



# Human Rights Report

- 2023/6 -

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# CEO Message



Global warming, human rights violations, and the widening of poverty and inequality. Due to the prioritization of economic activities on a global scale, creating social value has been put aside, which in recent years has become apparent as an issue in our society. Addressing these issues has become a major theme in corporate management. Nowadays, creating social value has become increasingly important in addition to economic value, and we believe that companies that cannot create social value will lose their right to pursue economic value. This fiscal year, SMBC Group has established social value creation as one of its new management pillars under our new medium-term management plan, "Plan for Fulfilled Growth." As corporate citizens, we aim to contribute to "Fulfilled Growth," where people can live in happiness, by leading to resolve social issues as well as pursuing economic growth.

To contribute to such "Fulfilled Growth," we have repeatedly debated among the management team, taking into account the opinions of employees and experts, and have identified five new "Priority Issues (Materiality)" for SMBC Group: environment, DE&I and human rights, poverty and inequality, declining birthrate and aging population, and Japan's regrowth. The importance of DE&I and respect for human rights is universal, but it has become even more so in recent years due to society diversification and the globalization of supply chains. Moreover, we recognize that human rights, an inherent right based on the dignity of all people, is an essential prerequisite for people to live in happiness, just like protecting the Earth's environment.

Based on this understanding, SMBC Group will fulfill our responsibility to respect the human rights of all stakeholders, including customers, suppliers, employees, and investors. In doing so, we identify the various negative impacts we may have on the rights of our stakeholders and strive to prevent, mitigate, and remedy them. Fulfilling our responsibility through these efforts will lead to gaining trust from society, as well as ultimately contributing to the improvement of our corporate value and creating a positive impact on society.

# CEO Message

There are two keywords that I recognize as important in fulfilling our responsibility to respect human rights.

The first is "employees." When managing a financial group, the most important resource is the "people." For employees, their company is one of the most important places in which they fulfill their lives. As CEO, I recognize that it is my important responsibility to provide an environment /workplace for each employee to perform at their best, and to bring out their individual ability to the fullest. SMBC Group consists of several group companies with distinct personalities, and over 110,000 diverse employees are working in about 40 countries and regions worldwide. To create a virtuous cycle in which these employees can play an even greater role and take on the challenge of creating new social value, we will firmly advance our efforts towards true DE&I and respect for human rights, such as diversifying our management team, promoting women's empowerment, complying with laws and regulations, and preventing harassment.

The second keyword is "node." SMBC Group plays the role of a "node," connecting more than 50 million individual and corporate customers in various regions and industries, both domestically and internationally, through finance. In recent times, as respect for human rights in the supply chain has become increasingly important, we recognize that the role SMBC Group should play as a global financial institution, and the opportunities for contributing to the world through respect for human rights, are expanding. We will appropriately put our effort into respect for human rights in the supply chain through initiatives such as conducting human rights due diligence in lending transactions and supporting customers' human rights issues through sustainable business.

Today, we have published our thoughts and efforts on respecting human rights for the first time in our 'Human Rights Report.' Moving forward, we will continue to engage with stakeholders and continuously enhance our efforts towards respecting human rights. By fulfilling our responsibility to respect human rights not only within our company but also throughout the entire supply chain, SMBC Group will pass on a fulfilled society to future generations.

Director, President and Group CEO  
Sumitomo Mitsui Financial Group





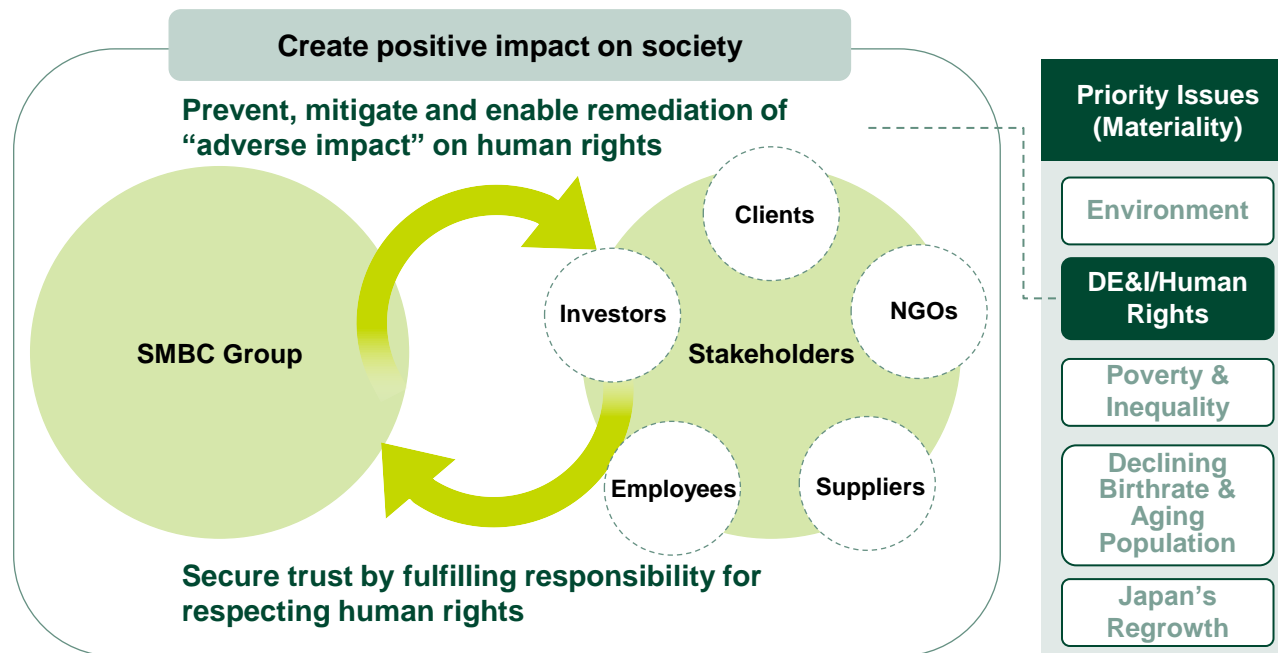
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## **SMBC Group and Human Rights**

# (1) Respect for Human Rights Concept

**SMBC Group commits to respecting human rights, working to prevent and mitigate any adverse impacts that could potentially affect the subjects of human rights, and simultaneously making a positive impact on society by enhancing our corporate value.**

- SMBC Group recognizes that respecting human rights is a responsibility that companies should fulfill. Since the United Nations adopted the 'Guiding Principles on Business and Human Rights' (hereinafter, UNGPs) in 2011, action plans have been developed, primarily in the US and countries in Europe, to ensure the steady implementation of the corporate responsibility to respect human rights as called for by the UNGPs. In Japan, the 'National Action Plan on Business and Human Rights' was formulated in October 2020, and further, in September 2022, 'Guidelines on Respecting Human Rights in Responsible Supply Chains' were published, showing the expectation for companies to respond to respecting human rights in accordance with the UNGPs.
- From the perspective of addressing human rights issues, it is essential for our group to act in accordance with the UNGPs, considering not only the adverse impacts we may have on the rights holders of human rights but also the effects on our group itself from various stakeholders. By doing so, we can contribute to transforming society for the better and passing on a fulfilled society to future generations. From FY2023, we also focus on 'human rights' as one of the Priority Issues (Materiality) for SMBC group, and strive to accelerate efforts to identify 'adverse impacts' related to human rights and to prevent, mitigate, and enabling remediation of them. We will also engage with our clients, suppliers, and others in this regard. In doing so, we will properly manage the risks associated with respecting human rights in our own group's management, secure trust from society, and work to enhance our own corporate value.
- By adopting this interactive approach that takes into account the risks related to human rights, SMBC Group will maximize its 'positive impact' on society and contribute to the realization of a sustainable society.



## (2) SMBC Group's Respect for Human Rights

**SMBC Group plans to fulfill its responsibility to respect human rights by respecting the human rights of its clients, suppliers and employees.**

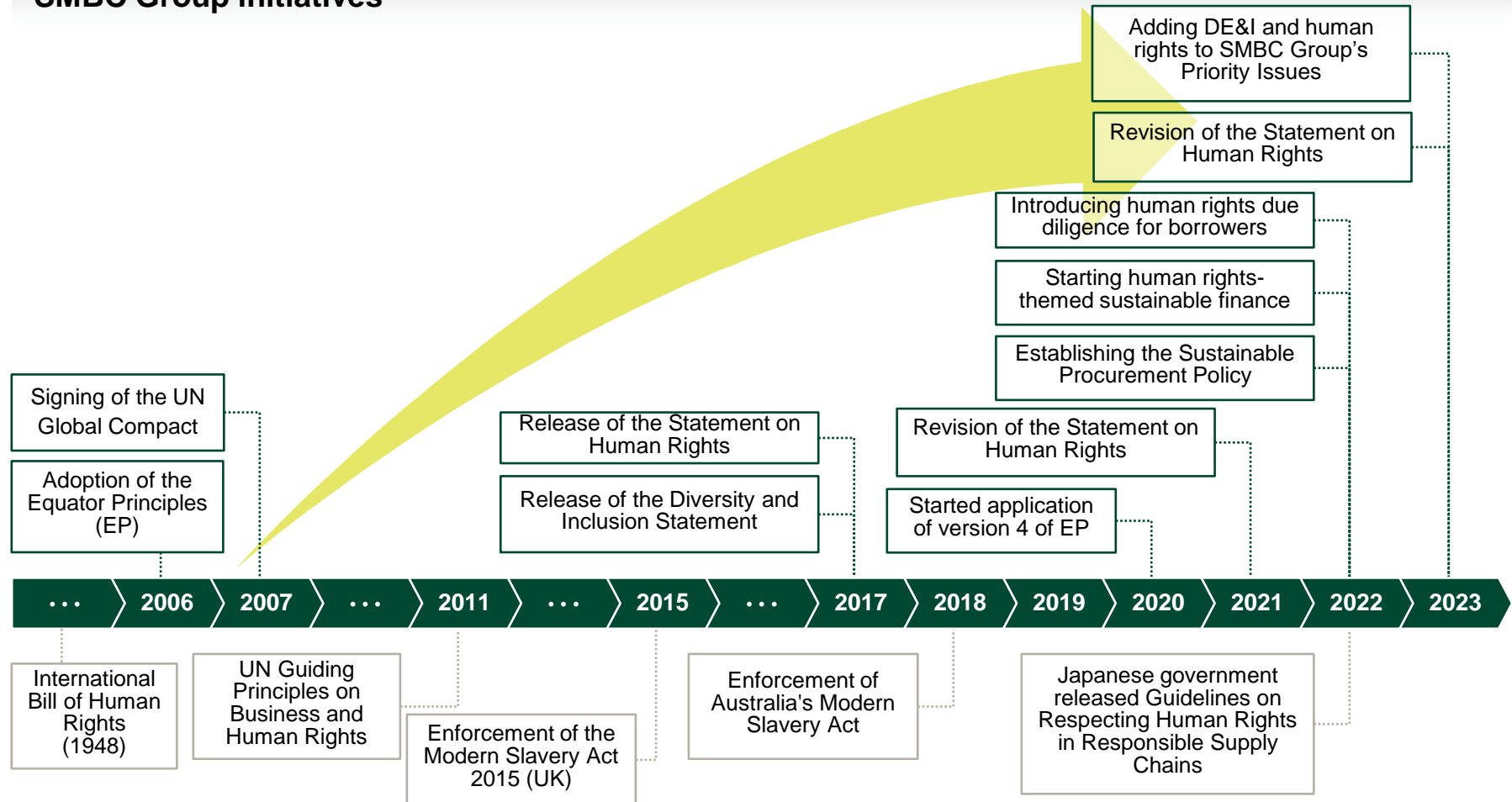
- SMBC Group at a minimum, commits to understand and respect internationally recognized human rights, such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We will also work to respect human rights based on international standards such as the UNGPs, the OECD Guidelines for Action on Multinational Enterprises and the ILO MNE Declaration on Multinational Enterprises, and the Government of Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains.
- SMBC Group respects, (1) as a provider of financial services, the human rights of clients and people who are impacted through transactions with clients, (2) as a procurer, the human rights of the employees of suppliers and people impacted through procurement, and (3) as an employer, the human rights of our own employees.



### (3) SMBC Group's History of the Respect for Human Rights

SMBC Group is making the respect for human rights the core of corporate activities and is enhancing its response by factoring in international trends as a global company.

#### SMBC Group initiatives



#### International trends





## 2

## Policy Commitment and Governance

# (1) Commitment to the Respect for Human Rights

In 2017, SMBC Group enacted the “Statement on Human Rights.” The statement expresses the group’s stance on human rights. The statement is continuously being reviewed, as it takes into account opinion exchanges with external experts and the status of the enhancement of initiatives related to the respect of human rights.

## Background on the enactment and revisions to the Statement on Human Rights

<b>2017 enactment</b>	We established a clear-cut declaration to protect and promote human rights, as indicated in the International Bill of Human Rights, and to eliminate any activities related to slavery, forced labor, human trafficking and child abuse from the group’s businesses and supply chain, in addition to addressing the Modern Slavery Act 2015 (UK).
<b>2021 revision</b>	<p>In response to the heightened expectations of stakeholders regarding the corporate responsibility to respect human rights, we referenced the UNGPs and made revisions focusing on the following.</p> <ul style="list-style-type: none"><li>• Clearly state the approval process and authority concerning the statement</li><li>• Clearly stipulate the establishment of certain standards to confirm the human rights considerations in financing transactions</li><li>• Strengthen grievance processing and remediation mechanisms</li></ul>
<b>2023 revision</b>	<p>Taking into account heightened expectations in the corporate responsibility for the respect of human rights, including the disclosure of the Guidelines on Respecting Human Rights in Responsible Supply Chains by the Japanese government, and enhancement of responses within SMBC Group, we made revisions focusing on the following.</p> <ul style="list-style-type: none"><li>• Strengthen the human rights due diligence system for financing transactions</li><li>• Bolster initiatives based on the Sustainable Procurement Policy</li></ul>

## Overview of the Statement on Human Rights

<b>Human Rights</b>	<ul style="list-style-type: none"><li>• We at a minimum, commit to understand and respect internationally recognized human rights, such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.</li></ul>
<b>Internal and External Communication</b>	<ul style="list-style-type: none"><li>• We announce this statement to our employees through training and they can browse our statement on the intranet.</li><li>• Our stakeholders can browse our statement on our website anytime.</li><li>• We seek suppliers’ understanding and cooperation on appropriate standards considered by us based on the statement.</li></ul>
<b>Roles and Responsibilities</b>	<ul style="list-style-type: none"><li>• This Statement has been reviewed and approved by the Executive Committee and the Board of Directors.</li></ul>

## Legal Compliance (Modern Slavery Act)

- In response to the Modern Slavery Act 2015 (UK) and 2018 (Australia), SMBC has published a “Slavery and Human Trafficking Statement”, which provides disclosure concerning our efforts to address the issues of slavery and human trafficking. SMBC Bank International, SMBC Nikko Capital Markets Limited, SMBC Aviation Capital, SMBC Leasing have published statements based on the Modern Slavery Act 2015 (UK).

([Slavery\\_and\\_Human\\_Trafficking\\_Statement\\_2022.pdf](#) ([smbc.co.jp](#))) 9

## (2) Internal Regulations Pertaining to the Respect for Human Rights

SMBC Group formulated the Statement on Sustainability as a basic principle in aiming to realize our Mission—"We contribute to a sustainable society by addressing environmental and social issues." In its statement, we emphasize our commitment to achieving sustainability by addressing human rights-related issues. Internal rules regarding environmental and social matters, including respect for human rights, have been consolidated and approved as the "Environmental and Social Framework" by the Management Committee. In addition, we established various regulations related to the respect for human rights for individual operations, centered around the Principles of Action on Compliance and Risk, which indicates the code of conduct for business activities.



### ① Statement on Human Rights

To commit SMBC Group's respect for human rights

### ② Sustainable Procurement Policy

Policy to promote responsible procurement activities

### ③ Policies for Specific Businesses and Sectors

Policies for businesses and sectors which are likely to have significant impacts on the environment and society

## Rules

### • Principles of Action on Compliance and Risk



- Basic Policy for Customer-Oriented Business Conduct
- SMBC Group Credit Policy
- Procedures for Environmental and Social Risk Assessment



- A manual on measure to prevent sexual and power harassment

- Diversity and Inclusion Statement
- Statement on Health Management



# (3) Statement on Human Rights (full text) (1/3)

## Introduction: Commitment to Respect Human Rights

SMBC GROUP's Management Philosophy stipulates that "we contribute to a sustainable society by addressing environmental and social issues". In recognition that respect for human rights is one of the key priorities for the business, SMBC GROUP has developed this "Statement on Human Rights" to demonstrate a continued commitment through the provision of information and exchanges of views from appropriate experts.

As a global financial group and a supporter of the United Nations Global Compact, SMBC GROUP strives to meet its responsibility to respect human rights in cooperation with suppliers and clients, and in dialogue and cooperation with relevant stakeholders.

## Basic views on efforts to respect human rights

SMBC GROUP at a minimum, commits to understand and respect internationally recognized human rights, such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. SMBC GROUP will also work to respect human rights based on international standards such as the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Action on Multinational Enterprises, the ILO MNE Declaration on Multinational Enterprises, and the Government of Japan's Guidelines on Respecting Human Rights in Responsible Supply Chains. We also draw on International Standard ISO 26000, the Guide to Social Responsibility, and the Children's Rights and Business Principles, developed jointly by UNICEF, the United Nations Global Compact and Save the Children. In light of this, the "Rules of Action" set forth in the "Principles of Action on Compliance and Risk," which is a guideline for risk management, including compliance by officers and employees, also stipulates that all employees respect the human rights of customers, suppliers and other employees, do not commit human rights violations, and do not tolerate any actions that lead to human rights violations. While laws and regulations may differ between countries or regions, SMBC GROUP seeks to respect principles of internationally recognized human rights while complying with local laws and regulations where it does business. With a view toward respecting internationally recognized human rights, SMBC GROUP will continue to engage in dialogue with stakeholders and work to develop and enhance a system of human rights due diligence in order to identify, prevent and mitigate the adverse impact of its business

activities on human rights. In cases where SMBC GROUP caused or contributed to a adverse impact on human rights, SMBC GROUP will endeavor to provide Access to Remedial Measures through appropriate means to mitigate and reverse such impact, and will also work with suppliers and clients to prevent and mitigate the adverse impact directly related to its business, products and services.

## Roles and Responsibilities

The Board of Directors maintains oversight over SMBC GROUP's human rights related activities and receives regular reporting on these efforts. This Statement has been reviewed and approved by the Executive Committee and the Board of Directors. The Corporate Sustainability Committee, which is chaired by the Group CEO, discusses matters pertaining to the spread of sustainability management, including efforts to respect human rights throughout the Group as well as measures necessary for promoting sustainability. Moreover, SMBC GROUP has established the Sustainability Committee as an internal committee of the Board of Directors. The Group CSuO and the Group CRO (Chief Risk Officer) will periodically report to the Sustainability Committee and the Risk Committee. We are continuously enhancing our corporate governance and management frameworks.

## Scope of Application of the Statement

This Statement expresses SMBC GROUP's position on human rights and applies to all companies within the Group. All directors, officers and employees shall abide by and act in line with the principles and behavior set out in this Statement. SMBC GROUP's customers, suppliers and all other relevant stakeholders are also expected to comply with this Statement.

## (3) Statement on Human Rights (full text) (2/3)

### Our Employees

SMBC GROUP believes that its employees should be treated fairly and with dignity and that it should strive to ensure that it provides a workplace free from any type of abuse of employees' human rights, including but not limited to forced labor, harassment and discrimination without distinction of any kind such as race, gender, sexual orientation, gender identity, religion, creed, national origin, disability, family status and birth status. SMBC GROUP ensures that its recruitment and career progression processes are free from any such discrimination. SMBC GROUP also respects freedom of association and the right to collective bargaining.

Where permitted by local laws, SMBC GROUP's employees are encouraged to identify and report immediately via SMBC GROUP's whistle-blowing program, without fear of retaliation, any conduct that the employee knows or reasonably believes would violate legal or regulatory requirements or ethical standards, which include, but are not limited to internal policies and guidance in relation to human rights.

Those who violate these laws, regulations, policies, and guidance may result in disciplinary action, up to and including dismissal.

### Our Clients

SMBC GROUP believes that it has an ethical responsibility to promote human rights by showing respect for human rights through its own behavior and by sharing its ethos with clients. SMBC GROUP commits to protect and respect customer privacy and strives to ensure that customers do not have an unintended adverse impact on human rights when providing products and services. In addition, SMBC GROUP will avoid business transactions if they are in conflict with SMBC GROUP's human rights responsibilities or if it is suspected that they could contribute to exploitative labor practices.

SMBC GROUP strives to know its clients to minimize the risk of SMBC Group's products and services being used for improper purposes such as the commission or facilitation of offenses, which can be associated with human rights violations.

In order to prevent its business activities, including investments and financing, from contributing to or being directly related to human rights violations, SMBC has been working to implement human rights due diligence procedures within its risk management framework, including identifying investments and loans with elevated human rights risks and conducting regular monitoring of those with high priority in order to prevent and mitigate human rights risks.

In SMBC GROUP's Group Credit Policy, which contains its overall financing policy, guidelines and rules, the Group declares not to extend any credit considered problematic in terms of public responsibility, or which may have a adverse impact on the environment. Also, SMBC GROUP is introducing policies for specific businesses and sectors that are likely to have significant impacts on the environment and society. In compliance with the Equator Principles, SMBC GROUP conducts due diligence when undertaking lending for the projects with certain level. SMBC GROUP also confirms appropriate risk mitigation measures, including human rights aspect, are taken by project operators based on dialogue with customers and external experts. In addition, SMBC GROUP requests that project operators obtain Free, Prior and Informed Consent (FPIC) from indigenous peoples impacted by the project and to give due consideration to working conditions of the project.

### Our Suppliers

SMBC GROUP commits to meet its responsibility to respect human rights in its supply chain.

SMBC GROUP has established the Sustainable Procurement Policy (Supplier Code of Conduct), which requires suppliers to comply with the laws and regulations applicable in the countries in which they operate, as well as to seek their understanding and cooperation on appropriate standards considered by SMBC GROUP.

## (3) Statement on Human Rights (full text) (3/3)

### Access to Remedial Measures

SMBC GROUP has systems in place (grievance mechanisms) through which various stakeholders can raise human rights issues associated with its business. Customers can contact SMBC GROUP through the call center, telephone, and website. Employees can raise their concerns via dedicated internal whistle-blowing channels. In such cases, anonymity of the whistleblower is duly protected to prevent any retaliation.

SMBC GROUP's customers can submit inquiries via the "Customer Opinion and Request", including any concerns regarding SMBC GROUP's products and services having negatively impacted their human rights. Issues raised will factor into considerations for improving business processes. When undertaking lending for the projects with certain level, project operators are required to establish grievance mechanisms for the affected communities and ensure user access.

### Education for Respecting Human Rights

SMBC GROUP provides its employees with training on human rights issues such as achieving equality in employment opportunities and promoting workplace diversity. Through such training, SMBC GROUP works to raise employees' knowledge on human rights so that they can engage with customers with enhanced human rights awareness.

### Understand and Disclose of Respecting Human Rights

SMBC GROUP is committed to communicating its efforts and progress on respecting human rights to its stakeholders through various channels, including its website.

### Continuing Commitment

SMBC GROUP recognizes that its responsibility on human rights continues to evolve as society's expectations on business respect for human rights also grows. SMBC GROUP is committed to an ongoing review and assessment of its business practices and approach on human rights in light of changing global circumstances.





## (4) Governance System for the Respect of Human Rights

SMBC Group aims to strengthen governance for the respect of human rights by newly incorporating “human rights” into the qualitative evaluation criteria for executive compensation.

Furthermore, we aim to reinforce initiatives, including human rights measures, by appointing an expert in sustainability to the position of Global Advisors.

### Incorporating “human rights” into executive compensation evaluations

- SMBC Group newly incorporated “human rights” into its qualitative evaluation items for non-financial indicators for stock-based compensation. Initiatives that do not show up in the quantitative evaluations are elements for consideration, including progress with human rights due diligence, and considerably unfavorable news that erodes the company's reputation.

<b>Base salary</b>	Fixed compensation	
<b>Bonus</b> • Cash • Stock Compensation Plan II	<b>Annual performance-linked (0-150%)</b>	
	<div> <div>Base amount</div> <div>×</div> <div> <div>Annual performance</div> <div>ESG evaluation</div> <div>Individuals' performance</div> </div> </div>	
	Quantitative	KPI achievement ±10%
	Qualitative	ESG rating of major agencies
<b>Stock Compensation Plan I</b>	<b>Medium-term performance-linked compensation (0-150%)</b>	
	<div> <div>Base amount</div> <div>×</div> <div> <div>Medium-term performance, etc.</div> <div>Financial Stock</div> <div>Non-financial</div> </div> </div>	
	Quantitative	<b>Environment</b> Sustainable finance Portfolio GHG emissions <b>Employees</b> Engagement score DE&I (diversity of core personnel) 15%
	Qualitative	Environment, employee, <b>human rights</b> , etc.
<b>Stock Compensation Plan III</b>	Promotion reward plan	

### Appointment of Global Advisor

- SMBC Group regularly holds “SMBC Group Global Advisory Meetings” as an advisory capacity to the Group Management Committee. In this context, we have appointed Mr. Paul Polman, former CEO of Unilever PLC, as an SMBC Group Global Advisor. Mr. Polman served as CEO of Unilever PLC from 2009 to 2019 and is a leading figure in the field of sustainability, promoting environmental and social initiatives through the United Nations Global Compact and numerous other organizations.
- At these meetings, in addition to information exchange related to matters such as changes in global trends, political and economic conditions in each region, and financial business trends, we regularly receive suggestions and advice from SMBC Group Global Advisors on top risks that SMBC Group should be aware of and the recognition of the environment when making strategic proposals. We aim to improve performance by receiving advice on SMBC Group sustainability initiatives, including respect for human rights.



~Main profile~

- ◆ Unilever CEO (2009-2019)  
Disclosed Unilever Sustainable Living Plan, and promoted sustainability initiatives.
- ◆ Vice Chair of the UN Global Compact Board (2018-present)  
Actively deploys SDG activities.



## (5) In-house Awareness Activities

SMBC Group is actively promoting human rights awareness so that all employees show respect for the human rights of clients, suppliers and other employees.

### System for Promoting Human Rights Awareness (SMBC)

#### Human Rights Awareness Promotion Committee

<b>Committee chairperson</b>	Director supervising the Human Resources Dept
<b>Vice chairperson</b>	General Manager of the Human Resources Dept
<b>Committee member</b>	General Managers designated by the chairperson

Secretariat

#### Office Human Rights Awareness Promotion Committee

<b>Committee chairperson</b>	General Managers
<b>Committee member</b>	Managements designated by the committee
<b>Training Officer</b>	Committee chairperson (eligible to temporarily undertake)

#### Purpose of Human Rights Awareness Promotion Committee (responsibility and role)

- Sumitomo Mitsui Banking Corporation is working to raise all employees' awareness about human rights in an initiative led by the Human Rights Awareness Promotion Committee chaired by the Executive Officer supervising the Human Resources Dept.
- The Human Rights Awareness Promotion Committee establishes basic policies on ways to promote human rights awareness for the entire bank.
- Also, it supports efforts by the Office Human Rights Awareness Promotion Committee of each department or branch to promote human rights awareness by designing training plans and helping related activities proceed smoothly.
- Every year SMBC conducts a human rights slogan contest for all employees, including Group companies, as a part of Human Rights Week.

### Human rights awareness training

#### 1. Human rights study group for employees (FY2022 results)

	Name of training	Target	Number of trainees	Content
<b>SMBC Group</b>	SMBC Group new recruit training	Full-time employees	1,099	Covering human rights issues overall
	Sustainability basics study group	All employees of SMBC Group (incl. overseas sites)	85,505	Held once (1) a year <sup>*1</sup>
<b>Sumitomo Mitsui Banking Corporation</b>	Human rights awareness department and branch promotion committee training seminar	(Domestic) All department heads/branch managers	Department heads/branch managers: 838 (Total viewers: 2,053)	Held once (1) a year, lecture conducted by an expert
	Department/branch human rights training	(Domestic) All employees	29,589 (2H)	Held twice (2) a year, based on a selected theme
	Compliance training (Business and human rights)	(Domestic) All employees	29,966	Held once (1) a year <sup>*2</sup>
	Training at the time of joining the bank, promotion and appointment	Applicable employees	764	Covering human rights issues overall

<sup>\*1</sup> Implemented for the purpose of understanding sustainability trends and SMBC Group initiatives (climate change issues, initiatives related to the respect for human rights, etc.)

<sup>\*2</sup> Deliver the training annually with the goal of disseminating the details related to "Business and Human Rights" and the "Statement on Human Rights"

#### 2. Human rights study group for executives

In FY2022, an external expert was invited to conduct a study group on "business and human rights" for SMBC Group Management Committee executives.

#### Themes covered at the human rights study group for executives

Business and human rights trends surrounding corporate supply chains

1. What are human rights?
2. International initiatives thus far (OECD, UN)
3. Recent trends in each country



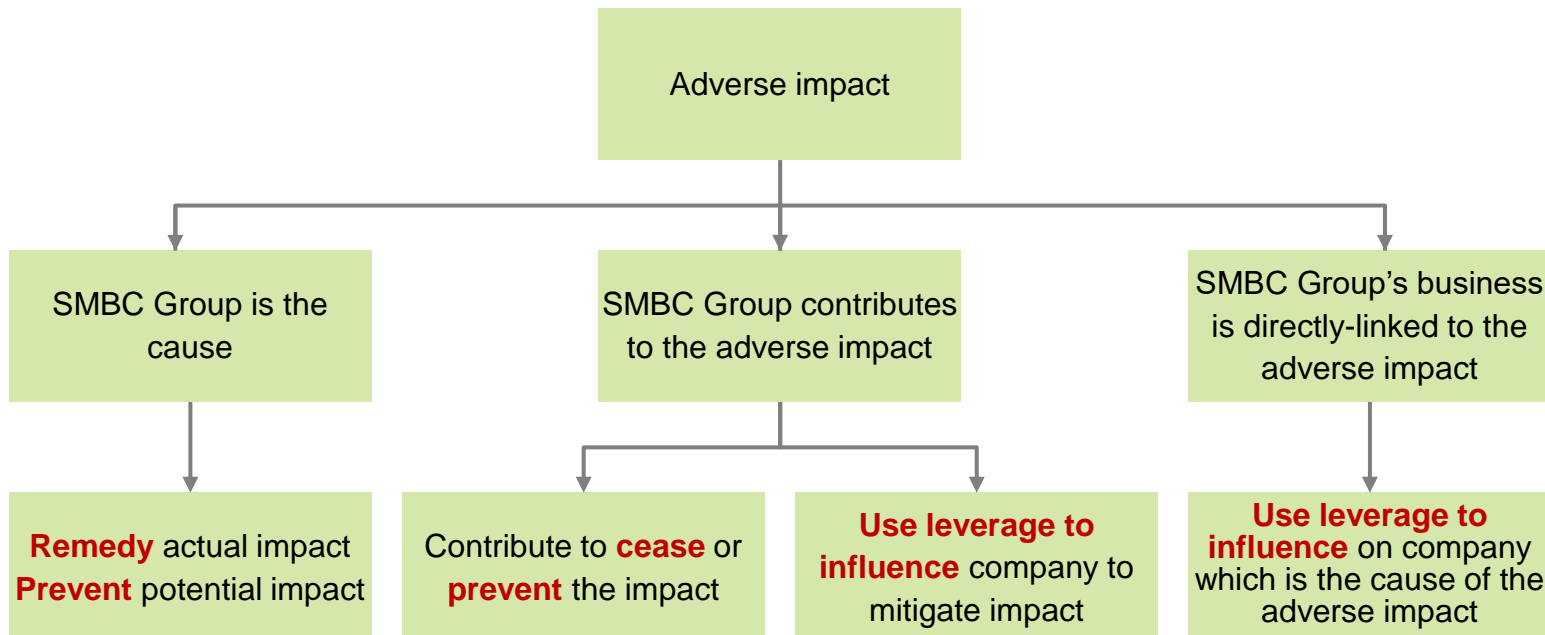
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## Human Rights Due Diligence

# (1) Human Rights Due Diligence Concept

SMBC Group is addressing adverse impacts to human rights in line with the flow chart below to correct, prevent and mitigate adverse impacts to human rights.

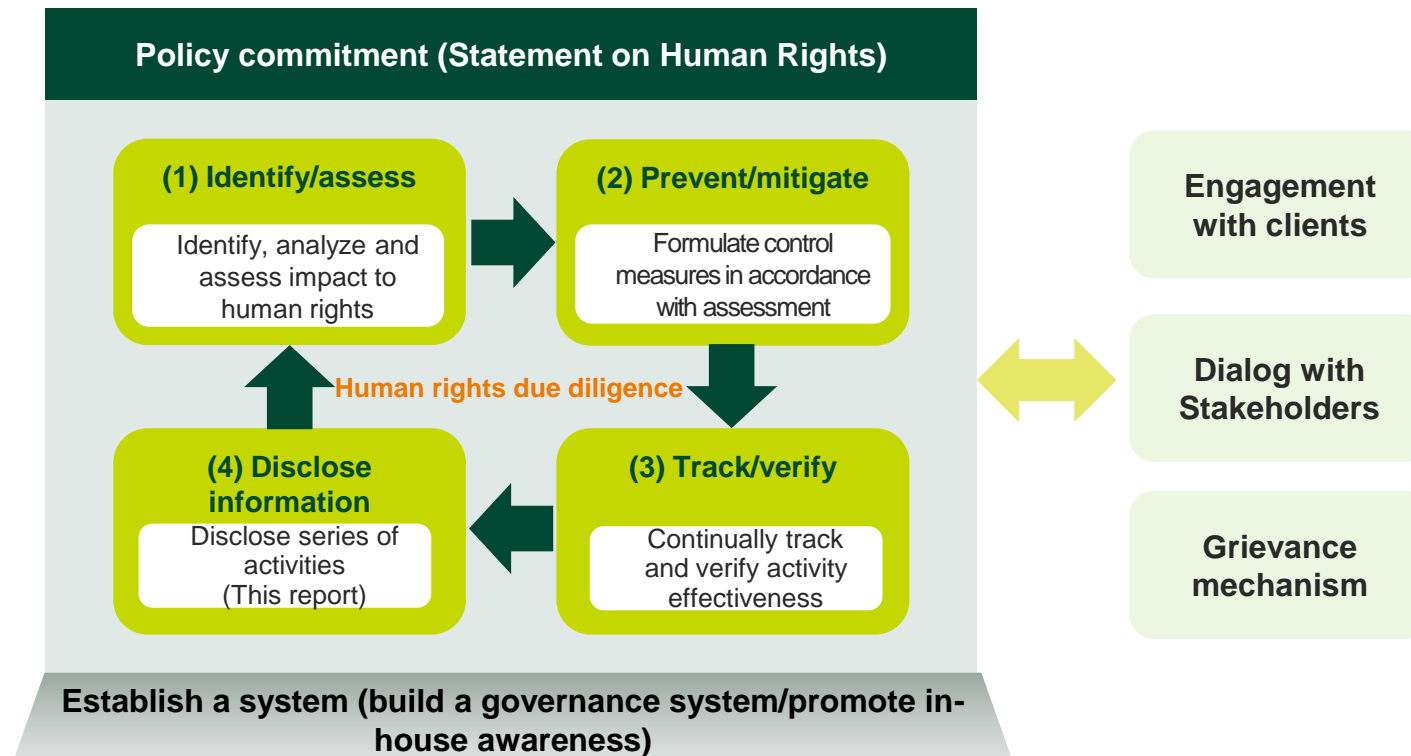
- Adverse impacts to human rights can occur not only inside the company but also to external stakeholders when a company may (1) cause, (2) contribute to, or (3) be directly linked to adverse impacts through its operations, products, and services. If it is found that a company has actually caused or contributed to an adverse impact, it is necessary to address the adverse impact by implementing corrective measures or cooperating for correction. Even if the company is not the direct cause, the company is required to take action to prevent or mitigate the adverse impact to human rights by using its influence.
- SMBC Group recognizes that we may potentially cause adverse impacts on the human rights of our employees and may contribute to or be directly linked to adverse impacts on human rights of clients and suppliers. In cases where SMBC Group is the cause of or a contributor to adverse impacts to human rights, we strive to enable remediation through appropriate means to mitigate and recover the impact and work in collaboration with clients and suppliers to prevent and mitigate the adverse impacts directly linked to our group's operations, products and services.



# (1) Human Rights Due Diligence Concept

SMBC Group conducts human rights due diligence in accordance with the cycle for addressing issues as required of companies by international standards.

- In accordance with international standards for human rights including the OECD Guidelines for Multinational Enterprises and the ILO MNE Declaration, and the Japanese government's Guidelines on Respecting Human Rights in Responsible Supply Chains, companies are required to (1) identify and assess adverse impacts to human rights, (2) integrate prevention and mitigation measures into internal procedures, (3) track and verify the effectiveness, and (4) disclose information regarding the series of activities. This series of initiatives is referred to as human rights due diligence. SMBC Group is implementing human rights due diligence in accordance with the Statement on Human Rights and is building a governance system and promoting awareness within the company to support the aforementioned due diligence initiatives. Moreover, we aim to enhance this series of initiatives through communications with external parties, including engagement with clients, dialogue with stakeholders, and the handling of grievances.

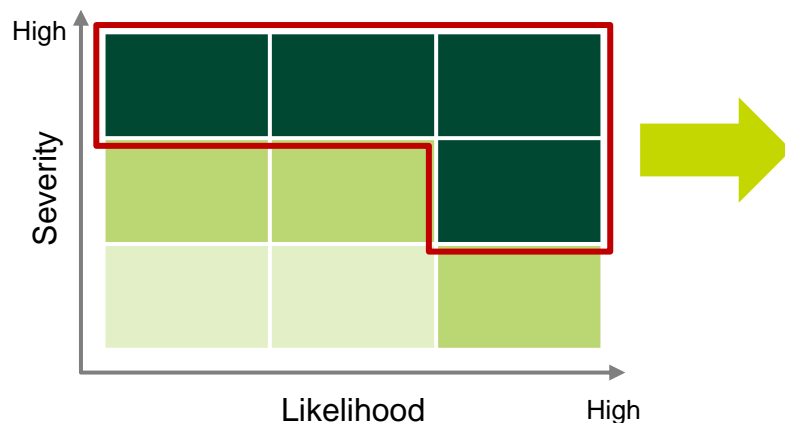


## (2) Identification & assessment of salient human rights issues for SMBC Group

SMBC Group identified and assessed salient human rights issues by mapping human rights risks that have a relation with the businesses of our group companies.

### Assessment Method

- SMBC Group, as its first step in human rights due diligence, mapped the adverse impacts to human rights that it could potentially become entangled in through group businesses. Namely, through dialogue with employees and external experts, we visualized high-risk human rights areas from the perspective of severity and feasibility, based on the three viewpoints of (1) adverse impact related to transactions with clients, (2) adverse impact related to transactions with suppliers, and (3) adverse impact related to employees.
- Severity is assessed based on the following criteria: (1) scale of adverse impact to human rights, (2) scope of impacted areas, and (3) potential for correction. Likelihood of occurrence is assessed by comprehensively taking into account the probability based on business properties/attributes and the external environment.
- In identifying the salient human rights issues, of the items mapped, we preferentially extracted adverse impacts with a high degree of severity, and also extracted risks with a high likelihood of occurrence that exceeded a certain level of severity.



### Results of the identification/assessment of salient human rights issues

- The table below shows the salient human rights issues identified in FY2022 using the assessment method on the left.
- SMBC Group aims to specifically undertake the prevention/mitigation of these adverse impacts to human rights while regularly the salient human rights issues

Category of risk	Examples of the salient human rights issues	Corresponding page
<b>Human rights risks related to transactions with clients</b>	<ul style="list-style-type: none"> <li>Risk of involvement in human rights violations along the supply chain due to financing and lease transactions (Forced labor, child labor, occupational health and safety issues)</li> <li>Risk of contributing to or being involved in the infringement on the rights of indigenous people/local communities via investments and financing</li> <li>Risk connected to the infringement on human rights due to contribution to or involvement in businesses that have adverse impacts on the environment and climate change</li> </ul>	P.21-23
	<ul style="list-style-type: none"> <li>Risk of an infringement on privacy due to the influence of technology and AI development</li> <li>Risk connected to discrimination due to transaction restrictions</li> </ul>	P.24-25
<b>Human rights risks related to transactions with suppliers</b>	<ul style="list-style-type: none"> <li>Risk that the supplier will not pay sufficient wages or will not pay salaries by stipulated date</li> <li>Risk of helping a supplier force employees to work long hours due to transactions with the supplier</li> <li>Risk of contribution to forced labor due mainly to the threat of punishment via transactions with suppliers</li> <li>Risk of discrimination and disadvantage without reasonable grounds regarding hiring, promotions and wages due to race, gender, language, and age at companies along the supply chain</li> </ul>	P.26-27
<b>Human rights risks related to employees</b>	<ul style="list-style-type: none"> <li>Risk of forcing excessive or unfair work hours on employees</li> <li>Risk of harassment (power, sexual, maternity, nursing care, etc.) against your colleagues</li> <li>Human rights risks related to discrimination and gender</li> <li>Risk of infringement on employees' privacy</li> </ul>	P.28

### (3) Consideration for Human Rights through Transactions with Clients

SMBC Group has established a Group Credit Policy not to extend any credit considered problematic in terms of public responsibility, or which may have a adverse impact on the environment. Also, SMBC Group is introducing Policies for Specific Businesses and Sectors that are likely to have significant impacts on the environment and society. Furthermore, Sumitomo Mitsui Banking Corporation strives to prevent and mitigate the risk of involvement in human rights violations within our clients' supply chains by conducting checks to ensure appropriate measures are taken with clients who have lending transactions or those considering lending. We work together with our clients to prevent and mitigate any adverse impacts through cooperation.

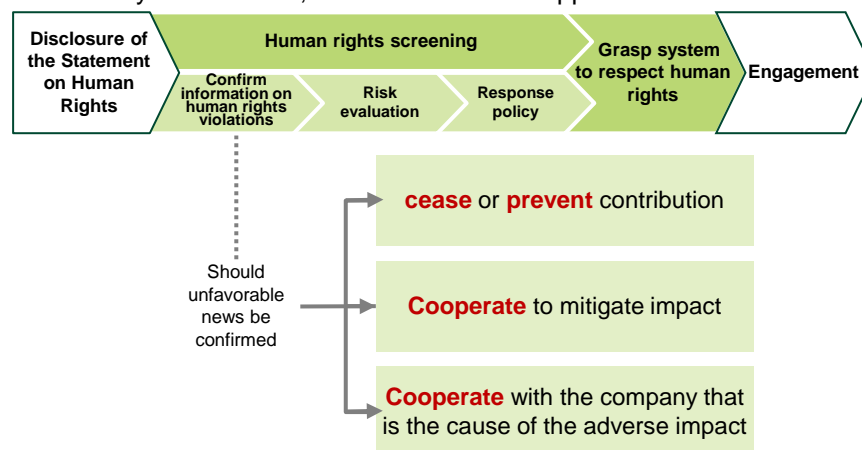
#### Policies for Specific Businesses and Sectors

- The adverse impacts on human rights vary depending on the sectors or businesses. SMBC Group recognizes that, among the sectors that require cautious responses from an environmental and social risk perspective, the following sectors are considered to potentially have adverse impacts on human rights as follows.
- See pages 36-37 for details on our policies.

Hydroelectric power generation	Impact to the local community due to <b>resettlement of local communities</b>
Oil and gas	<b>resettlement of local communities and impact to the indigenous communities</b> due to an extensive project
Coal mining	<b>Use of illegal labor and child labor</b> for coal mining, <b>serious industrial accidents</b> or <b>health damage</b> due to blasting work or underground excavation work
Tobacco manufacturing	<b>Health hazards</b> including lung cancer and respiratory dysfunction due to smoking, and <b>illegal labor and child labor</b> for cultivating leaf tobacco which is a raw material of cigarettes
Palm oil plantation development	<b>Forced labor/child labor</b> and <b>issue of low wages/long hours</b> for laborers in developing countries in the tropics where plantation development is prevalent
Deforestation	<b>Labor carried out under illegal conditions</b> during deforestation ( <b>low wages, long hours, child labor</b> )
Manufacturing of cluster bombs and other weapons of destruction	<b>Manufacturing of inhumane lethal weapons</b>

#### Human rights due diligence for financing transactions (Sumitomo Mitsui Banking Corporation)

- In order to prevent its business activities, investments and financing, from contributing to or being directly involved to human rights violations, Sumitomo Mitsui Banking Corporation has been working to implement human rights due diligence procedures to identify its prioritized activities contained potential high risks, decided by the biaxial evaluation approach with severity and likelihood perspectives, and conduct regular monitoring toward those prioritized activities.
- For the targets of monitoring, we confirm whether there is any negative information related to human rights violations with them, and new transaction is prohibited when it is verified that they are committing human rights violations or have been sanctioned as a result of the violations. We are also in cautious stance with those clients already have financing transactions with us. we encourage them to mitigate the impact of human rights violations, whereas if no remediation or improvement is observed, we will reduce credit exposure. For other clients as well, if we obtain information on human rights violations in our daily transactions, we will take similar approaches.



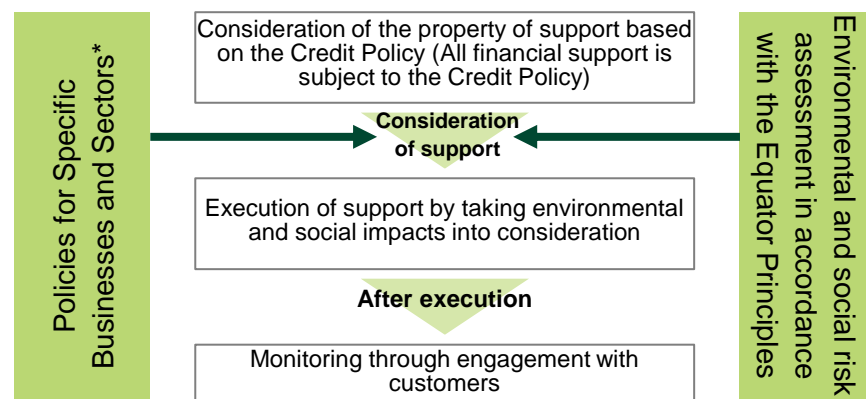
### (3) Consideration for Human Rights through Transactions with Clients

In the financing of large-scale projects, Sumitomo Mitsui Banking Corporation considers providing support with consideration to risks related to the environment and society, including human rights.

#### Application of Equator Principles and decisions on support policies (Sumitomo Mitsui Banking Corporation)

- In January 2006, Sumitomo Mitsui Banking Corporation adopted and is applying the Equator Principles to give consideration to the environment and society during the financing of large-scale projects.
- Large-scale projects include the risk of human rights violations, such as the resettlement of residents in tandem with the acquisition of land, impact to the lifestyle of indigenous people, and the use of forced labor and child labor for construction. When considering supporting such projects, the Corporate Sustainability Department of Sumitomo Mitsui Banking Corporation, based on project information received from the client, evaluates the environmental and social risks in accordance with the Equator Principles, and confirms whether proper consideration is being given to adverse impact to the environment and society, including human rights.
- During projects that are being supported, the bank supports considerations given to the environment and society through dialogue with the client while regularly confirming information obtained from the client related to environmental and social risks.
- For projects with high environmental and social risks, the Group CRO expresses his/her opinion related to support decision-making, and Branch offices reflect it in their support decision-making. In addition to that, important cases are reported to the Management Committee.

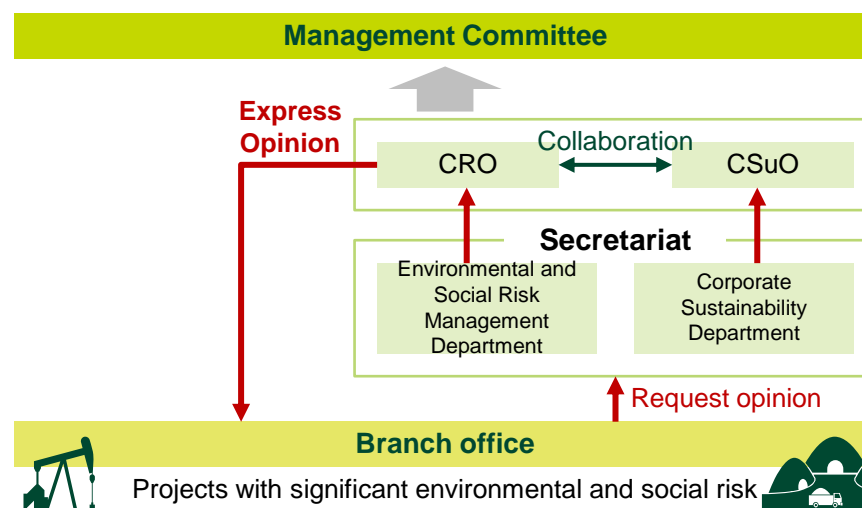
#### Flow of environmental and social risk assessment



#### \*Target sectors

- Coal-fired power
- Coal mining
- Palm oil plantation development
- Hydroelectric power
- Tobacco manufacturing
- Deforestation
- Oil and gas
- Natural conservation areas
- Manufacturing of cluster bombs and other weapons of destruction

#### Escalation system when considering support for projects with a significant environmental and social risk





# Column: Addressing Human Rights Issues through Sustainable Businesses

## Promoting sustainable finance

The Sumitomo Mitsui Banking Corporation is supporting activities to respect the human rights of clients through sustainable finance.

### [Japan's first "Human Capital Management Promotion & Analysis Loan"]

In recent years, many companies are showing interest in "human capital management," which aims to achieve management that contributes to an improvement in corporate value in the medium/long term by perceiving personnel as "capital" and maximizing the value of this personnel. In December 2022, we began handling Japan's first "Human Capital Management Promotion & Analysis Loan," to support the promotion of clients' activities. In accordance with proprietary evaluation standards prepared with the Japan Research Institute, Limited, we quantitatively and qualitatively analyze and diagnose current trends for activities and information disclosure related to a client's human capital management, and give back practical examples for issues going forward.

### Case study

Human Capital Management Promotion & Analysis Loan was extended to a manufacturing company A, which is ambitious about human resource development for its employees. A diagnosis was conducted and advice was given, primarily from the perspective of the disclosure of an integrated story regarding the correlation of corporate strategy with investment in human capital and human resource strategies.

### [Promoting sustainable finance based on the theme of human rights]

SMBC has started listening to the needs of its clients to support clients' initiatives aimed at promoting the empowerment of women and people with disabilities and the well-being of its employees, and at building/managing a sustainable supply chain. With the Sustainability-Linked Loans<sup>\*1</sup> and Positive Impact Finance<sup>\*2</sup>, goals for initiatives, including respect for human rights, can be set, and the bank can provide support to a client's initiatives through the ongoing monitoring of progress at the client.

### Case study

"Positive Impact Finance" was extended to Company B, which is a retail and FinTech company. Company B promotes well-being management. The SMFG Impact Finder, an impact identifying tool proprietarily developed by SMBC, is used to comprehensively identify social, environmental and economic impacts. Company B has set priority action items and indicators to support its measures, mainly for empowering women and people with disabilities, measures which it is deploying on its own. SMBC is supporting the achievement of these priority action items and indicators.

<sup>\*1</sup>: This is a financing product to encourage the improvement of sustainability performance by the borrower. Goals for initiatives are set in alignment with the ESG strategy of the borrower. It gives the borrower an incentive or disincentive depending on the status of achievement.

<sup>\*2</sup>: This is a financing product that comprehensively analyzes and evaluates the environmental, social and economic impact (positive and negative) brought about by a company's business activities. The goal of the product is to provide ongoing support to activities for the realization of sustainability management.

## Empowerment of socially disadvantaged people

The SMBC Group contributes to empowerment by providing financial products and services to individuals who do not possess a bank account or businesses with difficulty receiving financial services so that developing countries can achieve economic growth without leaving socially disadvantaged people behind.

### [Initiatives to improve the standard of living through financial inclusion]

The SMBC Group is carrying out a "multi-franchise strategy," the concept of which is to create a second and third SMBC Group in Asia, a region expected to achieve high economic growth. The strategy aims to deeply commit to capturing business opportunities and solving problems as a local bank. In emerging countries in Asia, where there is a relatively large population of people without bank accounts and those who have low incomes, the group thus far has implemented financial services not requiring bank branches, including mobile banking and agent banking, and provided financing to small and medium-scale enterprises and rural farming areas through investments in and affiliations with partners that possess a strong local network. Further, the group is providing financial literacy education for the low-income class and pre-retirement programs to support a rich second life for retirees.

The SMBC Group also plans to implement various initiatives for financial inclusion going forward to contribute to an improvement in the standard of living for socially disadvantaged people and to ongoing economic growth in emerging countries.

### Case study

Bank BTPN Syariah is a subsidiary of the Indonesian bank PT Bank BTPN Tbk, which is a member of the SMBC Group. It is the only bank in Indonesia that focuses on private clients in rural farming areas. It provides basic financial services to women who run a family business, including side jobs, in rural areas.

BTPN Syariah differs from a normal bank branch: The bankers visit the clients. Regional managers visit clients in their local communities once every two weeks and conduct withdrawals and deposit transactions, collect deposits, and execute loans and repayments. As of the end of FY2022, BTPN Syariah conducted transactions with around 6 million clients in 253,000 communities.

Expenditures for daily necessities among clients of BTPN Syariah rose 23.2% over a three-year period from 2020 to 2022. The installation of toilets increased 11.0% during the same period and the poverty rate diminished 8.5%. Also, as of the end of 2022, access to sanitary drinking water was 1.7% higher than the national average for Indonesia. (Source: BTPN Syariah Sustainability Report 2022)





### (3) Consideration for Human Rights through Transactions with Clients

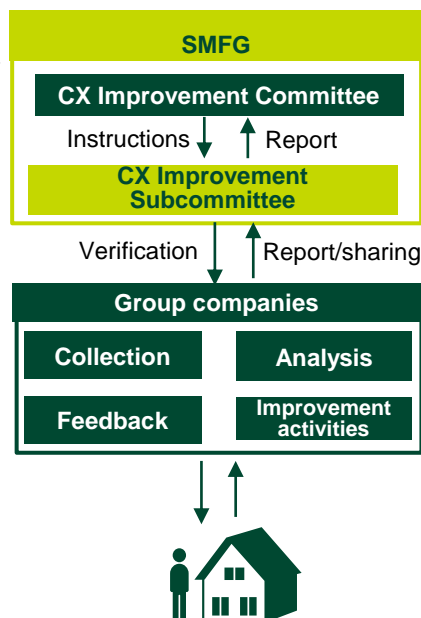
SMBC Group complies with the basic principles of customer-oriented business conduct and compliance, and works to ensure there are no inappropriate measures that could potentially lead to adverse impact on human rights, including discrimination and an infringement on privacy.

#### Customer-oriented business conduct and compliance

- The insufficient provision of financial access to satisfy the basic needs of clients could be interpreted as a human rights violation, such as discrimination. One of the missions at SMBC Group states “We grow and prosper together with our customers, by providing services of greater value to them.” It is our goal to improve CX (Customer Experience) and quality while planning collaborations with group companies.

##### Implementation system

- We have established the CX Improvement Subcommittee and the CX Improvement Committee, the latter made up of members from the Group Management Committee. We are strengthening initiatives and management systems related to Customer-oriented business conduct, and are implementing group collaborations. At the CX Improvement Subcommittee, we are inviting external experts to act as advisors, and exchanging opinions to further instill the Customer-oriented mindset. In addition, at the CX Improvement Committee, which is made up of members from the Group Management Committee, reports are received from the CX Improvement Subcommittee and discussions are carried out on various measures.



##### Customer-oriented business conduct

- SMBC Group is enacting the Basic Policy for Customer-Oriented Business Conduct and policies on concrete initiatives in the Retail Business Unit, taking into account the Principles for Customer-Oriented Business Conduct, released by the Financial Services Agency.

#### Protection of personal information (privacy policy)

- While the use of information continues to increase with the advancement of IT and digital technologies, we recognize that information management for the purpose of appropriate protection and use of personal information is an important management issue. This is following the growing public concern about the negative impact on human rights, such as the leakage of personal information and breach of privacy law. The SMBC Group will strive to strengthen its information management framework by clarifying various safety management procedures and management methods related to information, and provide training and enlightenment to management staffs and employees.

#### System for checking advertisements

- Regarding advertisements and representations transmitted to external stakeholders, including clients, SMBC is preparing a system that will make proper revisions in the event a questionable expression is found that could be a problem from the perspective of the respect for human rights.

#### Prevention of money laundering

- The SMBC Group recognizes the risk of negative impact on human rights caused by exploitation, including money laundering, of our products and services provided to customers and our own transactions with third parties. The group is working to prevent customers, contractors, executives and employees from getting involved in money laundering and other illegal activities.

### (3) Consideration for Human Rights through Transactions with Clients

SMBC Group is improving branch operations and online services, and raising awareness of employees to ensure that all clients receive financial services equally. SMBC is working to enhance its accessibility to safeguard against client discrimination due to a disability.

#### Accessibility (Sumitomo Mitsui Banking Corporation)

- Sumitomo Mitsui Banking Corporation aims to “create a society in which today’s generation can enjoy economic prosperity and well-being” to realize sustainability.
- All people, whether they have a disability or not, and regardless of the condition and environment in which they are, can safely and comfortably use our facilities. This is the type of bank we aim to be. SMBC is working to improve its accessibility.



#### Accessibility policy (Sumitomo Mitsui Banking Corporation)

- We aim to make it possible for all clients, with or without disabilities, to safely and comfortably use all of our online services without discrimination.
- We are continuing to improve online accessibility and are accurately providing necessary and reasonable considerations.
- We encourage all executives and employees to work in order to improve online accessibility as a crucial issue, and encourage them to make an effort to spread and enlighten people, to ensure their contribution to an improvement in the banking industry standard.



#### SMBC accessibility initiatives (examples)

- When introducing facilities to branches, SMBC implements confirmation at the development stage to ensure easy use by clients with disabilities. After introduction, clients are asked their opinion. Branches are moving forward with the compatibility with universal designs. SMBC is pouring energies into employee training so when they actually provide explanations to clients, the clients will feel safe using the branch and its services.



##### (1) Pictogram to confirm facility for visit

Marks related to barrier-free information are posted in a branch guide posted on the SMBC website and at branch entrances so that customers can confirm the facilities before visiting.



##### (2) Voice response password

For visually-impaired customers, we are using an interactive voice response password card.



##### (3) Provision of easy-to-understand key information

As one initiative related to our Customer-oriented business conduct, we promoted the provision of easy-to-understand key information. We prepared a product pamphlet that incorporated a universal design. At the UCDA Awards 2022, sponsored by the Universal Communication Design Association, we won the various awards, including the Grand Prize (won for the fourth consecutive year).



## (4) Consideration for Human Rights through Transactions with Suppliers

SMBC Group conducts transactions with various suppliers when conducting business. To prevent and mitigate the occurrence of various adverse impacts related to human rights, including labor issues, along the supply chain, we are requiring the understanding of and cooperation with the “Sustainable Procurement Policy” and also are regularly confirming the status of initiatives, including human rights, at suppliers.

### Sustainable Procurement Policy

- SMBC Group established the Sustainable Procurement Policy (Supplier Code of Conduct) in April 2022 to promote responsible procurement activities that take consideration of the environment and society throughout the supply chain as a whole. This policy factors in various principles, including the Ten Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UNGPs. Suppliers are required to comply with the laws and regulations applicable in the countries in which they operate, as well as to seek their understanding and cooperation on appropriate standards considered by SMBC Group.

### Human rights considerations during transactions with suppliers

- In tandem with the formulation of the Sustainable Procurement Policy, in November 2022 SMBC Group introduced confirmation of the supplier's status of installation of an in-house consultation service to response various grievances, including human rights, from its employees within Guidelines on Third Party Management. In addition, the Sustainable Procurement Policy is introduced to suppliers and their understanding of and cooperation with the standards which SMBC Group believes to be appropriate is requested.
- In addition, SMBC Group regularly checks for suppliers' policies regarding human rights issues and any negative information related to human rights violations in external supplier management, and is committed to addressing human rights considerations throughout the entire supply chain.



# [Reference] Sustainable Procurement Policy (full text)

## 1. Basic stance

SMBC Group's Mission states "We contribute to a sustainable society by addressing environmental and social issues". Based on the "SMBC Group Statement on Sustainability", our basic principle to realize this Mission, we will engage and act together with customers and other stakeholders to contribute to the global transformation into a better society.

SMBC Group has here established its "Sustainable Procurement Policy" (hereinafter "the Policy"), a set of expectations to promote responsible procurement in its entire supply chain, in light of the environment and society. The Policy respects and takes into account international principles and guidelines, such as the ten principles of the UN Global Compact, the "OECD Guidelines for Multinational Enterprises", and the "United Nations Guiding Principles on Business and Human Rights".

Under this Policy, SMBC Group will comply with applicable laws and follow fair and transparent procedures based on the principle of free competition in its procurement activities.

## 2. Expectations for suppliers

SMBC Group aims to realize sustainable procurement with its suppliers, and seeks suppliers' understanding and cooperation regarding the following:

### <Legal compliance>

SMBC Group expects its suppliers to comply with all applicable laws and regulations in the countries they operate and to conduct clean businesses.

### <Human rights>

SMBC Group expects its suppliers to understand that they may negatively impact human rights through the course of their business activities, and to have a commitment to respect human rights in their business activities, including those in their supply chains.

### <Safety and health>

SMBC Group expects its suppliers to comply with all applicable laws and regulations related to safety and health, and encourages them to meet appropriate standards related to labor practices, wages, workplace safety and health, and other labor issues.

### <Environment>

SMBC Group expects its suppliers to strictly comply with environment-related laws and regulations and to fulfill their social responsibilities through the conservation of resources and energy and the reduction of waste. SMBC Group anticipates that its suppliers will continuously make efforts to harmonize environmental preservation and pollution control with corporate activities.

### <Fair and open business activities>

SMBC Group expects its suppliers to comply with bribery and corruption laws and regulations. Suppliers must avoid involvement in activities that go against fair market competition and in giving or receiving illegal profits.

### <Remedial measures>

SMBC Group expects its suppliers to have grievance mechanisms in place, through which their employees and users who feel that the provided products or services have an adverse effect on them can raise their concerns and feel heard. Suppliers will keep their systems readily accessible to whistleblowers and will protect the anonymity of whistleblowers to prevent any retaliation.

### <Information management>

SMBC Group expects its suppliers to have systems in place for protecting and using personal information properly and to improve the system through continued efforts.

## (5) Human Rights Considerations for Employees

SMBC Group, based on the idea that employees should be treated fairly and with respect, is working to provide employees with a workplace that is free of various human rights violations, including working long hours, harassment, and discrimination based on race, nationality, gender, sexual orientation and gender identity.

### Legal compliance/prevention of harassment

- At SMBC Group, labor conditions at each company are regularly monitored, and they are complying with various laws and regulations, taking steps to eliminate overwork, and improving the labor environment and work hours. In addition to the payment of wages that exceed the minimum wage, each company is properly addressing equal pay for equal work, which was introduced in April 2020. All group companies are pushing forward with the policy to create an environment where all employees can feel their job is rewarding regardless of their employment status.
- SMBC Group is planning to maintain and improve the bank's sound development and labor conditions for union workers, and to enhance their position socially, economically and culturally, by signing a labor agreement with union employees or employee representatives at each company and through respect for one another's position.
- To ensure we maintain a healthy and comfortable work environment, each Group company develops a manual on measure to prevent sexual and power harassment, as well as provides compliance training for all employees. Additionally, we conduct trainings aimed at raising awareness among managers which includes practical approaches to identifying and preventing harassment using specific case studies, and how to handle harassment reports.

### Empowerment of women

- With women comprising around half of employees, the SMBC Group realizes that empowering women is essential to corporate growth. We are actively developing measures to support the careers of female employees.



### Promotion of diversity

- At SMBC Group, our most valued resource is our people. Our Mission Statement reflects this conviction: "We create a work environment that encourages and rewards diligent and highly motivated employees."
- In accordance with the mission above, SMBC Group is promoting the following.

#### (1) Empower employees with disabilities

- SMBC Group is undertaking the development of various operations and the creation of a comfortable workplace so that employees with disabilities can make full use of their abilities and aptitude.
- Concurring with the ideas underlying "The Valuable 500", an international initiative to promote the active participation of people with disabilities, the SMBC Group joined this initiative in December 2020.

#### (2) Better understanding of the sexual minorities

- We have changed the work regulations at our Group Companies to conduct "same-sex partner registration" for LGBTQ employees, thus allowing their spouses and families to access the employee welfare program.
- In November 2022, the SMBC Group received the highest evaluation of "Gold" for the fourth consecutive year in the "PRIDE Index", an evaluation of LGBT initiatives conducted by the volunteer organization "work with Pride".

#### (3) Create a workplace that respects racial diversity

- Global personnel exchanges, global training programs, helping employees gain experience in cross-cultural communication, and building a corporate culture that treats diversity as a source of competitiveness.





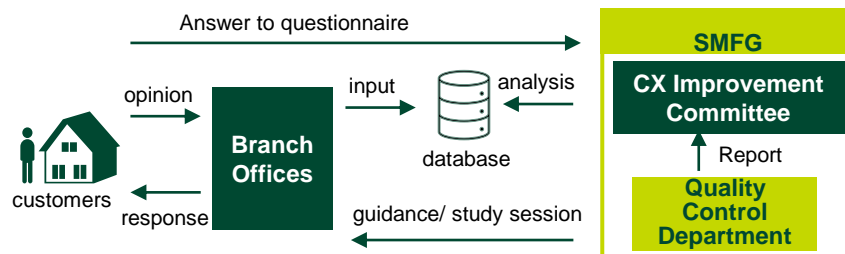
## 4

### **Grievance Mechanisms and Stakeholder - Engagement**

# (1) Grievance Mechanism

In addition to the installation of a grievance desk to respond to opinions from customers and others and improve services, SMBC Group established an internal reporting system, which also covers human rights issues, for internal employees.

## Installation of a grievance desk



We register the voice of our clients in a database and share these opinions throughout the bank. The registered voice of clients is analyzed by the head office and respective departments and used to improve products and services. In addition, they are incorporated into employee training and used to improve client service.

### [Website to report feedback / complaints](#)

Available in Japanese and in English

### ISO 10002 conformity declaration

- We built a system for the voice of customers that conforms to ISO 10002/JIS Q 10002 (Quality management — Customer satisfaction — Guidelines for complaints handling in organizations), international standards related to handling complaints. We made a declaration of conformity to these standards.

### Opinions/complaints related to human rights and response

- We received opinions from LGBTQ customers regarding “unfair treatment in bank procedures”

→Started handling SMBC loans with credit guarantees where common-law marriage and same-sex marriage partners can be joint debtors.

- Non-Japanese customers have expressed their opinion that procedures to open an account are too complex

→We prepared a pamphlet for non-Japanese clients on the procedures for opening an account. An explanation is provided after delivering the pamphlet by hand.



## Employees: Internal Reporting Systems and Hotline

SMBC Group Alarm Line, an internal reporting system, has been installed. It is available 24 hours a day, seven days a week for employees at group companies (including contract, trial, temporary and part-time employees), temporary staff dispatched to offices, and seconded and outsourced employees from other companies. The internal reporting covers the violation of human rights proclaimed in the International Bill of Human Rights, the violation of basic principles and rights stipulated in the ILO Declaration on Fundamental Principles and Rights at Work, and acts that violated SMBC regulations, including the Statement on Human Rights.

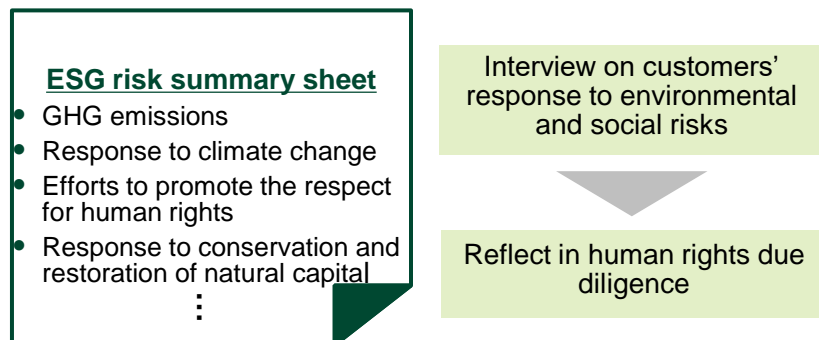
- The handling of internal reporting is thoroughly confidential. The privacy of the person doing the reporting will be protected and the retaliatory acts and unfavorable treatment are prohibited. The employee(s) that perpetrated the violation will face necessary measures, including disciplinary action. The person reporting the incident, in the event they use an external reporting system, can request anonymity.
- Employees at major group companies are surveyed once a year to confirm the degree of recognition and trust of the internal reporting system. The survey is useful in proposing measures for making the system common knowledge.
- In the event of internal reporting, an investigation is conducted, mainly by the designated departments such as the General Affairs Department and Human Resources Department. In FY2021, SMBC and its group companies received 276 reports through reporting systems inside and outside the company. The main content of the consultation in the field of human rights was various types of harassment (sexual harassment, power harassment, maternity harassment, etc.). There is reporting not only in Japan but also from overseas. The SBMC Group ascertains whether incidents were applicable to harassment in accordance with global standards.
- Corrective measures are taken such as personnel disciplinary actions and cautions/guidance, in the event incidents that were internally reported are deemed human rights violations as the result of investigations. Also, SMBC provides guidance to target departments as needed and formulates measures to prevent recurrence. On top of this, after a certain period, a follow-up is conducted to see if the measures are still functioning or problems have surfaced from the perspective of the protection of whistleblowers.
- SMBC has actively made the above details, along with each internal reporting system, common knowledge for all employees through various methods, including putting up posters, distributing cards that employees can carry around, and the implementation of training programs and study groups.

## (2) Stakeholder Engagement

SMBC Group is engaging with stakeholders, including clients, and sharing recognition of the respect for human rights to control adverse impact to human rights and to fulfill our responsibility for the respect of human rights.

### Dialogue with clients

- SMBC is recognizing the environmental and social impacts due to the business activities of clients, by grasping non-financial information, including human rights, through dialogue with clients. We are grasping the status for addressing environmental and social risks, including the respect for human rights, by using the ESG risk summary sheet for some major clients that fall under the Policies for Specific Sectors and Businesses. Clients' non-financial information is used as qualitative components for decisions on credit and is also being reflected into the identification and assessment of adverse impacts in human rights due diligence. (Details on p. 21)
- We will deepen the quality of engagements with clients concerning ESG risks, actively support their environmental and social efforts, and work together to address risks that are a cause for concern.



### Dialogue with investors

- Sumitomo Mitsui DS Asset Management (SMDAM) joined Advance, a human rights-related initiative launched by PRI as a collaborative investor.
- Through participation in collaborative engagements organized by Advance, SMDAM will contribute to the realization of a sustainable society by encouraging investee companies to take initiatives to resolve human rights issues in their workplaces and the communities in which they operate.

### Dialogue with other stakeholders

- SMBC Group regularly engages in dialogue with various stakeholders, including clients, investors, and environmental NGOs. We exchange opinions on the direction of our group's efforts to respect human rights and receive valuable suggestions for specific improvements, some of which have been incorporated into our operations.
- Additionally, we support the ten principles of the United Nations Global Compact related to human rights, labor, environment, and anti-corruption, and strive to advance our initiatives by participating in discussions within the domestic corporate alliance under the same initiative.
- We also promote the understanding of SMBC Group's policies and the dissemination of our systems among suppliers and employees.

Stakeholder	Content of dialogue
Investors	<ul style="list-style-type: none"><li>• Status of the building of the human rights due diligence system</li><li>• Strengthen the expertise of directors</li></ul>
NGOs	<ul style="list-style-type: none"><li>• Concept for supporting borrowers and projects that could potentially have a adverse impact on human rights</li></ul>
International initiatives	<ul style="list-style-type: none"><li>• Grasp the gap between the UNGPs and the status of the group's initiatives, and take measures for enhancement</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• Promote understanding of the Sustainable Procurement Policy (Details on p.26)</li></ul>
Employees	<ul style="list-style-type: none"><li>• Implement training for awareness on human rights (Details on p.16)</li><li>• Operation and dissemination of the internal reporting system (Details on p.30)</li></ul>





**5**

**Moving Forward**

SMBC Group has established the Statement on Human Rights and is committed to respecting the human rights of a wide range of stakeholders and mitigating adverse impacts. However, issues surrounding human rights are recently becoming more complicated and diverse due to changes in international affairs, changes in social affairs including development of the information society and the declining birthrate and aging population, climate change and other social issues. In addition, given we are recognizing that the strengthening of initiatives to tackle social issues, including measures to respect for human rights, is the foundation for continually creating corporate value, it is important to share recognition with stakeholders by analyzing the impact of these complex issues on our businesses and appropriately disclosing our own ideas that factor in those evaluations.

Amid this, SMBC Group plans to strengthen measures, mainly those on the right, and will undertake the creation of positive impact on society by fulfilling our responsibility for respecting human rights.

## **Further strengthen measures to prevent/mitigate adverse impacts**

Up to FY2022, SMBC Group focused on the development of human rights due diligence, particularly for financing transactions. As a result, we are in the process of establishing an internal system for collecting and evaluating unfavorable information on human rights. However, it is necessary to verify the effectiveness of these efforts while accumulating a track record of due diligence.

Going forward, we will conduct analysis and monitoring of the collected and evaluated information, work on preventing and mitigating adverse impacts on human rights by strengthening remedial measures, and enhance our commitment to respecting human rights by regularly verifying their effectiveness. In addition, we will continue to explore ways to incorporate such a framework into the human rights respect systems for our suppliers and employees, and to cover a wider range of stakeholders.

## **Timely information disclosure and stakeholder engagement**

SMBC Group is committed to providing appropriate and transparent disclosure of information regarding our efforts to respect human rights. Building on this, we will enhance engagement to promote our commitment to respecting human rights while sharing our understanding of human rights issues with stakeholders, including our clients.

# UNGP Reporting Framework Correspondence Table

UNGP Reporting Framework required items		Corresponding page
<b>Policy Commitment</b> A1 : What does the company say publicly about its commitment to respect human rights?	A1.1 How has the public commitment been developed?	p.2,3,7,9,33
	A1.2 Whose human rights does the public commitment address?	p.6,33
	A1.3 How is the public commitment disseminated?	p.9,16,21,26
<b>Embedding Respect for Human Rights</b> A2 : How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	A2.1 How is day-to-day responsibility for human rights performance organized within the company, and why?	p.9,14,16,22,24
	A2.2 What kinds of human rights issues are discussed by senior management and by the Board, and why?	p.14
	A2.3 How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	p.15,16,28,30
	A2.4 How does the company make clear in its business relationships the importance it places on respect for human rights?	p.5,9-13,18,20-23,26
	A2.5 What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	p.33
<b>B1 : Statement of salient issues:</b> State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	—	p.20
<b>B2 : Determination of salient issues:</b> Describe how the salient human rights issues were determined, including any input from stakeholders.	—	p.14,19,20
<b>B3 : Choice of focal geographies:</b> If reporting on the salient human rights issues focuses on particular geographies, explain how that choice was made.	—	-
<b>B4 : Additional severe impacts:</b> Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	—	-

# UNGP Reporting Framework Correspondence Table

UNGP Reporting Framework required items		Corresponding page
<b>Specific Policies</b> C1 : Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	C1.1 How does the company make clear the relevance and significance of such policies to those who need to implement them?	p.16,21,22,25,26,28,30
<b>Stakeholder Engagement</b> C2 : What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	C2.1 How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	p.20,30,31
	C2.2 During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	p.21-28,30,31
	C2.3 During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	p.15,30,31
<b>Integrating Findings and Taking Action</b> C4 : How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	C4.1 How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	p.14,21,22,24,30
	C4.2 When tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?	p.14,18,21,22,26
	C4.3 During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	p.16,20-23,26,28,30,31
<b>Tracking Performance</b> C5 : How does the company know if its efforts to address each salient human rights issue are effective in practice?	C5.1 What specific examples from the reporting period illustrate whether each salient issue is being managed effectively?	p.33
<b>Remediation</b> C6 : How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?	C6.1 Through what means can the company receive complaints or concerns related to each salient issue?	p.30
	C6.2 How does the company know if people feel able and empowered to raise complaints or concerns?	p.30
	C6.3 How does the company process complaints and assess the effectiveness of outcomes?	p.30
	C6.4 During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?	p.30
	C6.5 During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?	p.30

# [Reference] Policies for Specific Sectors/Businesses (1/3)

SMBC Group is introducing policies for businesses and sectors which are likely to have significant impacts on the environment and society. These policies are rolled out to SMBC Group companies, including Sumitomo Mitsui Banking Corporation, SMBC Trust Bank, Sumitomo Mitsui Finance and Leasing Company and SMBC Nikko Securities, in line with their businesses, and to enhance their risk management system continuously.

Coal-Fired Power Generation	Policy	<ul style="list-style-type: none"> <li>Support for newly planned coal-fired power plants and the expansion of existing plants are not provided. In addition, among companies whose main businesses are coal-fired power generation, we will not provide support for those that do not have any existing transactions, including but not limited to lending, with SMBC Group.</li> </ul>
	Understanding of the Business/Sector	<ul style="list-style-type: none"> <li>SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon neutral business model and other initiatives to address climate change. Moreover, SMBC Group will support the activities of our clients contributing to the transition toward and realization of a decarbonized society.</li> </ul>
Hydroelectric Power Generation	Policy	<ul style="list-style-type: none"> <li>For those cases in which financing is used for hydroelectric power generation projects, SMBC Group carefully monitors whether appropriate mitigation measures against the impact on biodiversity and local communities caused by resettlement have been implemented and conducts environmental and social risk assessments when we consider lending.</li> </ul>
	Understanding of the Business/Sector	<ul style="list-style-type: none"> <li>As the transition to a decarbonized society progresses, hydroelectric power generation will play a greater role in power supply. However, when constructing a hydroelectric power plant, it is important to consider the impact on biodiversity associated with dam construction and also on local communities caused by resettlement.</li> </ul>
Oil and Gas	Policy	<ul style="list-style-type: none"> <li>The scope of environmental and social risk assessments that take into account Equator Principles is to be expanded for the following business and sectors when we consider lending. After identifying and evaluating environmental and social risks, appropriate measures are considered.</li> </ul> <p><b>(1) Oil Sand</b> Oil sand (tar sand) has relatively high carbon intensity and large environmental impacts are associated with its development. As such, SMBC Group conducts environmental and social risk assessments, paying close attention to soil and water pollution caused by wastewater, deforestation, and efforts to protect biodiversity and indigenous communities, when we consider lending.</p> <p><b>(2) Shale Oil and Shale Gas</b> During shale oil and shale gas development, the use of hydraulic fracturing methods is assumed to cause groundwater contamination and induce earthquakes. SMBC Group carefully monitors whether appropriate mitigation measures have been implemented for these issues, and then we conduct environmental and social risk assessments when we consider lending.</p> <p><b>(3) Oil and Gas Mining Projects in the Arctic</b> The Arctic Circle (an area north of the 66°33' latitude) is home to rare ecosystems and indigenous people with a unique culture. For mining projects in this region, SMBC Group conducts environmental and social risk assessments, paying close attention not only to environmental considerations but also to measures to protect biodiversity and indigenous communities, when we consider lending.</p> <p><b>(4) Oil and Gas Pipelines</b> Pipelines are expected to have a wide range of environmental impacts due to oil spills and deforestation, as well as social impacts on indigenous communities, not only at the time of construction but also when completed. SMBC Group carefully monitors whether appropriate mitigation measures have been implemented for these issues, and then we conduct environmental and social risk assessments when we consider lending.</p>
	Understanding of the Business/Sector	<ul style="list-style-type: none"> <li>Oil and gas will continue to be an important source of energy, and we actively consider measures that contribute to the transition to a decarbonized society. On the other hand, as the transition to a decarbonized society progresses, it is important to consider the risk of stranded assets that will cause the value of the assets owned to decline in the future, measures to reduce the environmental impact associated with development, and give proper consideration to the residents of the development area.</li> </ul>

## [Reference] Policies for Specific Sectors/Businesses (2/3)

Coal Mining	Policy	<ul style="list-style-type: none"> <li>Support for newly planned and the expansion of thermal coal mining projects, as well as those using the Mountain Top Removal (MTR) method are not provided. Support for newly planned and the expansion of infrastructure developments that are dedicated to above-mentioned projects are not provided either. When considering lending for coal mining projects other than the above, the scope of environmental and social risk assessment that takes into account the Equator Principles is to be expanded, and environmental and social risks are identified and evaluated.</li> <li>In addition, among companies whose main businesses are thermal coal mining or linked infrastructure development, we will not provide support for those that do not have any existing transactions, including but not limited to lending, with SMBC Group.</li> </ul>
	Understanding of the Business/Sector	<ul style="list-style-type: none"> <li>In addition to the risks of stranded assets associated with the transition to a decarbonized society, it is important to consider human rights with respect to the elimination of illegal labor and child labor in coal mines and biodiversity issues associated with mining.</li> <li>SMBC Group expects our customers to establish and publicly announce long-term strategies aimed at realizing a carbon neutral business model and other initiatives to address climate change. Moreover, SMBC Group will support the activities of our customers contributing to the transition toward and realization of a decarbonized society.</li> </ul>
Tobacco Manufacturing	Policy	<ul style="list-style-type: none"> <li>With regard for support for tobacco manufacturers, Sumitomo Mitsui Banking Corporation has confirmed that particular issues including health hazards and considering of human rights to eliminate illegal labor and child labor are being addressed.</li> </ul>
	Understanding of the Business/Sector	<ul style="list-style-type: none"> <li>Smoking can cause health hazards, such as lung cancer and respiratory dysfunction. In addition, with the cultivation of leaf tobacco (a raw material of cigarettes), it is important to consider human rights to eliminate illegal labor and child labor.</li> </ul>
Nature Conservation Areas	Policy	<ul style="list-style-type: none"> <li>SMBC Group does not provide support for new projects that are perceived to have a significant adverse impact on wetlands specified in the Ramsar Convention and UNESCO-designated World Natural Heritage sites.</li> </ul>
Palm Oil Plantation Development	Policy	<ul style="list-style-type: none"> <li>For palm oil plantation development projects, whether they have been certified by the Roundtable on Sustainable Palm Oil (RSPO), which is given for palm oil produced with environmental and social consideration, is confirmed. Support is only provided after confirming that forest resources and biodiversity are protected when new plantations are developed and that there are no human rights violations, such as child labor. For those customers that have not yet been certified, obtaining certification is encouraged and supported, and submission of a plan to acquire certification is required. For customers who have no plans to acquire RSPO certification, we encourage their acquirement, and require actions according to the same standard as RSPO certification. In addition, we will require our business partners to publicly declare their compliance with NDPE (No Deforestation, No Peat, No Exploitation). We also encourage them to enhance their supply chain management and improve traceability to obtain RSPO certification and comply with NDPE through their supply chain.</li> </ul>

## [Reference] Policies for Specific Sectors/Businesses (3/3)

<b>Deforestation</b>	<b>Policy</b>	<ul style="list-style-type: none"> <li>For any business involving deforestation, we provide them with support only after having confirmed as per the laws and regulations of respective country that there is no illegal deforestation, burning, nor illegal labor. Among them, especially regarding large-scale farm (*1) development projects, we will require them to publicly declare their compliance with NDPE. *1 Farm of 10,000 ha or more (e. g. business aimed at cultivating soybeans, natural rubber, coffee, etc., or using it as a grazing land for livestock)</li> <li>When supporting forest management projects (*2) in countries other than high-income OECD member countries, we will require them to obtain FSC (Forest Stewardship Council) certification or PEFC (Programme for the Endorsement of Forest Certification Scheme) certification, and to declare NDPE compliance. If certification is yet to be acquired, we encourage and support their acquirement, and request them to submit a plan to acquire certification. We also encourage them to enhance their supply chain management and improve traceability to obtain such certification and comply with NDPE through their supply chain. *2 A forest management business refers to business that nurtures and manages forests, which involves cutting down forest trees for the purpose of harvesting and selling them. This policy does not apply to businesses that only cut trees (thinning) for the purpose of forest conservation without the purpose of harvesting and selling them.</li> <li>In addition, when considering financing for any large-scale project not limited to the above projects, we will surely conduct environmental and social risk assessments as per the Equator Principles, while closely monitoring the applicant's stance on the following points: impact on virgin forests and ecosystems; mitigation measures for the foregoing; inclusion of peatland development; considerations for workers and local residents, etc.</li> </ul>
<b>Manufacturing of Cluster Bombs and Other Weapons of Destruction</b>	<b>Policy</b>	<ul style="list-style-type: none"> <li>Cluster bombs are considered inhumane, therefore SMBC Group prohibits credit to those manufacturers. In addition, it is confirmed that loans are not used for manufacturing of other weapons of destruction.</li> </ul>

