

Providing Value to Clients

Innovative Products and Services

1. Product development capabilities supporting total solutions

The SuMi TRUST Group continues to further the development of new products and services by drawing on its expertise and comprehensive capabilities as a trust banking group. SuMi TRUST Bank possesses the ability to develop new products and services in each of its businesses and continues to engage in development by leveraging its expert knowledge and taking into account client needs and market trends, among other factors.

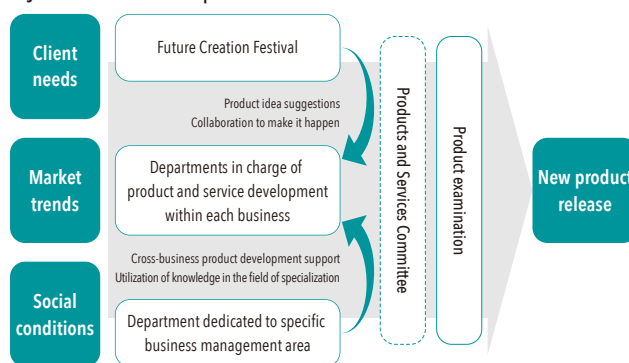
Also, for the field of business management, we have established dedicated units such as the Business Research and Development Department, Regional Revitalization Planning and Promotion Department, Digital Transformation Department, and Sustainability Management Department. These departments conduct research studies in their respective fields of trusts and related areas, regional revitalization, digital transformation, and sustainability. A system has also been built to facilitate and support the development of new products and services across business lines.

Moreover, we have set up a Product & Services Committee as a meeting body for mainly directors and executive officers to discuss the development of new products and services. The committee meets regularly to share information about issues that ought to be resolved during the development process and measures for further propelling development from a medium- to long-term management strategy perspective that extends beyond the boundaries of on-site

product development.

Also, since fiscal 2018 we have run an annual business plan contest called Future Creation Festival with the objective of fashioning the future of the SuMi TRUST Group based on ideas generated by employees. All Group employees can enter the competition with any manner of business plan, which means various ideas that are extremely novel or carry an element of surprise can also be submitted. As part of the final selection process, applicants are given the opportunity to directly present their plan to the judges (a panel of executive officers and external experts) and the winning applicant then gets the chance to turn their product or service proposal into a viable business.

System for Development of New Products and Services



2. Case example of realizing prosperity through product development: Anshin Support Trust (fund wrap-type)

The Anshin Support Trust (fund wrap-type)* is a product that offers the client ongoing asset management services even after the onset of dementia and can also appropriate funds the client needs to pay for living expenses and the like.

Investment decisions typically become more challenging when a person's decision-making capacity is impaired as a result of dementia or other illness. With more people living to the ripe old age of 100 in today's society, investment management for the purpose of extending one's wealth span to ensure a fulfilling life in one's golden years is important, but some of our elderly clients were worried about eventually having to put an end to their investment management activities in order to prepare for the decline in their own decision-making capacity.

The Anshin Support Trust product was therefore developed to solve such issues of elderly clients by combining the fund wrap investment functionality already used by many of our clients with the asset administration functions inherent in trust schemes. The key phrase associated with this product's success is "respecting the person's wishes." We made sure that the client could continue to benefit from our asset management service by having them nominate in advance

the methods with which their assets should be managed after their decision-making capacity turns to decline. And the client can also have the trustee take care of such matters as converting assets to cash and making necessary payments. This product also has an asset inheritance mechanism in place so that in the event of the client's death, the assets held in trust can be used to assist the livelihoods of remaining family members.

The Anshin Support Trust was developed by an inter-departmental project team spearheaded by the Business Research and Development Department. Discussions by executive officers and the like at product development offsite meetings (the predecessor to the Product & Services Committee) concerning the key points of the product—for instance, deciding on the scope within which a trustee can act on behalf of a client who has lost their decision-making capacity—were reflected in the product's development.

Going forward, SuMi TRUST Bank will strive to provide new value to clients by focusing its energy on developing products that harness trust functions with the goal of solving various issues in society, including those related to Japan's aging population.

*Please follow the following link for more information.
<https://www.smtb.jp/-/media/tb/about/corporate/release/pdf/201111-2.pdf>

Client-Oriented Initiatives

In recent years, financial institutions have been urged to be even more client-oriented. In the SuMi TRUST Group too, as a financial institution underpinned by our fiduciary spirit, we consider our client-oriented approach and fiduciary duties to be the most important items of materiality. Here we provide some information about the client-oriented initiatives and client protection management practices we undertake with the aim of being our clients' "Best Partner."

1. Providing Value to Clients

In these extremely turbulent times, the asset formation, management, reexamination, and succession needs of both individual and corporate clients are growing increasingly complex, while the need for trustworthy financial institutions is also growing stronger. The SuMi TRUST Group aims to be the "Best Partner" for providing maximum value to both individual and corporate clients by accurately ascertaining their needs and offering total solutions in the form of various highly specialized products and services best suited to solving client issues. To this end, we not only endeavor to be completely client-oriented, but we have also established a sophisticated conflict of interest management framework so

as to effectively utilize our comprehensive capabilities derived from the amalgamation of various trust and banking functions as Japan's only independent financial group specialized in trust banking.

We have also merged the organization tasked with client-oriented business operations (fiduciary duties) with the organization responsible for enhancing client satisfaction so as to further evolve client-oriented practices and client satisfaction as a source of differentiation. In this way, we continue to strengthen initiatives geared towards improving our ability to manage the quality of operations.

Group Initiatives in Recent Times

2016	September	Development of Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group
	October	Establishment of Fiduciary Duties Planning and Promotion Department (also established at SuMi TRUST Bank) Establishment of Fiduciary Duties Discussion Panel
2017	January	Development of Policy for Enhancement of the Conflict of Interest Management Structure relating to the Asset Management Operations at SuMi TRUST Bank
	April	Establishment of Conflicts of Interest Management Enhancement Committee (executive side and at SuMi TRUST Bank)
	May	Amendments to Management Policy Concerning Conflicts of Interest (enhancement of conflict of interest management framework)
	June	Amendments to Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group in light of the FSA's March 2017 publication of Principles for Customer-Oriented Business Conduct
		First announcement of KPIs for initiatives aimed at becoming our clients' "Best Partner" (announced every year thereafter)
July	Establishment of Conflicts of Interest Committee as an advisory body to the Board of Directors	
2018	September	Announcement of Shared KPIs on Investment Trusts and Initiatives of Sumitomo Mitsui Trust Bank
2019	June	Announcement of Voluntary Declaration of Consumer-Orientation
2020	April	Addition of CS promotion function to Fiduciary Duties Planning and Promotion Department and establishment of Fiduciary Duties and Customer Satisfaction Planning and Promotion Department (FD & CS Planning and Promotion Department) (the FD & CS Planning and Promotion Department at SuMi TRUST Bank was established through a merger of the Fiduciary Duties Planning and Promotion Department and the Customer Satisfaction Promotion Department)
	September	First announcement of results of initiatives based on Voluntary Declaration of Consumer-Orientation (announced every year thereafter)
2021	June	Amendments to Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group in light of the FSA's January 2021 revisions to Principles for Customer-Oriented Business Conduct

2. Implementing a Client-Oriented Approach

So that we can provide our clients with the products and services best suited to meet their genuine interests as their “Best Partner” and in order to carry out and instill fiduciary duties across all our business operations, in September 2016 we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (“Policies”) and since then we have continued to further strengthen our initiatives by revising them whenever necessary. 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 see page 145 for enhancement of the conflict of interest management framework).

In order to clearly communicate to our clients the results of these initiatives, we periodically publish a report entitled KPIs for Initiatives Aimed at Becoming Our Clients’ “Best Partner” (see page 142). These KPIs include those commonly used by financial institutions regarding investment trust sales.

Promoting/Supervising Structure of the Group

	Organization		Initiatives	
SuMi TRUST Holdings	Board of Directors	Conflicts of Interest Committee	<ul style="list-style-type: none"> • Manage conflicts of interest throughout the Group • Monitor progress on fiduciary duties 	
	SuMi TRUST Bank	Executive Committee	Conflict of Interest Management Enhancement Committee	<ul style="list-style-type: none"> • Discuss important cases • Provide guidance on making improvements to relevant departments
		Department in charge	Fiduciary Duties Planning and Promotion Dept.	<ul style="list-style-type: none"> • Raise awareness about, and ensure implementation of, fiduciary duties, and drive improvements in CS
			Compliance Dept.	<ul style="list-style-type: none"> • Enhance conflict of interest management
Group Companies*	Group-wide	Fiduciary Duties Discussion Panel	<ul style="list-style-type: none"> • Supervise and guide fiduciary duty initiatives at each Group company and reflect in initiatives at each company 	

*Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, Mutual Fund & Insurance Research Institute, and Sumitomo Mitsui Trust Life Partners

Establishment of Specialist Organization

In order to raise awareness about, and implement, the Group’s fiduciary duties, we established the FD & CS Planning and Promotion Department as a specialist organization. It not only provides advice, guidance, and training to Group companies, but also collects information and

engages in planning and development concerning the improvement of conflict of interest management. This department regularly compiles reports for the Board of Directors based on its monitoring of specific initiatives implemented at each Group company in line with the Policies.

Establishment of Group Company Action Plans

The Group companies subject to the application of the Policies examine and implement initiatives according to the nature of their business operations.

Of the Group companies, SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, and Sumitomo Mitsui Trust Life Partners are engaged in the asset management, product development, sales, and asset administration businesses that form the core of fiduciary duties. These Group companies have adopted the Principles

for Customer-Oriented Business Conduct and have established and made public specific initiatives relating to fiduciary duties (“action plans”). Progress updates are reported regularly to their respective Board of Directors, whilst the action plans are revised whenever necessary. Reviews of actions plans and a summary of the KPIs are also made public on a regular basis. Furthermore, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management, as asset managers, regularly publish their respective KPIs.

Fiduciary Duties Discussion Panel

In order to further enhance the initiatives at Group companies engaged in the business of asset management, product development, sales, and asset administration, we have established a Fiduciary Duties Discussion Panel together with Sumitomo Mitsui Trust Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, Sumitomo Mitsui Trust Life Partners, and the Mutual Fund & Insurance Research Institute.

The Discussion Panel comprises directors and executive officers, as well as general managers responsible for

promoting fiduciary duties at each of the aforementioned Group companies, with the FD & CS Planning and Promotion Department serving as secretariat. Each company reports on the matters listed below, shares successful case examples, and discusses how to ensure practices that reflect fiduciary duties take root at each Group company.

- Improvements in expertise
- Appropriate collaboration on product development and sales at each company
- Enhancement of risk management

Policies Regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group

Group Companies That Undertake Initiatives Based on the Policies

SuMi TRUST Bank

Sumitomo Mitsui Trust
Asset Management

Nikko Asset Management

Sumitomo Mitsui Trust
Life Partners

Adoption of Principles for Customer-Oriented Business Conduct as a business operator engaged in asset management, product development, sales, and asset administration

Observance of action principles and implementation of initiatives based on the Policies according to the nature of their business operations

Mutual Fund &
Insurance
Research Institute

Sumitomo Mitsui Trust
Wealth Partners

Sumitomo Mitsui Trust
Realty

Sumitomo Mitsui Trust
Real Estate Investment
Management

Sumitomo Mitsui Trust
Research Institute

Sumitomo Mitsui Trust
Investment

Observance of action principles and implementation of initiatives based on the Policies according to the nature of their business operations

Principles of Action Policies on Fiduciary Duties

(1) Implementation of a client-oriented approach to consulting

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 situation of our clients, which will change with their lifecycle, and their corresponding needs.

(2) Provision of easy-to-understand information

To assist in our clients' investment decisions, we will strive to provide easy-to-understand explanations about product characteristics, risks, and fees, etc., 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 collaboration with a broad range of asset management companies and insurance companies, etc., and joint-development of products and services.

(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 judgment and practices that are based on these Policies. Further, we will give thorough effect to our fiduciary duties by building performance evaluation and target systems that value initiatives that contribute to the implementation and penetration of client-oriented actions and, in so doing, promote the establishment of a corporate culture in which every one of our executives and employees aims to be our clients' "Best Partner."

(ii) Improvements to expertise to support client-oriented consulting, etc.

Through measures such as training of executives 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 swiftly and accurately provide optimal and comprehensive solutions for our clients, whether they are individuals or corporate entities.

(6) Client peace-of-mind 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 peace-of-mind 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 building, we will pursue activities in connection with improvement of financial education and knowledge, including life planning, by utilizing our know-how regarding investment education, etc. cultivated in our defined contribution pension operations, etc., and through our regular consulting activities and seminars, etc.

3. KPIs for Initiatives Aimed at Becoming our Clients' "Best Partner"

The SuMi TRUST Group fulfils its fiduciary duties and makes every effort to contribute to society and the economy by guaranteeing peace of mind for its clients by helping them create and manage wealth. And by working to enhance our reputation in the eyes of clients and society, we aim to achieve sustained and stable growth for the Group by

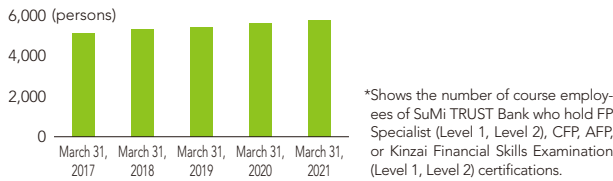
becoming our clients' "Best Partner."

We regularly publish indicators regarding the initiatives we implement that we think will help us become our clients' "Best Partner," and whilst we continuously promote and expand the scope of such activities, we also periodically review them.

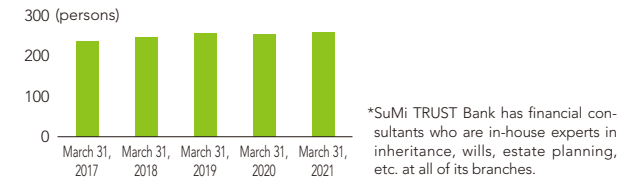
Client-oriented initiatives aimed at becoming our clients' "Best Partner" [our own actions]

We strive to develop employees with high levels of expertise so that our clients can trust and consult with us with confidence.

Asset Formation Assistance [Number of Holders of FP-Related Certifications]

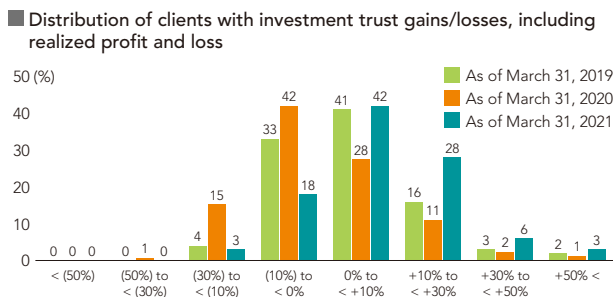


Assistance regarding Inheritance, Wills, Estate Planning [Number of Financial Consultants]



Client Comfort and Satisfaction, Contribution to Society and Economy [Evaluation by Clients and Society]

Improving Investment Returns for Clients



When proposing investment products to our clients, SuMi TRUST Bank emphasizes the importance of carefully following up on their intentions in light of major life events and changes in the market environment. In this way, we make every effort to improve returns and realized profits/losses for our clients.

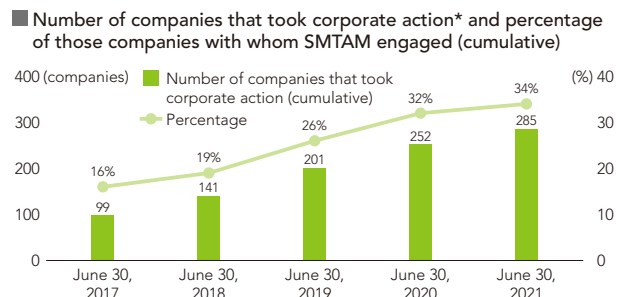


SuMi TRUST Bank has earned an R&I Customer-oriented Investment Trust Sales Company Rating of "S+"

The rating is based on R&I's neutral third-party evaluation of banks, securities companies, and other financial enterprises engaged in the sale of investment trusts. The rating assesses their "customer-oriented business operations" and their policies and initiatives in this area. The SuMi TRUST Group will continue to pursue client-oriented initiatives and promote their adherence as we strive to be a "Best Partner," whom our clients entrust with their business for many years to come.

*The "R&I Customer-oriented Investment Trust Sales Company Rating" ("the rating") is not a statement of fact. Rather, it represents R&I's opinions regarding the "customer-oriented business operation" initiatives of companies engaged in the trust investment sales business. Though R&I uses information that it deems to be reliable when carrying out the rating, it does not independently verify the accuracy of this information. Furthermore, R&I does not guarantee the accuracy or integrity of this information, nor does it endorse the purchase, sale or holding of any specific product nor guarantee the future performance of any such product. All intellectual property rights (copyrights, etc.) and any other rights pertaining to the rating belong to R&I, and any reproduction or republication without permission is prohibited.

Enhancement of asset management



As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management (SMTAM) carries out engagement activities with a view to enhancing medium- to long-term corporate value and stewardship activities such as the exercise of voting rights. In this way, SMTAM seeks to maximize medium- to long-term investment returns for clients.

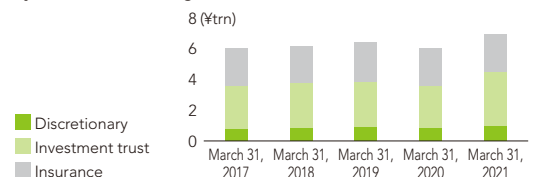
*The number of companies that have taken action consistent with the opinions they expressed during engagement activities.

Sustainable and Stable Growth of the Group [Objective Parameters]

Offering a Wide Range of Products and Services that Meet the Diverse Needs of Clients

To meet the diverse needs of our clients, SuMi TRUST Bank offers a wide range of high-quality products and services, including investment trusts, discretionary investment management products, and insurance products, which continue to be highly popular with clients.

Comprehensive Offerings Drive Growth in Balances of Investment Trusts, Discretionary Investment Management Products, and Insurance



4. Shaping Corporate Culture to Become Our Clients' "Best Partner"

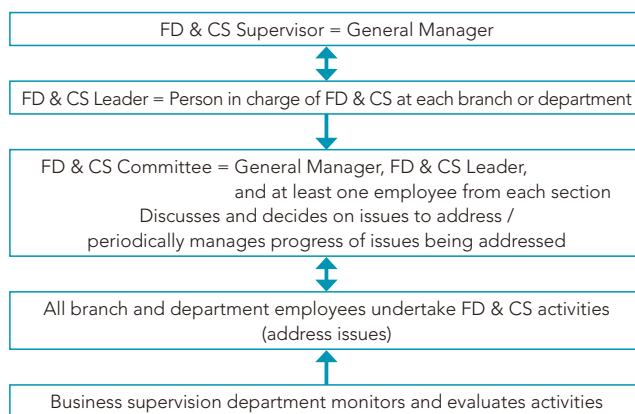
With the objective of entrenching a corporate culture geared towards becoming our clients' "Best Partner," each FD & CS Committee in each branch or department of SuMi

Establishment of FD & CS Committees

FD & CS Committees have been established for the purpose of enhancing FD and improving CS in each branch office and department. The FD & CS Committees are actively undertaking a whole host of activities according to the characteristics of each branch office or department.

Examples of FD & CS Committee Activities

- Discussions relating to client-oriented business operations and improving CS
- Improvement activities based on client opinions
- Sharing of successful examples and improvement activities based on issues identified in cases subject to review



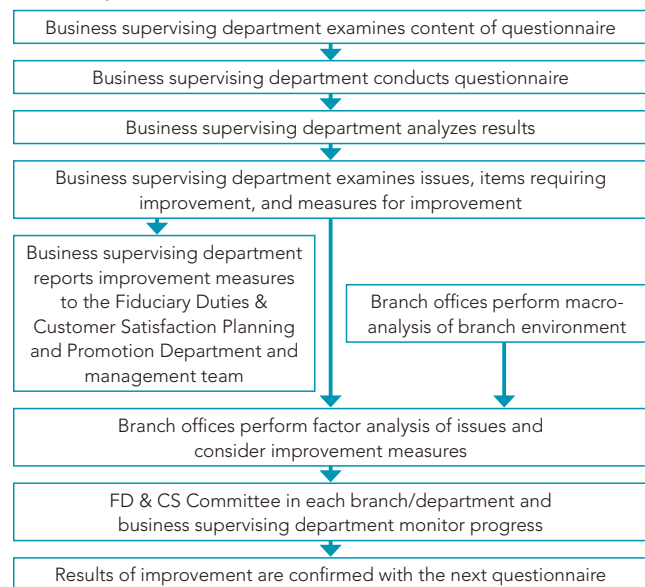
*Example of FD & CS Committee in the Retail Total Solution Services Business at SuMi TRUST Bank

TRUST Bank discusses and takes action to make improvements based on feedback from client questionnaires and organizes various training sessions.

Use of Client Questionnaires

For each of our businesses, we survey both corporate and individual clients with a questionnaire so that we can better manage and improve the quality of our services. We utilize the questionnaire results to identify issues in our business undertakings and subsequently implement initiatives that reflect measures for improving those issues.

Example of Utilizing CS Questionnaire in Each Business



Examples of Initiatives Aimed at Becoming Our Clients' "Best Partner"

No	Item	Description
1	Study sessions for improving CS awareness	Training sessions focused on upholding FD, improving CS awareness, sharing complaints and VOC items, and business manners are held for newly appointed branch managers, new recruits, and other employee ranks.
2	e-Learning	e-Learning-based FD & CS training for all employees aimed at upholding FD and improving awareness of CS and client support management training for employees to learn about the client support management system and people with disabilities/elderly citizens.
3	Improving complaint management	Analyzing causes of complaints, understanding trends, and strengthening prevention and improvement activities by being aware beforehand of the type of events that give rise to complaints.
4	Improving client questionnaires	Strengthening the improved PDCA cycle based on client evaluations by endeavoring to standardize the evaluation items in each questionnaire, enhancing our analyses, and sharing measures for improvement.
5	Collecting and making better use of daily client feedback	Promoting collection and analysis of VOC items and improvement and development of products and services.
6	CS lectures	Annual lectures for Group employees featuring a guest speaker. Topics include development of organizational and human resources, and communication.

Initiatives in Line with Our Voluntary Declaration of Consumer-Oriented Management

By constantly striving to improve client satisfaction, be completely client-oriented, and help solve super-aging society issues and other problems in society, we aim to gain the trust of clients and society and continue to grow alongside each other. To this end, in June 2019 we drafted and made public our Voluntary Declaration of Consumer-Oriented Management. In July 2021 we published the results of our initiatives undertaken in

fiscal 2020 in line with the Voluntary Declaration of Consumer-Oriented Management.

*Voluntary Declaration of Consumer-Oriented Management

The Voluntary Declaration of Consumer-Oriented Management is the Group's declaration for the approach toward consumer-oriented management (a business activity respecting general consumers' viewpoints and gaining consumer trust as the providers of a sound market, while being aware of its social responsibilities, and working toward the creation of a sustainable and desirable society) as promoted by the Consumer Affairs Agency and others.

5. Initiatives to Link "Voice of Customers" to Enhanced Customer Satisfaction

The Retail Total Solution Services Business of SuMi TRUST Bank collects feedback from clients at its branches and departments nationwide. Opinions and requests are also received from many clients via the Customer Services Promotion Office, in Voice of Customers Questionnaires, and through Sumitomo Mitsui Trust Direct. This feedback and information is used improve client satisfaction.

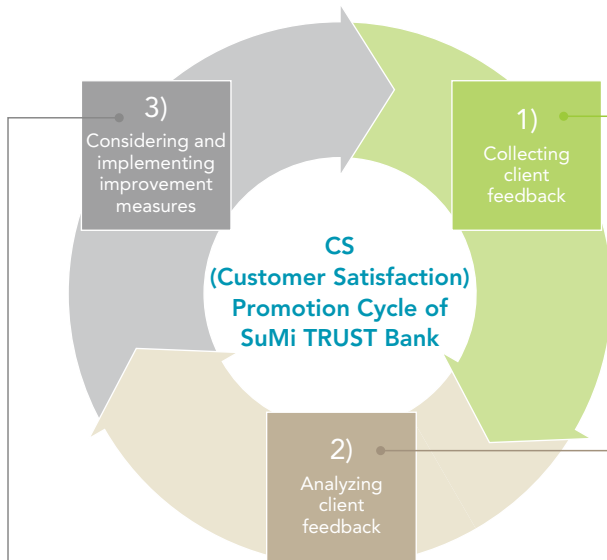
1) Collecting Client Feedback

SuMi TRUST Bank received approximately 360,000 valuable opinions and requests from clients in fiscal 2019 at its nationwide branch offices and departments, via its call center, website, or other means of communication, such as the Voice of Customers Questionnaires available at all branches.

Moreover, in aiming to further advance client-oriented activities and improve client satisfaction, SuMi TRUST Bank sends a client questionnaire to clients with term deposits or investment trusts to assess their level of satisfaction with the Bank's services.

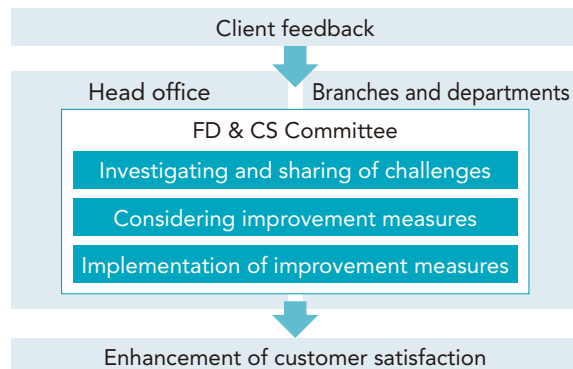
[Main Ways Hear from the Voice of Customers]

- 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



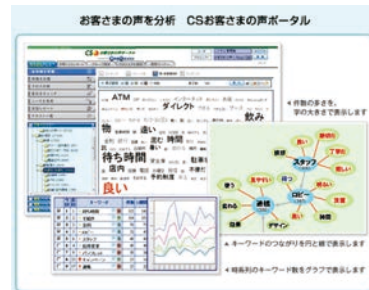
3) Considering and Implementing Improvement Measures

The branch offices and the head office work together to examine and analyze the reasons behind client opinions and requests with the aim of understanding problem areas. The results of this process are used to come up with improvement measures in an effort to provide better products and services.



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.



6. Enhancement of Conflict of Interest Management Framework for the Entire Group

The Group makes publicly available a summary of the Management Policy of the Sumitomo Mitsui Trust Group Concerning Conflicts of Interest*¹ 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.

In August 2021, UBS SuMi TRUST Wealth Management commenced operations as a SuMi TRUST Group company. To coincide with that occasion, we revised the SuMi TRUST Group's Management Policy Concerning Conflicts of Interest and posted information on our website concerning appropriate conflict of interest management in connection with our joint operations with the UBS Group in the wealth management business.

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 20 meetings thus far (in principle, four annually). The Committee also makes a summary of its meeting minutes publicly available on an ongoing basis*².

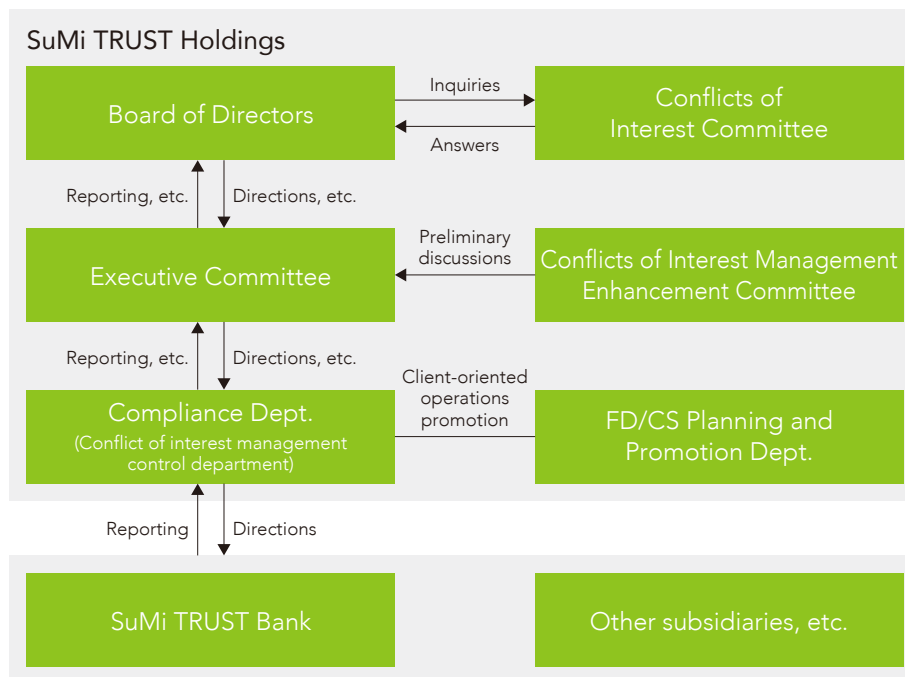
In addition to the above, in regards to the conflict of interest management system for stewardship activities, under the umbrella of the Conflicts of Interest Committee, we have established a Stewardship Subcommittee*³ for the purpose of sharing information about stewardship activities across the entire Group and strengthening oversight of stewardship activities at Group asset management companies.

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

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

*3 A subcommittee comprising all members of the Conflicts of Interest Committee and members of committees related to stewardship activities at Group asset management companies.

Conflict of Interest Management System*¹



*1 For roles and responsibilities of each management structure and main departments, please see page 140.

*2 External Director, SuMi TRUST Bank

Conflicts of Interest Committee Members

Chairperson: Hideki Kanda*²

Professor, Law School at Gakushuin University
Emeritus Professor, University of Tokyo

Member: Takeshi Suzuki
Tokai National Higher Education and Research System
Part-time Director

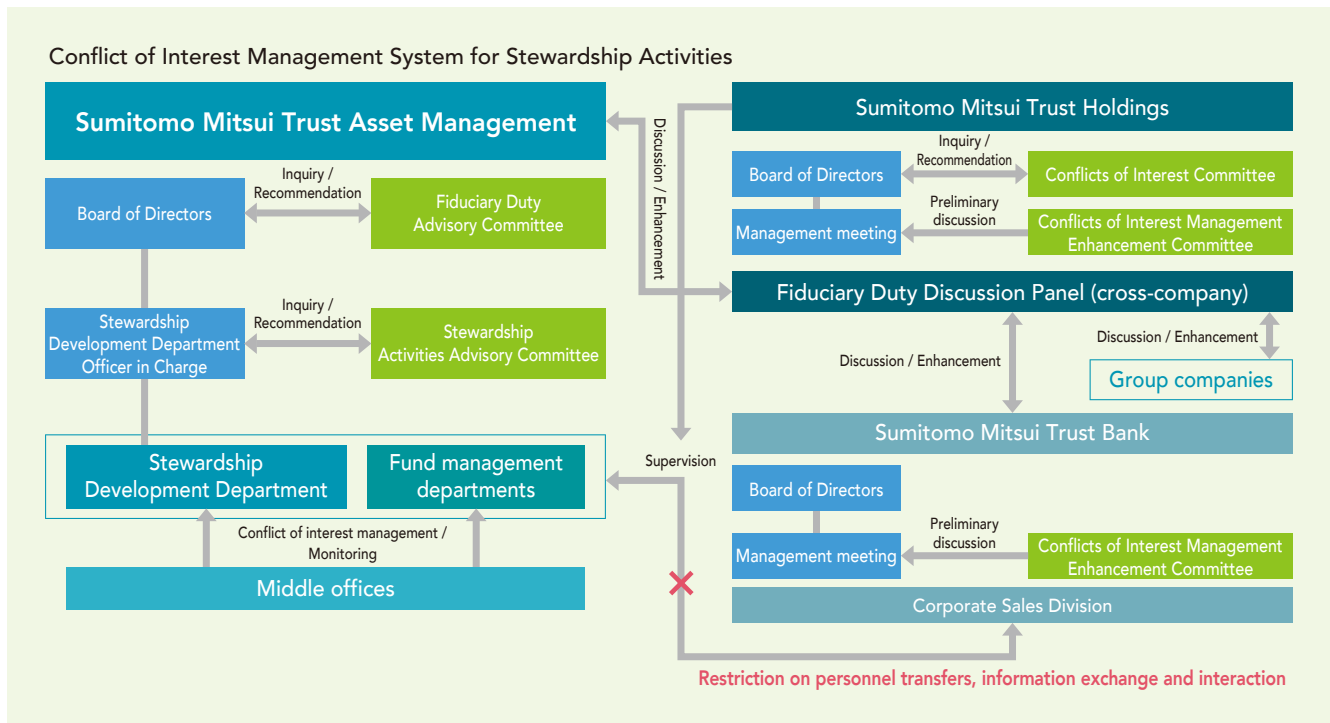
Member: Akiko Hosokawa
Partner, Baker & McKenzie

Member: Yasuyuki Suzuki
SuMi TRUST Holdings
Managing Executive Officer

7. Conflict of Interest Management Structure 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.



Nikko AM (NAM) has established appropriate risk management and compliance frameworks to ensure that the interests of clients and beneficiaries are the top priority and that such conflicts of interest are appropriately managed if they arise. Fund managers and analysts aim to avoid the occurrence of any conflicts of interest in compliance with NAM’s internal regulations. If there is a heightened risk of conflicts of interest arising, all known facts are immediately reported and steps are taken quickly to resolve any issues.

NAM also established its Stewardship and Voting Rights Policy Oversight Committee in June 2016 in order to increase transparency in its stewardship activities and strengthen its governance. From its perspective as a body composed of a majority of external members with no special interests in

NAM, the Stewardship and Voting Rights Policy Oversight Committee monitors and oversees whether NAM’s exercising of voting rights and other stewardship activities are in line with its objectives and whether it is making the proper efforts to fulfill its fiduciary duties consistently. The committee also provides necessary advice from a fair and neutral standpoint.

NAM envisages that conflicts of interest may arise when it exercises voting rights in regard to its parent company, distributors, and client companies. In order to avoid conflicts of interest and enable objective decision making in its exercise of voting rights, it has established a control framework to maintain appropriate voting decisions pursuant to its Guidelines on Exercising Voting Rights.

Client Protection Management

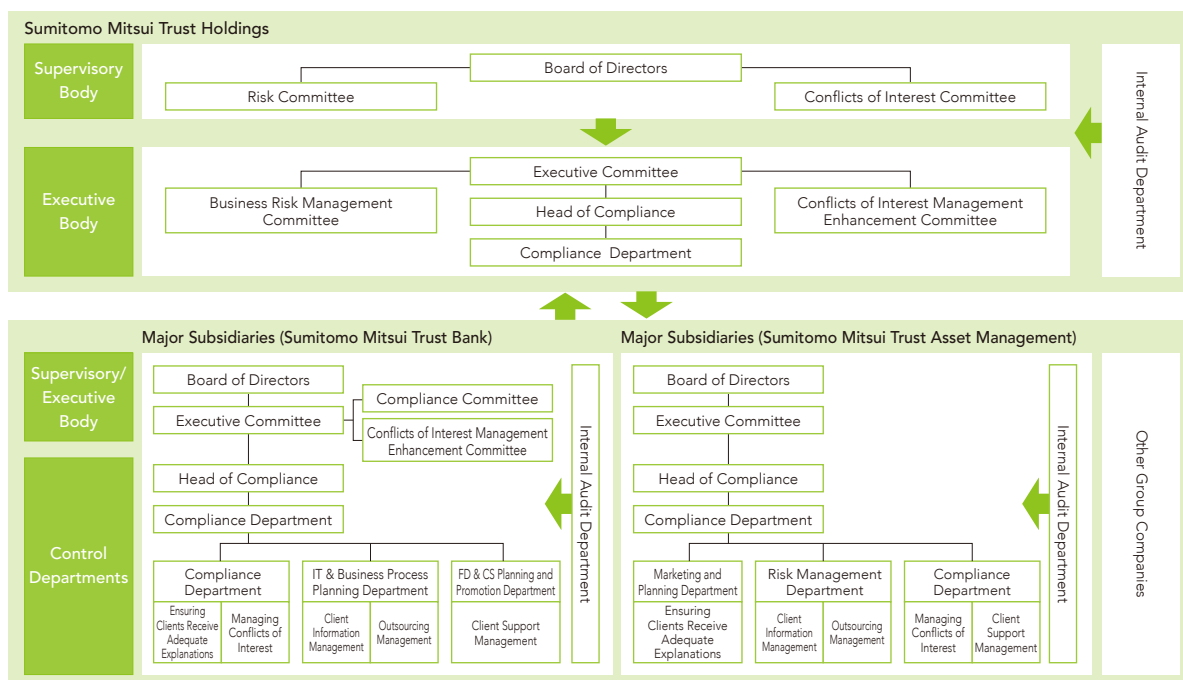
Basic Initiative Policy

The Group considers client protection to be a top management priority. We have put in place a basic policy aimed at enhancing client protection and convenience in the Group's regulations* concerning policies for acting in the best interests of clients (approved by the Board of Directors) in order to develop an appropriate client protection management framework that reflects the business attributes of each Group company.

At each Group company, a supervising department to oversee client protection management and function-specific control departments have been established in accordance with the Group's basic policy. The supervising department manages overall client protection management by primarily

drawing up annual plans concerning client protection, periodically reporting to the Board of Directors, and maintaining internal regulations. The control departments are tasked with establishing a system through the development of internal rules for their respective functions. They also endeavor to ensure appropriateness and sufficiency for each function by providing guidance to relevant departments and improving the content of employee training.

*Principle-based guidelines designed to meet the expectations and trust our clients place in each SuMi TRUST Group company. With the aim of earning the long-term trust of clients and enhancing sustained corporate value by having Group directors, officers, and employees pursue the best interests of clients, these guidelines set out a management framework for that very purpose and so client protection and convenience can be improved.



Client Explanation Management

When offering financial products and services to our clients, we make sure to provide appropriate and sufficient explanations and easy-to-understand information based on the client's knowledge, experience, assets, and purpose of transactions so that we gain their understanding and consent.

Specifically, we have made our policy on the solicitation and sale of financial products and services publicly available, we properly enforce the suitability rule*¹ and maintain a manual on providing explanations to our clients about matters such as appropriate information disclosure, and we have a system in place for improving employee training. On top of this, in an effort to ensure the fair solicitation and sales of financial products from the standpoint of our clients based on the action principles outlined in our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group*², we implement client-oriented consulting*³, provide easy-to-understand information*⁴, and take steps to expand

the content of training sessions with the aim of increasing the knowledge and expertise of officers and employees regarding financial markets, products, and services.

In particular, we monitor whether our explanations to clients about risky financial products, such as investment trusts and life insurance, are up to standard. We leverage the results of the aforementioned initiatives to maintain a system that guarantees a high standard of client consulting and explanations and so that we can revise our solicitation rules when necessary.

*¹ The suitability rule prohibits financial institutions from soliciting clients in ways that are inappropriate in light of the client's knowledge, experience, assets, and transaction purpose.

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

*³ This involves client proposals in line with their needs by utilizing (1) easy-to-understand materials describing case examples of life planning that reflect life events and asset management methods based on investment objectives and duration, and (2) simulation tools incorporating the client's assets, family structure, and life events.

*⁴ To provide easy-to-understand information, we are working to improve descriptions about risks and fees, politely following up on clients in consideration of market developments, and improving seminar content and hosting more sessions.

Conflict of Interest* Management

The Group makes publicly available an overview of its Management Policy Concerning Conflicts of Interest (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.

Notably, each Group company identifies in advance transactions that have the potential to cause conflicts of interest in their business operations and establishes management methods for such transactions. The Group attempts to prevent the harmful effects of conflicts of interest in the event those transactions are carried out by following predetermined methods for conflict of interest management or developing business execution systems. If new transactions with the potential for conflicts of interest are anticipated, they shall be identified as such and managed before they

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. From the viewpoint of preventing the intervention of and transactions with anti-social forces, before concluding new contracts and on an ongoing basis, we check that our contractors are not classified as anti-social forces.

At our core subsidiary SuMi TRUST Bank, the IT & Business Process Planning Department—which functions

are executed with the established conflict of interest management methods.

In order for the Group to appropriately manage conflicts of interest, the Compliance Department—which functions as a conflict of interest management control department—maintains the framework for the entire Group and periodically examines its effectiveness. It then reports the results on a regular basis to the Conflicts of Interest Management Enhancement Committee, the Executive Committee, and the Board of Directors, before adopting necessary steps for improvement.

Moreover, from the perspective of upholding our fiduciary duties, we constantly strive to enhance our conflict of interest management framework based on the idea of maintaining a “best practice” system for managing conflicts of interest as outlined in our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group. Please refer to page 145 for enhancement of our conflict of interest management framework.

*A conflict of interest refers to a situation where there are conflicting interests between the Group and its clients, or between clients of the Group.

as the outsourcing management department—screens and monitors appropriate contractors within the Group pursuant to our outsourcing management regulations and periodically reports on how outsourcing is being managed to the Board of Directors. 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 confirmation 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

In the SuMi TRUST Group we have established a Declaration for the Protection of Personal Information to make doubly sure we protect the personal information of clients. We make sure that client information is managed appropriately, but if it is shared within the Group, we only do so in accordance with privacy laws, finance sector guidelines on personal information protection, and other related laws and regulations.

As the department tasked with information security risk management, the IT & Business Process Planning Department oversees all operations concerning client information management pursuant to our Information Security Risk Management Rules formulated for the purpose of appropriately managing the Group's information assets. The IT

& Business Process Planning Department periodically assesses the circumstances and effectiveness of information security risk management and reports its findings to the Board of Directors. Also, in addition to appointing general managers as supervisors of information management and administration at branch offices and in each head office department, all employees must submit a signed pledge concerning information management and attend two training sessions every year to ensure they have a clear understanding of matters relating to confidentiality information management, particularly with regard to sensitive information containing personal data obtained through the course of their duties.

Client Support Management

So that we can properly respond to client inquiries, requests, complaints or disputes, we have established a basic policy in the Group's client support management regulations in an effort to improve operations and provide better services.

In addition, our Compliance Department and the Fiduciary Duties & Customer Satisfaction Planning and Promotion Department work together to sincerely and quickly respond to complaints and inquiries from clients, aiming to

reach outcomes with as much understanding and satisfaction as possible. These departments also work to improve operations by collecting and managing information under a complaints reporting system, regularly reporting to management, and analyzing the root causes of complaints with the use of our CS Voice of Customers Portal (see page 144).

In fiscal year 2020, SuMi TRUST Bank received a total of 8,093 complaints and inquiries.

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 our group shall comply with the laws pertaining to the protection of personal information, the specific personal information and guidelines set forth by government agencies including other standards.

2. Appropriate Acquisition

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

3. Purpose of Use

The companies in our Group shall notify or announce how the personal information and the specific personal information shall be used, and shall only use it within the confines of the prescribed purpose except as otherwise provided by law, and shall not use it for any other purpose. The companies in our Group shall only use the specific personal information within the confines of the purpose stipulated by law.

4. Consignment

If the companies in our Group consign the handling of the personal information and the specific personal information then the consignee (including the consignees in two or more stages) shall be properly supervised to promote the safe management of the personal information.

5. Offering to Third Parties

The companies in our 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 law.

However, if the companies in our Group provide your personal information consequent to the succession of business in a merger or otherwise and 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.

The companies in our Group shall not provide the specific personal information held for clients to any third party with or without obtaining consent from the client except in cases specified by law.

6. Responding to Inquiries from Clients, etc.

The companies in our 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 the specific personal information shall be handled quickly and accurately.

7. Safety Measures

The companies in our Group take appropriate safety measures in terms of their organizational, personnel, and systems to manage personal information and the specific personal information, and we have developed the governance framework necessary to protect personal information.

8. Continuous Improvement

The companies in our Group continuously review and strive to improve the compliance program for protecting personal information. We also understand that it is important that all employees protect personal information and that they are trained in how to appropriately handle personal information and the specific personal information.