Corporate Governance

Our Approach

We position "Our Mission" as the universal philosophy underpinning the management of SMBC Group and as the foundation for all of our corporate activities. We are working toward effective corporate governance as we consider the strengthening and enhancement of corporate governance to be one of our top priorities in realizing "Our Mission."

Initiatives for Improving Corporate Governance

2002
- Establishment of Sumitomo Mitsui Financial Group
- Voluntary establishment of Nominating Committee, Compensation Committee, and Risk Committee as internal committees of the Board of Directors

2005
- Voluntary establishment of Audit Committee as internal committee of the Board of Directors

2006
- Formulation of "Basic Policy on Internal Control Systems" through internal control resolution made based on "Our Mission" and "Code of Conduct" in order to establish frameworks for ensuring appropriate operations

2010
- Listing of shares on the New York Stock Exchange in order to improve transparency of financial reporting, increase convenience for investors, and diversify fund procurement methods

2015
- Establishment of the "SMFG Corporate Governance Guideline"
- Increase in the number of outside directors to five and in the number of outside corporate auditors to three

2016
- Strengthening of Group governance by appointing the chairman of SMBC Nikko Securities as a director of Sumitomo Mitsui Financial Group along with the president of SMBC
- Commencement of evaluations of the effectiveness of the Board of Directors

2017
- Transition to a Company with Three Committees; increase in the number of outside directors to seven; establishment of voluntary Risk Committee together with legally mandated Nomination Committee, Compensation Committee, and Audit Committee; and appointment of outside directors as chairmen of three legally mandated committees
- Institution of new Group governance system through introduction of group-wide Business Units and CxO system

2019
- Transition to the Company with Audit and Supervisory Committee structure by core subsidiaries SMBC and SMBC Nikko Securities
- Decrease in the number of directors from 17 to 15 and increase in the ratio of outside directors to 47%

2020
- Appointment of an outside director as the chairman of the Risk Committee

2021
- Appointment of Group CSuO
- Establishment of voluntary Sustainability Committee (Chaired by an outside director)

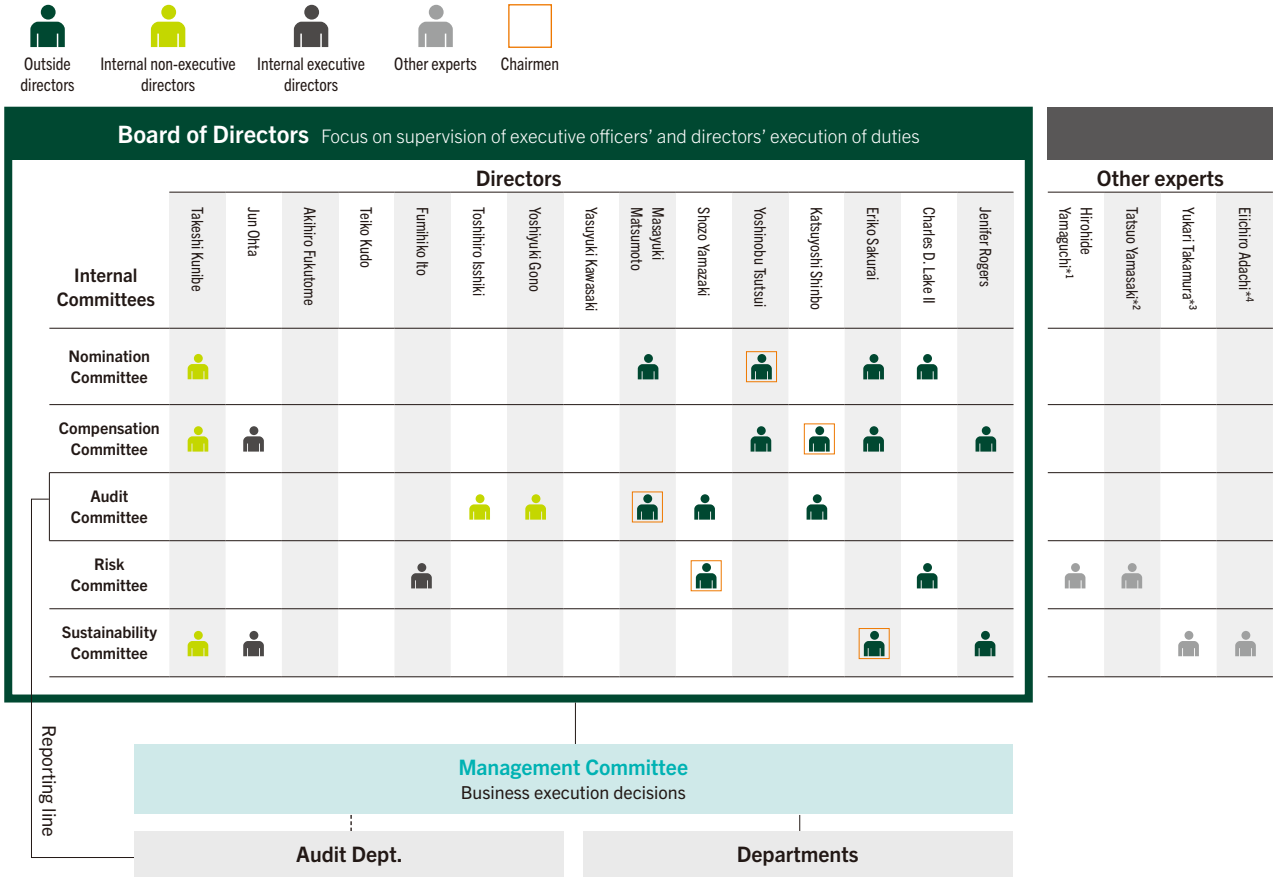
2023
- Establishment of Group Business Management Department

Sumitomo Mitsui Financial Group's Corporate Governance System

SMFG Group employs the Company with Three Committees structure. This structure was adopted in order to establish a corporate governance system that is globally recognized and is aligned with international banking regulations and supervision requirements and to achieve enhanced oversight of the exercise of duties by the Board of Directors and expedite this exercise of duties. In addition, core subsidiaries SMBC and SMBC Nikko Securities employ the Company with Audit and Supervisory Committee system described in the Companies Act.

Through the implementation of effective corporate governance systems, we aim to prevent corporate misconduct while also achieving ongoing growth and medium- to long-term improvements in corporate value. We realize that there is no perfect form for corporate governance structures. Accordingly, we will continue working toward the strengthening and enhancement of corporate governance in order to realize higher levels of effectiveness.

Corporate Governance System



*1 Chairman of the Advisory Board of Nikko Research Center, Inc., former Deputy Governor of the Bank of Japan
*2 Specially appointed professor of International University of Health and Welfare
*3 Professor at the University of Tokyo Institute for Future Initiatives
*4 Senior Counselor of The Japan Research Institute, Limited.

Corporate Governance

Board of Directors

Role of the Board of Directors

The Board of Directors of the Company is primarily responsible for making decisions on the matters that are within its legally mandated scope of authority, such as basic management policies, as well as for overseeing the exercise of duties of executive officers and directors. Authority for execution decisions other than those legally required to be made by the Board of Directors will, in principle, be delegated to executive officers. The purpose for this delegation is to enhance the oversight function of the Board of Directors and to expedite the exercise of duties.

The Board of Directors works toward the realization of "Our Mission" and the long-term growth of corporate value and the common interests of the shareholders. Any action that may impede those objectives will be addressed with impartial decisions and response measures.

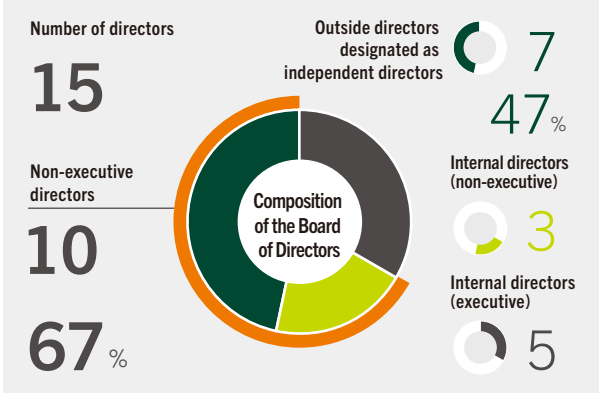
Furthermore, the Board of Directors is responsible for establishing an environment that supports appropriate risk taking by executive officers. It will develop a system for ensuring the appropriateness of SMBC Group's business operations pursuant to the Companies Act and other relevant legislation in order to maintain sound management. Another responsibility of the Board of Directors is to exercise highly effective oversight of executive officers from an independent and objective standpoint. Accordingly, the Board of Directors endeavors to appropriately evaluate company performance and reflect these evaluations in its assessment of executive officers.

Composition of the Board of Directors

The Board of Directors is comprised of directors with various backgrounds and diverse expertise, experience, gender and nationality.

As of June 29, 2023, the Board of Directors was comprised of 15 directors, which the Company believes to be the appropriate number of directors for the Board to perform its functions most efficiently and effectively. Ten of the 15 directors did not have business execution responsibilities at the Company or its subsidiaries, with seven of these 10 directors being outside directors. The chairman of Sumitomo Mitsui Financial Group, who does not have business execution responsibilities, serves as the chairman of the Board of Directors. This membership ensures an objective stance toward supervising the exercise of duties by executive officers and directors.

Outside directors serve as chairmen and members of the Company's legally mandated and voluntarily established committees. When necessary, outside directors will request reports on compliance, risk management, or other matters from the relevant divisions in order to promote appropriate coordination and supervision.



Examples of matters discussed by the Board of Directors	
• Deliberations on the formulation of the new Medium-Term Management Plan	• Focused supervision of SMBC Nikko Securities in light of the administrative action taken by the Financial Services Agency
• Progress of the Medium-Term Management Plan and business plan	• Global compliance
• Digitalization efforts	• Corporate governance structure
• Sustainability initiatives	• Capital policy (ROE and PBR improvement)
• Human resources measures	• Policy for equity holdings
• System strategy policy	• Responding to geopolitical risks

Processes for selecting and dismissing directors and executive officers

We expect our directors and executive officers to embody the values expressed in our management philosophy at a high level, to possess a wealth of practical experience and high levels of ability and insight, and to contribute to the further development of SMBC Group. In selecting directors, the Nominating Committee spends ample time deliberating whether a candidate can meet these expectations. Where it is difficult for a director or executive officer to perform their duties effectively, the Group will consider their dismissal.

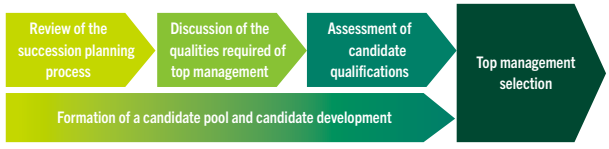
For details, please see References 4 and 5 in the "SMFG Corporate Governance Guidelines."

https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

Succession planning for top management

One of the matters discussed by the Nominating Committee that directly relates to our Mission and management strategy is succession plans for the Company president (Group CEO) and the presidents of the core subsidiaries SMBC and SMBC Nikko Securities. To train and develop our future top management, we take our time systematically forming a candidate pool through tough work assignments and third-party assessment and coaching. From within this large pool of candidates, the best candidates with the qualities required to lead a global financial group, such as broad vision and communication abilities, are selected for top management.

Top management selection process



Skills Matrix of Directors

A skills matrix is developed following deliberations by the Nominating Committee as to the knowledge and experience expected of directors in exercising sufficient supervisory functions as a Board of Directors of a global financial group. In 2022, IT/DX and Sustainability, which are becoming increasingly important in SMBC Group's business strategy, were added.

		Expected knowledge and experience in particular*						
	Appointed	Corporate management	Finance	Global	Legal affairs/ Risk management	Financial accounting	IT/DX	Sustainability
Takeshi Kunibe		●	●	●	●	●	●	●
Jun Ohta	2014	●	●	●	●	●	●	●
Akihiro Fukutome	2023	●	●	●	●	●	●	●
Teiko Kudo	2021		●	●	●			●
Fumihiko Ito	2023		●	●	●	●	●	●
Toshihiro Isshiki	2021		●		●			
Yoshiyuki Gono	2023		●	●	●			
Yasuyuki Kawasaki	2021	●	●	●				
Masayuki Matsumoto	2017	●			●			
Shozo Yamazaki	2017				●	●		
Yoshinobu Tsutsui	2017	●	●					
Katsuyoshi Shinbo	2017				●			
Eriko Sakurai	2015	●		●				●
Charles D. Lake II	2023	●	●	●	●			
Jenifer Rogers	2023	●	●	●	●		●	●

** The items listed in "Skills Matrix of Directors" are areas particularly expected of the relevant directors and do not represent all of the knowledge and experience possessed by the directors.*

Corporate Governance

Support Systems for Outside Directors

The Company recognizes that outside directors require an in-depth understanding of the Group's business operations and business activities. Accordingly, we continually endeavor to supply outside directors with the information and insight on business activities that are necessary to supervise management while also providing the opportunities needed to fulfill their roles.

Initiatives to support directors in FY2022 included those indicated to the right.

Outside Directors visit to Sumitomo Mitsui Card Company locations

- Participation in meetings of general managers of core Group companies and other executive team meetings, tours of bases of Group companies, and discussions with presidents of Group companies for facilitating a greater understanding of business operations and business activities
- Informal meetings between outside directors and relevant departments on topics including Central Bank Digital Currency and promoting DE&I.
- Explanatory forums on Board of Directors' meeting agenda items prior to Board meetings to assist in understanding of items
- Study sessions led by external lecturers on topics such as information sharing regulations (firewall regulations), business and human rights, and cybersecurity
- Timely and effective provision of information such as details on the proceedings of internal meetings to outside directors
- External director-only meetings

Outside Director Independence Standards

In order for an outside director ("Outside Director") of the Company to be classified as independent, they must not fall under, or have recently fallen under, any of the following categories:

1 Major Business Partner	• An entity that has the Company or SMBC as a major business partner or an executive director, officer, or other person engaged in the execution of business of such an entity. • An entity that is a major business partner of the Company or SMBC or an executive director, officer, or other person engaged in the execution of business of such an entity.
2 Specialist	• A legal expert, accounting expert, or consultant who has received money or other property from the Company or SMBC averaging more than ¥10 million per year over the last three years, in addition to any compensation received as a director or corporate auditor. • A member of a Juridical Person, etc. or other organization that provides specialist services, such as a law firm, accounting firm, or consulting firm, which has received large amounts of money or other property from the Company or SMBC.
3 Donations	• A person who has received—or an executive director, officer, or other person engaged in the execution of business of an entity which has received—on average over the last three years, donations or other payments from the Company or SMBC in excess of the greater of ¥10 million per year and 2% of the recipient's annual revenue.
4 Major Shareholder	• A major shareholder of the Company or an executive director, officer, or other person engaged in the execution of business of a major shareholder (including anyone who has been a major shareholder, or an executive director, officer, or other person engaged in the execution of business of a major shareholder, within the last three years).
5 Close Relative	• A close relative of any person (excluding non-material personnel) who falls under any of the following: (1) A person who falls under any of 1 through 4 above; or (2) A director, corporate auditor, executive officer, or other person engaged in the execution of business of the Company or a subsidiary thereof.

Please see Reference 6 of the "SMFG Corporate Governance Guideline" for more information.
https://www.smfg.co.jp/english/aboutus/pdf/cg_guideline_e.pdf

Internal Committees

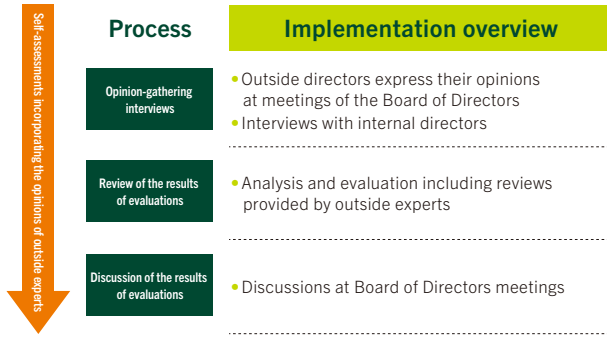
	Main role	Number of meetings in FY2022 (average attendance)	Activities in FY2022
Nomination Committee	The Nomination Committee is responsible for preparing proposals regarding the appointment and dismissal of directors to be submitted to the general meeting of shareholders. This committee also deliberates on matters regarding personnel decisions pertaining to officers of the Company and major subsidiaries and the selection of successors to the presidents of the Company, SMBC, and SMBC Nikko Securities.	5 meetings (93%)	• In anticipation of the change of SMBC president in April 2023, ongoing discussions have been held concerning succession planning. • Specifically, the committee narrowed down the list of candidates based on the "qualities required for top management" discussed in FY2021, and agreed to appoint a new president.
Compensation Committee	The Compensation Committee is responsible for deciding policies for determining the compensation of directors and executive officers of the Company as well as compensation amounts of individual directors and executive officers of the Company based on those policies. In addition, this committee deliberates on the policies for determining the compensation of the executive officers of major subsidiaries and the compensation amounts of individual executive officers of the Company.	7 meetings (100%)	• With the start of the new Medium-Term Management Plan from FY2023, we have reviewed how medium-term performance-linked remuneration is assessed. Specifically, we have investigated incorporating "Create social value" into the evaluation index as a non-financial index. • The committee also discussed disciplinary actions to be taken against the officers of SMBC Nikko Securities for market manipulation and violation of the firewall regulations separating banking and securities.
Audit Committee	The Audit Committee is responsible for auditing the execution of duties by executive officers and directors of the Company, preparing audit reports, and determining the content of proposals for election, dismissal, or non-reelection of the accounting auditor to be submitted to the general meeting of shareholders. Committee members appointed by this Committee are to perform audits of the operations and assets of the Company and its subsidiaries.	16 meetings (100%)	• In accordance with the audit policy and audit plan, audited the execution of duties by directors and executive officers by attending key meetings, interviewing with executive officers and directors, receiving reports from internal departments and visiting domestic and overseas offices. • Provided summaries of the results of its deliberations to the Board of Directors, and issued recommendations and opinions to executive officers, etc. where necessary.
Risk Committee	The Risk Committee is responsible for deliberation on matters relating to environmental and risk awareness, the operation of the Risk Appetite Framework, and the implementation of risk management systems as well as other important matters pertaining to risk management and reporting to the Board of Directors on these matters.	4 meetings (100%)	• The committee deliberated the environment and risk recognition in the new Medium-Term Management Plan, including geopolitical risks, the trends and outlooks of monetary policy across Europe, the U.S., and Japan. • In preparation for formulating the Medium-Term Management Plan and operational plan, the committee discussed the risk appetite and the policy for addressing risk scenarios when they materialize, based on the top risks and stress test results. • The committee also engaged in discussion on SMBC Group's risk management system, including the strengthening of group governance.
Sustainability Committee	The Sustainability Committee is responsible for deliberating on the progress of sustainability initiatives, including climate change initiatives, domestic and overseas sustainability trends, and other important matters related to sustainability. It regularly reports to, and advises, the Board or Directors.	2 meetings (100%)	• The committee reviewed SMBC Group's materiality, with the aim of creating social value by addressing a wide range of social issues. • The committee reviewed the results of company-wide efforts regarding sustainability, and discussed the policy for sustainability initiatives in the new Medium-Term Management Plan starting from FY2023.

Corporate Governance

Evaluation of the Board of Directors' Effectiveness

The "SMFG Corporate Governance Guideline" contains provisions on evaluating the effectiveness of the Board of Directors. In accordance with these provisions, annual analyses and evaluations are conducted by the Board of Directors to determine whether or not it is executing its duties in line with the guideline, and the results of these analyses and evaluations are disclosed.

In FY2022, the evaluation focused on the three areas described below, which are areas for which provisions exist in Japan's Corporate Governance Code and the "SMFG Corporate Governance Guideline." All seven outside directors were asked for their opinions regarding these areas at meetings of the Board of Directors held in April and May 2023 and interviews of internal directors were conducted thereafter. Discussions were held at Board of Directors' meetings in June based on the findings of these interviews with internal directors, after which analyses and evaluations were carried out to determine whether or not the Board of Directors was executing its duties in line with the "SMFG Corporate Governance Guideline." Moreover, reviews by external specialists with expertise from developed nations are received at each stage of the evaluation process.



Overview of Results of Evaluation of the Board of Directors' Effectiveness

In FY2022, based on appropriate actions taken to respond to the findings of the last Effectiveness Evaluation, the Board of Directors assessed the Group to be sufficiently effective, and more effective than before, as a result of efforts to increase the sophistication and effectiveness of deliberations at Board of Directors meetings. Based on the results of the latest Effectiveness Evaluation, together with the diverse opinions of the directors and the recommendations of external experts gathered through a series of processes, our Board of Directors is working to further improve effectiveness by promoting mutual understanding between outside directors and internal officers and employees, and by discussing fundamental issues to enhance our corporate value.

	FY2022 Evaluation	FY2023 Priority Issues
Role of the Board of Directors	• Steps are taken to invigorate discussions by drawing on the highly specialized expertise of the outside directors. These discussions were geared toward medium- to long-term improvements in corporate value based on the interests of various stakeholders while incorporating important matters related to business strategies to contribute to the fulfillment of "Our Mission." • In particular, in FY2022, the Board of Directors had thorough discussions on important topics such as the formulation of the new Medium-Term Management Plan for the future of SMBC Group, and, as its holding company, focused supervision of SMBC Nikko Securities in light of an incident in which former officers and employees of the company violated Article 159, Paragraph 3 (illegal market manipulation) of the Financial Instruments and Exchange Act (the "market manipulation case"). • Based on the executive-side discussions of the Management Committee, matters related to business plans and other basic management policies as well as the status of business execution were presented and reported on several occasions. As a result, effective deliberations on these matters were able to take place and oversight functions were exercised properly.	The Board of Directors will play an even more involved role based on mutual understanding between the outside directors and internal officers and employees in supervising the progress of the new Medium-Term Management Plan (Plan For Fulfilled Growth) while being aware of environmental changes including monetary policy trends, market demands regarding return on capital, geopolitical risks, and technological innovation such as generative AI, as well as in supervising efforts to respond to administrative action, etc., in response to market manipulation cases and to prevent such cases occurring again, and in exercising supervisory functions over major subsidiaries.
Proceedings of the Board of Directors and Support Systems for Outside Directors	• The number and content of agenda items as well as the amount of time dedicated to discussion of agenda items were more or less at the appropriate level. • Appropriate agenda management by the chairperson has facilitated the continuation of brisk discussions. • The Board of Directors continues to make flexible management decisions amid the changing operating environment. Members of the Board of Directors are provided with the information necessary for exercising their oversight function in a timely and appropriate manner. • The Company continued to provide systems for effectively supporting the Board of Directors in making management decisions through venues such as study sessions for outside directors and forums for discussions between outside directors and internal directors, executive officers, and accounting auditors, etc. Steps were taken to contribute to livelier discussions at meetings of the Board of Directors, including the provision of information about major Group companies and the setting-up of meetings, in order deepen understanding of the Group companies' operations.	We will further increase the sophistication of discussions by, for example, taking further advantage of outside directors' knowledge, and continuing to ensure sufficient time for deliberation of important topics.
Composition of the Board of Directors	• As of June 30, 2023, the Board of Directors consisted of 15 directors, seven of whom were outside directors. Accordingly, outs ide directors represented over 40% of all directors. It was once again acknowledged that the outside directors represented a diverse range of expertise, genders, and nationalities and that the Board of Directors features an atmosphere conducive to outside directors voicing opinions regarding management.	The Nominating Committee shall continue to examine and review the ideal composition of the Board of Directors in light of its role.

Equity Holdings

Policy for Equity Holdings

(1) In principle, SMBC Group does not hold the shares of other companies where "the rationale to hold" those shares cannot be recognized.
This policy is in place in order to maintain SMBC Group's financial soundness taking into consideration the standards of globally operating financial institutions and our proactive response to global regulation.

(2) We determine "the rationale to hold" as a case where the shareholding will contribute to increasing SMBC Group's corporate value over the medium to long term. We determine this with comprehensive consideration based on (a) the profitability - through an appropriate assessment and understanding of relevant factors, such as associated risks, costs and returns of the holding; (b) the objectives to hold - such as maintaining and strengthening our relationship, capital and business alliance, restructuring support, and (c)other relevant factors.

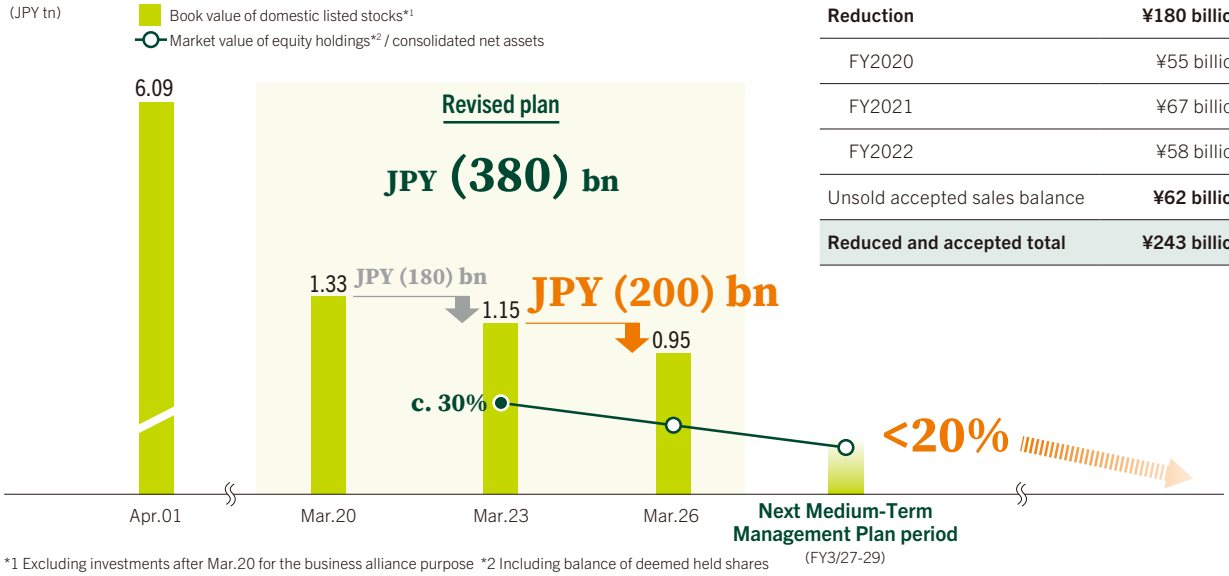
(3) We examine "the rationale to hold" on a regular basis. We will sell them by taking into consideration various factors, such as market impact and the financial strategy of the issuers, where an appropriate rationale no longer exists. In the case that where we recognize there is good rationale for doing so, we will continue to hold shares.

Reduction Plan for Equity Holdings

SMBC Group continuously makes efforts to reduce price fluctuation risks from the point of view of maintaining a foundation that can sufficiently demonstrate its financial intermediary function even in a stressful environment in which the prices of stocks drastically fall.
Based on the five-year, ¥300 billion reduction plan (FY2020–FY2024), we have reduced ¥180 billion in the three-year period up to FY2022. However, based on the recent environment surrounding equity holdings, we made a revision to accelerate the reduction plan in May 2023.

Specifically, in line with the three-year Medium-Term Management Plan starting in FY2023, we extended the plan one year and added ¥80 billion to reduction amount for a reduction of ¥380 billion in six years, and set a plan to reduce ¥200 billion in the next three years. Also, this plan is set as the minimum, and we are aiming to exceed it as much as possible. In addition, we will aim to earn a good prospect of achieving the reduction of the proportion of market value of equity holdings to less than 20% of our consolidated net assets during the period of the next Medium-Term Management Plan. Under the new plan, we will work to further reduce equity holdings going forward.

Reduction Plan of Equity Holdings



*1 Excluding investments after Mar.20 for the business alliance purpose *2 Including balance of deemed held shares

State of reduction

Reduction	¥180 billion
FY2020	¥55 billion
FY2021	¥67 billion
FY2022	¥58 billion
Unsold accepted sales balance	**¥62 billion**
Reduced and accepted total	**¥243 billion**

For details, refer to the SMBC Group website.
https://www.smfg.co.jp/english/company/organization/governance/structure/hold.html

Corporate Governance

Compensation Program

To facilitate the fulfillment of Our Mission and the realization of Our Vision, SMBC Group's medium- to long-term vision, we developed a compensation program for Directors, Corporate Executive Officers and Executive Officers (the "Executives") and introduced Stock Compensation Plans as a part of Executives' compensation programs, for the purpose of:

1. Providing appropriately functioning incentives for Executives, strengthening linkage with our short-, medium-, and long-term performance, and
2. Further aligning the interests of Executives with those of shareholders, by increasing the weight of stock compensation and enhancing the shareholding of our Executives.

Executive Compensation System (FY2023)

Cash compensation ■ Stock compensation ■ Variable compensation

Portion of stock-based compensation: 25%

Portion of variable compensation: 40%*1

Compensation Components	Payment Standards (Range of Variation) and Target Indices	Payment Method
Base salary	**Fixed compensation**	• Cash
Bonus (cash)	**Compensation determined based on SMFG's annual performance (0%–150%) *2** Standard levels × annual performance of SMFG and SMBC, progress of initiatives towards the realization of sustainability, performance of the executive	• Cash : 70% • Restricted stock : 30%
Bonus (Stock Compensation Plan II)		
Stock Compensation Plan I	**Compensation determined based on SMFG's medium-term performance, etc. (0%–150%) *8** Standard levels × SMFG's medium-term performance, etc.	• Restricted stock
Stock Compensation Plan III	(Promotion reward plan)	• Restricted stock

Bonus (Stock Compensation Plan II) — Target Index*3 / Weight:

Target Index*3		Weight
SMBC Banking profit*4	Annual growth / Target achievement	50%
SMBC Net income (pre-tax) *5	Annual growth / Target achievement	25%
SMFG Net income*6	Annual growth / Target achievement	25%

ESG Evaluation / Weight:

ESG Evaluation	Weight
Progress of KPIs*7	±10%
Performances of external ESG ratings	

Stock Compensation Plan I — Evaluation index / Weight:

Evaluation index		Weight
Financial index	ROCET1*9	20%
	Base expenses*10	20%
	SMFG Gross profit*11	15%
	SMFG Net income*6	15%
Share index	TSR (Total shareholder return)*12	15%
Non-financial index	Create social value*13	15%
Qualitative evaluation	Initiatives in new business areas, compliance, customer-oriented initiatives, and risk management	±5%

In the case that the CET1 ratio falls below a designated level at the end of each fiscal year, Stock Compensation Plan I for the respective fiscal year becomes null and void (knock-out provision).

■ **Foster a prudent risk culture expected of a financial institution**

Stock Compensation Plan I, Stock Compensation Plan II, and Stock Compensation Plan III are applicable to malus and claw-back provisions

*1 Variable compensation capped at a maximum of 100% of total base salary
*2 Compensation amounts for each fiscal year determined by the Compensation Committee
*3 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.
*4 Adding collaboration incentives between each company in the Group and Sumitomo Mitsui Banking Corporation to the banking profit of Sumitomo Mitsui Banking Corporation
*5 Income before income taxes at Sumitomo Mitsui Banking Corporation
*6 The Company's consolidated profit attributable to owners of parent
*7 Achievement of annual progress of KPIs in the "SMBC Group GREEN×GLOBE 2030," such as the reduction of greenhouse gas emissions
*8 Compensation amounts determined by the Compensation Committee at the conclusion of the Medium-Term Management Plan
*9 Post-Basel III reforms basis, excludes net unrealized gains (losses) on other securities
*10 General and administrative expenses excluding "revenue-linked cost," "prior investment cost" and others
*11 The Company's consolidated gross profit
*12 The Compensation Committee determines progress of performance by relative evaluation of TSR during the term of the Group's Medium-Term Management Plan
*13 The Compensation Committee evaluates the achievement of KPIs related to the environment (FE reduction and amount of sustainability finance executed) and employees (employee engagement and DE&I), as well as the status of efforts to address the five key challenges set forth by the Group ("Environment," "DE&I/Human Rights," "Declining Birthrate & Aging Population," "Japan's Regrowth," and "Poverty & Inequality").

Executive Compensation Structure

In principle, executive compensation consists of base salary, bonuses and stock compensation. The performance-linked portion, which fluctuates with the business environment and performance, accounts for approximately 40% of total compensation.

Annual Performance-Linked Incentive

Both the Bonus (Cash) and Stock-Compensation Plan II are paid as annual performance-linked incentives. Three performance indicators are used: "SMFG Net Income" which is management's end performance, and "SMBC Banking profit" and "SMBC Net Income (pre-tax)," which indicate the profitability of SMFG's major subsidiaries. These create a strong link between performance and executive compensation, ensuring that compensation functions as an appropriate incentive for performance.

FY2022 Results: Bonus (Cash) & Stock Compensation Plan II

Target Index	Weight	Actual performance	Performance evaluation coefficient
SMBC Banking profit	50%	61.3%	121%*1
SMBC Net income (pre-tax)	25%	30.9%	
SMFG Net income	25%	27.9%	
ESG Evaluation	**Weight**	**Evaluation results**	
Achievement of KPIs	±10%	+1.5%	
Results of major ESG ratings			

*1 The final performance evaluation coefficient is determined by summing the actual performance and the evaluation results and rounding down to the nearest whole number.

Medium-Term Performance-Linked Compensation

Stock Compensation I is paid as medium-term performance-linked compensation. In order to improve accountability incentives for our medium- and long-term performance and to increase shareholder value, medium-term performance-inked compensation is calculated based on the target indices of ROCET1 and base expenses together with qualitative evaluations including "customer satisfaction" and "initiatives in new business fields."

Compensation programs and levels are determined by the Compensation Committee based on third-party surveys of manager compensation, economic and social trends, and the operating environment.

FY2020-FY2022 Results: Stock Compensation Plan I

Target Index		Weight	Actual performance	Evaluation
Financial Performance	ROCET1	20%	22.0%	115%*3
	Base expenses	20%	25.0%	
	Gross profit	20%	26.4%	
	Net income	20%	23.8%	
Share performance	TSR (Total shareholder return)	20%	18.0%	
Qualitative evaluation	Customer satisfaction, ESG initiative, employee engagement, efforts to develop new business areas	±10%	±0%*2	

*2 Although "ESG initiative" and "Efforts to develop new business areas" progressed steadily, the Company took very seriously the market manipulation case at SMBC Nikko Securities Inc. and the violation of regulations on the firewall between banking and securities operations, and determined the evaluation as maximum 0%, plus or minus.

*3 The final performance evaluation is determined by summing the actual performance and rounding down to the nearest whole number

Evaluation of efforts to create social value

We are incorporating an indicator evaluating efforts to create social value into executive compensation with the aim of further increasing our executives' commitment to contributing to the realization of a sustainable society and achieving "SMBC Group GREEN×GLOBE 2030."

From FY2022, the Compensation Committee will judge performances of annual progress of KPIs in the "SMBC Group GREEN×GLOBE 2030", such as the reduction of greenhouse gas emissions, and performances of external ESG ratings. These performances will be reflected in annual performance-linked incentive by a maximum of 10%, plus or minus.

"Create social value" has been incorporated in the evaluation index of the medium-term performance-linked remuneration since FY2023 as a non-financial index. Specifically, the Compensation Committee evaluates the rate of KPI achievement for environmental and employee-related initiatives, as well as efforts to address the five key issues (materiality) set by SMBC Group.

Ensuring Robust Business Operations

We have also introduced provisions for malus (forfeiture) of restricted stock and the claw-back of vested stock allocated under the Stock Compensation Plans in the event of incidents occurring such as material revisions to financial statements or material damage to the reputation of the Group.

We are working to restrain excessive risk-taking and foster a prudent risk culture expected of a financial institution.

Corporate Governance

SMBC Group Global Advisors

SMBC Group Global Advisors ("Global Advisors") act in an advisory capacity to the SMBC Group Management Committee by attending SMBC Group Global Advisory Meetings, which we hold on a regular basis.

SMBC Group has appointed Global Advisors to provide advice to it on global business and on political and economic issues in the Americas, EMEA, and Asia. At SMBC Group Global Advisory Meetings, advisors inform the Management Committee of trends and developments in the financial sector and the political and economic environments of respective regions. Global Advisors also provide regular insight with respect to political and economic issues related to the formulation of strategies and key risks faced by SMBC Group.

Andrew N. Liveris

2017–2018 Executive Chairman, DowDuPont Inc.
2004–2017 Chairman and CEO, The Dow Chemical Company

Cesar V. Purisima

2010–2016 Secretary of Finance of the Republic of the Philippines
2004–2005 Secretary of Trade and Industry of the Republic of the Philippines

Joseph Yam

2017–Present A member of the Executive Council, Hong Kong SAR
1993–2009 Chief Executive of the Hong Kong Monetary Authority

Paul Polman

2018–Present Vice-Chair of the UN Global Compact
2009–2019 Chief Executive Officer, Unilever

SMBC Group Technology Advisors

SMBC Group Technology Advisory Committee meets regularly to facilitate the enhancement of the Company's IT-related initiatives. This committee is an advisory body in which chief technology officer-class information system representatives from domestic and overseas companies participate. Meetings of this committee are held regularly to discuss predetermined themes for the purpose of gathering suggestions and advice regarding the outlook for IT-related trends and directives for SMBC Group. In 2022, committee meetings were held covering the topics of "blockchain" and "responding to advanced technologies that will be implemented in society in future," in which a range of opinions were exchanged on the current state of technology and the future outlook in light of recent social trends.

Motoo Nishihara

Corporate Executive Vice President and CTO - President of Global Innovation Business Unit
NEC Corporation

Seishi Okamoto

Corporate Executive Officer, EVP, Head of Fujitsu Research
Fujitsu Limited

Itaru Nishizawa

Vice President and Executive Officer, CTO, GM of the Research & Development Group
Hitachi, Ltd.

Norishige Morimoto

CTO & VP, IBM Research & Development
IBM Japan, Ltd.

Kenzaburo Tamaru

Director, National Technology Officer
Microsoft Japan Co., Ltd.

Corporate Governance

Sumitomo Mitsui Financial Group Directors

(As of June 29, 2023)

Chairman of the Board

Takeshi Kunibe

1976 Joined Sumitomo Bank
2003 Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC")
2006 Managing Executive Officer of SMBC
2007 Managing Executive Officer of the Company
Director of the Company
2009 Director and Senior Managing Executive Officer of SMBC
2011 President and Chief Executive Officer of SMBC
2017 President of the Company
Resigned as Director of SMBC
Director President of the Company
2019 Chairman of the Board of the Company (to present)
2021 Chairman of the Board of SMBC
2023 Resigned as Director of SMBC

Director
President (Representative Corporate Executive Officer)
Group CEO

Jun Ohta

1982 Joined Sumitomo Bank
2009 Executive Officer of SMBC
2012 Managing Executive Officer of SMBC
2013 Managing Executive Officer of the Company
2014 Senior Managing Executive Officer of the Company
Senior Managing Executive Officer of SMBC
Director of the Company
2015 Director and Senior Managing Executive Officer of SMBC
2017 Director and Deputy President of the Company
Resigned as Director of SMBC
Director Deputy President and Corporate Executive Officer of the Company
2018 Director and Deputy President of SMBC
2019 Director President of the Company (to present)
Resigned as Director of SMBC

Director
President of SMBC

Akihiro Fukutome

1985 Joined Mitsui Bank
2014 Executive Officer of SMBC
2015 Managing Executive Officer of SMBC
2017 Resigned as Managing Executive Officer of SMBC
2018 Chief Officer of Sales Finance Business Group of TOYOTA MOTOR CORPORATION
President of TOYOTA FINANCIAL SERVICES Co., Ltd.
2021 Retired from Chief Officer of Sales Finance Business Group of TOYOTA MOTOR CORPORATION
Resigned as Director of TOYOTA FINANCIAL SERVICES Co., Ltd.
Senior Managing Corporate Executive Officer of the Company
Senior Managing Executive Officer of SMBC
2022 Director and Senior Managing Executive Officer of SMBC
2023 Resigned as Corporate Executive Officer of the Company
President of SMBC (to present)
Director of the Company (to present)

Director Senior Managing Corporate Executive Officer
Group CRO
Director and Senior Managing Executive Officer of SMBC

Teiko Kudo

1987 Joined Sumitomo Bank
2014 Executive Officer of SMBC
2017 Managing Executive Officer of SMBC
2020 Senior Managing Executive Officer of the Company
Senior Managing Executive Officer of SMBC
2021 Director and Senior Managing Executive Officer of SMBC (to present)
Senior Managing Corporate Executive Officer of the Company
Director Senior Managing Corporate Executive Officer of the Company (to present)

Director Senior Managing Corporate Executive Officer
Group CFO, Group CSO
Senior Managing Executive Officer of SMBC

Fumihiko Ito

1990 Joined Sumitomo Bank
2018 Executive Officer of SMBC
Executive Officer of the Company
2020 Managing Executive Officer of the Company
Managing Executive Officer of SMBC
2023 Senior Managing Corporate Executive Officer of the Company
Senior Managing Executive Officer of SMBC (to present)
Director Senior Managing Corporate Executive Officer of the Company (to present)

Director
Director of SMBC

Toshihiro Isshiki

1985 Joined Sumitomo Bank
2013 Executive Officer of SMBC
2015 Managing Executive Officer of SMBC
2017 Managing Executive Officer of the Company
2019 Senior Managing Executive Officer of the Company
Senior Managing Executive Officer of SMBC
2021 Retired as Senior Managing Executive Officer of SMBC
Director of the Company (to present)
2023 Director of SMBC (to present)

Director

Yoshiyuki Gono

1988 Joined Sumitomo Bank
2018 Executive Officer of the Company
Executive Officer of SMBC
2021 Managing Executive Officer of the Company
Managing Executive Officer of SMBC
2023 Resigned as Managing Executive Officer of SMBC
Director of the Company (to present)

Director
Chairman of the Board (Representative Director) of SMBC Nikko

Yasuyuki Kawasaki

1982 Joined Sumitomo Bank
2009 Executive Officer of SMBC
2012 Managing Executive Officer of SMBC
2013 Managing Executive Officer of the Company
2014 Senior Managing Executive Officer of the Company
Senior Managing Executive Officer of SMBC
2015 Director and Senior Managing Executive Officer of SMBC
2017 Deputy President of the Company
Director and Deputy President of SMBC
Deputy President and Corporate Executive Officer of the Company
2018 Deputy Chairman of the Company
Deputy Chairman of SMBC
2020 Retired as Deputy Chairman of the Company
Retired as Deputy Chairman of SMBC
Representative Director and Deputy President
Executive Officer of SMBC Nikko Securities Inc. (“SMBC Nikko”)
2021 Chairman of the Board (Representative Director) of SMBC Nikko (to present)
Director of the Company (to present)

Corporate Governance

Sumitomo Mitsui Financial Group Directors

(As of June 29, 2023)

Director
Special Advisor of Central Japan Railway Company

Masayuki Matsumoto

1967 Joined the Japanese National Railways
1987 Joined Central Japan Railway Company
1992 Director and Manager of the Secretariat of Central Japan Railway Company
1996 Executive Director of Central Japan Railway Company
1998 Senior Executive Director of Central Japan Railway Company
2000 Executive Vice President and Representative Director of Central Japan Railway Company
2004 President and Representative Director of Central Japan Railway Company
2010 Vice Chairman and Representative Director of Central Japan Railway Company
2011 Resigned as Director of Central Japan Railway Company
President of Japan Broadcasting Corporation
2014 Retired from Japan Broadcasting Corporation
Special Advisor of Central Japan Railway Company (to present)
2015 Director of SMBC
2017 Director of the Company (to present)
Retired as Director of SMBC

Director
Certified public accountant

Shozo Yamazaki

1970 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
1974 Registered as a certified public accountant (to present)
1991 Representative Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
2010 Retired from Deloitte Touche Tohmatsu LLC
Chairman and President of The Japanese Institute of Certified Public Accountants
2013 Advisor of The Japanese Institute of Certified Public Accountants (to present)
2014 Professor of Tohoku University Accounting School
2017 Director of the Company (to present)

Director
Chairman of Nippon Life Insurance Company

Yoshinobu Tsutsui

1977 Joined Nippon Life Insurance Company
2004 Director of Nippon Life Insurance Company
2007 Director and Executive Officer of Nippon Life Insurance Company
Director and Managing Executive Officer of Nippon Life Insurance Company
2009 Director and Senior Managing Executive Officer of Nippon Life Insurance Company
2010 Representative Director and Senior Managing Executive Officer of Nippon Life Insurance Company
2011 President of Nippon Life Insurance Company
2017 Director of the Company (to present)
2018 Chairman of Nippon Life Insurance Company (to present)

Director
Attorney at law

Katsuyoshi Shinbo

1984 Registered as an attorney at law (to present)
1999 Attorney at law at Shinbo Law Office (to present)
2015 Corporate Auditor of SMBC
2017 Director of the Company (to present)
Resigned as Corporate Auditor of SMBC

Note: Mr. Masayuki Matsumoto, Mr. Shozo Yamazaki, Mr. Yoshinobu Tsutsui, Mr. Katsuyoshi Shinbo, Ms. Eriko Sakurai, Mr. Charles D. Lake II and Ms. Jenifer Rogers satisfy the requirements for an "outside director" under the Companies Act.

See page 177 for information on SMBC's Board of Directors, Directors, Members of the Audit and Supervisory Committee and Executive Officers.

Director
Former President and Representative Director of Dow Chemical Japan Limited

Eriko Sakurai

1987 Joined Dow Corning Corporation
2008 Director of Dow Corning Toray Co., Ltd.
2009 Chairman and CEO of Dow Corning Toray Co., Ltd.
2011 Regional President -Japan/Korea of Dow Corning Corporation
2015 President and Representative Director of Dow Corning Holding Japan Co., Ltd.
Director of the Company (to present)
2018 Executor, Dow Switzerland Holding GmbH, which is a Representative Partner of Dow Silicones Holding Japan G.K.
Chairman and CEO of Dow Toray Co., Ltd.
2020 President and Representative Director of Dow Chemical Japan Limited
2022 Resigned as Director of Dow Chemical Japan Limited

Director
Chairman and Representative Director of Aflac Life Insurance Japan Ltd.
Attorney at Law, admitted in Pennsylvania, the U.S.A.
Attorney at Law, admitted in Washington, D.C. , the U.S.A.

Charles D. Lake II

1990 Entered the Office of the U.S. Trade Representative as Special Assistant
Registered as an attorney at law, admitted in Pennsylvania, the U.S.A. (to present)
1992 Director of Japan Affairs, the Office of the U.S. Trade Representative
1993 Director of Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative, the Office of the U.S. Trade Representative
1995 Attorney at law at Dewey Ballantine LLP
1996 Registered as an attorney at law, admitted in Washington, D.C., the U.S.A. (to present)
1999 Vice President and Counsel of Aflac International, Inc.
Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
2001 Senior Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
Senior Vice President and General Counsel of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
Deputy President of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
2003 President and Representative in Japan of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
2005 Vice Chairman and Representative in Japan of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
2008 Chairman and Representative in Japan of Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)
2014 President of Aflac International, Inc. (to present)
2018 Chairman and Representative Director of Aflac Life Insurance Japan Ltd. (to present)
2023 Director of the Company (to present)

Director
General Counsel Asia of Asurion Japan Holdings G.K.
Attorney at Law, admitted in New York, the U.S.A.

Jenifer Rogers

1989 Joined Haight Gardner Poor & Havens (currently Holland & Knight LLP)
1990 Registered as an attorney at law, admitted in New York, the U.S.A. (to present)
1991 Joined The Industrial Bank of Japan Ltd. (currently Mizuho Bank, Ltd.)
1994 Joined Merrill Lynch Japan Securities Co., Ltd. (currently BofA Securities Japan Co., Ltd.)
2000 Merrill Lynch Europe Plc
2006 Merrill Lynch (Asia Pacific) Limited (currently Bank of America Corporation) (Hong Kong)
2012 Bank of America Merrill Lynch (currently Bank of America Corporation) (New York)
General Counsel Asia of Asurion Asia Pacific Limited
2014 General Counsel Asia of Asurion Japan Holdings G.K. (to present)
2021 President of the American Chamber of Commerce in Japan
2023 Director of the Company (to present)