses each branch

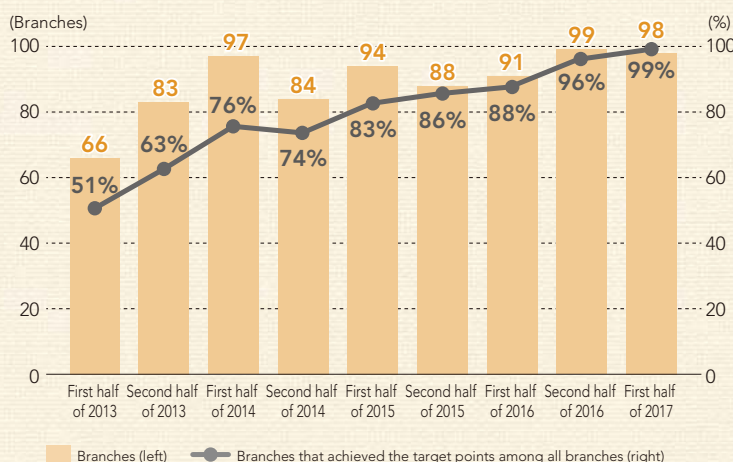
from the standpoint of "achieving business results," "reducing environmental burden," "improving brand image," and "disseminating information" as well as on the basis of its ingenuity in achieving sales results and disseminating relevant information, and posts on its "With You" branch blog. The branches have been steadily achieving their targets since the system began, and use of "With You" activities as an effective marketing approach has taken hold.

Furthermore, the "With You Excellence Award," "With You Special Award," or "With You 'Shine Activities' Award" are awarded to branches that have achieved outstanding results from "With You" activities. We are actively developing "With You" activities by sharing these award-winning initiatives at branches nationwide.

### Goals of "With You" Activities



### Branches that achieved Target Points



Note: The total number of branches in each fiscal year was as follows: 130 branches in the first half and 133 branches in the second half of fiscal year 2013; 128 branches in the first half and 114 branches in the second half of fiscal year 2014; 113 branches in the first half and 102 branches in the second half of fiscal year 2015; 103 branches in the first half of fiscal year 2016; 99 branches in the second half of 2016 and in the second half of 2017.

## A Project Opening in Lobbies Nationwide Silver College Seminars

Silver College seminars are a place where seniors can learn from talks from speakers from many fields on how to prepare fully to live out their golden years safely with peace of mind. In addition to courses on four basic themes (health and safety, housing, dementia, and how to prepare to die



Organized a music concert of shamisen, a Japanese traditional instrument, inviting a famous young duo



Silver college seminar held in Daisen-in, a sub-temple of Daitoku-ji, in Kyoto Prefecture

## Protection of Endangered Species

Several branches are actively engaged in activities to conserve species unique to Japan as a part of the “support for the environment and living creatures” theme. In August 2016, after obtaining approval from the Ministry of the Environment (MOE), the Ichinomiya Branch commenced an exhibit on the Deepbody Bitterling, an endangered fish species, in a joint project with private-sector companies, a first of its kind. The exhibit arose from our participation in environmental and ecosystem conservation activities for the Kiso River basin that we have promoted in concert with local organizations. In addition, other branches are breeding endangered fish species such as the Japanese Rosy Bitterling and Japanese Medaka rice fish indigenous to their region in fish tanks in their lobbies, widening the circle of participation in the SuMi TRUST Fish Project to a nationwide basis.

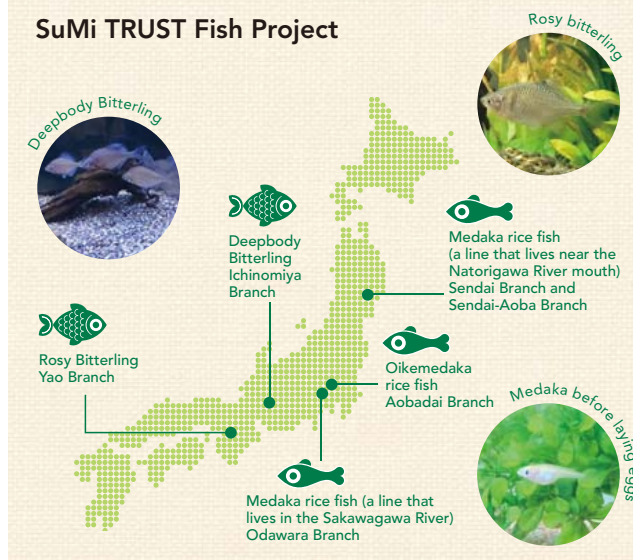


Breeding deepbody bitterlings in a fish tank

with peace), branches plan and host unique Silver College seminars (see page 37).

The Kyoto-Shijo Branch hosted a Silver College seminar on the grounds of Daisen-in temple where the chief priest spoke on ways of thinking about living strongly through tempestuous times regardless of how old you become while leavening his talk with humor. The Ueno Branch and Ueno-Chuo Branch allied with the National Museum of Western Art to sponsor lectures on history and culture, and the Shiba Business Department sponsors strolls through Hamarikyu Gardens and extracurricular courses where people can enjoy shamisen performances. In such ways, each branch provides a variety of information on how seniors can live well in their golden years via a mix of hard and soft tactics.

### SuMi TRUST Fish Project



\*Gene differentiation has been confirmed for medaka rice fishes depending on the water area of their habitats, and preservation activities of indigenous medaka rice fishes have been promoted in each respective region using systems such as foster care.

## TOPIC

### SuMi TRUST Bank “Inheritance from Me” Series

Since June 2013, SuMi TRUST Bank has invited clients to share stories with an “Inheritance from Me” theme. These stories, up to 400-characters in length, are on the precious people, things, and matters the writer wants to pass on as an “Inheritance from Me” legacy for future generations. The stories selected for the Grand Prize and the Second Grand Prize are published as a collection in a booklet that is available at our branch lobbies across Japan.

The Grand Prize winner in Year One was a story entitled “A life-sustaining ten-yen coin.” It describes how a ten-yen coin helped form a bond of trust between a teacher and a student. The story appealed to many, even inspiring Aki Yashiro, a well-known Japanese enka (folksong) singer, to turn the story into a song.





## Main Initiatives at Domestic Branches

### Branch Initiative 01

## Funabashi Branch



On the 80th anniversary of the Funabashi municipal system and the 50th anniversary of the branch's opening, the Funabashi Branch donated five large illustrated books to Funabashi-city-run Funabashi Special Support School such as "Tobebatta" and "Waniwani no Ofuru." The large, illustrated books are made from blown-up copies of the original pictures to be well suited for showing while reading to large groups. The visuals in the books are effective at capturing the attention of children and expanding their interest. These activities are introduced widely via local media such as newspapers and television.

In addition, the branch conducted wide-ranging CSR activities such as a lobby exhibit showing the "forest cemetery" business launched by the Ecosystem Conservation Society-Japan, a public interest incorporated foundation, a medical seminar where the director of Chiba Tokushukai Hospital lectured, and sponsored environmental education that uses Shibayama wetlands, the school biotope, as an education tool. Moreover, we prepared the Branch "With You" booklet, and introduce our contributions to various local communities, starting with such activities.



Donated a large illustrated book to a special support school



Director of the Chiba Tokushukai Hospital lectures at a seminar



Prepare and distribute "With You" booklets for branches

### Branch Initiative 02

## Shizuoka Branch, Shizuoka-Chuo Branch



The Shizuoka Branch and Shizuoka-Chuo Branch displayed an exhibit in their lobbies concerning the Bakkasuge Shizuoka project sponsored by Shizuoka newspaper and Shizuoka Broadcasting System (SBS). SuMi TRUST Bank is the sole sponsor of events relating to "food" that aims to foster loyalty to the Shizuoka region. In the lobby, there are explanations of project content, and we demonstrated several local recipes using Shizuoka food materials and corporate sponsor products received via open applications. Shizuoka Branch and Shizuoka-Chuo Branch plan to implement various CSR plans with partners such as local government bodies and companies.



Bakkasuge Shizuoka lobby

### Branch Initiative 03

## Hoshigaoka Branch



To communicate closely with clients and local people in the region, the Hoshigaoka Branch conducts various activities such as displaying customer artwork and photographs in lobbies and regional cleanup activities with students from Aichi Shukutoku University. We continuously work in conjunction with Chikusa Police Station on money transfer anti-fraud activities. Bank employees re-enact actual cases of such fraud in skits, taking on the roles of criminals and victims, and confirm what participants learned about key points on how to avoid fraud via quizzes, and the branch has been recognized for activities that go beyond warnings with an award from the Nagoya Municipal Crime Prevention Association.



An award from the Nagoya Municipal Crime Prevention Association



Skit on how to prevent money transfer and refund fraud



#### Branch Initiative 04

### Oita Branch

The Oita Branch actively participates in requests from large companies and government bodies in the region, and hosts seminars and sends lecturers. With participation rates exceeding 90%, the branch was able to make its presence felt as the sole trust bank in the prefecture. At the parent-child summer school sponsored by the Oita Prefecture Financial Public Information Committee, students who may become next-generation leaders had fun while learning about the role of trust banks and the importance of money.



Participate as a lecturer in a seminar



#### Branch Initiative 05

### Kumamoto Branch, Kumamoto-Chuo Branch

The Kumamoto Branch and Kumamoto-Chuo Branch organized as a commemorative event on the branch's 70th founding anniversary a seminar on living and dying well in an age of longevity, inviting as a lecturer Yoko Shido, the secretary-general of International Longevity Center-Japan (ILC-Japan). Unlike conventional end-of-life seminars, she focused on the weighty theme of thinking about how to approach the final stage of one's life. The seminar resonated with listeners, drawing about 150 customers and coverage from multiple television stations.



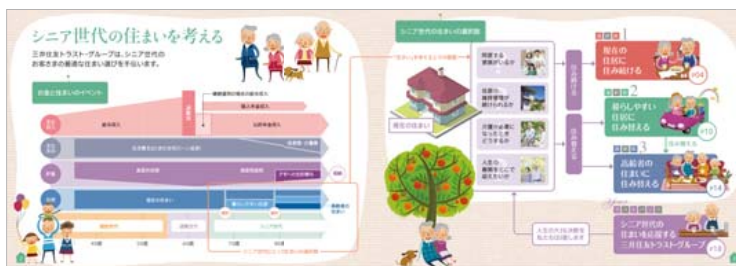
Commemorative seminar on 70th anniversary of branch's establishment



#### TOPIC

### Support Senior Generation Report

SuMi TRUST Group supports comfortable living for the senior generation not just a selection of optimal housing, but also reassurance in the form of entrustment of asset management and succession through to life's final stages at Your Last Bank. The Support Senior Generation Report, issued in February 2017, introduces in detail three options for senior living arrangements: 1) stay at their current residence; 2) relocate to a comfortable residence; and 3) relocate to a residence for the elderly. The lobbies of SuMi TRUST Bank branches nationwide exhibit panels introducing this report, and they help and provide consultations to help seniors enjoy their golden years in greater comfort (see page 30).





## Main Initiatives at Overseas Branches

### OVERSEAS BRANCH 01

## New York Branch



The New York Branch and Sumitomo Mitsui Trust Bank (U.S.A.) Limited participated in the Corporate Challenge series workplace running competition held in Central Park in June 2017. The series goes back 40 years to 1977 when 200 runners from 50 companies showed up for the first competition, and by the time the series entered its 41st year in 2017, it had grown to about 30,000 runners from 700 companies. This global series has expanded further to 13 cities around the world. The participation fees collected from corporate participants are directed by sponsor J.P. Morgan to support a variety of regional NPOs such as the Central Park Conservancy.

SuMi TRUST Bank Group participated in the series in 2017 for the 32nd time as a regular calendar event at the start of summer when the days are long and temperatures pleasant. The team again in 2017 comprised of all employees who won the internal design contest, with all running in the same t-shirt. Group employees who ran

deepened their bonds of solidarity.

In addition, the branch worked to sponsor Japanese culture exchange promotion efforts, contribute to the area through donations to support victims of major hurricane Harvey in August, and donate money to support the Japanese School of New York (JSNY).



### Sponsorship and Donation Activities

Japan Day Sponsorship	Japanese culture-mediated exchange promotion activities Sponsorship fee of \$2,000 was directed to Japanese culture-mediated exchange promotion activities for the Japanese and local communities. A portion of sponsorship funds went to planting cherry trees in Central Park. Collaborating organization: Japan Day, Inc.
Donation to JSNY Education Council	Donation of \$2,000 was made in 2017 to the Japanese School of New York and the supplementary study school operated by the JSNY Education Council.
Hurricane donations	Major hurricane Harvey struck Texas in August 2017, harming many of our Japanese business customers, especially in Houston. We donated \$2,000 to support Harvey victims through the J.C.C. Fund, a philanthropic vehicle for Japanese businesses to contribute to local communities.





## OVERSEAS BRANCH 02

## Singapore Branch



Singapore's POSB PAssion Run for Kids was held on September 10, 2017.

Jointly organized by POSB\*<sup>1</sup> and PAssion\*<sup>2</sup>, the annual event gathers donations from corporate sponsors and participants that are later allocated, along with a portion of runner entry fees, to the POSB PAssion Kids Fund, which supports education and outreach events and programs for local youth.

The Singapore Branch has donated to the POSB PAssion Run for Kids every year since 2012, and many of its employees and their families join. In 2017, a total of 134 people with ties to the Singapore Branch joined the event, running the course at their own pace. People of all ages came together on the day of the event, walking or running the course at a pace that suited them. The event was a valuable opportunity for people in the community to interact.

\*1 Formerly known as Post Office Savings Bank, POSB is the oldest bank in Singapore; DBS Bank, with which SuMi TRUST Bank has a major alliance, owns POSB.

\*2 PAssion is an acronym for The People's Association, an organization sponsoring local community centers formed by the Singapore Government.



Hong Kong

China

Singapore



## OVERSEAS BRANCH 03

## Shanghai Branch



Since the Shanghai Branch was established as a Japanese bank branch in mainland China in 2005, it has actively participated continuously in CSR activities for more than a decade. In China, the branch has organized such events as tree plantings, garbage cleanups and activities for children to interact.

Many employees at the branch have ties with Japan that go back many years, and harnessing this resource, it carried out activities to deepen mutual understanding between the Chinese and Japanese people. In fiscal year 2017, it organized an exchange with about 30 students from Dalian Jiaotong University. The university students were introduced to such narratives as "the Japan they had never known before" and "A primer on working in a Japanese workplace."

Discussion at the exchange broadly centered on three themes: (1) travel, gourmet and railways in Japan, (2) working at a Japanese company and Japanese culture and customs, and (3) animation and manga. Following the exchange, the university students told us it "awoke our imagination on what working at a Japanese company is like. Thank you." Another said "it deepened my understanding of Japan. I would like to attend the next exchange." Going beyond a Chinese-Japanese cultural exchange, we hope the event will help draw a portrait of what the future of working at a Japanese company would be like for the students.





## Communication

SuMi TRUST Bank engages in social contribution activities rooted in the community centered on sales bases in regions nationwide to build strong trust-based relationships with local communities.

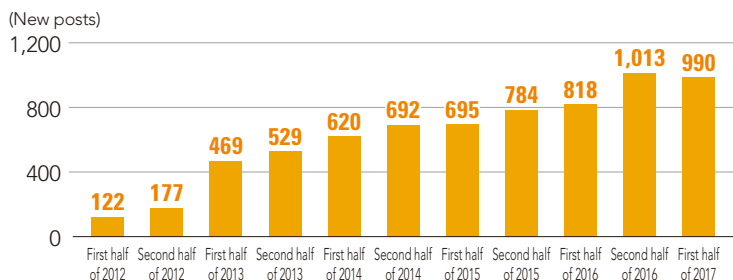
To communicate our base activities widely with everyone nationwide, we focus on sending out information using various forms of media.

### “With You” Branch Blogs

SuMi TRUST Bank launched the “With You” branch blog site in 2012, and branches nationwide introduce their CSR activities (With You activities) on their blogs and update them as needed. Moreover, we use them as a tool to communicate with local customers such as by offering a timely guide to CSR seminars and panel exhibits. With the

number of blog posts by each branch increasing every year, the branch blog has emerged as an important tool for disseminating information to local communities.

### Posts on “With You” Branch Blog Website (Trend)



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

### “With You” Quarterly Reports on our Local Contribution Activities

We publish the social contribution activities report SuMi TRUST With You four times per year to our customers nationwide. This report plays the role of an information dissemination tool offering coverage on pursuits and topics of interest to seniors and seasonal matters. In fiscal year 2017, we introduced special topics under the theme of “Living to an Old Age,” a contribution we received from the International Longevity Center-Japan (ILC-Japan). There was a major reaction from across the country when we introduced specific topics such as Japan’s aging demographics and low birth rate, new approach to dementia, and the preparations necessary for a convincing start to the next journey (how to prepare to die with peace).

### Branch-produced “With You” Booklets

In addition to disseminating information via posts on their “With You” branch blogs and publishing social contribution activity reports, each branch publishes an original branch booklet called “With You.” It is planned and produced so local communities and the branches where they are located can get to know each other in greater depth. The booklet features employee self-introductions, introduces branch features, includes special feature columns on “With You” activities and CSR plans, and the distinctive traits of each branch such as collaboration with prefectural government offices and municipal halls and preparations of public relations columns on distinctive regional features and attractions.







## GROUP COMPANY 01

# Sumitomo Mitsui Trust Realty

In 2014, Sumitomo Mitsui Trust Realty and Nagoya City inked an agreement to cooperate on a renewal plan for the Higashiyama Zoo and Botanical Gardens with the aim of forming a bridge connecting people and nature. Both Nagoya City and SuMi TRUST Bank collaborate and cooperate with each other in promoting the renewal plan, and as one plank, they are planning and arranging an array of events such as stamp rallies with animal quizzes and free delivery of animal calendars to recipients, the Higashiyama Zoo “general election,” an 80th anniversary event, and co-sponsored the Higashiyama Zoo variety theater. In particular, our practice of sending a calendar free of charge to recipients after the autumn festival has been well received, and this is the fourth year we have done so. Every year about 5,000 people are selected to receive the calendar, and when visitors tell us “I look forward to this every year,” we feel the event provides an opportunity for more people to learn more about Sumitomo Mitsui Trust Realty. Through social contribution activities to support Higashiyama Zoo, we contribute to energizing the regional community and improving our corporate value.



Trust-san



A free picture offered to families with grandchildren



Animal calendars delivered to recipients free of charge



## GROUP COMPANY 02

## Nikko Asset Management



Nikko Asset Management works to promote various CSR activities as it places a high value on contributing to global environment and development of a sustainable society.

In addition to proactively managing the Nikko AM Employee Charity Program, a social contribution program by employees, Nikko AM strives to advance CSR activities through its core asset management business

as a signatory to Principles for Responsible Investment (PRI) and Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century). In particular, Nikko AM has been a member of the drafting committee for the Principles for Financial Action towards a Sustainable Society since its inception.

### Initiative 01

#### Oxfam Trailwalker Tohoku 2017

The Oxfam Trailwalker is a charity event in which teams of four people strive to reach the goal line. Two teams from Nikko AM participated in the July 2017 event, a 100km course that opened in Fukushima Prefecture and required teams to finish in less than 48 hours. The donations collected through the event went to support reconstruction in the Tohoku region, which was heavily damaged by the 2011 earthquake and tsunami that struck eastern Japan.



Oxfam Trailwalker Tohoku 2017

### Initiative 02

#### FIT for Charity Run

Financial Industry in Tokyo (FIT) for Charity Run is a charity event created by financial service companies in Tokyo that draws participants from across the industry with the aim of supporting non-profit organizations in Japan.

Nikko AM has served as a member of the executive committee for this event since 2006 and also contributes as a corporate sponsor. In the December 2017 charity run, a total of 26 people with Nikko AM ties participated, centering on employees and their family members and volunteers.



Nikko AM participants in FIT for Charity Run 2017

### Initiative 03

#### Wheelchair Rugby

Nikko AM has been an official sponsor of the Japan Wheelchair Rugby Federation (JWRF) since April 2015.

Two Nikko AM employees are designated practice squad players that help members of Japan's national wheelchair rugby team prepare for games. We support disabled athletes and wheelchair rugby to raise their public profile, while actively hiring people who come from a wide variety of backgrounds and helping to advance acceptance of diversity.



Scenes from wheelchair rugby games



**Initiative 04****Regular Gatherings for Child Wheelchair Maintenance**

Nikko AM participates in monthly gatherings for child wheelchair maintenance held by a non-profit organization which sends wheelchairs for children abroad. The NPO is a beneficiary of the Nikko AM Employee Charity Program. The NPO collects and repairs second-hand wheelchairs for children and sends them free of charge to children overseas that need a wheelchair. At the November 2017 gathering, wheelchairs for disabled Myanmar children were tuned up and packed for shipment.



Wheelchair maintenance for children in Myanmar

**Initiative 05****LGBT Understanding Initiatives**

Nikko Asset Management has promoted initiatives vis-à-vis LGBT\* as one plank of our diversity promotions since 2017. Nikko AM launched an internal LGBT working group, and uploads LGBT support events and working group activities content to its intranet, and conducts activities to enlighten and foster understanding concerning the LGBT community. Nikko AM aims to improve awareness on issues surrounding the LGBT community, and joined as an official member of LGBT Finance, an organization supporting improvements to workplace environments to make them friendlier to LGBT employees who work in finance-related companies. Moreover, we arranged study sessions to which we invited speakers from outside the company, distributed rainbow mark stickers, and carried out initiatives



Participated in Tokyo Rainbow Pride (TRP) 2017



Implementing a working group meeting

so employees could materialize the expression of their allies (supporters) and parties concerned internally. We aim to create a workplace environment where diversity is respected and employees can work in ways that reflect the importance of diversity that suit them.

\*LGBT is an acronym for lesbian (L), gay (G), bisexual (B), and transgender (T).

**Initiative 06****Support Refugee Children through International UNHCR Committee**

Nikko AM signed a partnership with Japan for UNHCR\*, a specified non-profit organization, to provide refugee children around the world school supplies, textbooks, access to schools, and extracurricular and classroom facilities through the Educate A Child (EAC) program. A global program run by Education Above ALL (EAA), a business partner to the UNHCR, the EAC program has provided educational support to tens of thousands of child refugees in Africa, Asia and the Middle East since 2012. Through this partnership, we support initiatives to respond to humanitarian crises and aim to provide opportunities for children to secure a bright future.

\*Japan for UNHCR is an NPO that supports the United Nations High Commissioner for Refugees (UNHCR), the UN agency that protects and supports refugees and is the official liaison for Japan. Since its founding in 1950, Japan for UNHCR has protected and supported people around the world who became refugees due to conflicts and persecution, and is working to address refugee problems.



October 2016 in Yemen, an UNHCR employee teaches EAC program students how to use solar lanterns received as support supplies.



## GROUP COMPANY 03




## SBI Sumishin Net Bank



This quiz event is billed as “economics Koshien” and aims to make learning about fi nance and economics enjoyable for high school students across Japan.

Like in 2015, SBI Sumishin Net Bank sponsored the Online Economics Competition, a preliminary for the all-Japan contest that is separate from prefecture-based preliminaries. In the online preliminary, high school students respond to quiz questions via the Internet with teams competing based on their knowledge about a wide range of money-related topics such as current events and money-related trivia. The winning team qualifies for the national finals. In 2017, the eleventh time the competition has been held, 24 teams participated in the event, and the winner, Koyo Gakuin High School, advanced to the national finals. We will continue to sponsor this contest as a way to encourage more high school students to participate and learn more about finance and economics.



 <b>Winner</b>	“ResNovae” team from Koyo Gakuin High School
 <b>Runner-up</b>	“Rikujobu” team from Kanagawa Prefectural Yokosuka High School
 <b>Third place</b>	“Team Naka” from Yasuda Girls’ Junior and Senior High School

## GROUP COMPANY 04

## Japan Trustee Services Bank

Japan Trustee Services Bank joined the Arakawa Cleanup, an event sponsored by NPO Arakawa River Cleanup Forum, participating in cleanup activities around the Arakawa River.

In the event, 25 employees and family members participated, dividing up into groups of seven or eight people to cooperate and pick up garbage in their designated area.

After the cleanup, members of each cleanup group at the event shared what they had felt.

Many voices expressed surprise that so much garbage was strewn about and expressed concerns at how far environmental degradation of the river has gone because current conditions persisted so long. Moreover, sponsor organizations spoke about how if garbage gets into rivers it invariably flows to the ocean, and the impacts of garbage on ecosystems.

In addition to the Arakawa River cleanup, Japan Trustee Services Bank cooperated with NPO Paretto to sponsor internal sales of baked sweets, and it held a blood donation drive.



Cleanup around Arakawa River banks



Internal sales of baked sweets prepared by NPO Paretto



## GROUP COMPANY 05

## Sumitomo Mitsui Trust Club

Diners Card, a credit card issued by Sumitomo Mitsui Trust Club, goes beyond the framework of a credit card to advance a variety of social contribution activities with our customers.

One of those Diners Card sponsors is the SAKE COMPETITION, a contest run by the Japanese sake appraisal society. Since its launch in 2016, Diners Club has made this a pillar initiative of the "Championing Japanese Food Culture" project <sup>\*1</sup>. In 2017, Ryogo Kitahara was awarded the "Diners Club Young Brewers Encouragement Award" for the Shi-chicken sake brand famous as a Yamanashi sake. A sake brewery with a history that goes back more than 300 years, it creates superior sake for the market while reading closely the currents of time without resting on the laurels of its long history. Signature, a magazine for Diners Club



SAKE COMPETITION 2017  
awards ceremony



Diners Club 2017 Young  
Brewers Encouragement Award

members, featured Shi-chicken sake and promotes the development of original bottle products and continues to support special sales for members.

Diners Club's deep ties to fine cuisine go back to its founding, and it will continue to support Japan's unique food culture in ways that stay true to its origins.

<sup>\*1</sup> Along with our customers, the project supports the new generation laboring to carry on Japan's food culture and seeking to take flight in the larger world.

Many Diners Club customers are interested in traditional culture and fine arts. As a result, from an early stage in our history, we have backed such as traditional performing arts related events, classical music concerts, and self-produced performances such as noh plays. We introduce below social contribution activities that originated from this sort of backdrop.

## Other Initiatives 01

## Artists Support Fund

Diners Club operates in cooperation with Tokyo University of the Arts (Geidai) the "Artists Support Program," providing a space for high-quality musical performances by promising young musicians. Moreover, we sponsor Geidai's "music outreach activities<sup>\*2</sup>," a social contribution activity, and have built up a fund for supporting such activities. Card members are called on to donate points, and Diners Club throughout the year donates income from the Artists Support Program to the aforementioned fund. In fiscal year 2016, we received ¥2,511,000 in donations.

<sup>\*2</sup> This initiative provides an opportunity to see cultural arts up close for those with few opportunities to come into contact with cultural arts. In music fields, this is attracting attention as an activity where people can enjoy music while musicians and listeners interact with each other, something that has been tried in many diverse ways. Current students and alumni of Geidai provide precious experiences through lectures, concerts, workshops, kindergartens, schools, and hospitals.



Music outreach activities

## Other Initiatives 02

## Daigoji Cultural Properties Restoration Project

Since 2014, Diners Club has promoted cultural properties restoration projects in a special tie-up with Daigoji temple, a world heritage site in Kyoto. Daigoji is a famous Buddhist temple with more than a thousand years of history. Of the more than 150,000 cultural property artifacts, many had been bruised and worn down over the course of many years and were in need of repair. We offer plans where card members can donate funds to restore these precious cultural properties so they can be passed on to future generations. In February 2017, the seated Fudomyoou Buddha, with its restoration now complete, was returned to Daigoji temple's Fudodo. We are also continuing with initiatives such as the long-term restoration of Daigoji shogyo (national treasure).



Daigo-ji Shogyo (Buddhist sutra,  
national treasure)



Seated Fudomyoou Buddha  
before restoration



## Service to Society Aimed at Development and Spread of Trust System

### Trust Future Forum

Trust Future Forum, a public interest incorporated foundation, has carried out surveys and research to contribute to the spread and development of Japan's trust system. With the aim of contributing to improve the quality of national living standards and domestic economic development, we offer subsidiaries to support outstanding research and activities. Established in July 1987, the Trust Future Forum will celebrate its 30th year anniversary in 2017.



### Social Contributions via Survey and Research

One pillar of the mainstay survey and research business is establishing research themes relating primarily to the Trust Act and self-directed research carried out in study group meetings, and on mainly financial and economic matters, consigning research to a specialist research

institute. These research results are released to the general public through book publications and research paper issuance. Since its founding, the Trust Future Forum has released 81 research books as of October 2017, and researchers and practitioners use them.

#### Themes of Self-Directed and Consignment Research (December 2017)

Self-Directed Research	Research concerning will execution ethics and practices
	Research concerning comparisons of functions of legal systems similar to trusts
	Research on trusts and estate management and succession
	Research on financial transactions and tax
	Research on foreign trust laws
	Research on commercial trust law
Consignment Research	Japan's economy and financial sector amid a shrinking and aging populace and a low birthrate

In pursuing research, scholars involved in trust research focused mainly on civil law, commercial law, and Anglo-American law made up the core of the research effort, and the research results became the cumulative foundation of intellectual capital for Japan relating to the trust system. The Trust Future Forum contributed in unparalleled ways in Japan as a specialist research institute such as when its research was referenced in amending Japan's Trust Act in 2007.

In the decade since the Trust Act amendment, a new era is emerging due to new ways of utilizing trusts, new methods, and new concepts as social issues have grown even more serious. The Trust Future Forum continues as a public interest incorporated foundation to promote social contribution and activities with a high public interest.

### Grants, Social Contributions via Endowed Courses

The grant-making program supports surveys, research, and activities on trusts and related finance and economics, and is the Forum's second pillar. It accepts applications from researchers in Japan and overseas, practitioners, and various organizations, and offers grants for research expenses, etc.

In conjunction, with the aim of spreading trusts and

promoting understanding, the Forum has established endowed courses on the Trust Act aimed at college undergraduates. In Japan, where an increasing number of people are bearers of trusts, these courses offer students a precious opportunity to properly obtain knowledge on the trust system while young.

#### Grants made in fiscal year 2017

No. 7 Asia Civil Law International Symposium
State of sustainable investment in Japan summarized in survey reports and symposiums
International symposium on "Adult Guardianship in Asia"
Investigation into fiduciary responsibilities of institutional investors and their legal regulatory status
Blockchain in FinTech, economic research on API verification

#### List of Endowed Courses Established

Chuo University Faculty of Law
Tohoku University Faculty of Law
Doshisha University Faculty of Law



## Accession to International Guidelines for Corporate Conduct and Related Activities

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

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



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

### Natural Capital Finance Alliance (formerly The Natural Capital Declaration)



The Group became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) in June 2012. The Group is the only financial institution in Japan to have signed the declaration. NCD signatories are working toward implementing NCD commitments through Natural Capital Finance Alliance (NCFA) projects overseen by a steering committee of signatories and supporters and supported by a secretariat.

### Participation in the UNEP FI Property Working Group (UNEP FI PWG)

The UNEP FI PWG is one of the working groups formed by signatory institutions of the UNEP FI to promote property finance that facilitates sustainable development, namely Responsible Property Investment (RPI). In addition to joining the working group in June 2007, the Group became a member of the media team that promotes RPI and conducts activities as one of its leading members.

### Signatory to the Principles for Responsible Investment (PRI)



SuMi TRUST Bank and Nikko Asset Management became signatories of the Principles for Responsible Investment (PRI), which were jointly established in May 2006 by the UN Global Compact and the UNEP FI. These principles require institutional investors such as pension funds and asset managers to give consideration to ESG factors when making investment decisions.

### Signatory to Leadership Declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company"



At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, the Group, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company," which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue.

### Signatory to the Equator Principles



The Equator Principles are international guidelines for private-sector financial institutions for confirming that impacts on the environment and regional communities are fully taken into consideration when implementing project finance loans. SuMi TRUST Bank became a signatory to the Equator Principles in February 2016.

### Signatory to the United Nations Global Compact (UN Global Compact)



The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, the Group signed the compact, becoming the first Japanese bank to do so, and declared its resolve to act as a good corporate citizen by complying with and promoting the code of conduct. The Group also became a member of the Global Compact Network Japan Network (GCN-JN), in which signatory companies of the UN Global Compact participate.

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



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

# GRI Content Index

## Global Reporting Initiative (GRI)

Established in 1997 as a joint project between the Coalition for Environmentally Responsible Economics (CERES), a nonprofit organization in the United States, and the United Nations Environment Programme (UNEP), the GRI aims to improve the contents of sustainability reports to the level of financial reports while attaining the basic conditions of comparability, credibility, accuracy, appropriateness of timing, and verifiability of the information included in the sustainability reports. The initial guidelines were issued in 2000, revised in fiscal year 2002, and further revised in fiscal year 2006 based on the 2002 revisions, and fourth generation guidelines were released in fiscal year 2013.

● = Required General Standard Disclosures for both 'in accordance' criteria options

\* Global Compact

Indicator	Core Indicators	Page No.	GC*
GENERAL STANDARD DISCLOSURES			
Strategy and Analysis			
4.1 ●	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	P4,5	
4.2	Provide a description of key impacts, risks, and opportunities.	P1,85-87,98-105	
Organizational Profile			
4.3 ●	Report the name of the organization.	P159	
4.4 ●	Report the primary brands, products, and services.	P11-65	
4.5 ●	Report the location of the organization's headquarters.	P160	
4.6 ●	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P159	
4.7 ●	Report the nature of ownership and legal form.	P159	
4.8 ●	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	P159-160	
4.9 ●	Report the scale of the organization, including: <ul style="list-style-type: none"> <li>• Total number of employees</li> <li>• Total number of operations</li> <li>• Net sales (for private sector organizations) or net revenues (for public sector organizations)</li> <li>• Total capitalization broken down in terms of debt and equity (for private sector organizations)</li> <li>• Quantity of products or services provided</li> </ul>	P123,158-159	
4.10 ●	<ul style="list-style-type: none"> <li>a. Report the total number of employees by employment contract and gender.</li> <li>b. Report the total number of permanent employees by employment type and gender.</li> <li>c. Report the total workforce by employees and supervised workers and by gender.</li> <li>d. Report the total workforce by region and gender.</li> <li>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</li> <li>f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</li> </ul>	P116,123	
4.11 ●	Report the percentage of total employees covered by collective bargaining agreements.	P121	
4.12 ●	Describe the organization's supply chain.	P6	
4.13 ●	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> <li>• Changes in the location of, or changes in, operations, including facility openings, closings, and expansions</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)</li> <li>• Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination</li> </ul>	P106-107,113	



Indicator	Core Indicators	Page No.	GC*
Commitments to External Initiatives			
4.14	● Report whether and how the precautionary approach or principle is addressed by the organization.	P85-86,92-97	Rule 7
4.15	● List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P14,25,91,107,149	
4.16	<p>List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:</p> <ul style="list-style-type: none"><li>● Holds a position on the governance body</li><li>● Participates in projects or committees</li><li>● Provides substantive funding beyond routine membership dues</li><li>● Views membership as strategic</li></ul> <p>This refers primarily to memberships maintained at the organizational level.</p>	P149	
Identified Material Aspects and Boundaries			
4.17	<p>a. List all entities included in the organization’s consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report.</p>	P4-7,13	
4.18	<p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>		
4.19	● List all the material Aspects identified in the process for defining report content.		
4.20	<p>For each material Aspect, report the Aspect Boundary within the organization, as follows:</p> <ul style="list-style-type: none"><li>● Report whether the Aspect is material within the organization</li><li>● If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either:<ul style="list-style-type: none"><li>– The list of entities or groups of entities included in G4-17 for which the Aspect is not material or</li><li>– The list of entities or groups of entities included in G4-17 for which the Aspects is material</li></ul></li><li>● Report any specific limitation regarding the Aspect Boundary within the organization</li></ul>		
4.21	<p>For each material Aspect, report the Aspect Boundary outside the organization, as follows:</p> <ul style="list-style-type: none"><li>● Report whether the Aspect is material outside of the organization</li><li>● If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified</li><li>● Report any specific limitation regarding the Aspect Boundary outside the organization</li></ul>		
4.22	● Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.		
4.23	● Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.		
Stakeholder Engagement			
4.24	● Provide a list of stakeholder groups engaged by the organization.	P4-7,13	
4.25	● Report the basis for identification and selection of stakeholders with whom to engage.		
4.26	● Report the organization’s approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.		
4.27	● Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.		
Report Profile			
4.28	● Reporting period (such as fiscal or calendar year) for information provided.	Cover2,P160	
4.29	● Date of most recent previous report (if any).		
4.30	● Reporting cycle (such as annual, biennial).		
4.31	● Provide the contact point for questions regarding the report or its contents.		

Indicator	Core Indicators	Page No.	GC*
GRI Content Index			
4.32	<ul style="list-style-type: none"><li>a. Report the 'in accordance' option the organization has chosen.</li><li>b. Report the GRI Content Index for the chosen option (see tables below).</li><li>c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.</li></ul>	P150-157	
Assurance			
4.33	<ul style="list-style-type: none"><li>a. Report the organization's policy and current practice with regard to seeking external assurance for the report.</li><li>b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.</li><li>c. Report the relationship between the organization and the assurance providers.</li><li>d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.</li></ul>	—	
Governance			
Governance Structure and Composition			
4.34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.	P79-91	
4.35	Report the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.		
4.36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.		
4.37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.		
4.38	Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"><li>• Executive or non-executive</li><li>• Independence</li><li>• Tenure on the governance body</li><li>• Number of each individual's other significant positions and commitments, and the nature of the commitments</li><li>• Gender</li><li>• Membership of under-represented social groups</li><li>• Competences relating to economic, environmental, and social impacts</li><li>• Stakeholder representation</li></ul>		
4.39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).		
4.40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"><li>• Whether and how diversity is considered</li><li>• Whether and how independence is considered</li><li>• Whether and how expertise and experience relating to economic, environmental, and social topics are considered</li><li>• Whether and how stakeholders (including shareholders) are involved</li></ul>		
4.41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"><li>• Cross-board membership</li><li>• Cross-shareholding with suppliers and other stakeholders</li><li>• Existence of controlling shareholder</li><li>• Related party disclosures</li></ul>		
Highest Governance Body's Role in Setting Purpose, Values, and Strategy			
4.42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.	P79-91	

Indicator	Core Indicators	Page No.	GC*
Highest Governance Body's Competencies and Performance Evaluation			
4.43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	P79-91	
4.44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.		
Highest Governance Body's Role in Risk Management			
4.45	a. Report the highest governance body's role in the identification and management of economic, environmental, and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social impacts, risks, and opportunities.	P85-86, 98-105	
4.46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.		
4.47	Report the frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities.		
Highest Governance Body's Role in Sustainability Reporting			
4.48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	P6-7,74-84	
Highest Governance Body's Role in Evaluating Economic, Environmental, and Social Performance			
4.49	Report the process for communicating critical concerns to the highest governance body.	P79-91	
4.50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.		
Remuneration and Incentives			
4.51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: (Performance-based pay, Equity-based pay, Bonuses, Deferred or vested shares) • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental, and social objectives.	P83	
4.52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.		
4.53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.		
4.54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.		
4.55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.		
Ethics and Integrity			
4.56	● Describe the organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.	P1,92-97	
4.57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.		
4.58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.		



Indicator	Core Indicators	Page No.	GC*
<b>SPECIFIC STANDARD DISCLOSURES</b>			
<b>Generic Disclosures on Management Approach</b>			
4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: <ul style="list-style-type: none"> <li>• The mechanisms for evaluating the effectiveness of the management approach</li> <li>• The results of the evaluation of the management approach</li> <li>• Any related adjustments to the management approach</li> </ul>	P6-7,13	
<b>Category: Economic</b>			
<b>Aspect: Economic Performance</b>			
EC1	Direct economic value generated and distributed	P158	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	—	
EC3	Coverage of the organization's defined benefit plan obligations	—	
EC4	Financial assistance received from government	—	
<b>Aspect: Market Presence</b>			
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	—	
EC6	Proportion of senior management hired from the local community at significant locations of operation	—	
<b>Aspect: Indirect Economic Impacts</b>			
EC7	Development and impact of infrastructure investments and services supported	P12-28	
EC8	Significant indirect economic impacts, including the extent of impacts	—	
<b>Aspect: Procurement Practices</b>			
EC9	Proportion of spending on local suppliers at significant locations of operation	—	
<b>Category: Environmental</b>			
<b>Aspect: Materials</b>			
EN1	Materials used by weight or volume	—	
EN2	Percentage of materials used that are recycled input materials	—	
<b>Aspect: Energy</b>			
EN3	Energy consumption within the organization	P109-113	
EN4	Energy consumption outside of the organization	P109-113	
EN5	Energy intensity	P109-113	
EN6	Reduction of energy consumption	P109-113	
EN7	Reductions in energy requirements of products and services	P109-113	
<b>Aspect: Water</b>			
EN8	Total water withdrawal by source	—	
EN9	Water sources significantly affected by withdrawal of water	—	
EN10	Percentage and total volume of water recycled and reused	—	
<b>Aspect: Biodiversity</b>			
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N.A.	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N.A.	
EN13	Habitats protected or restored	P132-135	
EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	—	

Indicator	Core Indicators	Page No.	GC*
<b>Aspect: Emissions</b>			
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	P109-113	
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	P109-113	
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	P109-113	
EN18	Greenhouse gas (GHG) emissions intensity	P109-113	
EN19	Reduction of greenhouse gas (GHG) emissions	P109-113	
EN20	Emissions of ozone-depleting substances (ODS)	—	
EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	—	
<b>Aspect: Effluents and Waste</b>			
EN22	Total water discharge by quality and destination	—	
EN23	Total weight of waste by type and disposal method	P109-113	
EN24	Total number and volume of significant spills	—	
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	P109-113	
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	—	
<b>Aspect: Products and Services</b>			
EN27	Extent of impact mitigation of environmental impacts of products and services	P11-28	Rule 8,9
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	—	
<b>Aspect: Compliance</b>			
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	—	
<b>Aspect: Transport</b>			
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	P109-113	Rule 8
<b>Aspect: Overall</b>			
EN31	Total environmental protection expenditures and investments by type	—	
<b>Aspect: Supplier Environmental Assessment</b>			
EN32	Percentage of new suppliers that were screened using environmental criteria	—	
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	—	
<b>Aspect: Environmental Grievance Mechanisms</b>			
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	—	
<b>Category: Social</b>			
<b>Sub-category: Labor Practices and Decent Work</b>			
<b>Aspect: Employment</b>			
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	P116,123	
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	—	
LA3	Return to work and retention rates after parental leave, by gender	P120	
<b>Aspect: Labor/Management Relations</b>			
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	—	
<b>Aspect: Occupational Health and Safety</b>			
LA5	Percentage of total workforce represented in formal joint management—worker health and safety committees that help monitor and advise on occupational health and safety programs	—	
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	P123	

Indicator	Core Indicators	Page No.	GC*
LA7	Workers with high incidence or high risk of diseases related to their occupation	—	
LA8	Health and safety topics covered in formal agreements with trade unions	—	
<b>Aspect: Training and Education</b>			
LA9	Average hours of training per year per employee by gender, and by employee category	P117,126	
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P115-118	
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	P115-118	
<b>Aspect: Diversity and Equal Opportunity</b>			
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	P79-91, 116-119,123	
<b>Aspect: Equal Remuneration for Women and Men</b>			
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	—	
<b>Aspect: Supplier Assessment for Labor Practices</b>			
LA14	Percentage of new suppliers that were screened using labor practices criteria	—	
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	—	
<b>Aspect: Labor Practices Grievance Mechanisms</b>			
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	P121	
<b>Sub-category: Human Rights</b>			
<b>Aspect: Investment</b>			
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—	
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	P124-127	Rule 1,2
<b>Aspect: Non-discrimination</b>			
HR3	Total number of incidents of discrimination and corrective actions taken	—	
<b>Aspect: Freedom of Association and Collective Bargaining</b>			
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	—	
<b>Aspect: Child Labor</b>			
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	N.A.	
<b>Aspect: Forced or Compulsory Labor</b>			
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	N.A.	
<b>Aspect: Security Practices</b>			
HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	P126	
<b>Aspect: Indigenous Rights</b>			
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	N.A.	
<b>Aspect: Assessment</b>			
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	P124-127	
<b>Aspect: Supplier Human Rights Assessment</b>			
HR10	Percentage of new suppliers that were screened using human rights criteria	—	
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	—	



Indicator	Core Indicators	Page No.	GC*
<b>Aspect: Human Rights Grievance Mechanisms</b>			
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	P125	
<b>Sub-category: Society</b>			
<b>Aspect: Local Communities</b>			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	—	
SO2	Operations with significant actual and potential negative impacts on local communities	—	
<b>Aspect: Anti-corruption</b>			
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	—	
SO4	Communication and training on anti-corruption policies and procedures	P92-97	Rule 10
SO5	Confirmed incidents of corruption and actions taken	P88	
<b>Aspect: Public Policy</b>			
SO6	Total value of political contributions by country and recipient/beneficiary	—	
<b>Aspect: Anti-competitive Behavior</b>			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	—	
<b>Aspect: Compliance</b>			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	—	
<b>Aspect: Supplier Assessment for Impacts on Society</b>			
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	—	
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	P104-107, 113	
<b>Aspect: Grievance Mechanisms for Impacts on Society</b>			
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	P27,55	
<b>Sub-category: Product Responsibility</b>			
<b>Aspect: Customer Health and Safety</b>			
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	N.A.	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	N.A.	
<b>Aspect: Product and Service Labeling</b>			
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	N.A.	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	N.A.	
PR5	Results of surveys measuring customer satisfaction	—	
<b>Aspect: Marketing Communications</b>			
PR6	Sale of banned or disputed products	N.A.	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	—	
<b>Aspect: Customer Privacy</b>			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	—	
<b>Aspect: Compliance</b>			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	—	

# Financial Highlights

In the consolidated financial results for fiscal year 2016, net income attributable to owners of the parent grew on an increase in real estate brokerage fees and SuMi TRUST Group's contribution, but mainly because of a decline in market-related income, and net business profit before credit costs declined ¥85.9 billion year on year to ¥232.3 billion, and net income attributable to owners of the parent declined ¥45.4 billion to ¥121.4 billion.

Regarding our year-end dividend on common shares, we paid ¥65 per common share. Adding the interim dividend\* paid in December 2016, the annual dividend paid for the fiscal year was effectively equal to the annual sum paid in the previous fiscal year.

\*Recalibrating the stock merger executed on October 1, 2016 as if it were executed at the start of fiscal year 2016, the year-end dividend per share would be equivalent to ¥65.

## ■ Overview of the Financial Results in FY2016

### <Consolidated> Sumitomo Mitsui Trust Holdings (Consolidated)

Billions of Yen (Unless specified otherwise)

	FY2016 (A)	FY2015 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs	<b>232.3</b>	318.3	(85.9)	(27.0%)
Ordinary Profit	<b>196.3</b>	278.0	(81.6)	(29.4%)
Net Income Attributable to Owners of the Parent	<b>121.4</b>	166.9	(45.4)	(27.2%)
Total Credit Costs	<b>(28.5)</b>	(25.9)	(2.5)	(10.0%)
Return on Equity (ROE)	<b>5.01%</b>	7.00%	(1.99%)	—
Net Income per Common Shares (EPS) (Yen)	<b>317.24</b>	433.30	(116.06)	(26.8%)
Net Assets per Common Shares (BPS) (Yen)	<b>6,437.58</b>	6,181.19	256.39	4.1%

(Note) SuMi TRUST Group executed a stock merger at a ratio of ten common shares for one on October 1, 2016. Recalculating the stock merger as if it were executed at the start of fiscal year 2015, the annual dividend per share would be the sum shown above.

### <Non-consolidated> Sumitomo Mitsui Trust Bank (Non-consolidated)

Billions of Yen (Unless specified otherwise)

	FY2016 (A)	FY2015 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs	<b>150.5</b>	249.1	(98.6)	(39.6%)
Net Interest Income and Related Profit	<b>216.7</b>	223.9	(7.2)	(3.2%)
Net Fees and Commissions and Related Profit	<b>196.9</b>	199.9	(2.9)	(1.5%)
Net Trading Profit	<b>17.0</b>	15.5	1.5	9.7%
Net Other Operating Profit	<b>(47.3)</b>	45.9	(93.2)	(203.2%)
General and Administrative Expenses	<b>(232.7)</b>	(236.1)	3.3	1.4%
Net Non-recurring Profit, etc.	<b>(33.2)</b>	(30.3)	(2.9)	(9.7%)
Ordinary Profit	<b>117.3</b>	218.8	(101.5)	(46.4%)
Extraordinary Profit	<b>(5.9)</b>	(3.6)	(2.3)	(62.6%)
Net Income	<b>77.6</b>	143.1	(65.4)	(45.7%)
Total Credit Costs	<b>(24.9)</b>	(14.1)	(10.7)	(76.2%)

(Note) Amounts less than ¥100 million are rounded down.

### <Dividends>

	FY2016 (A)	FY2015 (B)	Change (A)–(B)
Dividend per Share on Common Share (Yen)	<b>130.00</b>	130.00	—

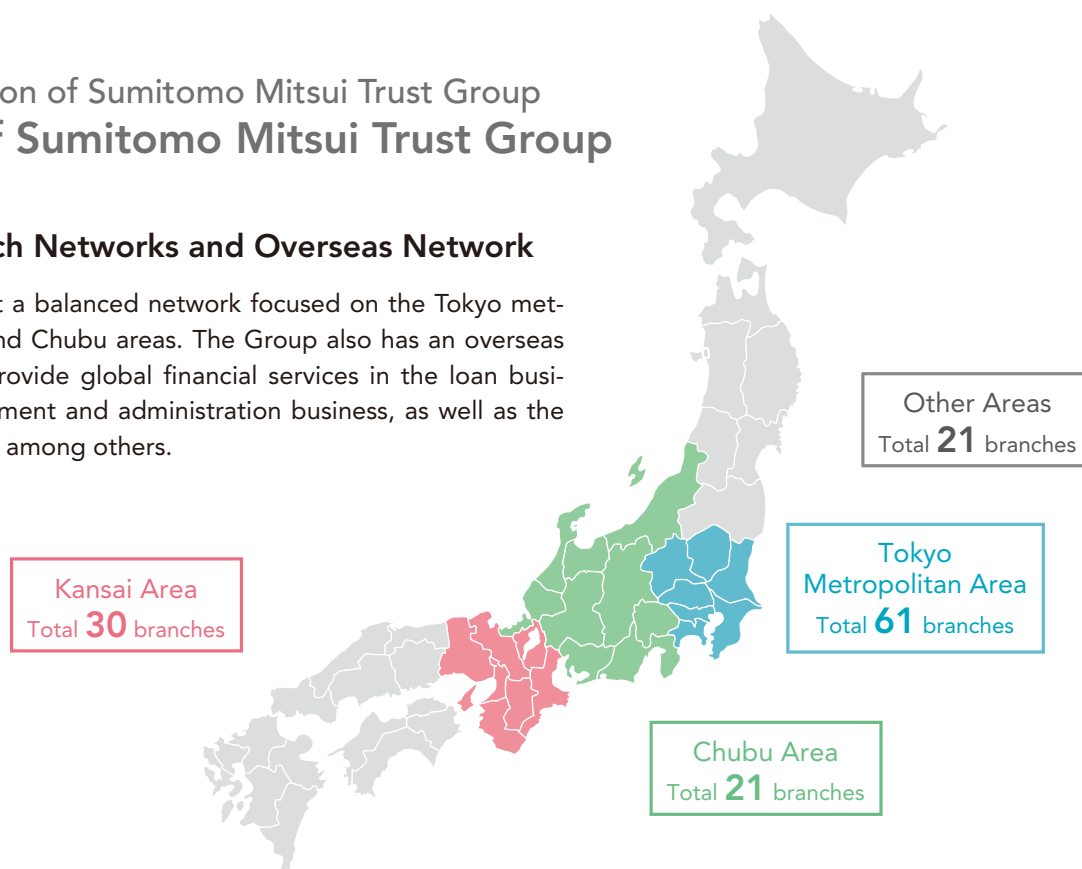
(Note) SuMi TRUST Group executed a stock merger at a ratio of ten common shares for one on October 1, 2016. Recalculating the stock merger as if it were executed at the start of fiscal year 2015, the annual dividend per share would be the sum shown above.

# Basic Information of Sumitomo Mitsui Trust Group

## Network of Sumitomo Mitsui Trust Group

### 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 December 31, 2017)

	Branches	Consulting Plaza and Consulting Offices
Tokyo Metropolitan Area	61 ( 45.9%)	8
Kansai Area	30 ( 22.5%)	3
Chubu Area	21 ( 15.8%)	0
Other Areas	21 ( 15.8%)	0
<b>Total</b>	<b>133 (100.0%)</b>	<b>11</b>

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

#### Overseas Network (as of December 31, 2017)

##### [U.S.]

- New York Branch
- Sumitomo Mitsui Trust Bank (U.S.A.) Limited (Banking, Trust Businesses)

##### [Europe]

- London Branch
- Sumitomo Mitsui Trust International Limited (Securities Business)
- Sumitomo Mitsui Trust Bank (Luxembourg) S.A. (Trust, Banking, Securities Businesses)
- Sumitomo Mitsui Trust (Ireland) Limited (Trust Business)
- Sumitomo Mitsui Trust (UK) Limited (Trust Business)

##### [Asia]

- Singapore Branch
- Shanghai Branch
- Hong Kong Branch
- Beijing Representative Office
- Beijing Representative Office (Securities Business)
- Zijin Trust Co., Ltd. (Trust Business)
- Sumitomo Mitsui Trust (Hong Kong) Limited (Securities Business)
- Jakarta Representative Office
- Seoul Representative Office
- Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (Banking Business)

An overseas network that can provide global financial services



## Basic Information of Sumitomo Mitsui Trust Group

### Corporate Information (as of December 31, 2017)

<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) Monitoring administration of business activities</li> <li>(3) Allocation of management resources</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, Nagoya Stock Exchanges Tokyo (Primary), Nagoya (Primary)
<b>Securities Code:</b>	8309

## Basic Information of Sumitomo Mitsui Trust Group

### Rating Information (as of December 31, 2017)

		Long-term	Short-term
Sumitomo Mitsui Trust Holdings	JCR	AA-	—
	R&I	A	—
	S&P	A	A-1
	Moody's	A1	P-1
Sumitomo Mitsui Trust Bank	Fitch	A-	F1
	JCR	AA-	—
	R&I	A+	a-1

Issued: March 2018

**Sumitomo Mitsui Trust Holdings, Inc.**  
**Corporate Planning Department, CSR Promotion Office**

1-4-1, Marunouchi, Chiyoda-ku Tokyo 100-8233, Japan

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







# Sumitomo Mitsui Trust Holdings, Inc.

## 2017 Corporate Social Responsibility Report — Questionnaire

Sumitomo Mitsui Trust Holdings, Inc.  
Corporate Planning Department, CSR Promotion Office  
Facsimile: 81-3-3286-8741

**Q1** | What was your impression of the CSR Report as a whole?

<input checked="" type="radio"/> Content	<input type="checkbox"/> Substantial	<input type="checkbox"/> Acceptable	<input type="checkbox"/> Inadequate
<input checked="" type="radio"/> Readability	<input type="checkbox"/> Easy to read	<input type="checkbox"/> Normal	<input type="checkbox"/> Difficult to read

**Q2** | How do you evaluate our CSR efforts described in this report?

<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Satisfactory	<input type="checkbox"/> Weak	<input type="checkbox"/> Insufficient
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**Q3** | What items in the report interested you, or left an impression? (Feel free to check multiple items)

- ☐ Editorial Policy/Creating Shared Value through CSR Activities
- ☐ Sumitomo Mitsui Trust Group's Basic Policy on Social Responsibility
- ☐ Top Commitment    ☐ Materiality Management for Creating Shared Value at the SuMi TRUST Group
- ☐ Initiatives for Sustainable Development Goals (SDGs) of the SuMi TRUST Group
- ☒ Sustainability Policy 1
  - ☐ Addressing Climate Change Using Our Financial Capabilities    ☐ Natural Capital related Initiatives Using Our Financial Capabilities
  - ☐ Addressing the Issues of a Super-Aging Society by Using Our Financial Functions    ☐ Various Solutions Using Trust Functions
  - ☐ ESG-themed Initiatives in Our Asset Management Businesses    ☐ ESG-themed Initiatives in Our Real Estate Businesses
- ☒ Sustainability Policy 2
  - ☐ Initiatives to Earn the Trust of Clients    ☐ Initiatives Aimed at Becoming Our Customer's Best Partners
  - ☐ Initiatives regarding Fiduciary Duty    ☐ Client Protection Management
- ☒ Sustainability Policy 3
  - ☐ Corporate Governance    ☐ Compliance and Conducting Business Activities Fairly    ☐ Risk Management
  - ☐ Social and Environmental Risk Response in Lending and Investment
  - ☐ CSR Procurement (Procurement that Considers the Environment and Society)
- ☒ Sustainability Policy 4
  - ☐ Environmental Burden Reduction Measures
- ☒ Sustainability Policy 5
  - ☐ Enhancing Human Capital to Increase Corporate Value    ☐ Initiatives concerning Human Rights
- ☒ Sustainability Policy 6
  - ☐ Meaning of Providing Value to Communities    ☐ Supporting Education for Children to Grow into Next-Generation Leaders
  - ☐ Education for Sustainable Development (ESD) Projects    ☐ Our Activities Supporting National Trusts
  - ☐ SuMi TRUST Bank "With You" Activities Carried Out across Japan    ☐ CSR Activities at Group Companies
  - ☐ Trust Future Forum

**Q4** | Please write your impressions and comments including your positive opinions about the report and the areas that should be improved.

**Q5** | In what capacity did you read this report?

<input type="checkbox"/> Retail Customer	<input type="checkbox"/> Corporate Customer	<input type="checkbox"/> Shareholder/Investor	<input type="checkbox"/> Corporate CSR Manager
<input type="checkbox"/> Researcher/Educator	<input type="checkbox"/> NPO/NGO Member	<input type="checkbox"/> Media Representative	<input type="checkbox"/> Government Employee
<input type="checkbox"/> Student	<input type="checkbox"/> Sumitomo Mitsui Trust Group Employee	<input type="checkbox"/> Other (please specify: _____)	

Name: \_\_\_\_\_ Occupation/Company (Title): \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_

This questionnaire is solely for the improvement and enhancement of the content of our CSR Report. We will not use your personal information obtained through this questionnaire for any other purposes. We appropriately manage personal information.