

Voting Rights Guidelines for Strategic Shareholdings (Japan-Listed Stocks)

Sumitomo Mitsui Trust Bank, Limited

Effective from April 1, 2023

Sumitomo Mitsui Trust Bank, Limited (President: Kazuya Oyama) ("we" or "our") will exercise its voting rights pertaining to its shareholdings in accordance with the Basic Policy on Corporate Governance established by Sumitomo Mitsui Trust Holdings, Inc. (Director, President: Toru Takakura), with the aim of enhancing the enterprise value of the issuers of its strategic shareholdings (the "Issuers") over the medium to long term, while also taking into account enhancement of the value of various stakeholders, including Sumitomo Mitsui Trust Group's shareholders and depositors, over the medium to long term.

Through sufficient dialogue with the Issuers, we will exercise our voting rights while taking into account the business environment and other conditions of each of the Issuers and respecting the unique characteristics of and direction pursued by their management.

When exercising our voting rights, we will decide whether to vote for or against each proposal pursuant to the Specific Exercise Guidelines set forth below, while keeping in mind the following perspectives:

- (i) In making judgments, we will pay attention not only to external and formal standards but also the unique characteristics of the Issuers, their industry and business environment and other relevant factors;
- (ii) We will make decisions not only from the viewpoint of the relevant fiscal year but also from mid- and long-term perspectives and in a future-oriented manner; and
- (iii) When making decisions, we will take into account not only financial figures but also non-financial factors (corporate governance, how the Issuers create social value, etc.).

If any conflict of interest may arise by exercising our voting rights pertaining to strategic shareholdings, we will take appropriate measures in accordance with the separately established Management Policy Concerning Conflicts of Interest.

1. Specific Exercise Guidelines

(1) Election of directors

Guidelines	Judgment standards
We believe that companies that have experienced sluggish capital profitability over a prolonged period need to take measures to increase their enterprise value from the perspective of shareholders, including by ensuring that the ratio of independent external directors to the total number of directors does not fall below the prescribed ratio.	<p>In principle, we require companies whose ROE has been less than that of the bottom quartile of TOPIX constituents (or 5% if such reference ROE is greater than 5%; the same shall apply hereinafter) for five consecutive fiscal years to have at least the following number of independent external directors depending on the market on which they are listed:</p> <p>The number equivalent to one-third of the total number of directors, if they are listed on the Prime Market; or</p> <p>Two, if they are listed on the Standard Market.</p> <p>If this requirement is not met, we will vote against the election of the Representative Director, in principle.</p>
We believe that companies with parent companies, etc. should establish a system to ensure independent decision-making in consideration of the interests of their general shareholders.	<p>As a general rule, we require that companies with parent companies, etc. have independent external directors who account for one-third or more of the total number of directors, or a nomination committee, etc. a majority* of the members of which are independent external officers. If this requirement is not met, we will vote against the election of the Representative Director, in principle.</p> <p>* Including cases where half of the committee members are independent external officers and the chairperson is an independent external officer.</p>
We require companies whose performance has been extremely poor during the term of office of the nominated directors to take drastic measures, including a review of their management structure.	If a company has recorded a current net loss for three consecutive terms, we will, in principle, vote against the election of its directors who have been in office for three years or more.
We urge companies that have caused scandals with serious social impacts to take appropriate recurrence prevention measures.	If a company that caused a scandal* has not established effective measures to prevent recurrence of the problem or taken appropriate internal actions, we will make a cautious decision on the election of a director who is considered to have been involved in the scandal or to have had

	supervisory or other responsibility therefor. * The types of scandals are described in the relevant section in "(8) Amendment of the Articles of Incorporation and others." (Hereinafter the same.)
We believe that shareholders should elect external directors who would not give rise to concerns as to the performance of duties.	As a general rule, we demand that external directors attend at least 75% of the meetings of the Board of Directors, the Audit Committee, or the Audit and Supervisory Committee.

[Points to Consider in Qualitative Judgment]

- In assessing capital profitability and business performance, the external environment, such as economic conditions and the characteristics of the industry, measures to increase earnings to improve business performance, and medium- to long-term initiatives to solve social issues and the progress thereof;
- In connection with the composition of the Board of Directors, the status and outlook of specific initiatives for strengthening governance;
- Regarding attendance rates, whether the reason for absence is truly unavoidable, and the status of operational improvement to increase attendance in the future; and
- We will make decisions on scandal cases on a case-by-case basis in light of the effectiveness of internal actions and recurrence prevention measures, focusing on the perspective of resilience.

(2) Election of corporate auditors

Guidelines	Judgment standards
We urge companies that have caused scandals with serious social impacts to take appropriate recurrence prevention measures.	We will make a cautious decision on the election of a corporate auditor who is considered to have been involved in the scandal or to have had responsibility as a corporate auditor or other similar responsibility therefor.
We believe that shareholders should elect external auditors who would not give rise to concerns as to the performance of duties.	As a general rule, we demand that external auditors attend at least 75% of the meetings of the Board of Directors and the Board of Corporate Auditors.

[Points to Consider in Qualitative Judgment]

- Regarding attendance rates, circumstances in which the reason for absence is deemed truly unavoidable, and the status of operational improvement to increase attendance in the future.

(3) Executive compensation, bonuses and retirement benefits

Guidelines	Judgment standards
We believe that executive compensation should reflect the extent to which enterprise value has been improved over the medium term.	If a company has recorded a current net loss for three consecutive fiscal years, we will vote against any increase in its executive compensation and payment of executive bonuses and retirement benefits, in principle.

We believe that it is not appropriate for a company that has harmed its enterprise value as a result of a scandal or other incident to increase its executive compensation or take other similar actions.	We will vote against any increase in executive compensation and payment of executive bonuses and retirement benefits, in principle, if any of the officers who would be entitled to such increase or payment is considered to have been involved in the scandal or to have had supervisory or other responsibility therefor.
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[Points to Consider in Qualitative Judgment]

- Cases where an increase in executive compensation is associated with the introduction of a reasonable stock compensation plan or other similar reasons; and
- Cases where the amount of payment is reduced accordingly or otherwise similar measures are taken even if the retirement benefits violate the relevant judgment standards.

(4) Performance-based compensation, stock compensation and stock options

Guidelines	Judgment standards
A performance-based compensation plan is not desirable for external directors, corporate auditors and other similar officers, who are expected to supervise and audit management and serve as a check-and-balance system.	As a basic rule, external directors, directors who are members of the Audit and Supervisory Committee, corporate auditors, external auditors, or any external person who is deemed irrelevant to the improvement of business performance should not be included among the recipients of performance-based compensation plans (monetary and stock compensation (PS)).
While it is not desirable to apply a non-performance-based stock compensation plan to corporate auditors or other similar officers, we favorably evaluate the application of the plan to external directors as it is expected to place them in the same boat as shareholders.	As a basic rule, corporate auditors, external auditors, or any external person who is deemed irrelevant to the improvement of business performance should not be included among the recipients of non-performance-based stock compensation plans (RS) and stock option-based compensation.
We demand that performance-based compensation plans be appropriate as incentives to increase enterprise value over the medium to long term.	As a general rule, we demand that stock compensation plans and stock option compensation plans allow the recipients to sell their shares only after a period of at least two years has passed from the date of allotment, etc., or after their resignation as an officer.
Stock compensation plans that result in significant dilution of share value are not desirable.	In principle, we demand that the cumulative dilution ratio resulting from stock compensation plans and stock option compensation plans be less than 5%, or that the annual dilution ratio resulting therefrom be less than 1%.

(5) Appropriation of surplus

Guidelines	Judgment standards
We believe that companies with adequate cash should implement appropriate shareholder return policies while maintaining a good balance between capital efficiency and financial stability.	In principle, we will vote against any proposal that would result in a dividend payout ratio of less than 25% for three consecutive fiscal years made by a company whose net cash ratio is 30% or more and whose ROE has been less than that of the bottom quartile of TOPIX constituents for five consecutive fiscal years.
We believe that companies should avoid paying excessive dividends because their enterprise value may be harmed.	In principle, we will vote against any proposal on dividends of surplus made by a company that has recorded a current net loss for three consecutive terms.

[Points to Consider in Qualitative Judgment]

- Need for emerging companies in the growth process to prioritize investment for growth over shareholder returns; and
- Cases where a company has maintained a strong financial base despite experiencing continuing losses.

(6) Pre-warning takeover defense measures

Guidelines	Judgment standards
As a precondition for the introduction and continuation of measures to deflect hostile takeovers, companies are required to implement initiatives to increase their enterprise value over the medium to long term and ensure that the results thereof can be confirmed.	In principle, we require the Issuers to ensure that their ROE will not be less than that of the bottom quartile of TOPIX constituents for five consecutive fiscal years.
Companies are required to ensure that their measures to deflect hostile takeovers are designed to be fair to both bidders and target companies, and to review the appropriateness of their systems on a regular basis.	We require the Issuers to satisfy both of the following conditions with respect to their system design for measures to deflect hostile takeovers: a) The system for measures to deflect hostile takeovers is designed to limit the effective period of the measures to generally three years or less; and b) The Issuers are not allowed to indefinitely extend the period during which their Board of Directors or independent committee is to evaluate and consider the takeover proposal.
Prior to the implementation of measures to deflect hostile takeovers, we require that the Issuers have designed a system whereby decisions will be made in a way that adequately ensures non-arbitrariness.	We require the Issuers to satisfy any of the following requirements with respect to their system design for implementing measures to deflect hostile takeovers: a) In the composition of the Board of Directors, the percentage of external directors

	<p>who are recognized as independent exceeds 50%, and its governance is recognized to be highly effective;</p> <p>b) The system includes a requirement for implementing defense measures pursuant to which the Issuers are allowed to implement such measures only in the cases of the four types of takeovers recognized by the Tokyo High Court as cases in which the target companies may implement defense measures, as well as coercive two-stage takeovers; or</p> <p>c) The system is designed so that shareholder intent can be confirmed when any of the defense measures is implemented.</p>
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[Points to Consider in Qualitative Judgment]

- Whether any Issuer's failure to meet performance standards is solely attributable to the external environment, or the probability of a recovery in its performance, including by implementing drastic measures to improve its profitability;
- Whether there is any possibility of arbitrary application of measures to deflect hostile takeovers, including whether there are strict requirements and rules on processes for implementing such measures; and
- Appropriateness of the introduction and implementation of measures to deflect hostile takeovers in the event of an emergency, as evaluated solely from the perspective of any potential increase in enterprise value over the medium to long term.

(7) Capital policies and reorganization strategies

Guidelines	Judgment standards
Proposals on funding by way of share issuance	We will make a cautious decision on a proposal if it is not deemed reasonable in terms of capital policies or if it would significantly dilute shareholders' value.
Proposal on mergers and company splits, etc.	<p>We will make a cautious decision in any of the followings cases:</p> <p>a) The proposal does not indicate any measures to ensure the appropriateness of the relevant monetary consideration and share exchange ratio, etc., such as the basis of calculation by a neutral external organization;</p> <p>b) In cases where there is a conflict of interest, the proposal does not indicate any measures to avoid it or other similar measures; or</p> <p>c) It is determined that there is a significant</p>

	risk that shareholders' value could be impaired as a result of the reorganization.
Acquisition and retirement of treasury shares	We will make a cautious decision on any proposal that could potentially impair shareholders' value without any good reason.

(8) Amendment of the Articles of Incorporation and others

Guidelines	Judgment standards
Amendment of the Articles of Incorporation (amendment intended to increase the number of votes required to pass a resolution to dismiss a director at a shareholders meeting)	In principle, we will vote against any proposed amendment of the Articles of Incorporation that is intended to increase the number of votes required to pass a resolution to dismiss a director at a shareholders meeting.
Amendment of the Articles of Incorporation (authorization of the Board of Directors to pass resolutions on dividends)	If a proposed amendment intended to authorize the Board of Directors to pass resolutions on dividends of surplus, etc. would eliminate the requirement of resolutions of general meetings of shareholders, we will vote against it, in principle.
Contribution of treasury shares to foundations	In principle, we require the following requirements to be met: <ul style="list-style-type: none"> • The objective is related to increasing enterprise value; • The dilution rate is less than 5%; and • In cases where a recipient foundation is not prohibited from exercising its voting rights pertaining to the contributed shares, there is no possibility that such rights will be exercised arbitrarily.
Others	In principle, we will vote against any proposal that is not desirable from the viewpoint of increasing enterprise value over the medium to long term.
Types of scandals	Any of the following acts would constitute a scandal if the relevant company is recognized to have been involved in the act in an organized manner, and the act has seriously impacted the management of the company, or has seriously impacted business execution, business performance

	<p>or financial affairs, etc. due to the loss of society's trust:</p> <ul style="list-style-type: none"> • Violation of the Antimonopoly Act and other laws and regulations; • Improper accounting; • Improper inspection and other improprieties; • Socially inappropriate acts; • Serious failure of governance; and • Other acts that seriously impact society or the environment.
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(9) Shareholder proposals

Guidelines
We will evaluate shareholder proposals on a case-by-case basis in the same manner as corporate proposals to determine whether they are desirable from the viewpoint of increasing enterprise value over the medium to long term.
However, in principle, we will vote against proposals that aim to solve particular social or political issues that are unrelated to enterprise value, and those lacking a rational basis.

2. Effective date of the revised Guidelines

General meetings of shareholders to be held on or after April 1, 2023

End