

Internal Audit

Our Approach

As a part of SMBC Group's internal control framework, the audit department (the Department) verifies the effectiveness of the internal control of each business unit, risk management and compliance departments, and other departments from an independent standpoint and pursues the quality of internal audits in order to contribute to development and the highest trust across the entire SMBC Group.

Purpose and Mission of Internal Audit

The purpose of internal audit at SMBC Group is the objective provision of assurance*1 and consulting in accordance with the policies and plans approved by the Board of Directors but independent of management, business unit and the departments responsible for risk management and compliance, in order to add value to SMBC Group and improve its operations.

The mission of internal audit at SMBC Group is to preserve and grow the value of SMBC Group by providing risk-based and objective assurance, advice and insight.

*1 Reviewing the adequacy and effectiveness of each process relating to governance, risk management and control processes, and providing assurance and recommendations for improvement based on the results.

Overview of the Group's Internal Audit Framework

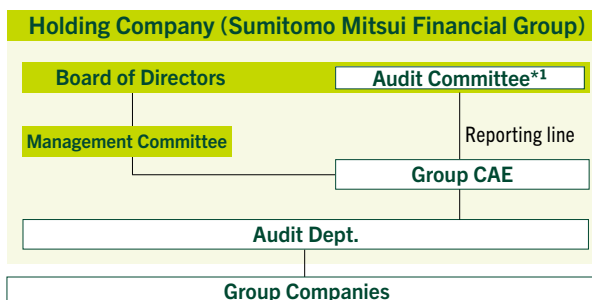
The Department has been established under the Audit Committee and is independent from each Business Unit, risk management and compliance departments, and other departments. Internal audits within our Group companies are structured broadly in line with SMFG. Group CAE oversees group-wide internal audit activities.

The Department verifies the appropriateness and the effectiveness of internal control which aims to assure the appropriateness of Group operations and the soundness of assets by conducting internal audits on each department and Group entity as well as conducting on continuous monitoring of Group companies' internal auditing and

other activities. The activities are based on the "Group Internal Audit Charter" and the "Basic Audit Policy and Plan" formulated by the Audit Committee and the Board of Directors.

Major audit findings and relevant information are regularly reported to the Audit Committee, the Board of Directors, and the Group Management Committee. Whilst the Department strives to strengthen cooperation to conduct proper audit practices through regular information exchange with external auditors. As teleworking spreads amid the COVID-19 pandemic, audit activities are performed via new means to ensure the effectiveness in audits.

Internal Audit Framework



*2 The Audit Committee holds the right to consent regarding personal affairs of the Group CAE.

Enhancement and Effectiveness of Internal Audit

The Department has adopted auditing methods in accordance with the Institute of Internal Auditors (IIA) standards, conducts risk-based audits, and expands the same approach to Group companies. To implement effective and efficient internal audits, the Department conducts monitoring by attending important meetings and by obtaining internal management documents of SMFG and Group companies.

In addition, the Department strives to enhance group-wide internal auditors' expertise by gathering up-to-date internal audit practices, providing the practices to Group companies, holding training programs, and encouraging auditors to obtain internal auditors' international certification.

Furthermore, the Department enhances its quality assurance on a group-wide basis by both fully satisfying the IIA standards and referring to G-SIFIs leading practices.