

Our Principles for Exercising Voting Rights (for Foreign Stocks)
as Responsible Institutional Investor

Sumitomo Mitsui Trust Bank, Limited

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I. Purpose of Exercising Voting Rights

Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST,” “we,” “us,” or “our”), as a “responsible institutional investor,” considers our exercise of voting rights in connection with entrusted assets (the term “exercise of voting rights” is used in the same sense below) to be one of the most important elements of our stewardship activities, and we will strive to ensure that our exercise of voting rights enhances the corporate value and encourages sustainable growth of investee companies, in order to maximize medium to long-term investment returns for our clients (beneficiaries).

II. Basic Policy on the Exercise of Voting Rights

1. Our exercise of voting rights must intend to contribute to a sustainable growth of investee companies thereby maximizing medium to long-term investment returns for our clients (beneficiaries). Based on investee companies’ conditions and details of engagements with those companies, we will exercise voting rights not only pursuant to the formal criteria for decision making, but after comprehensively considering the extent to which our exercise of voting rights would contribute to sustainable growth of investee companies (and to maximization of medium to long-term investment returns for our clients (beneficiaries)). Furthermore, if a proposal has several interchangeable options, we will make our decision to exercise the voting rights by prioritizing the option that would contribute most to sustainable growth.
2. In exercising voting rights, we will encourage investee companies to actively develop appropriate corporate governance systems that respect the interests of shareholders by efficiently utilizing the shareholders’ equity towards sustainable growth and ensuring separation of management supervisory functions and independence of outside officers, among others. In addition, we will encourage the investee companies to conduct corporate activities appropriately by fully considering the environment and the society under the soundly developed corporate governance systems.
3. If any act that disregards the interests of shareholders, controversies or anti-social behavior by an investee company or its management occurs, or its corporate value is damaged due to problems such as poor medium to long-term performance, we will consider such act as a serious issue in the investee company’s corporate governance, and we will exercise voting rights in a way that would improve the investee company’s corporate governance. We require investee companies that have engaged in controversies to provide a full explanation of the recurrence prevention measures, progress of improvement measures, and efforts towards improvement of its corporate governance, and we will arrive at a decision on the exercise of voting rights based on the explanations.

III. Management of Conflicts of Interest in the Exercise of Voting Rights

1. With the view of prioritizing the interests of clients (beneficiaries), we strictly manage conflicts of interest that could arise in connection with our exercise of voting rights in accordance with the Conflict of Interest Management Rules, the Investment Operation Rules, and other relevant internal rules. Since conflict-of-interest management systems must be independent in particular when exercising voting rights, we have established the “Stewardship Activity Advisory Committee” (the “Advisory Committee”) mainly consisting of outside experts, and we will strive to exercise voting rights with high transparency by respecting the Advisory Committee’s recommendations.
2. In order to enhance the visibility of appropriateness of our exercise of voting rights, we will improve the disclosure of information regarding our exercise of voting rights by publishing guidelines for the exercise of voting rights that contain clearly defined criteria to guide decision making or the like.

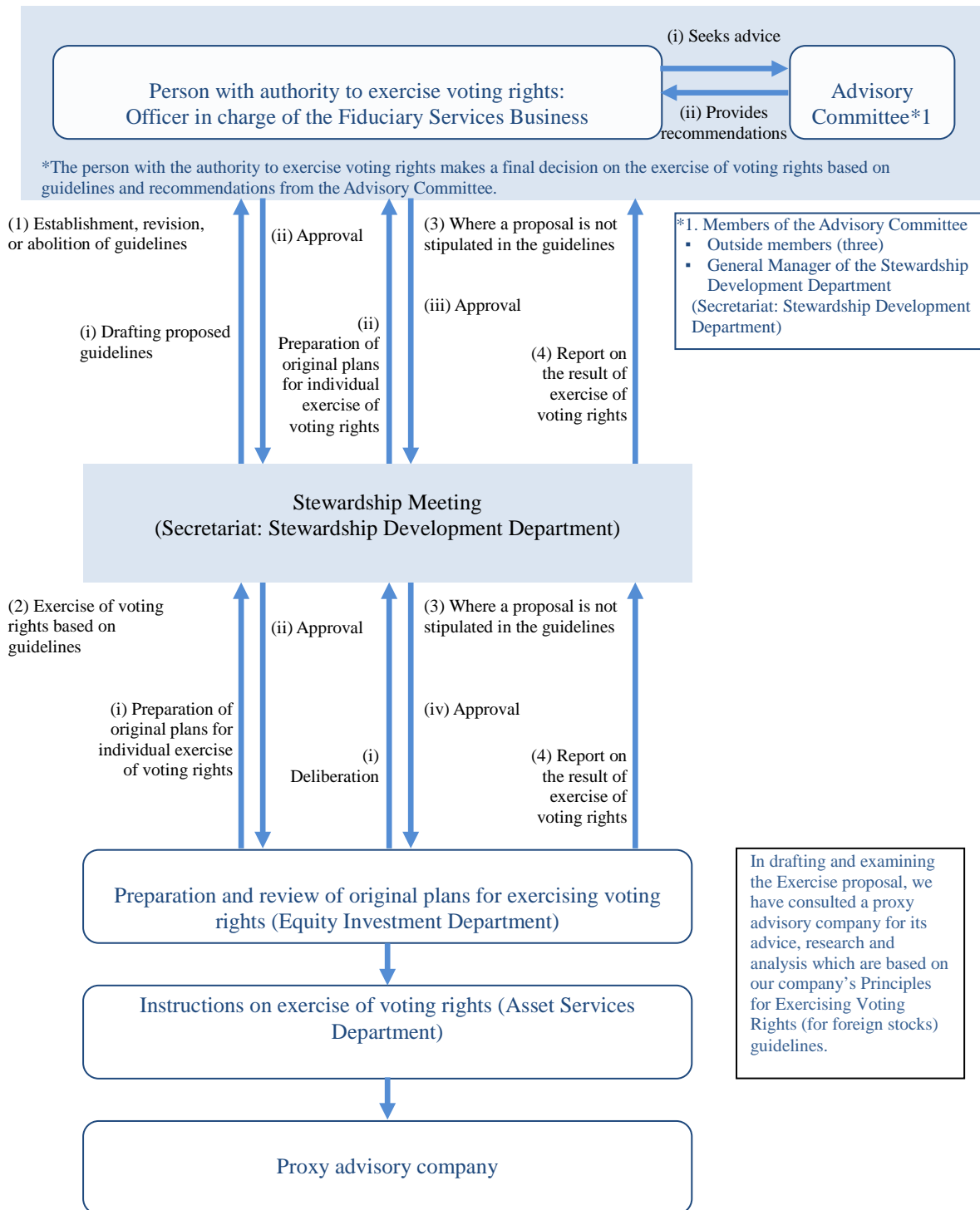
IV. Structure for the Exercise of Voting Rights

1. At SuMi TRUST, the Officer in charge of the Fiduciary Services Business exclusively holds all authority relating to our exercise of voting rights, independent from the authority to execute other business activities. In addition, in order for the Officer in charge of the Fiduciary Services Business to appropriately exercise voting rights, we have established the Stewardship Meeting that deliberates on our exercise of voting rights, and we have established the Advisory Committee as an advisory body for the Officer in charge of the Fiduciary Services Business.
2. The Stewardship Meeting is a meeting to deliberate on our exercise of voting rights, engagements, ESG-related activities and various other activities under the Stewardship Code of Japan. In relation to our exercise of voting rights, the Stewardship Meeting will formulate original plans for the establishment, revision, or abolition of the guidelines for exercise of voting rights and original plans to individually exercise voting rights for a proposal not stipulated in the guidelines. The Stewardship Meeting will consist of the chair (General Manager of the Stewardship Development Department), members (General Managers of the Equity Investment Department, the Investment Research Department, and the Index Investment Department), the monitoring unit (General Manager of the Fiduciary Risk Management Department), and the secretariat (the Stewardship Development Department).
3. The Advisory Committee is a body established to make recommendations for various activities under the Stewardship Code of Japan to the Officer in charge of the Fiduciary Services Business. 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 a proposal 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 committee will consist of outside advisory members (outside experts) and the General Manager of the Stewardship Development Department as a member, the monitoring unit (General Manager of the Fiduciary Risk Management Department), and the secretariat (the Stewardship Development Department).
4. The Officer in charge of the Fiduciary Services Business will make decisions on various matters that, to the maximum extent, respect the Advisory Committee's recommendations. If the officer receives a recommendation from the Advisory Committee regarding improvement of its exercise of voting rights, the officer will promptly take measures necessary for the correction or improvement that, to the maximum extent, respect the recommendation.
5. The operations relating to our exercise of voting rights will be performed as follows:
 - (1) the guidelines for exercise of voting rights shall be established, revised, or abolished with the approval of the Officer in charge of the Fiduciary Services Business after deliberating at the Stewardship Meeting and after obtaining recommendations from the Advisory Committee;
 - (2) a decision to exercise the voting rights for an individual proposal within the scope stipulated in the guidelines for the exercise of voting rights shall be made with the approval of the General Manager of the Stewardship Development Department;
 - (3) a decision to exercise the voting rights regarding a proposal that is not stipulated in the guidelines for the exercise of voting rights and that requires individual deliberation shall be made with the approval of the Officer in charge of the Fiduciary Services

Business after individual deliberation at the Stewardship Meeting and after obtaining the recommendations from the Advisory Committee; and

- (4) the result of exercising the voting rights shall be reported to the Stewardship Meeting and the Officer in charge of the Fiduciary Services Business.

[Structure for the Exercise of Voting Rights]



V. Guidelines for the Execution of Voting Rights

Execution of Voting Rights for Foreign Equities

Our basic evaluation criteria is laid out below. However, we will exercise judgment based on the circumstances for each country, specifically, its economic, political, social and historical foundation and how it has shaped the law, commercial practice and corporate governance.

1. Board of Directors and the Appointment of Directors

【Approach to Proposals】

We believe that the Board of Directors should be comprised of members with sufficient competence to make prompt and appropriate management decisions, and should dedicate itself to adequately performing management supervisory functions by separating its management functions with supervisory functions. We will also demand Directors to attend and speak out at Board meetings to make prompt and appropriate management decisions as part of the Board of Directors' management and supervisory function.

【General Rules of Exercise】

In any of the following cases, we will dissent in principle from the proposals:

- (1) Appointment of a candidate as an Director who concurrently executes business functions, or an outside Director who assumes a supervisory role, both of whom are expected to serve as representatives of shareholders, if found inappropriate for the position
- (2) Appointment of a candidate whose performance is considered a cause for concern based on his/her past Board of Directors meeting attendance record
- (3) Appointment of a Director deemed responsible for damaging enterprise value through poor business performance and/or a lower share price during his/her tenure
- (4) Appointment of a Director deemed responsible for damaging enterprise value through his/her controversies

2. **Audit Committee**

【Approach to Proposals】

Control bodies, including the Audit Committee, must audit the company's financial statements, its construction and disclosure process, and internal control, whilst observing the fairness, accuracy and legality of the accounting process in accordance with each country's laws, regulations, commercial practice.

【General Rules of Exercise】

Appointed members of control bodies, including the Audit Committee, as well as statutory internal auditors, must perform their audit functions objectively from an independent standpoint. In any of the following cases, we will dissent in principle from the proposals:

- (1) Appointment of a committee member with direct interest in the company
- (2) Appointment of a committee member who is an executive director or employee at the parent company or a related company whose independence is under question

3. **Compensation for Officers**

【Approach to Proposals】

We believe that compensation for officers should be set at a level commensurate with the company's business performance and distribution of profits to shareholders. Moreover, compensation should be in line with competitor firms and industry standards in the country where the company operates. The compensation decision process and compensation levels must be fully disclosed.

【General Rules of Exercise】

In any of the following cases, we will dissent in principle from the proposals:

- (1) These incidents do not take into account where the company's enterprise value is damaged through his/her controversies and violation of fiduciary duty or through poor business performance and/or a lower share price during his/her tenure
- (2) Although in principle, performance-linked compensation based on stock options is acceptable, the introduction of performance-linked compensation based on stock options where the mid-long term shareholder profits are suspect
- (3) Stock options and retirement compensation for Outside Directors assuming a supervisory role (Non-supervisory Director) which share common interests with Executive Officers are not desirable. Introduction of stock options and performance-linked retirement compensation for Outside Directors (Non-supervisory Directors) based on mid-long term maximum shareholder returns.

4. Shareholder returns

【Approach to Proposals】

Shareholder returns through share buybacks and dividends shall be a balanced distribution of profits between a return of profits to shareholders and retained earnings for future business plans

【General Rules of Exercise】

In any of the following cases, we will dissent in principle from the proposals:

- (1) Where shareholder returns are constantly excessively high or low, or where there are no shareholder returns without valid or rational reason
- (2) Where there is a proposal to prohibit cash dividends

5. Appointment of Financial Auditors

【Approach to Proposals】

Financial auditors must conduct appropriate audits to verify that the preparation of financial statements were based on fairness, conforming to accounting standards in accordance with each country's laws, regulations, and commercial practice. Moreover, it must ensure that full disclosure is made so that a company's assets and profit & losses can be ascertained.

【General Rules of Exercise】

In any of the following cases, we will dissent in principle from the proposals:

- (1) The appointment of financial auditors who are independent from the company and can conduct audits objectively. An independent auditor with no interests in the company. The appointment of financial auditors where there is doubt to their independence.
- (2) The compensation of corporate auditors shall be divided into audit functions, which include traditional financial statement audits, and other non-audit functions. Compensation for non-audit functions shall be limited. Compensation of financial auditors for non-audit functions which exceed the norm.

6. Takeover Defense Measures

【Approach to Proposals】

We believe that takeover defense measures must not be intended to protect the Board of Directors, but should contribute to the improvement of the medium to long-term shareholder value.

【General Rules of Exercise】

Takeover defense measures must be based on maximizing mid-long term shareholder value. The exercise and steps of takeover defense measures and its release must be fully disclosed. Moreover, unless there is a proper system of governance that reflects the will of the shareholders, and prevents arbitrary acts by the Directors, we will dissent from the proposal in principle.

7. **Acquisitions, Mergers and Capital Raising**

【Approach to Proposals】

Raising new capital, affecting other changes to the corporate financial structure, readjusting to scale the lines of business through a merger, transfer of business, acceptance of a transfer of business, and company splits must not damage the interests of shareholders or the future business development of the company.

【General Rules of Exercise】

- (1) Concerning capital raising through the issuance of shares
 - The issuance of new shares (both preferred and common) and rights offerings and the authorized capital stock must be based on the maximization of mid-long term shareholder value and rational reason. We will support the proposal in principle if the content and scope of the action does not damage the rights of shareholders or the share of their voting rights.
- (2) Concerning mergers, transfer of business and company splits
 - Regarding a proposal for merger, transfer of business, company split, share exchange, share transfer, etc., if we consider that the proposal is based on a justifiable reason in respect of the necessity and adequacy of consideration by containing measures to secure fairness through an external neutral appraisal organization or measures to avoid conflicts of interest (if any), we will support the proposal in principle.
 - If we consider that the proposed merger, transfer of business, company split, share exchange, share transfer, etc. would have an adverse effect on the relevant company's earnings or would obviously be detrimental to the shareholders, we will dissent from the proposal in principle.
 - Regarding a proposal for expansion of new business, if we consider that synergy with the relevant company's existing business and the possibility of using the company's strength for the new business have been fully considered, we will support the proposal in principle.

8. **Amendments to the Articles of Incorporation, Other Proposals**

【Approach to Proposals】

We believe that proposals for amendments to articles of incorporation or other policies must contribute to improvement of the medium to long-term shareholder value and enhancement of profits for clients (beneficiaries), and that the relevant company must fully perform obligations when implementing those policies and assume accountability.

【General Rules of Exercise】

- (1) Regarding a proposal for amendment to articles of incorporation, we will exercise voting rights in accordance with the following criteria:
 - If the change in Articles over the fiscal year or quorum raises clear concern over the maximization of mid-longer term shareholder value, we will dissent from the proposal in principle.
 - If the change in Articles over the company's business raises clear concern over the maximization of mid-longer term shareholder value, we will dissent from the proposal in principle.
 - If the change in Articles over the structure or size of the Board of Directors or staggered terms, raises clear concern over the maximization of mid-longer term shareholder value, we will dissent from the proposal in principle.
- (2) Financial statements and audit reports must be prepared under proper internal controls and must provide full disclosure. Otherwise, we will dissent from the proposal in principle.
- (3) We will make a decision on a shareholders' proposal in the same manner as the relevant company's proposal, from the perspective of maximizing the medium to long-term shareholder value. However, if the shareholders' proposal is not in line with the company's management policy or measures, or intends to solve a particular social or political issue, we will dissent from the proposal in principle.
- (4) Regarding the liability exemption of Directors, Auditors, members of the Compensation and Nominating Committees, we will take into account the level of exemption. If we find that the exemption deviates from what should be a natural burden, we will dissent from the proposal in principle.
- (5) On proposals relating to the society, politics and the environment, they must contribute to the creation of shareholder value. Otherwise, we will dissent from the proposal in principle.
- (6) If proposals are unaccompanied by full and sufficient information, we will dissent from the proposal in principle.
- (7) Regarding controversies, the below is how we will exercise our voting rights:
 - For mid-long term enterprise value creation, companies must bear a social responsibility. Controversies may damage enterprise value. Companies that conduct controversies, or have been punished for such action will be judged as having a poor governance structure. However, we will judge companies that have taken remedial action or improved its governance structure with a proper explanation on a case by case basis.

In principle, the following acts are deemed controversies whereby the relevant company has been judged to have been involved as an organization:

- violation of antitrust laws and/or acts of bribery and corruption which have materially impacted the relevant company's management and operations

- inappropriate accounting practices and delay in the release of financial accounts which have materially impacted the relevant company's management and operations
- fraudulent inspections and falsification of data which have materially impacted the relevant company's management and operations
- Socially unacceptable actions that result in the loss of social credibility of the relevant company
- Other acts which may have a profound impact on society and the environment

End