

SuMi TRUST's response to Japan's Steward Code:
"Principles for Responsible Investors"

Principle 1: Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities and publicly disclose it.

We have a stewardship responsibility over our assets under management. In order to fulfill our stewardship responsibilities, we aim to maximize the medium-to long-term investment returns for our clients (beneficiaries) by promoting the enhancement of corporate value and sustainable growth of the investee company through engagement and the exercise of voting rights based on a deep understanding of the investee company and its business environment, as well as consideration for medium-to long-term sustainability including ESG factors.

We assign analysts in the Research Department, who deeply understand each business model and each business environment of investee companies, and experienced senior analysts, who are dedicated to the Stewardship Development Department and analyze non-financial information including ESG factors such as environmental, social issues and corporate governance in addition to financial information. We implement high quality of engagement and exercise of voting rights over our assets under management.

We would play an important role for the sustainable growth of whole Japanese economy through fulfilling our stewardship responsibilities appropriately, taking consideration stewardship responsibilities into social responsibilities as one of the major Japanese institutional investors.

Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

As part of our stewardship responsibilities, we will appropriately manage conflicts of interest under our "Conflict of Interest Management Guidelines".

Under our group-wide mission of "establishing trust by practicing sound management based on a high level of self-discipline and our fiduciary spirit," we will further advance our conflicts of interest management structure for the entire group and thoroughly implement our fiduciary duties across all business lines.

On conflicts of interest arising from stewardship activities, we place our clients' (beneficiaries) interest first and adhere to strict management practice under our internal Conflict of Interest Management Rules, and the Investment Operation Rules. In addition,

we have already disclosed the outline of policies defined in provisions on conflicts of interest in the fiduciary business.

The executive officer in charge of the Stewardship Development Department (hereinafter, the Officer) exclusively holds all authority relating to our exercise of voting rights, independent from the authority to conduct other business activities, in order to prevent potential conflicts of interest in the exercise of voting rights. We specifically define a conflict of interest as the exercise of influence, attributable to, among other factors, significance of business partners and extensiveness of business transactions, of other divisions on the investment division. We have implemented measures to prevent other business activities from influencing asset management operations due to factors such as the importance of business partners or the scale of business transactions, which are examples of conflicts of interest that may arise in the exercise of voting rights. We have also established the “Stewardship Activity Advisory Committee” (hereinafter, the Advisory Committee), the majority of whose members are composed of independent outside experts. The Advisory Committee is a body established to make recommendations for various activities under the Code. Regarding our exercise of voting rights, the committee will make recommendations for the establishment, revision, or abolition of the guidelines for the exercise of voting rights, decisions concerning whether to support proposals not stipulated in these guidelines, appropriateness of interpretation of these guidelines for an individual proposal, and verification and improvement of the decision-making process on the exercise of voting rights on a proposal in connection with which a conflict of interest may occur. The Officer in charge of the Stewardship Development Department gives the utmost weight to the recommendations of the Advisory Committee and makes decisions accordingly. Any recommendations made by the Advisory Committee regarding improvements to the exercise of voting rights shall be given the utmost consideration and implemented promptly.

Principle 3: Institutional investors should monitor and grasp the status of investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

In order to appropriately fulfil our stewardship responsibility by ensuring the sustainable growth of investee companies, we will monitor and evaluate their status.

We believe that it is important to evaluate investee companies from a medium-to long-term standpoint. Thus, we try to accurately grasp and understand the company financials, ESG related information, effectiveness of each investee company’s management, business foundation, target market trends, effectiveness of the business strategy, and non-financial

information relating to sustainable growth. By continuously monitoring and researching the investee company, we can effectively grasp the individual circumstances of that business. In addition, we will endeavour to identify at an early stage issues that may result in a material loss in the value of investee companies by conducting research on environmental and regulatory changes, and make every effort to avoid scandals, accounting fraud and other credit risk events.

Principle 4: Institutional investors should seek to arrive at a common understanding with investee companies and work to solve problems through constructive engagement with investee companies.

Our analysts will have regular contact with management, planning and finance officers of the investee companies and monitor the status of each company and conformity with our investment strategies. Thereby, we will endeavour to reach a common understanding with each investee company with the view of enhancing its corporate value through engagement whilst maintaining sustainable growth.

If cases disregarded for shareholder interests, scandals, or impairment of corporate value caused by poor financial performance in the medium-to long-term of investee companies or its management occur, we regard it as the critical issue related to corporate governance. We implement engagement and exercise of voting rights to contribute to improve corporate governance. We ask to sufficiently explain measures to prevent recurrence, process of improvement and effort for enhancing corporate governance to the investee company that caused its scandal.

Thoroughly analysis of non-financial information is necessary for effective engagement. Strengthening the ability to analyze non-financial information contributes to improvement of engagement quality. We would fulfill our stewardship responsibilities by means of upgrading our skills to solve problems through the dialog from a medium-to long-term standpoint, exercising our voting rights and so on.

If an investee company asks us to disclose the number of our shareholdings, we answer the question for promoting our constructive engagement with its investee company. We publish details of our policy and how to contact us on the following website.

Building constructive engagement with investee companies, we consider collective engagement with other institutional investors as an important option as well as an individual engagement. Therefore, we actively participate in both domestic and global initiatives. In addition to that, we avoid receiving the material non-public information through engagement with investee companies. However, in case of possibility for receiving the

material non-public information, we strictly manage it based on our internal rules.

Principle 5: Institutional investors should have a clear policy on the exercise of voting rights and disclosure of the results thereof. The policy on the exercise of voting rights should have criteria that are not based merely on formality, but rather it should be designed to contribute to sustainable growth of investee companies.

For the purpose of contributing to sustainable growth of investee companies, we exercise our voting rights based on “Our Principles for Exercising Voting Rights of Sumitomo Mitsui Trust Asset Management,” and publicly disclose our voting record for each resolution for every company each quarter by explicitly indicating our relationship based on objective information for all investee company.

As a responsible institutional investor, we regard the exercise of voting rights as one of the most important stewardship activities.

The exercise of voting rights should contribute to sustainable growth of investee companies and ultimately be aimed to maximize the medium-to long-term investment return of our clients(beneficiaries). We in principle exercise our voting rights based on the original voting guideline. However, considering the circumstances of each investee company and the content of our engagement dialogue with the company, we do not base our voting decisions solely on the formal voting guidelines. Instead, we make a comprehensive assessment of whether each proposal would contribute to the sustainable growth of the investee company (ultimately maximization of the medium-to long-term investment return of our clients(beneficiaries)). In case of submitting the agenda including multiple revised items in Annual General Shareholder Meeting, we exercise our voting rights prior to the items that contribute to sustainable growth.

We enhance visibility for the exercise of voting rights by publicly disclosing details of numerical standards and points of qualitative assessment regarding our voting guideline. We consider reviewing our original voting guideline more than once a year. If it needs to be changed or abolished, it has to be referred to the committee and be determined.

As always, we make public disclosures through our website by aggregating the results for all investee companies every quarter. In addition, we disclose the reasons for our approval/disapproval on each resolution for which there is a potential conflict of interest, or for which we have made a judgment that requires explanation based on our policy on the exercise of voting rights.

As a general rule, we do not receive advice from proxy advisory companies. However, we

receive proxy advisory services in cases where there may be a conflict of interest in the exercise of proxy voting of shares, such as our treasury shares (shares in Sumitomo Mitsui Trust Holdings, Inc.) In such case, we have the proxy advice assessed by the Advisory Committee as an appropriate means to manage conflict of interest before we exercise the proxy voting rights. In such cases, we will disclose the name of the voting advisory firm. When making any stock lending trade, we pay an attention to maintaining our voting rights with considering the lending conditions of limitation and so on.

Principle 6 - Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

In order to fulfill our stewardship responsibilities, including their voting responsibilities, we will periodically report to our clients and beneficiaries.

As part of our stewardship responsibilities, we will make periodic reports via our website and other means, on our voting records, dialogue with investees, and minutes of the Advisory Committee meetings. We will maintain all records such as the status of exercising voting rights and dialogue cases. On the reporting format and contents, we will reflect our clients' (beneficiaries') needs therein and make changes as necessary.

Principle 7 – Institutional investors should develop our ability to appropriately engage with investee companies and make proper judgments in fulfilling our stewardship activities based on a deep understanding of the investee companies and their business environment as well as consideration for the sustainability that is in line with our investment strategy in order to support the sustainable growth of said companies.

We strive to develop our ability and improve our framework to appropriately engage with investee companies and make proper judgments in fulfilling our stewardship activities based on a deep understanding of investee companies and their business environment, as well as consideration for the sustainability that is in line to our investment strategy in order to support the sustainable growth of investee companies.

We fulfill our stewardship responsibilities by making dialogue with investee companies constructive and making contribution to sustainable growth of investee companies beneficial and considering the sustainability that is in conformity to our investment strategy.

Therefore, it is important to maintain our skills and resources to appropriately conduct the stewardship activities.

Since our management team are expected to have the appropriate skills and experiences to fulfill our stewardship responsibilities effectively, we continue to make efforts for improvement. Our management team also understand that we take important roles and responsibilities for implementing our stewardship activities and organizing structure and developing human resource so that we positively try to solve these issues.

We established the “Stewardship Development Department” in December 2016. The stewardship activity is one of the major investment businesses, and enhancement of this activity will increase corporate values of investee companies from a medium-to long-term standpoint, allowing us to fulfill our social responsibilities as a responsible investor. The “Stewardship Development Department” is in charge of administering our whole investment business activities as well as planning, public relationship, and other client services for our stewardship activity. By establishing the “Stewardship Development Department” we aim to enhance further development of whole activities such as the exercise of voting rights and engagement that we have implemented.

We believe that it is important for a fiduciary to fulfill its stewardship responsibilities so that we can continue to make our best efforts in improving these stewardship activities, enhancing our corporate governance structure level, and managing conflicts of interest. In addition to that, we regularly do a self-assessment of process for implementing each principle of the stewardship code and secure the visibility by reference to the committee and disclosure of the assessment results to the public.