

Sumitomo Mitsui DS Asset Management (SMDAM) exercises voting rights for global equities with the aim of maximizing long-term and sustainable shareholder value through the realization of sound and effective governance. We expect this to be achieved through transparency, independence, and appropriateness in decision-making processes, information disclosure, and governance, as well as through responsiveness to shareholder concerns.

1. Operational Items

(1) Basic Approach: We will generally vote for proposals that contribute to the smooth operation of the company, provided that they do not unduly restrict shareholder rights.

2. Audit and Financial Items

(1) Basic Approach: The reliability of financial reporting, audit independence, and the appropriateness of shareholder returns form the foundation of shareholder value. We verify that decision-making regarding these matters is highly transparent and based on objective criteria.

- ① Approval of Financial Statements: We generally require that the company has received an "unqualified opinion" from the external auditor and verify that there are no material uncertainties regarding the going concern assumption.
- ② Appointment of Auditors: We evaluate the independence, expertise, and reasonableness of fees.
- ③ Allocation of Income: We evaluate whether the dividend policy is appropriate given the company's financial position and growth opportunities.

3. Board of Directors

(1) Basic Approach: We evaluate directors on an individual basis, placing importance on independence, qualifications, and accountability.

(2) Assessment of Nominees: Experience and expertise, independence, overboarding (number of board seats), and contribution to corporate strategy, etc.

(3) Independence Criteria: Independence from management, material business partners, family members, etc.

(4) Board Composition:

- ① Overall Board: We recommend that independent directors comprise a majority of the board.
- ② Key Committees: We recommend that the Audit, Compensation, and Nomination Committees be composed entirely of independent directors.
- ③ Separation of Chair and CEO: We recommend that the roles of CEO and Chair of the Board be separated.
- ④ Diversity and Skills: We emphasize ensuring that the board secures diverse perspectives and skills, including professional expertise.

(5) Accountability: Attendance, overboarding, accountability for performance, responsiveness to shareholders, and oversight responsibility regarding material sustainability issues, etc.

4. Compensation Proposals

(1) Basic Approach: We support compensation plans that are appropriately designed and set at reasonable levels. However, we will rigorously evaluate compensation practices that lack alignment with shareholder value, such as the following:

- ① Excessive compensation structures not linked to performance
- ② Repricing of stock options without shareholder approval
- ③ Compensation structures that encourage inappropriate risk-taking
- ④ Absence of clawback and malus provisions

(2) Director Compensation: We consider transparency and consistency with company size, industry standards, and market norms.

(3) Equity-based Compensation: We consider the link to performance, appropriate dilution levels, and whether the design promotes long-term value creation.

5. Capital Structure and Share Issuance

(1) Basic Approach: We support capital policies based on appropriate terms, while remaining concerned about excessive dilution of shareholder value.

(2) Share Issuance: We evaluate the reasonableness of pricing, the clarity of the use of proceeds, and the appropriateness of disclosure.

(3) Share Repurchase: We consider appropriate market conditions, consistency with the company's financial position, and the balance with growth investment.

6. Amendments to Articles of Incorporation/Association

(1) Basic Approach: We generally support administrative and technical amendments, but we carefully evaluate any amendments that restrict shareholder rights.

(2) Supported Amendments: Compliance with laws and regulations, technical corrections, operational efficiency, etc.

(3) Amendments of Concern: Significant restrictions on shareholder rights, regression in corporate governance, inappropriate takeover defenses, etc.

7. Related-Party Transactions

(1) Basic Approach: We assess these on a case-by-case basis to verify that the terms are equivalent to those of independent third-party transactions (arm's-length) and that appropriate procedures have been followed.

(2) Evaluation Criteria:

- ① Fairness of transaction terms (arm's-length)
- ② Commercial rationale
- ③ Appropriate evaluation procedures by independent directors
- ④ Sufficient disclosure and transparency

8. Mergers, Acquisitions, and Corporate Restructuring Proposals

(1) Basic Approach: We make comprehensive judgments from the perspective of maximizing shareholder value.

(2) Evaluation Perspectives:

- ① Valuation
- ② Market reaction
- ③ Strategic rationale
- ④ Negotiations and process
- ⑤ Conflicts of interest
- ⑥ Governance

9. Shareholder Proposals

(1) Basic Approach: We make comprehensive judgments from the perspective of maximizing shareholder value.

(2) Sustainability-related Issues: In making judgments, we consider the company's current response to the issue raised, whether the proposal is unduly burdensome or overly prescriptive (imposes constraints on action), and the scope of information disclosure.

[Factors Considered in Judgment]

In making judgments on each item, we comprehensively consider the following factors:

- Company-specific circumstances (industry characteristics, growth stage, regional characteristics)
- Market environment and competitive situation
- Past track record and efforts for improvement
- Status of engagement with investee companies
- Legal and regulatory environment

These guidelines outline our basic approach to voting. Individual proposals will be judged based on the specific circumstances.

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