

Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group

I. Background

- A ‘trust’, as the word implies, is a system for entrusting your important property to a trustworthy person (the trustee). The trustee manages or administers the property on your behalf or for those who are important to you (the beneficiaries) in line with the objectives.
- At the core of this system is the fundamental trust concept of ‘fiduciary duty’, which requires the trustee to act in the best interests of the beneficiaries.
- The Sumitomo Mitsui Trust Group (“the Group”) holds to a shared ethos, our reason for existence (Purpose), “to create new value with the power of trusts and let prosperous future for clients and society bloom”, and we will adhere to our code of conduct, which includes the imperative to be “Completely Client-oriented”.
- We promise to become our clients’ ‘Best Partner’ by thoroughly putting our fiduciary duty into practice. This means that, in the pursuit of our clients’ best interests, we will demonstrate significant expertise and provide consulting services suited to the respective needs of our clients.
- To this end, we will leverage the strengths of our trust group in banking, asset management and administration, real estate, and other business areas – allowing us to address a broad range of client needs. We will create unique added value through our integrated three-pillar business model of advisory services(*1), asset management, and asset administration.

*Note 1: Services such as consulting in sales.

II. Basic Group Policies (Principles for Action)

- The Sumitomo Mitsui Trust Group has established the following as our Group’s ‘Principles for Action’, in order that each and every one of our officers and employees become our clients’ ‘Best Partner’, and we will adhere to these Principles.

1	Implementation of a client-oriented approach to consulting	4	Enhancement of our client-oriented focus and expertise
2	Provision of easy-to-understand information	5	Provision of financial services that leverage the diverse functions of the trust group
3	Development and provision of products and services that meet the diverse needs of our clients	6	Client peace-of-mind and satisfaction, and contribution to society and the economy

- We will put the Basic Group Policies (Principles for Action) into practice and implement the following initiatives so that business operations for the best interests of our clients become ingrained as our corporate culture.

III. Governance Framework

- (1) Establishment of a dedicated organization; Development of a conflict of interest

management framework as best practice

- The Fiduciary Duties & Customer Satisfaction Planning and Promotion Department is established at Sumitomo Mitsui Trust Holdings. It is at the center of our initiatives to promote “client-oriented business operations” (Fiduciary Duties) and “improvement of client satisfaction” (Customer Satisfaction) in an integrated manner.
- With respect to the progress status of these, we have established the Conflicts of Interest Committee with external members at its core, as an advisory body to the Board of Directors, through which we conduct ongoing examination of the sufficiency and efficacy of the Group conflict of interest management framework and the progress status of fiduciary duties, and we will strive for transparency as to the status of these initiatives.
- The Sumitomo Mitsui Trust Group, in order to properly manage transactions that have potential conflicts of interest, will build a framework that ensures efficacy, including internal separation of organizations and authority, restrictions on information and personnel transfers, strengthening of screening when introducing new products and services, and deployment of Conflict of Interest Management Officers to major departments.
- Also, Group-wide, we have established fiduciary duties discussion panels, through which, in addition to promoting penetration of awareness and thorough implementation of fiduciary duties at each of the Group companies, we will strive for appropriate mutual checks-and-balances and collaboration between product providers and sales companies and enhancement of initiatives.

(2) Ensuring product governance(*2) in the origination and sale of products and services

- In order to ensure the provision of goods and services that are suited to our clients’ best interests, we will endeavor to enhance our sales management framework, including the product governance framework for the origination of products and services, and appropriateness in sales.
- In the asset management companies within our Group, in origination of products, we will identify the expected client base, and verify that expected returns are commensurate with cost. Furthermore, after origination as well, we will verify issues such as whether the envisioned management is being carried out and returns commensurate with the cost are being provided, whether management consistent with the product’s characteristics is sustainable, and whether the sales are to the expected client base.
- In the sales companies within our Group, we will sell and provide products that are suitable for the client, based on the client’s attributes such as their asset and income situation, transaction experience, knowledge, transaction objectives/needs, and decision-making

capabilities. We will make explanations and proposals by comparing with similar products/services in terms of the risks, returns, and costs necessary for client investment decisions. We will undertake and verify these initiatives for enhancing the sales and management framework for products and services from the perspective of pursuing the best interests of our client.

***Note 2:** the framework for confirming and verifying whether the origination and provision of goods/services ('products') are suited to the best interests of clients

(3) Ensuring the independence of the management and operation of the asset management business

- Among the Group companies that conduct asset management business, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management will introduce independent external directors, and build a system that ensures independence from the Group sales company management. Also, at Sumitomo Mitsui Trust Holdings, in the Conflicts of Interest Committee, we will establish a committee for stewardship activities with external experts at its core and build a framework for ensuring the independence of operations.

(4) Ensuring conflict of interest management framework in sales business

- Sumitomo Mitsui Trust Bank recognizes that appropriate management of conflicts of interest is of utmost importance when, in aiming to resolve issues for each stakeholder, we closely share information and know-how among individuals, corporations, investors, real estate, and market business, and we will develop and enhance a conflict of interest management framework accordingly.
- We publish information about management of transactions, etc. that have possible conflicts of interest in the Summary of the Management Policy of Sumitomo Mitsui Trust Group Concerning Conflicts of Interest. <https://www.smtb.jp/english/coi>

(5) Incentives etc. for the thorough implementation and penetration, etc. of our fiduciary duties

- ① A system of performance evaluation and targets for the promotion and penetration of client-oriented business conduct
- At Sumitomo Mitsui Trust Bank, we will develop and continuously improve a performance evaluation system for the evaluation of initiatives that contribute to client-oriented business conduct.
 - In particular, in the retail business, we will establish a performance evaluation system that promotes client-oriented business conduct by evaluating standards such as the adequacy

of consulting services and explanations to clients, medium- to long-term support, and follow up. Also, regarding the evaluation of sales branches, we will develop a performance evaluation system where “quantitative target achievements”, such as targets for net increase in balances, are taken into account in conjunction with the above-mentioned “evaluation of client-oriented business conduct”. This will allow client-oriented initiatives to be further reflected in the evaluation of sales branches.

② Optimization of training, etc. for the implementation and penetration of our fiduciary duties, and improvement of client satisfaction

- At each Group company, our client-oriented philosophy and specific learnings from case studies will be instilled through training conducted by headquarters for all levels (for everyone from branch heads to new employees), as well as through e-learning training for all employees and officers.
- Also, at Sumitomo Mitsui Trust Bank, we will proceed with initiatives such as training based on actual operations, such as consulting proposals at sales sites, and conduct bottom-up discussions on themes such as “FD: Client-Oriented Business Management” and “CS: Improving Client Satisfaction” at each sales branch.
- In order to grasp the degree of penetration of FD/CS through these initiatives, we will regularly conduct client questionnaires and employee awareness surveys and, based on the results, we will further and continuously improve.

IV. Policies by Function

- The Policies by Function are based on II. Basic Group Policies (Principles for Action) and specify the content thereof for each function in the investment chain. Even if a matter is not specified in the Policies by Function, we will deal with the matter based on the purport of the Basic Group Policies (Principles for Action) and the Policies by Function.

1. Sales, etc.

(1) Implementing a client-oriented approach to consulting

- We will provide consulting services that ensure attentive support for every one of our clients over the long term, such as assistance in asset-formation, utilization of real estate assets, and consultation on asset administration including wills and succession. For this purpose, the client representatives at our sales branches serve as a point of contact with respect to all products and services that we provide, and work in collaboration with specialized departments in areas such as real estate and wills/succession to provide consulting services that combine trust and expertise (‘total consulting’).

- We will achieve a shared understanding of the asset and liability situation of our clients, which will change with their lifecycle, and their corresponding needs, through high-quality consulting involving active use of consulting tools, etc., during both the proposal and post-transaction stages of products and services.
- When proposing products and services, we will present multiple options suited to the needs of the client, in light of the client's knowledge, experience, asset situation, investment objectives, and other relevant factors.

(2) Provision of easy-to-understand information

- We will provide easy-to-understand information tailored to the understanding of each client, based on the importance of the information, and the complexity of the products and services. Specifically, regarding important information such as the characteristics of products and services, risks, fees, envisioned client attributes, reasons for proposals, potential conflicts of interest, and how fees pertain to services provided, we will provide clear and concise, easy-to-understand explanations, aiming to facilitate the selection of appropriate financial products and services by clients. In particular, in the case of complex products and services such as combinations of multiple products, we will provide explanations for each individual product that compare it with similar products or services.
- We will provide periodic follow-up services. In addition to sharing the status of asset management, etc., with our clients, we will also utilize seminars and online content and provide information regarding matters including market trends and outlook.
- In real estate brokerage operations, we will provide proper and easy-to-understand explanations that will allow clients to engage in transactions with trust in us.
- We will create an environment that is easy for clients to use such as by providing information and procedures utilizing IT systems and smartphone applications.

(3) Provision and development of a broad range of products and services that meet the diverse needs of our clients

- We will utilize the trust group's strengths in banking business, asset management and administration business, real estate business, and other areas, and will develop and provide products and services that meet the diverse needs of our clients
- Based on the various voices and opinions of our clients, we will collaborate with asset management companies and insurance companies, and we are developing and providing products and services that contribute to "long-term – diversified – stable"(*3) ongoing investment that match the lifecycle of our clients.

*Note 3: In order to promote investment not only among the asset-forming generation,

but also including the pre-/post-retirement generation as well as the senior generation, we will aim for “long-term, diversified, and stable” rather than “long-term, diversified, and accumulating”.

- Moreover, in the handling and selection of investment trusts, we will also utilize an external evaluation body, and we will provide products and services suited to the best interests of our clients, from a broad-range of asset management companies, regardless of whether they are provided by companies within or outside the Group.

(4) Thorough implementation of our client-oriented focus and improvement of expertise

① Establishing a corporate culture with the aim of becoming our clients’ “best partner”

- Through measures such as training and discussions at each Group company, we will aim for thorough penetration of these Policies. As well as this, we will build performance evaluation and target systems that value initiatives that contribute to the implementation and penetration thereof. Through these measures, we will give thorough effect to our fiduciary duties, and promote the establishment of a corporate culture in which we aim to be our clients’ “Best Partner”.

② Improve expertise to support client-oriented consulting, etc.

- Through measures such as various training and support for the acquisition of specialist qualifications, we will increase our knowledge and expertise regarding products and services, and sales rules.

(5) Provision of financial services that leverage diverse functions

- In order to promote the integrated three-pillar business model of advisory services, asset management, and asset administration which are our trust group’s areas of strength, while remaining thoroughly attentive to conflict of interest management, which is a premise for these, we will fully mobilize our diverse functions, such as the banking business, asset management and administration business, real estate business, etc., and swiftly and accurately provide optimal and comprehensive solutions for our clients.

(6) Client peace-of-mind and satisfaction, and contribution to society and the economy

① Provision of new products and services that are responsive to social and economic changes

- We will create new value in society and the economy by utilizing our trust functions that respond to structural changes to the economy and society. Thus, towards achieving financial inclusion, where all clients can use our products and services with peace-of-mind, and we will also work on creating environments that allow for online consultations with family members living in distant locations.

- We will grasp the challenges and needs of the ‘100 Year Life Era’, such as the needs of our elderly clients’ regarding asset management, asset preservation and asset succession, as well as non-financial services, and we will address these needs through measures such as collaboration with other businesses
 - Taking into account the possibility that clients may experience a decline in their cognitive and decision-making abilities, we will be meticulous on our provision of information, while promoting the creation of an environment in which our clients can continue to use our financial products and services, such as asset administration, over the long term. Also, we will conduct employee education to enhance understanding for clients requiring special consideration.
- ② Reflection of client voices and evaluations in our services, etc.
- We will develop and continually improve products and services based on client feedback directly received in the course of service counter procedures, etc., opinions received via questionnaires, and evaluations of products and services, etc.
- ③ Proactive initiatives for financial and economic education and investment education
- We will work on enhancing knowledge related to finance, economics, and asset management, for working-age adults, in order to promote medium- to long-term asset formation.
 - We will work towards providing financial and economic education in collaboration with various organizations, in order to enhance financial literacy among junior and senior high school students.

2. Asset Management and Product Development

(1) Enhancement of asset management

- We will maintain an appropriate asset management system by developing a clear and rational investment policy.
- Through engagement initiatives based on Japan’s Stewardship Code, and ESG initiatives, etc., we will aim to maximize our clients’ profits.
- In order to maximize our clients’ profits, we will maintain and enhance our product governance framework, including identification of the expected client base, and analysis and verification of risks, returns, and costs, and monitoring the sales situation at the sales companies.
- In managing assets entrusted to us, we will execute transactions on the best terms and conditions for our clients.

(2) Provision and development of products and services that meet the diverse needs of our clients

- By leveraging our respective strengths as an asset management company, we will develop and provide high value-added asset management products that anticipate changes to the social environment, such as increasingly diverse asset management needs and an aging population.
- We will utilize client feedback, as well as evaluation by external bodies where necessary, in order to enhance our asset management services and strengthen the relevant frameworks.

(3) Provision of easy-to-understand information

- We will identify and disclose the expected client base and provide information to sales companies so that provision of products can be conducted appropriately.
- We will provide easy-to-understand information regarding the product characteristics, risks, fees, and other information that is important for investment decisions.
- We will provide easy-to-understand information such as periodic reports on the status of investment holdings and timely and appropriate updates on market trends and outlook.
- In order to deepen understanding of asset management and financial products, we will expand the information content on our websites, including reports and columns.

(4) Enhancement of our expertise

- We will engage in the continued and stable development of asset management professionals, striving to ensure the retention of personnel and the continuity and replicability of operations.
- In the evaluation of operations personnel, such as fund managers and analysts, etc., we will secure an operational structure that has significant expertise, through evaluation and treatment that is focused on medium- to long-term investment results.

(5) Enhancement of stewardship activities as a “Responsible Institutional Investor”

- We will properly fulfil our role as a “Responsible Institutional Investor” based on Japan’s Stewardship Code. Further, in order to achieve stable economic growth and a sustainable society, we will proceed with action on global ESG issues.
- In addition to engaging in dialogue with investee companies, we will proceed with productive engagement activities by making effective use of measures such as collective engagement and the international framework represented by the United Nations’ PRI

(Principles for Responsible Investment).

- We have established the Stewardship Subcommittee to oversee the stewardship activities of the entire Group and ensure the enhancement and effectiveness of the activities.
- In order to further enhance the transparency of the exercise of voting rights, we publish the results of the exercise of voting rights for each investee company and each agenda item. We also engage in continuous review and improvement of the guidelines for exercise of voting rights.

(6) Building and strengthening the governance framework that ensures management independence

- We will build a framework for ensuring the independence of management and operations from the holding company and affiliated sales companies by installing independent outside directors and other measures.

3. Asset Administration

(1) Ensuring the reliability and speed of our asset administration services

- We will ensure the reliability and speed of the office operations that form the cornerstone of asset administration services, and strive for improvement thereof.
- To achieve this, we will strive to develop human resources who have significant expertise in the necessary legal and tax systems, etc.

(2) Enhance administrative processes and systems as social infrastructure to meet the needs of our clients

- In order to respond to the increasingly diverse and sophisticated global asset management needs of our clients, we will work to expand our services and enhance our administrative processes and systems.

(3) Enhancing the information-provision and services that contribute to the expansion of our clients' investment activities and the efficiency and rationalization of middle/back-office operations

- As a trust group, we will utilize our banking know-how and provide services for the increased efficiency and enhancement of our clients' middle and back office operations.
- In addition to various reports, we will timely provide high-added-value information based on information from overseas Group affiliate companies and custodians, etc.

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