

Corporate Governance



SuMi TRUST Group is proceeding to bolster its corporate governance structure in line with its business model. In addition to the statutory committees of a company with Three Committees, we have also established a Risk Committee and Conflicts of Interest Committee, both of which function as advisory bodies to the Board of Directors. We also strive to enhance management transparency by appointing an external director as chairman of the Board of Directors.

1. Basic Approach

In order to implement sound management based on a high degree of self-discipline guided by our fiduciary spirit and to gain the unwavering trust of society, we are committed to enhancing corporate governance along the lines of the following basic philosophy with the objective of improving the Group's sustainable growth and medium- to long-term corporate value. Having defined the Group's reason for existence (purpose) and identified issues of materiality, we also recognize that taking on the mission of solving

social issues presents us with growth opportunities, which is why we have placed at the core of our management approach the notion that we must balance the creation of both social and economic value. As a foundation for every activity to be shared by all directors, officers, and employees of SuMi TRUST Group, the Board of Directors has established management principles (mission), an ideal model (vision), and codes of conduct (value).

Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effective equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately articulate

its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.

- As the financial holding company that assumes the corporate management function of SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees," and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

2. Our Views on Corporate Governance

SuMi TRUST Holdings is a financial holding company with many subsidiaries under its Group umbrella, including SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management. Guided by our fiduciary spirit, we aim to leverage our significant expertise and creativity to combine our banking, asset management and asset administration, and real estate businesses to

deliver total solutions to our clients as their "Best Partner." In order to fulfill our principles and live up to the expectations of our stakeholders, we shall strive to ensure the soundness and reliability of the Group's business model, as well as management transparency, and continually strive to enhance the Group's corporate governance.

3. Board of Directors

(1) Roles of the Board of Directors

The Board of Directors ensures the fairness and transparency of SuMi TRUST Group's corporate management as its central role, by setting out the basic management policy of SuMi TRUST Group and supervising the overall management of the Group. Thus, with the exception of matters that are required by law to be decided by the Board of Directors, the Board of Directors, in principle, delegates decisions on the execution of business to executive officers, and supervises the execution of executive officers and other officers. Meanwhile, the Board of Directors provides and improves an environment in which external directors may properly supervise the execution of duties by the Board of Directors and the top management, as well as any conflicts of interest that may arise between SuMi TRUST Holdings and the management team from the standpoint of stakeholders, in order to support sustainable growth and the medium- to long-term enhancement of the enterprise value of SuMi TRUST Group.

In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy regarding social responsibility that is to be implemented by each Group company ("Sustainability Policy"). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of SuMi TRUST Group.

Furthermore, the Board of Directors establishes policies regarding the provision of products and services suitable for the true benefit of our clients (the "Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group"), acts to ensure client comfort and satisfaction by sharing our "client-oriented" policy within SuMi TRUST Group, and promotes the practice of fiduciary duties in SuMi TRUST Group by supervising each Group company's commitment to its fiduciary duties.

(2) Composition of the Board of Directors

The Board of Directors at SuMi TRUST Holdings has appointed sufficient number of directors considered necessary and appropriate for the Board to demonstrate an effective supervisory function as required of a financial holding company tasked with the management of the Group. In determining the number of directors, due consideration is also given to ensuring diversity and expertise among directors.

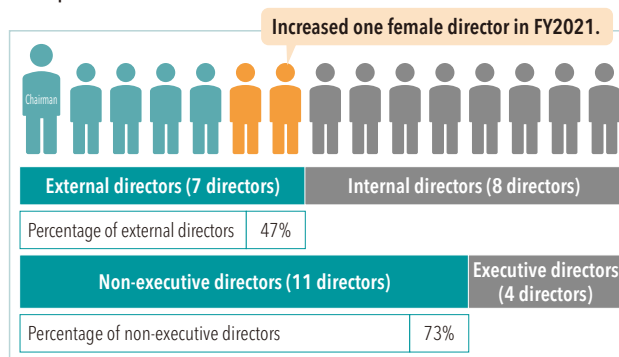
In light of the importance of the functions of external directors in corporate governance, as a general rule, at least one third of the directors on the Board of Directors are independent external directors. The Board of Directors establishes and discloses Independence Standards of Independent Directors.

When deciding on director candidates, we nominate those who have considerable insight and extensive knowledge of corporate management, financial accounting, legal affairs, risk management, and compliance to address the Company's priority issues (materiality), as well as skills unique to the trust

business that can encourage the creation of new value, sustainability, and IT, digital technology and others in so-called creative fields*. We endeavor to ensure the diverse and balanced composition of the Board suitable for appropriately overseeing the broad range of a trust bank group services, and offering astute opinions and advice.

*As of July 2022

Composition of the Board of Directors



- All seven external directors have been registered as independent officers with the relevant securities exchange.
- Of the 15 directors, 13 are male and two are female (shown in orange above).
- 16 Board of Directors meetings were convened during the period from July 1, 2021 through June 30, 2022. There were only two occasions on which one of two directors was absent.

(3) Chairman of the Board of Directors (External Director)

While a "company with Three Committees" is, in principle, able to delegate important business execution decisions to executive officers, the Board of Directors is required to exercise a greater supervisory function. In light of the role expected of the Board of Directors, SuMi TRUST Holdings has appointed Mr. Isao Matsushita, an external director, as chairman of the Board of Directors.

In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, thereby providing information for use in the selection of agendas for Board of Directors meetings, and offering assistance regarding matters such as the clarification of points related to the agendas of Board of Directors meetings.

External Directors' Meeting

To further improve the effectiveness of corporate governance, external directors' meetings*, which are attended exclusively by external directors, are held regularly.

These meetings, at which external directors engage in active and unrestrained discussions and share information and awareness from independent and objective positions, help foster a relationship of trust among the external directors and strengthen the supervisory function of the Board of Directors.

At the external directors' meetings held in FY2021, taking the results of the Evaluation of the Board of Directors and other factors into account, the external directors discussed, among other matters, operational improvements and topics for future discussion at the Board of Directors meeting, and then offered recommendations to the executive.

* Voluntary meetings organized by the external directors and not prescribed in any of the Company's regulations.

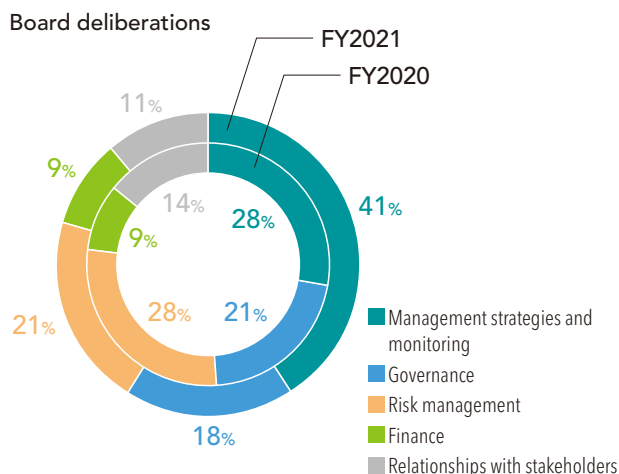
4. Deliberations by the Board of Directors

(1) Board deliberations and main topics of discussion

The deliberations of the Board of Directors are based on an annual schedule formulated with reference to the Evaluation of the Board of Directors conducted every year. Accordingly, the topics discussed reflect changes in the internal and external operating environments.

In FY2021, the Board engaged in discussions about key topics from both offensive and defensive points of view with the aim of increasing corporate value and the amount of time it spent deliberating issues related to management strategies and monitoring, such as medium- to long-term management issues and strategies, increased from the

previous year. Even though the Board discussions regarding risk management and governance topics decreased compared to the previous year, it continued to deliberate on the visualization of business processes and the development of risk maps in order to improve service quality which is the source of a trust bank group's strength. It also continued to discuss ways to further enhance the effectiveness of the internal control system and governance on a Group-wide basis. As such, the time spent discussing these topics was roughly the same as in FY2019 (23% for risk management and 15% for governance in FY2019).



Main topics discussed by the Board in FY2021

Subject	Topics
Management strategies and monitoring	<ul style="list-style-type: none"> Materiality management Business portfolio analysis and allocation of management resources Integrated framework of financial and non-financial issues
Governance	<ul style="list-style-type: none"> Enhancement of succession plans Enhancement of group governance Monitoring of strategic shareholdings
Risk management	<ul style="list-style-type: none"> Penetration and firm establishment of risk culture and compliance awareness Enhancement of cybersecurity and risk management structure Measures aimed at improving service quality
Finance	<ul style="list-style-type: none"> Capital policy (including financial and non-financial) and shareholder returns policy
Relationships with stakeholders	<ul style="list-style-type: none"> Sustainability and climate change policies Stepped-up engagements and measures for achieving well-being Fiduciary duties and customer satisfaction promoting strategies

(2) Discussions of management themes

With a view to determining the Group's basic management policy and medium- to long-term strategies, the Board of Directors selects management materiality issues and other management themes from a medium- to long-term point of view, as management themes, and deliberates them. The external directors of SuMi TRUST Bank also participate in deliberations on management themes as Board meeting observers, not for the purpose of reaching conclusions, but to enhance Board deliberations with their viewpoints and opinions through free and open discussion.

This fiscal year, the focus of discussions was on the Group's business portfolio. Continuing dialogue through

supervision and execution, it discussed what our business portfolio should be, after examining the perspectives of the Group's positioning in light of the market structure and competitive environment, while reviewing the state of the financial industry, the perspectives of non-financial resources including the power of trusts, and the perspectives based on the highly uncertain environment including digitalization and increasingly complex social issues. These kinds of discussions mean we can identify strategic areas of focus through surveying our business portfolio over the medium-to-long term to generate value for stakeholders by balancing the creation of both social and economic value.

5. Board Evaluation

Every year we conduct an evaluation of the Board of Directors and try to enhance its effectiveness through making the PDCA cycle work by considering and adopting measures aimed at improving issues identified in the evaluation.

*Please refer to the link below for a summary of the results of the evaluation of the Board of Directors in fiscal year 2021.

https://www.smth.jp/english/-/media/th/english/about_us/management/governance/pdf/e_evaluation.pdf

6. Committees

To ensure the effectiveness of corporate governance and further enhance the soundness and reliability of the Group's business model, as well as the transparency of management, we have established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors to complement the three committees required under the Companies Act, namely, the Nominating Committee, the Compensation Committee, and the Audit Committee.

Every year, each committee conducts a self-evaluation in an effort to improve its autonomous management by considering and adopting measures aimed at improving issues identified in the evaluation. The results of the self-evaluations are reported to the Board of Directors in April for deliberation.

(1) Nominating Committee

The Nominating Committee makes decisions on the details of proposals concerning the appointment and dismissal of directors for submission to the General Meeting of Shareholders and responds to enquiries from the Board of Directors about the management team succession plan and the appointment and dismissal of executive officers, including the president, and then deliberates on such matters before reporting back to the Board. It also conducts the same for the appointment and dismissal of directors, including the president, of SuMi TRUST Bank, and the appointment and dismissal of directors of Sumitomo Mitsui Trust Asset Management.

(2) Compensation Committee

The Compensation Committee prescribes policy regarding decisions on the content of compensation for individual executive officers and directors, and determines the content of compensation for individual executive officers and directors, in accordance with this policy. It receives requests for consultation regarding policies on decisions on the content of compensation for individual directors, etc. from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management, and deliberates and reports on these matters.

(3) Audit Committee

The Audit Committee audits the execution of duties by executive officers and directors and prepares audit reports. It determines the content of proposals regarding the election and dismissal of a financial auditor, and regarding refusals to reappoint a financial auditor that are submitted to the General Meeting of Shareholders. In order to fulfill its role and responsibilities, the Audit Committee appropriately exercises its authority to investigate the status of business and the assets of companies belonging to SuMi TRUST Group. It appropriately utilizes the internal control system of SuMi TRUST Group, and systematically and efficiently conducts audits by receiving reports from executive officers, directors, and a financial auditor, and through communications with these individuals.

(4) Risk Committee

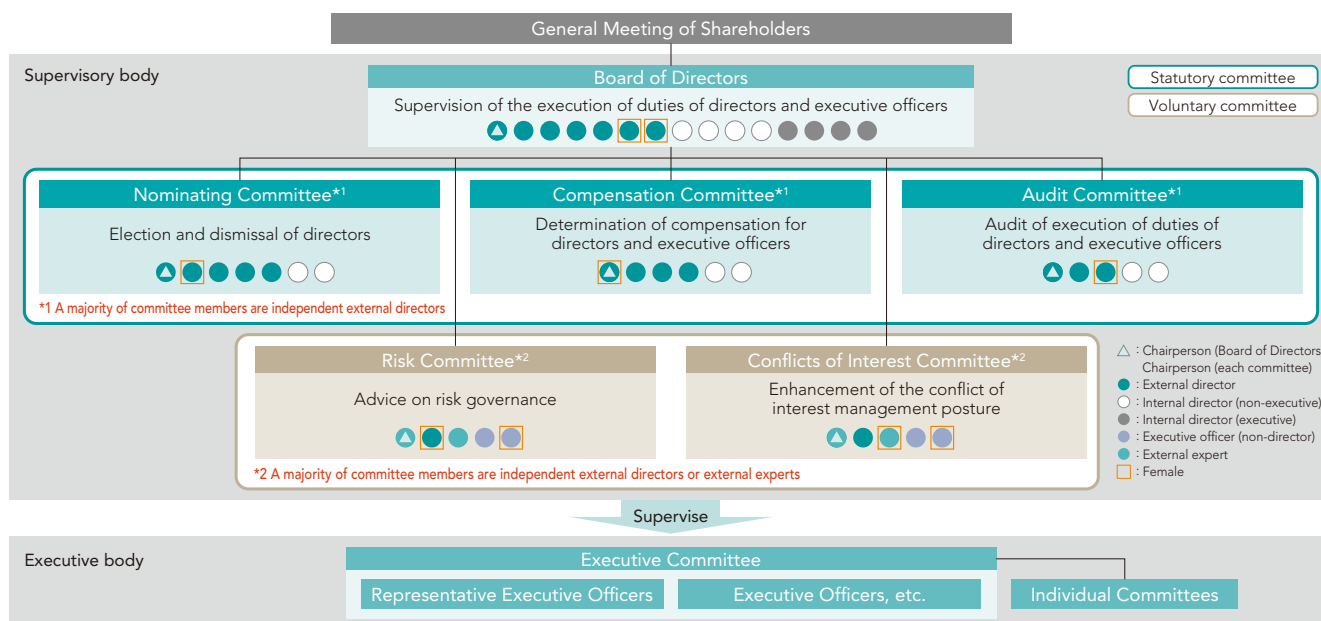
The Risk Committee receives requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding SuMi TRUST Group, top risks, and materiality, and (ii) matters concerning the operation of its risk appetite framework, and monitoring of the effectiveness of the internal control system related to its risk management and compliance management, and reviews and reports on their appropriateness.

(5) Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on (i) matters concerning the validity of the conflict of interest management posture of SuMi TRUST Group, (ii) matters concerning the effectiveness of conflict of interest management, client explanation management, and client support management of SuMi TRUST Group, as well as the enhancement of their posture, (iii) matters concerning Policies regarding the Fiduciary Duties of SuMi TRUST Group and the action plans of each Group company, and (iv) particularly important matters concerning the conflict of interest management and the dissemination of fiduciary duties in SuMi TRUST Group and other matters, and reviews and reports on their appropriateness.

Corporate Governance

Corporate Governance System



	Main matters of deliberation in FY2021*1	Matters for consultation posed by the Board of Directors in FY2022*2, 3
Nominating Committee	<ul style="list-style-type: none"> Proposed director candidates for the Company and major subsidiaries Further refinement of succession plans and processes 	<ul style="list-style-type: none"> Succession plans and refinement of skill matrix
Compensation Committee	<ul style="list-style-type: none"> Compensation for directors and executives by verifying levels and structures based on comparative analysis of compensation survey information 	<ul style="list-style-type: none"> Examination of executive compensation system reflecting stakeholder-oriented approach
Audit Committee	<ul style="list-style-type: none"> Key audit items, including progress on the Medium-Term Management Plan, development and operation of the Group's internal control system, and management of financial reporting and disclosures 	<ul style="list-style-type: none"> Monitoring of process for formulating the next Medium-Term Management Plan Enhancement of Group internal control system
Risk Committee	<ul style="list-style-type: none"> Appropriateness of the Group's risk management posture Measures for fostering and instilling a risk culture Initiatives pertaining to risk management given the recent external environment 	<ul style="list-style-type: none"> Connecting materiality management and risk management Enhancement of risk governance in Group management Strengthening and improving resilience Risk management in accordance with a trust bank group characteristics
Conflicts of Interest Committee	<ul style="list-style-type: none"> Development of the posture of conflict of interest management and client protection management concerning Group and business expansion Raising awareness about, and practicing, Group fiduciary duties 	<ul style="list-style-type: none"> Group management of conflicts of interest in light of next Medium-Term Management Plan Clients' best interests which a trust bank group can provide

*1 July 2021 through June 2022

*2 July 2022 through June 2023

*3 For the Audit Committee, audit instructions from the Board of Directors