

SMFG Executive Compensation Policy

Sumitomo Mitsui Financial Group, Inc. (“SMFG”; our corporate group will hereinafter be referred to as “SMBC Group”) hereby establishes the Executive Compensation Policy (the “Policy”) in order to provide guiding principles for its Compensation Committee to determine individual remuneration for its directors, corporate executive officers and executive officers (the “Executives”).

The Policy’s aim is that executive compensation pursuant to it shall provide the appropriate incentives for the Executives to pursue Our Group Mission and Our Vision.

1. Core Principles

Our executive compensation shall be determined in accordance with the core principles below:

- 1) SMBC Group’s executive compensation aims at providing appropriate incentives toward the realization of our Mission and Vision.
- 2) SMBC Group’s executive compensation shall reflect the changing business environment and the short-, medium- and long-term performance of the group, and shall account for the contribution to shareholder value, customer satisfaction and a sustainable society.
- 3) Individual remuneration shall reflect the assigned roles and responsibilities as well as the performance of each Executive.
- 4) SMFG shall research and review market practices, including the use of third-party surveys, in order to provide its Executives with a competitive remuneration package.
- 5) SMFG’s executive compensation shall discourage excessive risk-taking and foster a prudent risk culture expected of a financial institution.
- 6) Both external and internal regulations/guidelines on executive compensation shall be observed and respected.
- 7) SMFG shall establish appropriate governance and controls of the compensation process, and shall regularly review to update its executive compensation practices according to changing market practices and/or business environment.

2. Compensation Programme

- 1) SMFG' executive compensation programme (the "Programme") shall have three components: base salary, cash bonus, and stock compensation.

However, compensation of outside directors and Audit Committee members is composed of base salary only, in light of their role to oversee the execution of duties of executive officers, etc.

- 2) In order to hold the Executives accountable and provide them with appropriate incentives for the performance of the group, the Programme targets the variable compensation component of total remuneration at 40% to 60%, in accordance with the corporate titles of each Executive, if paid at standard levels. Corresponding with performance of SMBC Group and the degree of contribution to realization of a sustainable society, the variable component could range from 0% to 150% of the standard levels, which shall be determined by corporate titles of the Executives.
- 3) In order to enhance shareholding of the Executives and align their interests with shareholders, the Programme targets its stock-based compensation components at 25% to 45% of total remuneration, in accordance with the corporate titles of each Executive, if paid at standard levels.
- 4) The above target levels shall be appropriately set in accordance with the roles, responsibilities, etc. of each Executive.
- 5) Base salary shall be periodically paid in cash and shall be, in principle, determined by the corporate titles of each Executive, reflecting the roles, responsibilities, etc.
- 6) Annual incentives shall be determined based on the performance of previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the degree of contribution to realization of a sustainable society, as well as on the performance of each Executive reviewed both from short-term and medium-/long-term perspectives. 70% of the determined amount shall be, in principle, paid as a cash bonus and the remaining 30% shall be paid under Stock Compensation Plan II (annual performance share plan).

a. Weight by each target index is as follows:

Target index		Weight
SMFG Net business profit	Annual growth/Target achievement	50%
SMFG Net income	Annual growth/Target achievement	50%

※If the Compensation Committee recognizes any element other than the above mentioned target indexes which should be taken into consideration, the Compensation Committee will, if appropriate, judge the circumstances comprehensively and may adjust the compensation to be paid to the employee by a maximum of 5%, plus or minus.

- b. The degree of contribution to realization of a sustainable society shall be reflected as an adjustment to the score determined in a., by a maximum of 10%, plus or minus, based on the single-year achievement of KPIs and results of major external ratings.
- 7) Stock compensation plans consist of Stock Compensation Plan I (the “Plan I”), under which the remuneration of the Executives shall be determined based on SMBC Group’s medium-term performance, etc., Stock Compensation Plan II (the “Plan II”), determined based on SMBC Group’s annual performance, etc. and Stock Compensation Plan III (the “Plan III”), determined based on corporate titles, etc.
- a. Under the stock compensation plans, the Executives shall receive remuneration via shares of SMFG common stock. The transfer of such stock shall be restricted for appropriately defined periods.
- b. Remuneration under Plan I shall be determined based on SMBC Group’s performance against the Medium-term Management Plan, performance of SMFG shares, and the percentage of achievement of KPIs with respect to creating social value after the term of SMBC group’s Medium-term Management Plan ends.
- 70% of the evaluation index is determined based on a financial index (Medium-term Management Plan target), 15% is determined based on a share index and 15% is determined based on a non-financial index.
- Weight by each index is as follows:

Evaluation index		Weight
Financial index	ROCET1	20%
	Base expense	20%
	Gross profit	15%
	Net income	15%
Share index	TSR	15%
Non-financial index	Create social value	15%

- (*) The Compensation Committee will determine the evaluation with respect to the “Create social value” based on the percentage of achievement of KPIs related to the environment (FE¹ reduction and amount of sustainability financing provided) and employees (employee engagement and DE&I²) as well as the progress of initiatives with respect to the five key challenges identified by SMBC Group (i.e., environment, DE&I/human rights, declining birthrate and aging population, regrowth of Japan, and

¹ Financed Emissions

² Diversity, Equity & Inclusion

poverty and inequality).

(*) In addition to the above indexes, the Compensation Committee will make a comprehensive judgment of two adjustment factors, "initiatives in new business areas" and "compliance, customer-oriented initiatives, and risk management," and reflect them in the evaluation within a range of +/-5%.

(*) The "CET1 ratio" will be set as a knockout index, and if it falls below a certain level as of the end of each fiscal year, Plan I for the relevant fiscal year shall not be paid.

c. Remunerations under Plan II shall be determined based on the performance of the previous fiscal year of SMBC Group and the business unit each Executive is accountable for, the contribution to a sustainable society, as well as on the performance of each Executive reviewed both from a short-term and medium-/long-term perspectives. Remuneration paid by restricted shares, they shall effectively act as deferred compensation.

d. Remuneration under Plan III shall be determined based on corporate titles, roles, and responsibilities, etc.

8) In the event of material amendments to the financial statements or material reputational damages caused by the Executives, remunerations under the Plans could be reduced or fully forfeit.

9) Notwithstanding the above, if the Compensation Committee determines that it is not appropriate to apply the above matters due to the role of an Executive in each Group company or other reasonable circumstances, or if the Compensation Committee determines that it is not appropriate to apply the above matters to an Executive domiciled outside Japan, compensation shall be designed on an individual basis and determined not only in accordance with the above Core Principles, but also with consideration to local regulations, guidelines, and other local market practices, whilst ensuring the compensation should not incentivize for excessive risk-taking.

3. Governance and Control of the Compensation Processes

1) SMFG, as a Company with Three Committees, has established a Compensation Committee to resolve the following:

- The Policy, the Programme and relevant regulations.
- Individual remunerations for SMFG's directors and corporate executive officers.

2) In addition to the above, SMFG Compensation Committee shall review and discuss the below:

- The individual remuneration for SMFG's other executive officers.
- Executive compensation programmes/practices of the group companies.

4. Amendments to and Abolition of the Policy

Amendments to and abolition of the Policy shall be resolved at the Compensation Committee.

End

(Appendix)

Our Group Mission

We grow and prosper together with our customers, by providing services of greater value to them.
We aim to maximize our shareholders' value through the continuous growth of our business.
We create a work environment that encourages and rewards diligent and highly-motivated employees.
We contribute to a sustainable society by addressing environmental and social issues.

Our Vision

A trusted global solution provider committed to the growth of our customers and advancement of society