

1. Self-evaluation of the implementation status of Japan's Stewardship Code **(April 1, 2018 - March 31, 2019)**

The self-evaluation of stewardship activities is performed respectively for each of the two former companies since the reporting year was prior to the launch of the new merged company Sumitomo Mitsui DS Asset Management (“**SMDAM**”).

Furthermore, the details presented in the self-evaluation have undergone monitoring from a standpoint independent from management by the Independent Third-Party Committee for the former Sumitomo Mitsui Asset Management Company, Limited (“**SMAM**”) and the Responsible Investment Committee for the former Daiwa SB Investments Ltd. (“**DSBI**”).

Self-evaluation of the stewardship activities in FY2018 (April 1, 2018 to March 31, 2019) (Activities of the former Sumitomo Mitsui Asset Management)

[Overview]

In FY2018, Sumitomo Mitsui DS Asset Management (formerly Sumitomo Mitsui Asset Management (“SMAM”)) continued to actively engage in stewardship activities to promote increased corporate value of investee companies for the profit of our customers and their beneficiaries. As a result, we have been conducting a self-evaluation of whether we have ultimately taken a step forward towards the stance that the company is aiming for as posted in our “Declaration of Acceptance of the Principles for Responsible Institutional Investors, Japan's Stewardship Code, and Public Disclosure of Policies Based on the Code,” such as deepening the research and analysis performed by analysts and fund managers, and promoting the creation of relationships of trust with the investee companies that form the foundation of our engagement. The main initiative and reforms that were carried out in FY2018 are as follows.

1. Published the implementation status of the fiduciary action plan and recommendations from the Independent Third-Party Committee (June and November 2018)
2. Exercised voting rights strictly in accordance with the guidelines to exercise voting rights for all resolutions of all owned companies, and continued to disclose the results of the exercise of voting rights individually (May, August, and November 2018, and February 2019)
3. Published the “Self-evaluation of the implementation status of Japan’s Stewardship Code” for FY2017 (August 2018)
4. Continued collective engagement by working together with other institutional investors to conduct dialog with companies (during FY2018)

The following is a report on the “Performance in FY2018” regarding the implementation status of each of the principles of Japan’s Stewardship Code.

[Performance in FY2018]

Principle 1: Policy on fulfilling stewardship responsibilities

- In addition to past measures, we enhanced our funds management and research structure, such as by recruiting for the Corporate Research Group.
- ※ In the 2019 evaluation report on the “United Nations-supported Principles for Responsible Investment (PRI),” SMDAM again received the highest grade of “A+” in the overall evaluation (strategy and governance) and was highly evaluated for initiatives for fulfilling stewardship responsibilities.

Principle 2: Policy on managing conflicts of interest to fulfill stewardship responsibilities

- We received recommendations each quarter from the Independent Third-Party Committee aimed at checking overall fiduciary duty, such as conflict of interest relationships, and published the details in June and November 2018.
- In terms of exercising of voting rights, we continued to exercise voting rights for all resolutions of all owned companies according to guidelines for exercising voting rights to appropriately handle conflicts of interest, and disclosed the results of the exercise of voting rights individually.

Principle 3: Policy on understanding a company's situation

- In FY2018, SMDAM's analysts had approximately 6,000 instances of contact with companies (approx. 5,300 in FY2017), of which approximately 4,100 (approx. 3,500 in FY2017) were individual meetings and more than 1,000 (approx. 910 in FY2017) were individual information gathering sessions with board members and managing executives.
- In the individual meetings, engagement was performed under the themes of overall business strategies such as investment strategies, capital policies, and shareholder return, as well as the exercise of voting rights and ESG.
- The Engagement Management Group has been working together with analysts to perform engagement with targeted companies and repeatedly makes proposals for improving corporate value.

Principle 4: Policy on engagement

- We have conducted focused engagement based on the theme of business strategies linked to increasing ROE and strengthening governance. As an example, opinions were expressed about information disclosure that would be able to support these approaches through dialog concerning whether there was discussion not only among management but also with outside officers about increasing corporate value based also on the risks of transition to a low-carbon society, and whether the concept of materiality has spread throughout the workplace.
- Regarding ESG, we conveyed the investor concerns concerning businesses related to the development of electric vehicles, and discussions were held on the need for scenario analysis that shows the impacts on our own business depending on the degree to which electrification proceeds.
- We continued to conduct collective engagement by working together with other institutional investors to conduct dialog with companies.

Principle 5: Policy on exercise of voting rights, disclosure of voting results

- In terms of the exercise of voting rights, we also exercised voting rights in accordance with the guidelines for exercising voting rights for all resolutions of all owned companies in FY2018 (as

the former SMAM, in the general meetings from July 2018 to March 2019), and in this 9-month period, the proportion of opposition to company resolutions was 26.6% to 31.3%.

- In the published guidelines for exercising voting rights, which we have formulated to minimize arbitrariness in the exercise of voting rights as much as possible, we have set high standards for the purpose of increasing corporate value with aims such as bringing about appropriate corporate governance and increasing the level of ROE. In particular, for ROE that is inferior to the global standard, if ROE is lower than the shareholder's cost of capital and the listed company average (top 50%) for 3 consecutive years, we will in principle oppose resolutions for the election of directors who have held office for 3 years or more, (at the shareholder general meetings from July 2018 to March 2019, a standard of about 7% was set for the most recent ROE).
- We continue to be strongly committed to improving corporate value through the exercise of voting rights and active dialog with investee companies.

Principle 6: Policy on reporting the status of initiatives regarding stewardship responsibilities

- In addition to reporting on stewardship activities in a timely fashion when requested by discretionary investment management contract customers, we have published the engagement activities performance for April 2018 to March 2019 for beneficiaries on our website.

Principle 7: Policy on maintaining and developing capabilities to fulfill stewardship responsibilities

- We have enhanced the structure further through measures such as recruiting personnel for the Corporate Research Group.
- The Proxy Voting Sub-Committee met 23 times, and the Engagement Group met 10 times with the aim of improving stewardship activities through the review of past activities and the discovery and investigation of issues.

(Activities of the former Daiwa SB Investments Ltd.)

[Overview]

FY2018 implementation of stewardship activities and evaluation of the Responsible Investment Committee

As shown below, Sumitomo Mitsui DS Asset Management (formerly Daiwa SB Investments (“**DSBI**”)) implemented various initiatives in the reporting year to further enhance its stewardship activities as a responsible investor, based on the self-evaluation performed in 2018.

In addition, since there was to be a business integration with the former SMAM in April 2019, various preparations were made with the aim of further enhancing stewardship activities through the business integration of both companies that have long been actively engaged in such activities.

In this regard, the assessment of independent outside directors was received concerning the Responsible Investment Committee of the former DSBI and of the new company SMDAM, with the following opinions obtained.

1. The stewardship activities of the former DSBI and the new company SMDAM are being enhanced in the proper direction
2. Greater efforts should be made in further integrating the investment process and in engagement activities linked to improvements in investment return

(Principle-based exercise of voting rights)

Investment decisions that take account of the engagement results of the Responsible Investment Enhancement Section and the daily contacts among fund managers and company analysts have been appropriately reflected in decisions to approve or oppose in the exercise of voting rights.

We are making efforts to further broaden the channels for dialog such as sending letters calling for dialog with investee companies where we opposed the main resolutions at the June 2018 general meetings, holding hearings about the approach and actual conditions of those companies, and conveying our criteria and principles for exercising voting rights to investee companies.

(Enhance engagement concerning ESG risk)

Based on concerns about a spate of occurrences of quality counterfeiting and data falsification, and a decrease in workplace capabilities as a result of labor shortages, dialog took place with investee companies for the purpose of avoiding “damage to enterprise value due to serious corporate incidents and corporate scandals, etc.” concerning matters such as the actual conditions of internal company control systems relating to ESG risk, the awareness and sense of crisis among top management, and corporate culture.

[Performance for FY2018]

Principle 1: Policy on fulfilling stewardship responsibilities

Both the former DSBI and SMDAM have published their declarations of acceptance of Japan's Stewardship Code on their web pages (the web page of the former DSBI was deleted on March 31).

Web page:

https://www.smd-am.co.jp/english/corporate/responsible_investment/stewardship/

Principle 2: Policy on managing conflicts of interest to fulfill stewardship responsibilities

When we exercise voting rights in companies with which we have close connections and in related parties, etc., the decision to exercise voting rights for approval or opposition is made in accordance with the opinion of an external voting advisory firm independent of SMDAM.

Furthermore, the Responsible Investment Committee monitored the status of management of conflicts of interest in stewardship activities.

The reporting items of the Responsible Investment Committee are as follows.

1. Approval of the self-evaluation concerning FY2017 stewardship activities - March 2018
2. Report and briefing on revision of the guidelines on the exercise of voting rights - May 2018
3. Report concerning the status of management of conflicts of interest and briefing on the status of voting - August 2018
4. Report and briefing on voting results - August 2018, October 2018, January 2019
5. Report and briefing on engagement activity performance - August 2018, October 2018, January 2019

Engaged questions and opinions were expressed from outside directors at this Committee, and the systems for management of conflicts of interest were verified.

Principle 3: Policy on understanding a company's situation

For the further enhancement of evaluation and analysis of non-financial information based on a medium to long-term perspective, the Responsible Investment Enhancement Section, fund managers, and company analysts shared information, coordinated engagement approaches, and shared best practices in the Engagement Subcommittee of the Stewardship Committee.

In addition, we began to use a global ESG database to evaluate the efforts of domestic companies on ESG topics from the perspective of global comparison.

Principle 4: Policy on engagement

In the period from April 2018 to March 2019, the Responsible Investment Enhancement Section led engagement that extended to 192 companies on a broad variety of themes such as promotion of measures addressing ESG topics and pressures, confirming the initiatives to strengthen the board of directors for the enhancement of management capabilities that should stimulate

sustainable growth, and increasing shareholder return and capital efficiency of investee companies from a medium to long-term perspective.

In addition to these, even when fund managers and company analysts had contact with companies, dialog was implemented with the awareness of the cost of capital, the appropriateness of shareholder return policies, the management vision, and the appropriateness of future company strategies.

Principle 5: Policy on exercise of voting rights, disclosure of voting results

Using a principle-based approach, SMDAM determined whether to approve or oppose resolutions based on the actual conditions of the company for which voting rights were to be exercised and the problems of each individual company, as well as interviews with fund managers and company analysts concerning their evaluations of the managers of that company and the outlook for the future.

Principle 6: Policy on reporting the status of initiatives regarding stewardship responsibilities

In August 2018, we disclosed the results of the exercise of voting rights at general meetings from July 2017 to June 2018 by individual companies for each resolution.

Principle 7: Policy on maintaining and developing capabilities to fulfill stewardship responsibilities

SMDAM will focus on two areas.

- We will conduct constructive dialog for the enhancement of the “earning power” of listed companies as a responsible party in the investment chain.
- We will focus on enhancing capabilities for both the evaluation and analysis of non-financial information such as ESG, taking a medium to long-term perspective.

In addition to discussions, SMDAM management and outside directors are implementing the above-listed initiatives to further enhance the system.

2. Building a system for implementation of Japan's Stewardship Code and policies for the future

[Building systems of the new company for stewardship activities]

SMDAM has integrated the former SMAM Stewardship Enhancement Section and the former DSBI Responsible Investment Enhancement Section into the new Responsible Investment Enhancement Section with seven employees (five full-time employees and two serving in concurrent positions). As a responsible institutional investor, we have expressed the following statements.

1. "Criteria for Determining the Exercise of Voting Rights" (SMDAM's unified standards for exercising voting rights)
2. "Acceptance of Japan's Stewardship Code"
3. "Conflict of Interest Management Policy"

(Criteria for Determining the Exercise of Voting Rights)

We prepared unified standards for exercising voting rights based on the following policies prior to the merger.

1. Placing an emphasis on whether the resolution is one that will contribute to shareholder value
2. To achieve this, a principle-based approach is adopted to determine whether to approve or oppose, reflecting the details of dialog with the company and evaluation from a medium to long-term perspective

(Direction for Enhancing Stewardship Activities)

SMDAM shall carry out the following measures to enhance stewardship activities.

1. Aim to further enhance stewardship activities by bringing together best practices from both former companies
2. Be proactive in having dialog with target companies, along with dispelling concerns about conflicts of interest, by disclosing voting results on individual resolutions four times per year
3. Enhance the analysis of non-financial information of investee companies from a medium to long-term perspective by preparing a global ESG database

(Conflicts of Interest Management Policy)

The Responsible Investment Committee conducted appropriate monitoring of resolutions for which there were concerns about conflicts of interest in stewardship activities (especially the exercise of voting rights).

The Responsible Investment Enhancement Section has developed an efficient database of the results of the exercise of voting rights, and a system has been prepared that is able to extract and report to the Responsible Investment Committee the results of the exercise of voting rights of shareholder companies, resolutions for the appointment of officers who are from shareholder companies, and the results of the exercise of voting rights of companies with deep relationships to shareholder companies.

[Policies for the future]

Principle 1: Policy on fulfilling stewardship responsibilities

We will continue to enhance initiatives to increase medium to long-term cash flow of investee companies, etc., leading to continuous improvement in shareholder value.

Principle 2: Policy on managing conflicts of interest to fulfill stewardship responsibilities

We will promote further enhancements to our systems by having the Responsible Investment Committee monitor concerns about conflicts of interest.

Principle 3: Policy on understanding a company's situation

We will strive to further improve our analytical and assessment abilities related to medium and long-term/non-financial information, including ESG factors.

Principle 4: Policy on engagement

We are participating in the Institutional Investors Collective Engagement Forum and will conduct appropriate activities within the framework of collective engagement.

Principle 5: Policy on exercise of voting rights, disclosure of voting results

We have adopted a principle-based process for determining the exercise of voting rights, and we will focus on voting decisions concentrating on the current measures and future changes in the companies in which we are exercising voting rights, taking account of dialog with investee companies, etc.

Principle 6: Policy on reporting the status of initiatives regarding stewardship responsibilities

We will make efforts to report efficiently and effectively, taking account of the opinions of various asset owners.

Principle 7: Policy on maintaining and developing capabilities to fulfill stewardship responsibilities

Along with further enhancements to our systems for management of conflicts of interest and our engagement capabilities with investee companies, etc., we will make efforts to deepen the integration with the investment decision process.