

Version control & Date of issue

Version Reference	Owner/Author	Reviewer/Approver	Next Review Date
7.0	Compliance	Executive Committee	Q1 2019

1.0 Purpose

The following Statement is prepared by the Compliance Department of Sumitomo Mitsui Trust (UK) Ltd (SuMi Trust UK) in conjunction with Human Resources, as part of the requirement for proportionality Tier III (Remuneration Code) firms to prepare a Remuneration Policy Statement (RPS). The purpose of the RPS is to ensure the Firm's remuneration policies, practices and procedures are clear and documented.

2.0 Statement/Provisions

	Firm Specific Information					
A.i	Please find below all of the firms within level three that are caught by the Remuneration Code.					
	Firm Name	FRN	Business Type	No. of Code Staff	Proportionality Level	Individual Guidance Received?
	Sumitomo Mitsui Trust (UK) Limited	149699	Custody	10	3	No
a)	<p>Please find below the bonus scheme in place for SuMi Trust UK.</p> <p><i>Bonus scheme 1: SUMI TRUST UK Discretionary Bonus Scheme.</i></p> <p><i>The SUMI TRUST UK Discretionary bonus scheme is open to all employees of SUMI TRUST UK. All code staff are eligible for the current year. The scheme awards PAYE 100% cash bonuses with no deferred or stock element and has been agreed both in overall approach and yearly bonus pools by SMTB (the shareholder). The size of the bonus pool is related to 1.) Management Contribution to the group i.e. company net profit that is attributable to the sole shareholder (SMTB) 2.) by relation to reviews of peer companies.</i></p>					

a)	<p>Please find below any additional incentive scheme open to employees further than the Discretionary Bonus scheme.</p> <p><i>There is no additional incentive scheme further to the Discretionary Bonus scheme that is in place for Code Staff.</i></p>																									
C.i	<p>Please find below the criteria SUMI TRUST UK have used to determine which of the staff members are 'Remuneration Code Staff'.</p> <p><i>The list of code staff at SUMI TRUST UK includes all holders of Significant Influence Functions and staff engaged in control functions. No 'risk-takers' are included as the firm does not carry out proprietary dealing, arranging or investment & advice services. SUMI TRUST UK do not have any employees that are remunerated based on marketing success, as the Asset Acquisition Team are managed from a separate group entity. As all new clients need sign-off independently within SUMI TRUST UK it is considered that there are no roles that fall within the remuneration code therefore it is felt the SIF and staff engaged in control functions most accurately represent the pool of staff to be included in the code list.</i></p>																									
C.ii	<p><u>List of all Remuneration Code Staff using the Code Staff list supplied on our website</u></p> <table> <tr> <td>Keith Robert Evans</td><td>KRE01005</td><td>Active</td></tr> <tr> <td>David Hunt</td><td>DXH02251</td><td>Active</td></tr> <tr> <td>Nobuo Murakami</td><td>NXM01986</td><td>Active</td></tr> <tr> <td>Hiroshi Nagasaki</td><td>HXN01176</td><td>Active</td></tr> <tr> <td>Hiroki Ogawa</td><td>HXO01190</td><td>Active</td></tr> <tr> <td>Paul Andrew Reed</td><td>PAR01214</td><td>Active</td></tr> <tr> <td>Hiromitsu Tanaka</td><td>HXT01311</td><td>Active</td></tr> <tr> <td>Kazuteru Wakao</td><td>KXW01633</td><td>Active</td></tr> </table>		Keith Robert Evans	KRE01005	Active	David Hunt	DXH02251	Active	Nobuo Murakami	NXM01986	Active	Hiroshi Nagasaki	HXN01176	Active	Hiroki Ogawa	HXO01190	Active	Paul Andrew Reed	PAR01214	Active	Hiromitsu Tanaka	HXT01311	Active	Kazuteru Wakao	KXW01633	Active
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Hiroki Ogawa	HXO01190	Active																								
Paul Andrew Reed	PAR01214	Active																								
Hiromitsu Tanaka	HXT01311	Active																								
Kazuteru Wakao	KXW01633	Active																								
C.iii	<p>The number of Remuneration Code Staff have been identified in total for this performance year? This includes any employee/s who have been Remuneration Code staff for any part of the year.</p>	<p>10</p> <p>Mr John Mahon resigned from SUMI TRUST UK's Board as CF2 in February 2017. Mr Oishi resigned as</p>																								

		CF1 in March 2017. Mr Murakami resigned as CF2 and became CF1 replacing Mr Oishi. Mr Ogawa became CF2 in April 2017.
c.iv	<p>Please find below, the number of Remuneration Code Staff that are likely to rely on the guidance set out in SYSC 19A.3.34G (and further developed in General Guidance on proportionality)?</p> <p><i>Based on the above criteria the number of staff likely to rely on the guidance set out in above guidance at SUMI TRUST UK is none, as the variable remuneration is no more than 33% of total remuneration and no employee receives total remuneration over £500,000.</i></p>	
C.v	<p>Please find below a brief description of the measures that SUMI TRUST UK have taken to ensure that all Remuneration Code Staff understand the implications of this status in relation to the requirements of the Code.</p> <p><i>The general implications have been made clear to Board members during Compliance's briefings at Board meetings. All code staff either attend full Board meetings or receive reports of proceedings at those meetings. As no staff member is known to have reached the threshold conditions, no specific guidance has been provided in relation to the strictures of 19A.3.34G (and further developed in General Guidance on proportionality).</i></p>	

1.	Principle 1 – Risk management and risk tolerance
1.1	<p>Please find below a brief description how SUMI TRUST UK ensure that the remuneration practices promote sound and effective risk management and do not encourage risk-taking that exceeds the levels of tolerated risk.</p> <p>SUMI TRUST UK does not:</p> <ul style="list-style-type: none"> • Deal on its own account; • Take proprietary positions; • Provide financial advice; • Provide banking services; OR • Carry out any other risk-taking activity. <p><i>SUMI TRUST UK's Internal Capital Adequacy Assessment Process (ICAAP) states that the highest level of risk within the organisation is believed to be its exposure to operational risk. For that reason there is an operational risk team, and strict policies and procedures around custody operations. Code Staff are not therefore involved in taking risks outside of the firm's appetite. They actively work to reduce risk. Staff contracts do not stipulate that any specific bonus or incentive will be provided outside of the normal staff bonus scheme. Any bonus is paid with relation to the firm's management contribution – that is any profit after normal expenses, liquidity requirements, shareholder payments and ongoing fees are taken into account.</i></p>

2.	Principle 2 – Supporting business strategy, objectives, values and long-term interests
2.1	<p>Please find below a brief description on how SUMI TRUST UK ensures that its remuneration policies are in line with its business strategy, objectives, values and long-term interests.</p> <p><i>By not allowing staff to take proprietary positions on the firm's behalf or sell risky or inappropriate business. The provision of custody hinges on the provision of a service that depends on what the underlying client's business does, therefore if the client decides to trade in certain markets, the firm will settle the trades for them. If they decide to make cash payments the firm will carry the payments out for them. Thus all the business the firm carries out is predicated on the actions of its underlying clients to which it has no input or influence. In addition there is a culture of risk reduction underpinning the whole firm's operation, known as 'Escalate to Educate and Prevent'. Under this policy, there is a dedicated risk manager and forum to whom all notifiable risk events fulfilling certain criteria need to be reported to and mitigating actions carried out in respect of the risk.</i></p>

3.	Principle 3 – Avoiding conflicts of interest
3.1	<p>Please find below a brief description on the measures already established to ensure SUMI TRUST UK's remuneration policies avoid conflicts of interest.</p> <p><i>As mentioned above it is hard to envisage how such conflicts of interest could occur as the core activity of the business is to safekeep assets for clients, to receive and transmit payment and settlement instructions, process related corporate actions and the like. Again, all of these actions are predicated on the actions of the client. No action is taken independently by SUMI TRUST UK. Any proprietary action is to satisfy the smooth and efficient running of the business, and SUMI TRUST UK's proprietary assets are not held alongside the client assets that it safekeeps.</i></p>

4.	Principle 4 – Governance	
4.1	Does SUMI TRUST UK have a Remuneration Committee (RemCo) established within the UK?	<i>No (Exemption received from the FCA).</i>
4.2	<p>As question 4.1 is 'No' please find below a brief description on how remuneration governance arrangements operate within SUMI TRUST UK.</p> <p><i>SUMI TRUST UK is categorised as a Significant IFPRU firm in accordance with CRR as it holds client monies above £2bn and assets above £28.7bn as of 31st December 2017. The Firm has however, been granted a waiver by the FCA to not have a Remuneration Committee due to size, nature and complexity of the business. The pool of variable remuneration is agreed by SMTH (firm shareholder), based on the management contribution (profit) the firm makes, and in line with other peer businesses in the UK. A pool is agreed for each level of the business (i.e. operational staff, supervisors, senior management and directors). That pool is then divided amongst the staff in each 'pool' based on their relative performance throughout the previous year, as evidenced by their appraisal and completed objectives and input from line managers.</i></p>	
4.3	<p>Please find below a brief description on how SUMI TRUST UK ensures that remuneration decisions take into account the implications for risk and risk management of the firm?</p> <p><i>Preservation of the firm's capital and the low risk processing of client business is a key determinant in terms of remuneration decisions. Adherence to internal procedures and to regulatory requirements are included in the appraisal process which is one of the determinants of the discretionary bonus. Staff are not rewarded for decisions that place the firms reputation at risk with clients or regulators. The firm does not carry out proprietary trading, banking or provide advice, only providing safekeeping facilities.</i></p>	
4.4	<p>Please find below a brief description on how SUMI TURST UK ensures that the long-term interests of shareholders, investors and other stakeholders are taken into account?</p> <p><i>The sole shareholder of the business is Sumitomo Mitsui Trust Bank Limited (Japan), and as the remuneration is agreed in concert with them, the firm's belief is that the parent would not agree remuneration levels or bonuses that would intrinsically harm the business in the long term.</i></p>	
4.5	<p>Please find below a brief description on how the governing body (Board) have the ability to apply discretion to adjust the bonus pool and individual payments including those paid out in individual incentive schemes?</p>	
	<i>The Board does not have the ability to apply discretion to adjust the bonus pool and individual payments.</i>	

4.6	Please find below a brief description where the governing body (Board) has exercised that discretion since the Code came into force?
	<i>Not Applicable.</i>

5.	Principle 5 – Control functions
5.1	<p>With regard to employees engaged in control functions, please find below a brief description on how SUMI TRUST UK ensures that these employees are:</p> <ul style="list-style-type: none"> ○ independent from the business units that they oversee; ○ have appropriate authority; and ○ are remunerated adequately to be independent of the performance of the business areas they control. <p><i>The control functions that are covered by the Remuneration Code include Compliance and CASS Oversight Function CF10A. The Compliance manager role specifically describes a role that is separate from the operational roles, and where the reasonable expectation is that the risk and compliance overview of the business is targeted to provide the least risk and most compliant business approach for the operational unit.</i></p> <p><i>The Compliance Manager is a senior manager of the business who reports ad-hoc directly to the Board, CEO or the Chief Operating Officer as appropriate, but also reports directly to those stakeholders on a quarterly basis at the required Board, Risk and Audit, and Compliance committees. However, the registered CF10 is the CEO. The CEO has oversight of the business, but it has been deemed that this does not conflict with his role as CF10 in his capacity to oversee the regulatory requirements of the Firm.</i></p> <p><i>The CASS Oversight CF10A function is performed by a senior manager of the business who also has direct reporting line to the Firm's CEO and the COO and chairs the CASS Committee.</i></p> <p><i>The Board is aware that setting the level of pay for the control functions needs to be of an adequate level so that the positions remain independent of the operational performance. It is also thought relevant that as the firm does not deal on its own account or provide any investment advice, the success of the operational business units depends on the smooth, compliant and risk free operation of controls for its clients, therefore there is an argument that there is an inverse correlation between risk and reward for these functions.</i></p>
5.2	<p>Please find below a description on how risk and compliance functions input into the setting of individual remuneration policies and individual remuneration awards across SUMI TURST UK.</p> <p><i>The Risk and Compliance functions are not used as input functions in the setting of individual remuneration, however they will be aware of operational events or regulatory breaches involving employees and may comment in the appraisal process, which is a factor in determining variable remuneration.</i></p>

6.	Principle 6 – Remuneration and capital
6.1	<p>Please find below an explanation on how SUMI TRUST UK ensures that it's total variable remuneration does not limit its ability to strengthen its capital base?</p> <p><i>The firm pays remuneration, both fixed and variable out of the current years income, leaving a capital base comprised of funds from the shareholder, and retained earnings, intact.</i></p>

7. Principle 7 – Exceptional government intervention

This does not apply to SUMI TRUST UK

8.	Principle 8 – Profit-based measurement and risk adjustment	
Please find below a summary of <i>each</i> bonus scheme that rewards Remuneration Code Staff.		
	Scheme name	SUMI TRUST UK Discretionary Bonus Scheme
8.1	<p>Please find below a high-level summary of how SUMI TRUST UK determine the overall bonus pool amount.</p> <p><i>With respect to: the profits of the business in the preceding year, bonuses paid by companies within SUMI TRUST UK’s peer group and with the authorisation of the parent company.</i></p>	
8.2	<p>Please find below the metrics that SUMI TRUST UK use to:</p> <ul style="list-style-type: none">determine the bonus pool, including whether SUMI TRUST UK use a pre-agreed numerical formula;ensure that it is linked to profits (rather than revenues); andhow it is linked to other indicators of performance. <p><i>The bonus pool is derived as a pre-agreed (at the time of the budget) percentage of the management contribution (profit) of the firm.</i></p> <p><i>The bonuses paid are not contractual and are at the ultimate discretion of senior management.</i></p> <p><i>Allocation of actual bonus amounts to individuals is based on the following components.</i></p> <ul style="list-style-type: none"><i>-Grading (in line with job title)</i><i>-Personal performance (based appraisal analysis and managerial review of the previous years work and accuracy)</i><i>-Senior management discretion (special recognition determined independently or at the advice from line management).</i>	
8.3	<p>Please find below the key financial performance measures that are used to determine the total payout for the scheme. <i>E.g. operating profit, return on risk weighted assets, economic capital</i></p> <p><i>Operating profit</i></p>	
8.4	<p>Please find below a brief description on how often the financial performance measures set; who sets them and how often they are reviewed.</p> <p><i>The measure is set in conjunction with the shareholder and is reviewed on an ad hoc basis.</i></p>	
8.5	<p>Please find below how, and to what extent, these performance measures take account of future earnings streams and future risks.</p> <p><i>No future earning streams are recognised up front. The granting of a bonus depends on past performance. There is no mechanism to take account of future earnings streams or risks, however the Company’s approach to liquidity means that it holds more capital than it is</i></p>	

	<p><i>required to.</i></p> <p><i>Without any proprietary trading book, the largest risk to the firm going forward is seen to be operational risk, and because of that there is a dedicated risk management team comprising of team leaders who attempt to mitigate operational risk by reporting on pre-agreed criteria, and then mitigating issues going forward by putting in place amending procedures or controls. On a rolling basis the amount of money paid out in operational errors is not material based on the firm's turnover.</i></p>
8.6	<p>Please find below how the bonus pool determination process take account of situations where the firm's performance is weak or loss-making?</p> <p><i>As the bonus pool is agreed in conjunction with the shareholder/parent, any weak or loss-making performance would not necessarily require an adjustment in any performance bonus paid. The agreement to do this would be between the shareholder and senior management of the firm.</i></p>

9.	Principle 9 – Pension policy	
9.1	Does SUMI TURST UK have a policy for discretionary pension benefits?	No
9.2	<p>If your answer to question 9.1 was 'Yes', the policy, including retention periods etc. will be outlined here.</p> <p>Not Applicable.</p>	

10.	Principle 10 – Personal investment strategies
10.1	<p>Please find below the arrangements SUMI TRUST UK have in place to ensure that employees undertake not to use personal hedging strategies to undermine the risk alignment effects embedded in their remuneration arrangements?</p> <p><i>There are no arrangements in place, however bonuses are paid with the normal payroll in June and December of each year (PAYE) and therefore it is not felt relevant to implement anti-avoidance strategies.</i></p>

11.	Principle 11 – Avoidance of the Remuneration Code
11.1	<p>Please find below a brief description of how SUMI TRUST UK ensures that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the Remuneration Code?</p> <p><i>By paying bonuses in cash through PAYE, the appropriate NI and tax will be paid, and the payments are transparent.</i></p>

12.	Principle 12 – Remuneration Structures	
Performance assessment for individuals		
12.1	Please find below a high-level description of SUMI TRUST UK's approach to measuring the performance of individuals including both financial and non-financial metrics and an explanation on how this assessment influences an individual's remuneration.	
	<i>Staff are measured against pre-agreed targets and criteria for the year. Pay increments are based on the level of the Retail Prices Index and bonuses are mainly agreed on a mix of profit the firm makes and the individuals performance over the year.</i>	
Guaranteed variable remuneration		
12.2	How many new Remuneration Code staff have you hired in the last performance year?	1 (Mr Ogawa)
12.3	Of the new Remuneration Code staff hired in the last performance year, how many were offered guaranteed bonuses?	N/A
12.4	Of the offers made, how many were compliant with SYSC 19A.3.40R(3)?	N/A
12.5	If any awards were not-compliant, an explanation would be made here. N/A	
12.6	Please find below SUMI TRUST UK's policy on buying out deferred bonuses for new joiners?	
	<i>To be handled on a case by case basis.</i>	
12.7	Have SUMI TRUST UK offered retention awards to any Remuneration Code Staff employees in the last 12 months?	No
12.8	If yes, a brief explanation on how many were offered and the context in which they were offered would be completed below.	
	<i>Not Applicable.</i>	
12.9	Please find below SUMI TURST UK's policy on the ratio between fixed and variable remuneration components?	
	<i>SUMI TRUST UK are a Limited License firm so do not apply this rule.</i>	
12.10	In this section an explanation will be completed explaining where any exceptional or non-standard termination payments to staff in the last performance year have been compliant with the Code?	N/A

13. Disclosure

13.1	Please find below when SUMI TURST UK intend to disclose remuneration under BIPRU 11.
	<i>During Q1 2019</i>
13.2	Please find below a brief outline on how SUMI TURST UK intend to make this disclosure.
	<i>Published on the Company website</i>

14. Other

14.1 Please find below how SUMI TRUST UK provide further evidence of how remuneration policies, procedures and practices are consistent with and promote sound and effective risk management?

SUMI TRUST UK's remuneration policy is relative to the type of business that it undertakes as a custodian, offering safekeeping and administration services. There is no risk taking or commission based remuneration where variable remuneration is only based on retained profits of the company and individual's performance against non-profit making criteria.