

Initiatives Related to Fiduciary Duties

1. Practicing Fiduciary Duties

The aim of the SuMi TRUST Group to be the “best partner” for clients is based on our client-oriented spirit. The Group has hitherto endeavored to be completely client-oriented given that a fiduciary spirit is essentially ingrained into our DNA. To this end, since we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (the “Policies”) in September 2016, we have continued to further strengthen our initiatives by revising the Policies whenever necessary.

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

management.” The SuMi TRUST Group has put in place an extensive organizational structure from the management level to the working level, and strives constantly to enhance its initiatives in this area. (Please refer to page 91 for enhancement of our conflict of interest management framework.)

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

Promoting/Supervising Structure of the Group

	Organization	Initiatives	
SuMi TRUST Holdings SuMi TRUST Bank Group Companies	Board of Directors	Conflicts of Interest Committee <ul style="list-style-type: none"> Supervise Conflict of Interest management for the group, monitor FD* progress 	
	Executive Committee	Conflict of Interest Management Enhancement Committee <ul style="list-style-type: none"> Discuss important cases Guide improvement to relevant departments 	
	Department in charge	Fiduciary Duties Planning and Promotion Dept.	<ul style="list-style-type: none"> Promote FD* within organization
		Compliance Dept.	<ul style="list-style-type: none"> Enhance Conflict of Interest management
Group-wide	Fiduciary Duties Discussion Panel <ul style="list-style-type: none"> Consult with external experts, Implement within company 		

*FD: Fiduciary duties

History of Promotion of Fiduciary Duties

2016	September	Established “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”
	October	Established Fiduciary Duties Planning and Promotion Department (also set up at SuMi TRUST Bank)
		Established Fiduciary Duties Discussion Panel
2017	January	Established “Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations” at SuMi TRUST Bank
	April	Established Conflict of Interest Management Enhancement Committee (at both execution side and SuMi TRUST Bank)
	May	Revised Management Policy Concerning Conflicts of Interest
	June	Revised “Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group”
		Published “Key Performance Indicators (KPIs) concerning Initiatives Aimed at Becoming Our Clients’ “Best Partner””
	July	Established Conflicts of Interest Committee as advisory body to the Board of Directors
2018	September	Published “Shared KPIs on Investment Trusts and Initiatives of Sumitomo Mitsui Trust Bank”
2019	June	Announcement of Voluntary Declaration of Consumer-Orientation

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

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

Fiduciary Duties Planning and Promotion Department

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

Subsidiaries

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

Of our subsidiaries, SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, and Japan Trustee Services Bank are engaged in the asset management, product development, sales and asset administration businesses that are the core of fiduciary duties, and have established and made public "specific initiatives" relating to fiduciary duties (hereinafter, the "action plans"). Progress updates on the action plans are reported regularly to their

respective Board of Directors, and the action plans shall be revised as necessary. Furthermore, Nikko Asset Management and Sumitomo Mitsui Trust Asset Management, as asset managers, make their respective KPIs publicly available.

Fiduciary Duties Discussion Panel

In order to further enhance the initiatives at our subsidiaries engaged in the business of asset management, product development, sales, or asset administration, the Group has established a Fiduciary Duties Discussion Panel (the "Discussion Panel") together with Sumitomo Mitsui Trust Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, Japan Trustee Services Bank, and the Mutual Fund & Insurance Research Institute.

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

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

Principles of Action Policies on Fiduciary Duties

(1) Implementation of a client-oriented consulting practice

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

(2) Easily understandable provision of information

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Proactive initiatives for financial education and investment education

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

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

The Group makes publicly available an overview of its Management Policy Concerning Conflicts of Interest*1 (following approval of the Board of Directors) and engages in appropriate management by identifying and categorizing in advance transactions that could lead to conflicts of interest so that the interests of our clients are not harmed unfairly when our Group companies or authorized parties offer their various services.

We also have in place a system to ensure that necessary improvements and guidance are implemented on an ongoing basis. Our Compliance Department—which functions as a conflict of interest management control department independent from our sales departments—periodically examines the effectiveness of the Group’s overall conflict of interest management and reports the results to the Conflicts of Interest Management Enhancement Committee, Executive Committee, and the Board of Directors.

Moreover, for the purpose of improving the effectiveness of our conflict of interest management framework, its appropriateness is assessed by the Conflicts of Interest Committee, an advisory body to the Board of Directors comprised of mainly external members. The Conflicts of Interest Committee not only evaluates the Group’s conflict of interest management framework as required by law, it also discusses the best practices of the framework and how fiduciary

duty initiatives are being implemented for the purpose of being a “best partner” capable of earning the reassurance and trust of our clients. To this end, the Committee has convened 10 meetings thus far (four annually). Furthermore, the Committee has recently been discussing what needs to be done following the abolishment of the FSA’s Inspection Manual for Trust and Banking Companies, as well as the soundness of conduct centering on conflict of interest management. The Committee publishes summaries of the proceedings*2 of its meetings on a regular basis.

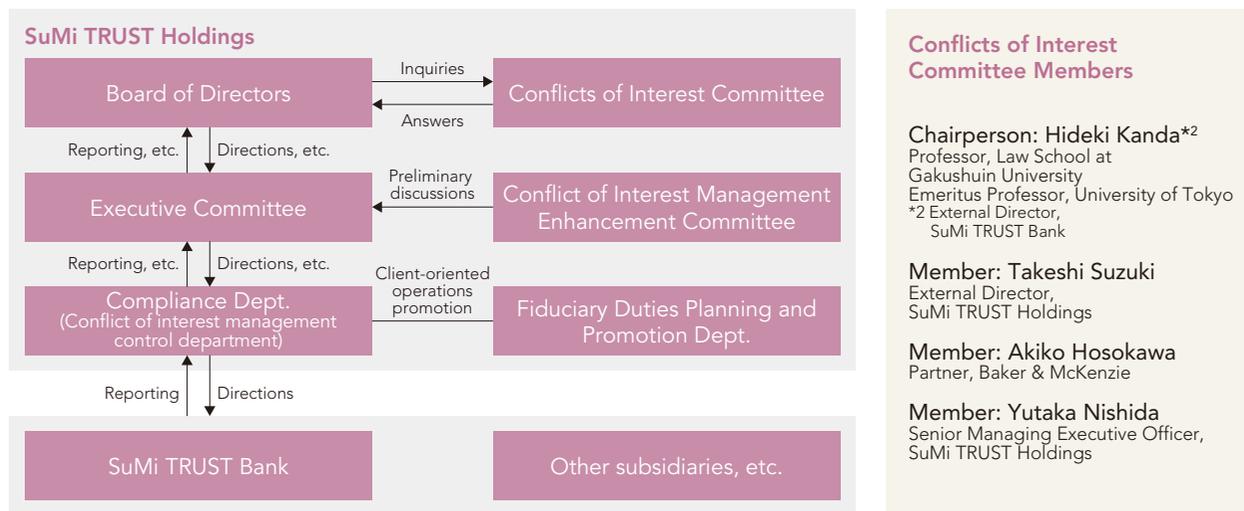
Guided by this framework, we have continued to implement measures*3 aimed at mainly preventing Group companies from wielding their influence over asset management firms and other entities within the Group and enhancing the independence of our asset management operations. As for investment trust and insurance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

*1 <https://www.smth.jp/coi/index.html>

*2 https://www.smth.jp/about_us/management/customer/index.html

*3 See our Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations via the link in note 1 above

Conflict of Interest Management System*1



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

4. Enhancement of Conflict of Interest Management Framework for Stewardship Activities —

Sumitomo Mitsui Trust Asset Management (SMTAM) integrated the investment management function of SuMi TRUST Bank on October 1, 2018. It also added more independent external directors, shifted to a company with an audit and supervisory committee system, and beefed up its middle office operations. The integration means SMTAM has more independence from the Group’s corporate divisions (lending, etc.), while its conflict of interest management is much more transparent. Given that the management of conflicts

of interest is particularly important to the exercise of voting rights, SMTAM has established a Stewardship Activities Advisory Committee comprised mostly of external experts. The officer in charge of the Stewardship Development Department—the person responsible for the exercise of voting rights—exercises voting rights in a highly transparent manner by giving the fullest possible consideration to the recommendations of the Advisory Committee.

