

# Results (Outline) of the Evaluation of the Board of Directors in FY2022



November, 2023

## Initiatives for evaluating the effectiveness of the Board of Directors

### Towards greater Board effectiveness

- Sumitomo Mitsui Trust Holdings conducts annual evaluation of the effectiveness of the Board of Directors as a whole (hereinafter, the “Evaluation of the Board of Directors”), and reviews and also implements remedial measures for the issues derived therefrom, whereby a PDCA cycle is activated for improving the effectiveness of the Board of Directors. (Fig. 1,2).)

In the Evaluation of the Board of Directors in FY2022, assessments were conducted from multiple angles ;

- (1) Self-evaluation by the Board of Directors
- (2) the Board of Directors’ evaluation of each committee
- (3) each committee’s self-evaluation
- (4) executive officers’ evaluations of the Board of Directors
- (5) Self-assessment of individual Directors
- (6) Self-assessment of individual Executive officers

In conjunction with these evaluations, we undergo reviews by a third-party organization (external consultants) to receive verification from different perspectives and gain new insights before conducting our own self-evaluations. (Fig. 3).

## Multifaceted evaluation of the Board of Directors

Fig. 3: Board of Directors evaluation framework

Assessing what? \ Who?		Who?		
		Directors	Committee members	Executive officers
Meeting body assessment	Board of Directors	(1)	—	(4)
	Committees	(2)	(3)	—
Self-assessment	As directors	(5)	—	—
	As executive officers	—	—	(6)
Interviews		○	—	—

## Cycle of sustained function improvements and effectiveness evaluation process

Fig. 1: Board PDCA cycle

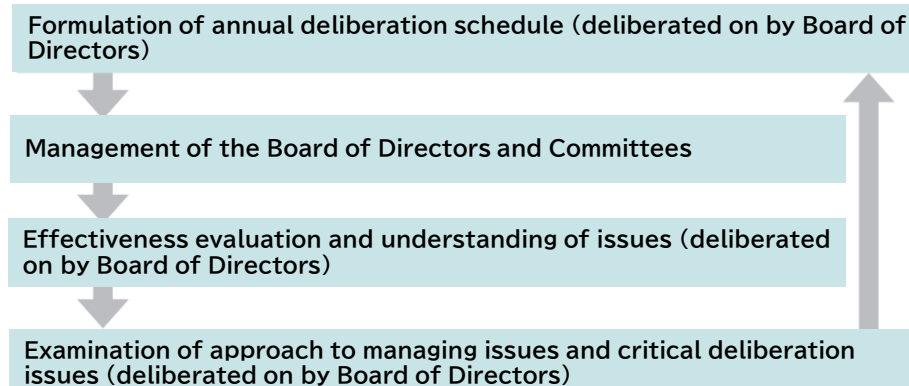


Fig. 2: Evaluation schedule

Month/Year	Evaluation Process
January to February 2023	Third-party organization (external consultant) conducted a survey to the directors and executive officers. Members of each committee were surveyed.
February to March 2023	Directors were interviewed by the third-party organization (external consultant)
April 2023	The Board of Directors deliberated the results of the evaluation of the Board of Directors.
May 2023	Areas of greater focus for future deliberations were discussed by the Board of Directors.
June 2023	Annual deliberation schedule for the Board of Directors was formulated.
July 2023	Annual deliberation schedule for each committee was formulated based on the matters for consultation raised by the Board of Directors.

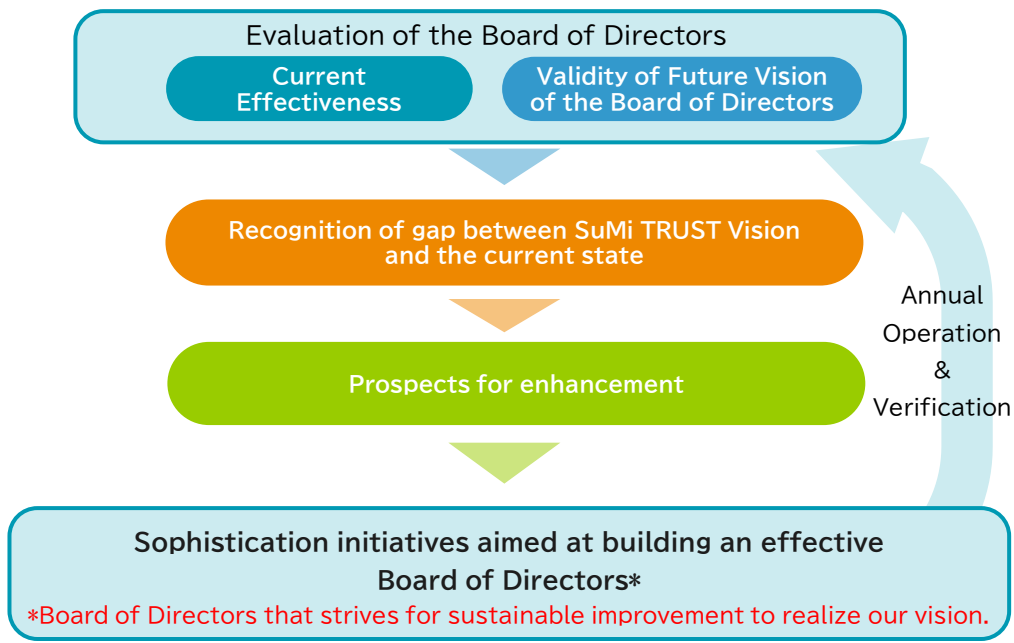
## Broad outline

### Outline of the Evaluation of the Board of Directors

- In the Evaluation of the Board of Directors in FY2022, SuMi TRUST Holdings conducted the evaluation of the effectiveness of the Board of Directors and each committee as follows, upon conducting questionnaires and interviews covering 115 items, keeping in mind the results of the “Third party Evaluation” conducted by external consultant.(Fig. 1).

### Key points of evaluation this fiscal year

- Based on “Future vision of the Board of Directors” (see the following page) established from last year’s Evaluation of the Board of Directors, in FY2022, we defined SuMi TRUST Holdings’ effective Board of Directors as being one that “strives for sustainable improvement to realize our vision.” In addition to a question to verify the Board’s current effectiveness, we then established questions to confirm that issues which may hinder the realization of the vision are being recognized and areas of improvement are being identified, and began seeking out the path that would advance us on our road to the vision based on the understanding of the gap between the current reality and our objective.



## Ensuring an exhaustive evaluation

Fig. 1: Evaluation outline

<b>Bodies to be evaluated</b>	The Board of Directors, Nominating Committee, Compensation Committee, Audit Committee, Risk Committee, Conflicts of Interest Committee			
<b>Respondents</b>	Directors, executive officers, and members of each committee			
<b>Methods of inquiry</b>	1) Questionnaires to directors, executive officers, and members of each committee (5-point scale multiple choice questions and descriptive questions) 2) Interviews with directors by a third-party organization			
<b>Evaluation items</b>	①	Future vision of the Board	2 items	Free-form response
	②	Roles and functions of the Board (including self-assessment of individual Directors)	17 items	Purpose, stakeholders, sustainability, management strategies, internal controls
	③	Framework of the Board	10 items	Composition, liaison, acceptance, training opportunities
	④	Operation of the Board	2 items	Evaluation of the Board, operations
	⑤	Executive accountability	6 items	Reflection, explanation, documentation, etc. of proposals made by the Board
	⑥	The demonstration of functions of each committee	7 items	The demonstration of functions/utilizing proposals
		Self-assessment items for the following committees are also evaluated		
		Nominating Committee	12 items	
		Compensation Committee	12 items	
		Audit Committee	24 items	
Risk Committee		12 items		
Conflicts of Interest Committee	10 items			
⑦	Items concerning themes for deep deliberations at the Board of Directors	1 item	Free-form response	
<b>Total</b>		<b>115 items</b>		

\*Executive officers evaluated 16 items among 1) through 6) of the evaluation items concerning the Board of Directors.

## Future vision of the Board

### “The Board of Directors of Stakeholderism“

- As a result of the deliberations on Future vision of the Board conducted during through the FY2021 evaluation of the Board of Directors, the role of the corporation has been redefined as an entity that builds prosperity under the framework of sustainable society. As such, our Board of Directors has confirmed that it will put stakeholders first, focusing its discussions on themes important to the governance of SuMi TRUST Holdings and its group companies in order to fulfill our fiduciary to the Group’s diverse stakeholders.

### Reference: Future vision of the Board — putting stakeholders first

**Framework for the Board to Fulfill our Functions**

Category		Future vision of the Board	
(1)	Goals	<ul style="list-style-type: none"> <li>Realizing "Purpose"</li> <li>Fair capital allocation to stakeholders (capital agenda)</li> <li>Sustainability as a corporation ⇒Gaining the trust of all stakeholders as a fiduciary</li> </ul>	
(2)	Output	<ul style="list-style-type: none"> <li>Improving the quality of important decision-making</li> <li>Supervising execution of important business matter</li> </ul>	<ul style="list-style-type: none"> <li>*Important decision-making (determining a basic management policy)                             <ul style="list-style-type: none"> <li>Purpose/materiality/value creation process</li> <li>Policy on establishing desirable stakeholder relationships</li> <li>Medium- to long-term management strategies</li> <li>Basic policy on internal controls</li> </ul> </li> </ul>
(3)	System	<ul style="list-style-type: none"> <li>Organizational structure to enhance the quality of important decision-making and monitoring function</li> <li>Stakeholder-oriented mindset and skills for addressing issues of materiality</li> </ul>	
(4)	Input	<ul style="list-style-type: none"> <li>Autonomous management</li> <li>Accountability for the Board</li> </ul>	<ul style="list-style-type: none"> <li>*Accountability                             <ul style="list-style-type: none"> <li>Business activities and value creation</li> <li>Business portfolio/capital allocation</li> <li>Internal controls</li> <li>Establishment of desirable stakeholder relationships</li> </ul> </li> </ul>

# Results of the Evaluation of the Board of Directors in FY2022 (verification of measures to address issues)

## Measures to address the issues recognized Through the Evaluation of the Board of Directors in FY2021

### Promote initiatives to address issues recognized in the previous fiscal year

- The issues recognized in FY2021 evaluation of the Board of Directors are as follows.

#### 【Issues recognized at the Board of Directors in FY2021】

- Enhancement of discussions towards the formulation of the next Medium-Term Management Plan (Group management strategy and improvements in allocation of managerial resources in line with that strategy)
- Further improvements in Group governance functions by the Board of Directors in consideration of the characteristics of each group companies
- Fruitful discussions more focused on various stakeholders

- In FY2022, the Board endeavored to improve its effectiveness by addressing the issues above and by adopting the measures shown in Fig. 1.

## Using FY2022 evaluation to verify measures for addressing the above issues

### Confirmed certain improvements in issues from last fiscal year

- Certain improvements in the issues concerning the Board of Directors and each committee recognized last fiscal year were confirmed after assessing the answers to questions relating to the above activities in FY2022 evaluation, and by verifying the measures taken thus far by surveying the directors in the form of questionnaires and interviews.

\*Abbreviations used to denote major subsidiaries  
 ・SuMiTB → Sumitomo Mitsui Trust Bank, Limited  
 ・SuMiTAM → Sumitomo Mitsui Trust Asset Management Co., Ltd.  
 ・NAM → Nikko Asset Management Co., Ltd.

## Reference: Improving effectiveness with initiatives designed to address issues

Fig. 1: Initiatives to address the issues and verification by the Evaluation of the Board of Directors

1)	Item
Issue	Enhancement of discussions towards the formulation of the next Medium-Term Management Plan (Group management strategy and improvements in allocation of managerial resources in line with that strategy)
Measures and evaluation	The next Medium-Term Management Plan was formulated as medium-term goals for reaching our future vision for 2030. Based on that, we confirmed improvements in our evaluation by conducting analyses of competitiveness and profitability, then harnessing the results of those analyses, and enriching the discussions regarding resource allocation for each business, and business strategies for key strategic areas.
2)	Item
Issue	Further improvements in Group governance functions by the Board in consideration of the characteristics of each group companies
Measures and evaluation	In consideration of the impact of each subsidiary on Group and the sophistication of group company's governance and internal control systems, the Board coordinated a group governance policy of group companies, and has worked to enhance group governance through visualizing and regular monitoring-business from the perspectives of both business and administration, and through engaging in dialogue with top level management personnel at each group company. In addition, we evaluated the Board of Directors at each of the major subsidiaries (SuMiTB, SuMiTAM, NAM) and deliberated the results within each subsidiaries' Board of Directors to enhance autonomous PDCA management at each, and improve monitoring functionality over the major subsidiaries. These efforts allowed us to confirm improvements in our evaluation.
3)	Item
Issue	Fruitful discussions more focused on various stakeholders
Measures and evaluation	In order to realize "the Board of Directors of Stakeholderism", as laid out in the FY2021 Evaluation of the Board of Directors, we deepened discussions on resource allocation and enhanced our deliberations in FY2022 on IR policy including dividend payout, the best benefit of our clients, the allocation of human capital, our response to climate change, and other topics connected to maintaining a desirable relationship with our diverse stakeholder. We were able to confirm that our evaluation has improved.



## Results of the Evaluation of the Board of Directors in FY2022

### Summary of evaluation results

- In FY2022, the Board of Directors was able to confirm the steady progress towards realizing Future vision of the Board through deepening discussions with the executive side about formulating the Medium-Term Management Plan, managing internal controls throughout the Group and implementing supervision based on those controls, and enhancing efforts to establish agendas and engage in discussions that recognize our relationships with our diverse stakeholders.
- In the Evaluation of the Board of Directors for FY2022, the Board of Directors confirmed that the content of the deliberations has been enhanced and the supervisory function has been strengthened as a result of the Board of Directors and each committee being operated with an awareness of our respective objectives, and that a certain level of effectiveness had been ensured.

## Issues to address to improve effectiveness

### The issues recognized

- Through evaluating the Board of Directors, we confirmed that the Board is effective to a certain extent; however, the Board and each committees also recognized that in order to realize Future vision of the Board, improvements and enhancements must be made regarding the below issues, and we will strive to work towards managing these issues.

#### [Issues that are recognized in FY2022 evaluation of the Board of Directors]

- Deliberation on business portfolios for improved profitability and growth capabilities of business strategies.
- Organic collaboration with the subsidiaries and affiliates, and discussions to realize the Group strategy based on the collaboration.
- Enhanced discussions in light of expectations from various stakeholders.

### Topics of discussion for the Board of Directors next fiscal year

- For the next fiscal year, considering the above issues to deepen discussion into allocation of managerial resources based on analyses of our business portfolio in order to steadily execute the Medium-Term Management Plan. To that end, we will also deliberate the themes delineated in Figure 1 from both aggressive and defensive perspectives, with a view to discussing Group management and expanding accountability to our stakeholders.

## Initiatives going forward

### Towards further improvements in effectiveness

- In pursuing sustainable growth and the medium- to long-term enhancement of corporate value, SuMi TRUST Holdings is committed to further improving the effectiveness of the Board of Directors and each committee by continuously implementing the PDCA cycle through the evaluation of the Board of Directors.

### Reference: Reflecting issues in Board discussions next fiscal year

Fig. 1: Examples of FY2023 deliberation topics

Theme Category	Main Topics
Purpose/materiality/ value creation process	<ul style="list-style-type: none"> <li>·Instilling Purpose throughout the Group</li> <li>·Enhancing well-being</li> </ul>
Relationships with stakeholders	<ul style="list-style-type: none"> <li>·Corporate Branding Strategy</li> <li>·Policy on establishing desirable stakeholder relationships (sophistication of disclosure)</li> <li>·Promoting sustainability</li> <li>·DE&amp;I penetration</li> </ul>
Management strategy/resource allocation	<ul style="list-style-type: none"> <li>·Analyzing the business portfolio and allocating resources</li> <li>·Enhancing human resource portfolio management</li> </ul>
Group governance/internal control	<ul style="list-style-type: none"> <li>·Sophistication of Group corporate governance</li> <li>·Improving global risk management systems</li> </ul>