

Corporate Governance

The Group has create 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

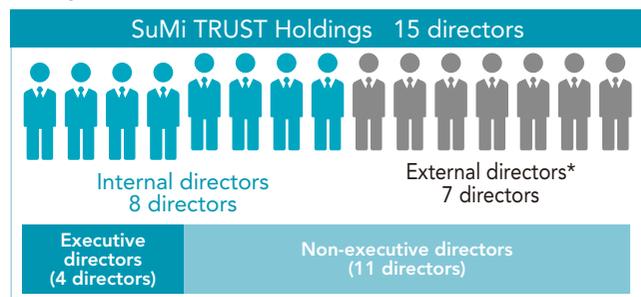
The Board of Directors of SuMi TRUST Holdings shall have no more than 20 directors, as prescribed in the Articles of Incorporation. The number of directors shall comprise the number necessary and appropriate to perform supervisory functions required as a financial holding company that oversees the Group’s 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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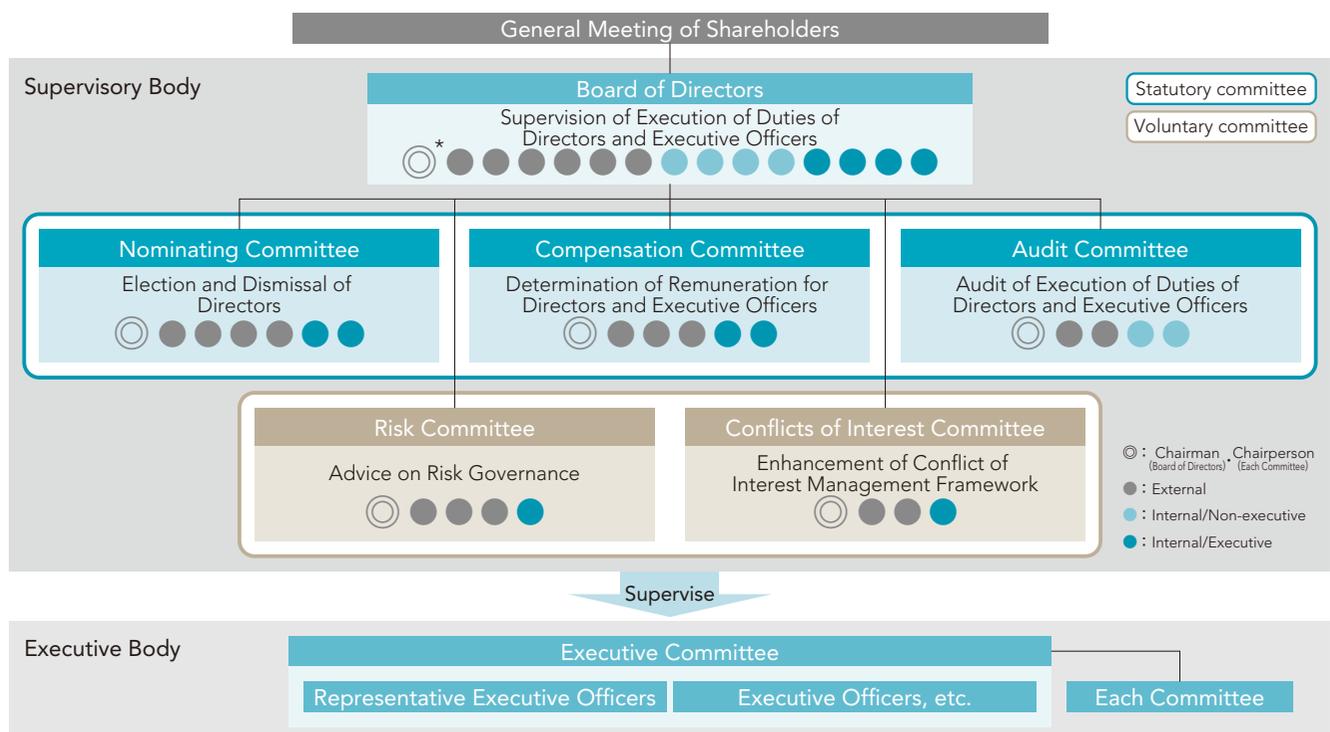
*From June 29, 2017, when the transition to the "company with Three Committees" system was approved and took effect, through November 30, 2017.

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		Total amount of variable compensation		Compensation as stock options	Retirement benefits
			Basic compensation		Bonus			
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 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.

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

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."

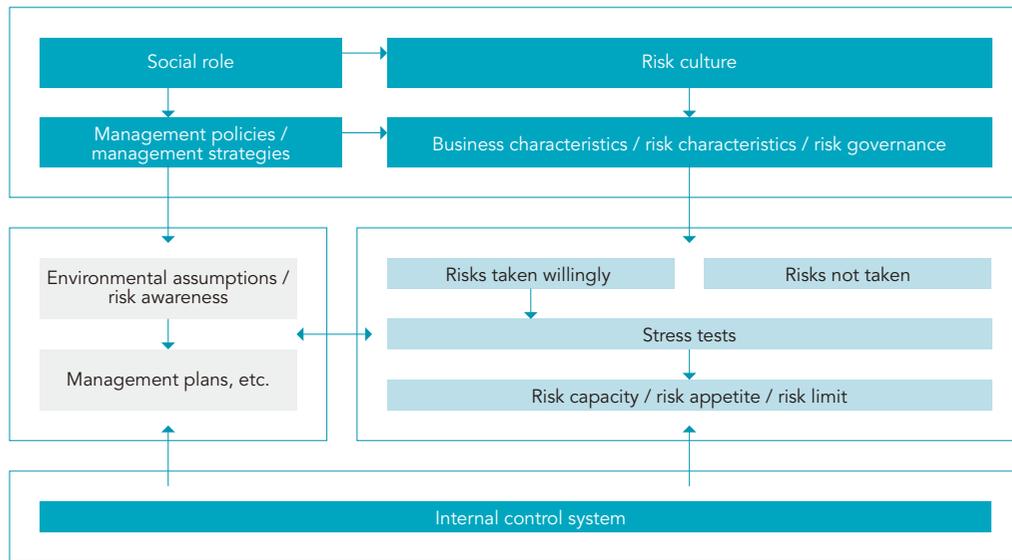
Fostering a Risk Culture that Takes Root Across the SuMi TRUST Group

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.

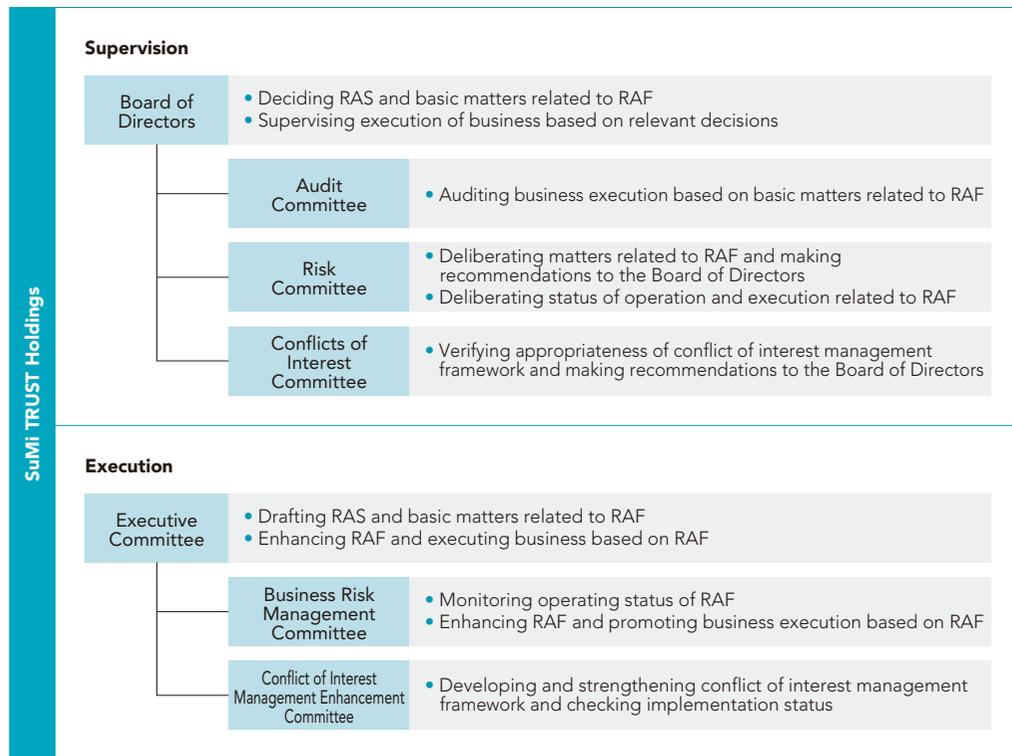
In order to foster a risk culture that takes root across

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.

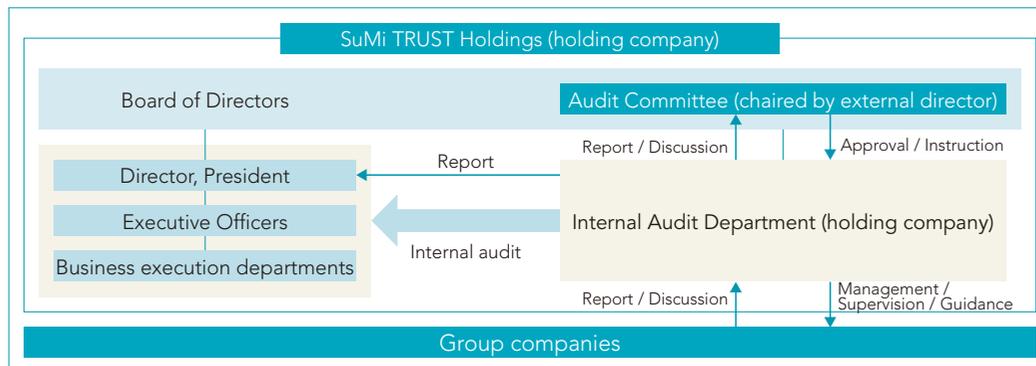
In addition, Internal Audit Department of SuMi TRUST Holdings, as the department supervising the Group's internal auditing, approves the internal audit plans of Group

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: http://smth.jp/IR/index.html English URL: http://smth.jp/en/IR/index.html
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.

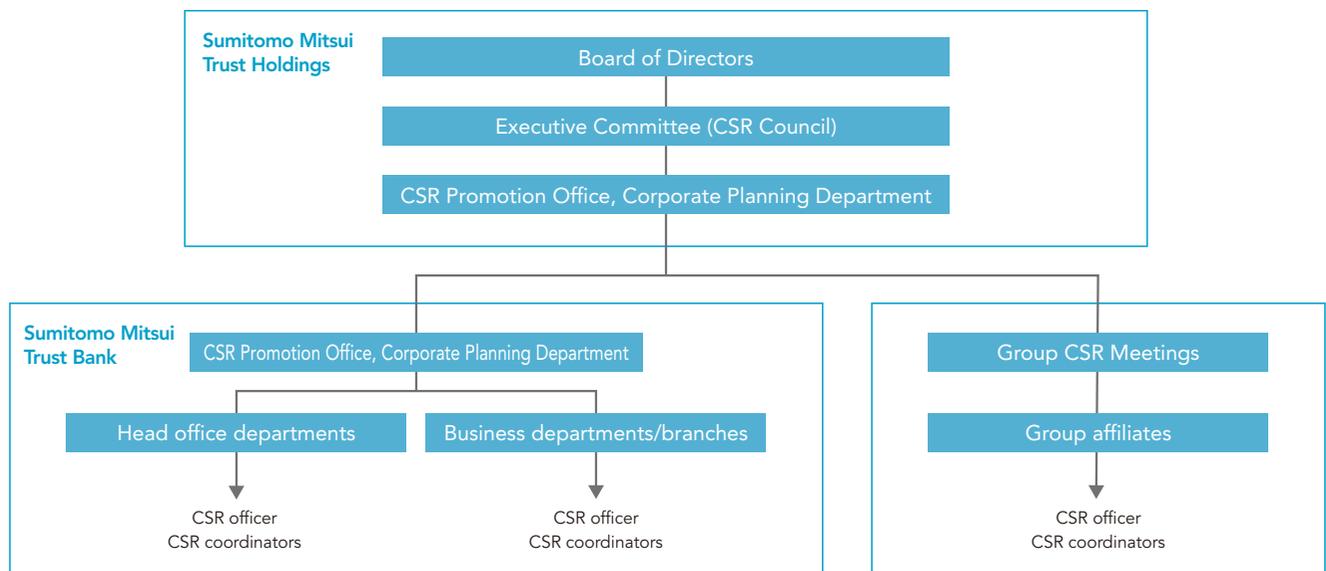
- towards the creation of shared value and determines the direction which SuMi TRUST Group is to take.
- 2) The CSR Council, which is held as part of the Executive Committee, formulates medium-term policies on CSR as well as the policies for each fiscal year and manages the CSR activities of SuMi TRUST 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"> • Further sophistication of materiality management • Bolster ESG risk management for loans and investments • Strengthen messaging to investors, elevate sophistication of ESG information disclosure in our ESG/CSR reports and integrated reports
Contribute to improving earnings and actively promote CSV businesses	<ul style="list-style-type: none"> • Actively advance solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursuit of social returns	<ul style="list-style-type: none"> • Link CSV businesses and “With You” activities to the 17 SDG themes, build frameworks for specific initiatives and adopt concepts for pursuing not only economic returns but also social returns • Support research on problems arising from dementia, and actively contribute to property management initiatives in particular

(2) FY2017 CSR Policies

Themes	FY2017 Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • 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 • 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 • Publish integrated reports (revise our disclosure materials and annual report) • Publish stewardship reports (an upgraded, revised edition of our responsible investment booklet) • Formulate a roadmap and medium- and long-term environmental goals relating to climate change
Contribute to improving earnings and actively promote CSV businesses	<ul style="list-style-type: none"> • Bolster solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursuit of social returns	<ul style="list-style-type: none"> • Link individual activities to 17 SDG themes, organize fundamental concepts relating to the pursuit of social returns • Analyze the state of SuMi TRUST Group’s information liaison groups on problems arising from dementia, devise policies for medium- and long-term responses